Competitive Management of Parks and Green Spaces
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Summary

The quality of the environment for most people in Britain is heavily influenced by the way local authorities maintain parks and other green spaces. Councils in England and Wales spend about £800 million each year — £16 per resident — on this activity. As well as traditional parks, they maintain open spaces and woodland, golf courses and areas for formal sports, play areas for children, highway verges and grassed areas in housing estates (Exhibit 1).

The introduction of compulsory competitive tendering will have a major impact. Under the Local Government Act 1988 a local authority will not be able to award the work as of right to its own workforce but will have to invite tenders from private contractors. Authorities whose expenditure on ground maintenance exceeds £100,000 per annum must put at least 20 per cent of their work out to tender by 1 January 1990, 40 per cent by the year after and so on until 1 January 1994 when all such work must be subject to competition.

Exhibit 1

THE RANGE OF SERVICES PROVIDED

Local authorities are active in many ways
The Audit Commission supports competition as a matter of principle. It offers the potential for both lower costs and better services. The limited experience of tendering to date suggests that authorities can expect to achieve contract price savings of between 10 to 30 per cent. There may be some off-setting increases in expenditure. The one-off client side cost of setting up a contract is likely to equate to about six per cent of the annual contract sum, and annual costs of administering and supervising the contracts about four per cent.

But good authorities should already be incurring some of these costs in supervising their own workforce.

And the net annual savings from competitive tendering are likely to be in the range of 5 to 25 per cent.

It is, however, important to recognise that there are potentially bigger prizes at stake. Greater gains could come from improvements in the effectiveness of services, as client departments detach themselves from the day-to-day problems of running services, and give greater attention to questioning how provision matches the many varied demands of the community. Local authorities should seize this opportunity to assess and enhance the effectiveness of the service. Increasing public concern with environmental questions makes the need to do so urgent.

To meet the challenge of the Act, and realise the potential improvements, authorities should already be working through an implementation programme. They need to:

— set down a policy on the future provision of parks and open spaces, and the use to be made of each area;
— review and document the maintenance standards to be achieved;
— establish a management organisation in line with the implications of the Local Government Act 1988, i.e. with clear roles for committees and officers and clear distinctions drawn between client and contractor functions;
— establish an inventory of the work to be done;
— determine the capabilities of contractors (private and in-house) and decide how to divide the work in a way which may promote the most competitive bids;
— prepare contract specifications, based on a mix of specifications of performance to be achieved and tasks to be completed at a stated frequency;
— install appropriate inspection arrangements. As a guideline, the Commission suggests one inspector for each £1/2 million of annual contract value let;
— decide how they will monitor the overall performance of contractors in maintaining facilities and how they will check that facilities continue to be used by those for whom they are intended.

Auditors will be reviewing experiences of competitive tendering during the audit year beginning in November 1989.
1. Local authorities have by far the greatest influence on the quality of the environment. Their planning policies are one important factor and the look and style of Britain's towns and villages are decisively affected by the way they carry out their responsibilities for maintaining parks and other green spaces. For the most part, people in Britain seem well satisfied with the service they provide, though there is some evidence that authorities are not always sufficiently responsive to changing tastes. Some people, of course, would argue that they should not be.

2. But though there may be relatively few vocal critics of the quality of service, the cost of provision is about to come under the microscope. In January 1990 the process of putting work out to competition, under the Local Government Act 1988, will begin. This report focuses on the ways in which that change will affect the way the service is managed. The Audit Commission, as a matter of principle, is in favour of competition in local authority services. But it is also aware that badly managed contracting out (like badly managed in-house operations) can affect the quality of the service. The challenge local authorities face is to ensure that they benefit from the cost savings opportunities which are certainly available, while maintaining or enhancing quality.

3. Local authorities maintain about 120,000 hectares of urban parks and open spaces. This is about the same area as the county of Berkshire. Between 10 and 15 per cent of the total developed area in England and Wales is urban open space.

4. The gross cost of horticultural services for local authorities in England and Wales is currently about £800 million a year. Almost 60 per cent of this expenditure goes on parks and other outdoor recreation facilities; the balance on a range of other services such as highways and education (Exhibit 2).

5. Some of the activities covered by this expenditure are strictly functional, for example making safe a dangerous tree; others are creative and aesthetic, such as designing and maintaining floral bedding schemes; still others promote physical recreation, providing and maintaining for example, football and cricket pitches. The work is often characterised by the need for medium to long-term planning and management; poor care of a cricket square or shrub bed can ruin months of previous effort. Horticultural services must also contend with the weather, pests and disease, and vandals.

6. After local government reorganisation in 1974, most district councils took on the responsibility for the provision and maintenance of parks and open spaces but in some instances this responsibility was assumed by local councils (parish, town and community). About three quarters of total local council expenditure is on these services, amounting to some £40 million a year, or about five per cent of all local government expenditure on this service. Shire districts are overall the largest spenders on parks and other horticultural services, but all tiers of local government contribute (Exhibit 3).

7. Within the same categories of local authority there are considerable differences between individual councils in terms of expenditure per head (Exhibit 4). Some of these differences reflect historical accidents (for example endowment of parks) rather than policy choice; but there is also evidence of considerable local variations in discretionary spending.
Exhibit 2

THE MAKE-UP OF LOCAL AUTHORITIES' £780M A YEAR EXPENDITURE ON HORTICULTURAL SERVICES

The main expenditure is on parks and recreation

Note: These figures refer to all authorities in England and Wales
Source: CIPFA leisure and recreation estimates 1987-88

Exhibit 3

ESTIMATED EXPENDITURE ON HORTICULTURAL SERVICES, 1987-88

Non-metropolitan districts are the largest spenders, but all tiers play a part

Note: These figures refer to all authorities in England and Wales
Source: CIPFA leisure and recreation estimates 1987-88
Exhibit 4
RANGE OF EXPENDITURE ON PARKS
There is a wide range of expenditure within each type of local authority

Note: These figures refer to all authorities in England and Wales
Source: CIPFA leisure and recreation estimates 1987-88
8. The Local Government Act 1988 includes ground maintenance as one of the activities to be subject to compulsory competitive tendering. Ground maintenance is defined as:

(a) cutting and tending grass (including re-turfing and re-seeding but not initial turfing and seeding);
(b) planting and tending trees, hedges, shrubs, flowers and other plants (but excluding landscaping any area);
(c) controlling weeds.

This definition includes the work of plant nurseries, but excludes ground maintenance whose primary purpose is research or specific conservation.

9. All local authorities are subject to the legislation apart from those where annual expenditure falls below the de minimis limit of £100,000. These are mainly parish, town and community councils almost all of whom are expected to be below this figure at present, although some may need to go to competitive tender in the next few years. Local authorities affected by the Act must put at least 20 per cent of their ground maintenance work out to tender by 1 January 1990, 40 per cent by 1 January 1991, and so on until all work has been put to tender by January 1994. The legislation does not preclude authorities from acting faster than this and a number plan to do so. The Commission knows of at least 20 authorities who aim to invite competitive bids for contracts beginning in April 1989.

10. Successful in-house contractors will have to keep to their contract price and secure the rate of return determined by the Secretary of State. All local authorities will need to establish clear contract management procedures even where their in-house operations win all the contracts. Local authorities subject to competitive tendering will therefore need to establish a client role; that is the means by which they will obtain and manage horticultural services irrespective of who carries out the work (Exhibit 5).

11. It is important to recognise that nothing in the legislation detracts from a local authority’s duty to decide what kind of parks and recreation provision it wishes to finance. Indeed, the primary responsibility of the client is to formulate and implement policy towards the provision of services — exactly who maintains the service should be a secondary consideration. The legislation is focused on this second issue.

12. But there is clearly a danger that the client role may take second place as authorities plan for the impact of competitive tendering on in-house contracting staff, their pay, conditions and working methods. Authorities should try to guard against this. Ensuring that there are personnel dedicated to fulfilling the client role will usually be the most effective way of doing so.

13. This report describes the most important elements of good practice in client side management:

— Chapter 1 discusses the client's strategic responsibilities: assessing the needs of the community and reconciling them with available finance;
— Chapter 2 describes the organisational framework needed to cope with the new legislation;
— Chapter 3, the largest section, sets out the principles and practice of contract management;
— Chapter 4 includes a summary and an implementation timetable.
The report is based on the work of an Audit Commission special study team and the bulk of the work was carried out in the summer of 1988. Valuable assistance has been provided by a consultative group of local government officers representing the Local Authority Associations. Members of the study team have spoken to a large number of local authority staff and carried out visits to over 20 local authorities to discuss particular issues. Discussions have also been held with the Department of the Environment, the Institute of Leisure and Amenity Management, the Association of Chief Technical Officers, the Sports Council, the National Association of Local Councils and other interested bodies. As with all the Commission’s reports responsibility for the analysis and the conclusions rests with the Commission alone.
1. Strategic Client Responsibilities

15. The local authority as client must define policies and set standards before contemplating letting and managing contracts. This should involve:
   — assessing consumer demand and satisfaction with existing services;
   — developing new ideas on service provision and development;
   — defining the desired level of provision in each area;
   — planning for, and securing, adequate financial resources to support that provision;
   — determining appropriate standards of maintenance, consistent with the service objectives;
   — monitoring the success of facilities in attracting the use for which they are intended.

DEMAND, PROVISION AND FINANCE

16. British cities stand out as providing more parks than their counterparts overseas; London and Birmingham, for example, both provide twice the area of parks per inhabitant as Paris, and ten times that of Tokyo*. Analysis of the largest English and West German cities shows marked ranges in the provision of urban space per head — England 10 to 51 square metres and West Germany 14 to 32 square metres. The average English provision is 50 per cent higher than West Germany — 30 square metres compared to 20 square metres. These comparisons need to be used with caution. Some cities may have lower provision because their residents have access to countryside outside the built-up area.

17. The scale of parks, open spaces and other horticultural services generally reflects the historical inheritance and traditions of local authorities. In England and Wales, municipal open space has by and large passed through three phases: the Victorian stage of creating formal parks for walking or ‘promenading’; a pre-World War II stage of developing sports and physical recreation facilities; and a post-war stage of responding to increased competition from other leisure pursuits, particularly indoor sports and countryside recreation. Those responsible for the provision and maintenance of parks need continually to react to the changing demands of users with a greater range of choice, as cheaper transport has made it possible for many people to travel out of their immediate neighbourhood on a regular basis.

CONSUMER DEMAND

18. Park users fall into identifiable social groups. While these vary according to neighbourhood, a disproportionate number are children, ‘blue collar’ workers, or are economically inactive such as housewives, the retired and the unemployed. Data from Social Trends+ suggests that less than five per cent of the adult population use parks regularly and that this proportion has remained reasonably constant over the last two decades.

19. This implies that use of parks has not shared in the overall growth of the leisure sector. But there is relatively little national data on usage of local authority parks and open spaces, primarily because of its fundamental informal nature and the general absence of entry fees.

20. There is also little experience of assessing public perceptions and expectations of parks and open spaces. It has been argued that providers of parks and gardens commonly regard them as a legacy to be maintained rather than as a facility which should be managed in response to local requirements*. Research based on discussion groups of local residents suggests that parks and open spaces can make a positive contribution to the quality of urban life but that this potential often remains unfulfilled". This may be due, in part, to the difficulty of reconciling the diverse needs of different groups.

21. Elected members often have a keen interest in the maintenance and use of parks and similar facilities, while some councils make regular assessments and surveys (Exhibit 6). For example:

— Hackney has set up local parks users’ groups;
— attitude surveys have been conducted for Lewisham and a number of authorities have used opinion polls;
— Lliw Valley has issued a discussion document to community groups and other bodies to help determine priorities for future investment and effort;
— Bristol has a system of explicit objective setting, strategy fixing and performance indicators for its parks. There is also a targeted complaints monitoring system.

22. The Commission commends these initiatives. In its Management Paper *The Competitive Council* it drew attention to the importance of understanding customer needs. This is as important in the case of parks as in any other service. It is particularly important at a time when, faced with the challenge of competition, authorities will need to set down their service objectives in contract form.

PROVISION

23. Parks management must respond to changing consumer demands and consider the broader social role of facilities. In the Commission’s view, authorities can best ensure that they continue to adapt to changing demands by instituting formal review procedures either by area or by function. This should be done before maintenance contracts are signed or renewed and, therefore, should dovetail with the contract letting timetable.

24. In urban areas, for example, some groups of people may be reluctant to visit parks where there is no local authority supervision. The trend in recent years of reducing or eliminating park attendants appears to have had a negative effect on the potential park user. The presence of a trained park attendant can be a positive force in encouraging the local community to use parks, especially where young children play. Lack of supervision can lead to vandalism, excessive litter, broken glass and anti-social behaviour. This highlights the need for authorities to maintain a balanced view towards the overall purpose of their facilities — and not simply focus on maintenance savings or economies.


Exhibit 6
MEASURING CONSUMER SATISFACTION - AN EXAMPLE OPINION SURVEY
Authorities need to understand customers' needs

**QUESTION**
If you never or hardly ever use council parks, what are the reasons?

- Nothing of interest to you there
- Don't have information on what is available
- Weather not normally good enough
- Difficulty with transport or parking
- Other (please say what)

**ANSWERS**

Reasons for not using parks
Some reasons why people might not use parks and open spaces were suggested in the questionnaire. The most frequently chosen of these was ‘nothing of interest there’, which accounted for 29% of the comments for all ages. This comment was chosen much more frequently among young people (45%) and less frequently by those aged 60 and over (14%).

Those aged 60 and over also mentioned ‘difficulty with transport or parking’ (22%) and old age, illness, disability or problems with a handicapped relative (25%), as major reasons for not using parks.

‘Weather not normally good enough’ was chosen with equal frequency among all age groups (21% to 24%). Other reasons given were lack of information (13%), lack of time (9%) and preference for own garden, countryside, etc. (3%).

**QUESTION**
If the following changes were made in parks, would you use them more or less often?

<table>
<thead>
<tr>
<th>Change</th>
<th>Much More Often</th>
<th>More Often</th>
<th>About the Same</th>
<th>Less Often</th>
<th>Much Less Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved children's play areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More catering (teas, snacks, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More flower beds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Wildlife’ areas of natural growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information on flowers and trees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Music (bands, buskers, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organised sport or activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organised play for young children</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More games (crazy golf, outdoor chess)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ANSWERS**

Reaction to suggested changes
The most popular idea was for ‘wildlife’ areas of natural growth with 37% saying they would use parks more. Next was roughly equal support for more catering, information on flowers and trees, games such as crazy golf, improved children’s play areas and music. Organised sport or activities and children’s play was not so popular. The lack of enthusiasm for more flower beds perhaps suggests that they are adequate in most parks.
FINANCIAL RESOURCES

25. Authorities have, in general, based their identification of resources on historic budgets adjusted for inflation. These may have been supplemented by sums made available for new development, or reduced to take account of decisions to lower maintenance standards or service provision. Competitive tendering has major implications for council budgeting strategy. Contract bids will be received against a specification, and the council will not know the precise cost until contracts are awarded.

26. If, as the evidence to date suggests, competitive tendering leads to financial savings the authority has three options. It can:
- reduce the rates (or eventually, the community charge);
- divert resources to other services;
- consider potential improvements in levels of service provision.
These are policy matters for members to consider; they demonstrate that competitive tendering does not reduce the need for member involvement in setting policy.

27. In making these decisions it is vital that members are influenced not by who does the work, but rather by what work should be done. In some authorities it is possible that client officers who predominantly employ external contractors could find it difficult to maintain their budget allocations against the claims of other departments spending predominantly on in-house labour. Any such tendency should be resisted. The right way of setting budgets is to agree on the level of service to be provided, and not to focus on who is providing the service.

MAINTENANCE STANDARDS

28. Once key decisions on the type and level of service have been made, the client needs to set maintenance standards. For some activities horticultural standards have very little bearing on the ability of an authority to provide a service; for example, Bristol caters for model aircraft flying, parascending and whippet racing in one of its parks. But for other services horticultural maintenance standards are critical and determined precisely by the use to which the facility is to be put. In the case of a cricket pitch its function will leave relatively little discretion — although preparation still depends on the standard of the game and vice versa, though the impact of the higher standard of pitches in this country than in, say, the West Indies cannot easily be discerned at the national level!

29. For those facilities between the extremes authorities have more discretion and evidence suggests that councils do set different standards (Exhibit 7). Some of the variations observed may be explained by variation in climate and other environmental factors, but there are also choices to be made on aesthetic and financial criteria.

30. In addition to the variation in standards for the same category of ground, there is likely to be variation in the way areas are categorised for maintenance. One authority may classify an area as general amenity, while another would designate a similar area as a fine ornamental lawn. One of the client-side roles should be to experiment with different categorisations of areas. For example, Oxfordshire and Hackney are developing 'natural areas' aimed at promoting wild life and natural vegetation to develop educational opportunities. St. Helens is experimenting with differential mowing. In these authorities the traditional service has been questioned, a different maintenance regime been introduced and as a by-product lower maintenance costs achieved.
MAINTENANCE STANDARDS FOR GENERAL AMENITY AREAS

The variations in standards are partly due to variations in climate, but other factors impinge

<table>
<thead>
<tr>
<th>AUTHORITY</th>
<th>CUTTING PERIOD</th>
<th>FREQUENCY</th>
<th>LENGTH mm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bournemouth</td>
<td>March - Dec.</td>
<td>Every 14 days, 7 in peak</td>
<td>-</td>
</tr>
<tr>
<td>Babergh</td>
<td>April - Oct.</td>
<td>10 cuts</td>
<td>-</td>
</tr>
<tr>
<td>Bolton</td>
<td>April - Sept.</td>
<td>17 cuts</td>
<td>20 - 30</td>
</tr>
<tr>
<td>Lliew Valley</td>
<td>March - Oct.</td>
<td>Every 28 days, 14 in peak</td>
<td>30 - 60</td>
</tr>
<tr>
<td>Hillingdon</td>
<td>March - Nov.</td>
<td>12 cuts</td>
<td>25 - 75</td>
</tr>
<tr>
<td>South Bedfordshire</td>
<td>April - Sept.</td>
<td>Every 14 days</td>
<td>-</td>
</tr>
<tr>
<td>Windsor and Maidenhead</td>
<td>March - Nov.</td>
<td>14 cuts</td>
<td>25 - 75</td>
</tr>
</tbody>
</table>

Source: Audit Commission fieldwork

31. A danger in this, and any other local authority service where contracts must be specified in detail and put out to tender, is that thereafter the service may be more difficult to adapt to changing circumstances. All authorities therefore need review mechanisms to prevent ossification of the service. Authorities could introduce experimental maintenance regimes and standards in small areas to gauge public and member opinion. The advent of competition makes it a good time to do this. Even if authorities are too late to introduce changes for the first stages of competition, those letting maintenance contracts in tranches will still be able to learn from public reaction before letting the second and third phases.

MONITORING OUTCOMES

32. Setting service objectives and standards should not be seen as a one-off job. They should be continuously reviewed in the light of the use made of facilities and any alternative demand from users. Some authorities have introduced formal review mechanisms to help — for example Cheltenham has an annual reporting system setting out achievements and disappointments in relation to departmental aims and objectives.
2. The Organisational Framework

33. The choice of organisational structure for parks and related services must take account of local matters such as the size of the authority, its style, the calibre of its existing staff, the current efficiency of its workforce, agency agreements with other authorities and so on. Furthermore, a structure designed to respond now to the immediate requirements of the Local Government Act may not be appropriate in five years’ time. For these reasons the Commission does not presume to prescribe one solution common to all authorities. However, it does recommend that each authority review its organisational structure against the requirements of the legislation. There are a number of factors that should be considered in this review process (Exhibit 8).

Exhibit 8
EVALUATING ORGANISATIONAL STRUCTURE IN PARKS AND RELATED SERVICES

Authorities should evaluate their organisational structure against a number of criteria

The management structure should:
1. Facilitate the setting of objectives.
2. Enable clients to obtain adequate overall resources.
3. Ensure fair competition between in- and out-house contractors. To do so it must:
   - minimise potential conflicts of interest
   - minimise opportunities for corruption
   - permit accurate costing of DSO work
   - allow DSO managers to manage commercially.
4. Require lean staffing levels and low overheads.
5. Be internally consistent; in particular, committee and management structures must be aligned.
6. Provide for clear accountability and allow objective and accurate monitoring of performance on service delivery.
7. Promote an attitude of adaptability so that services can be altered to suit changing circumstances.
34. The Appendix describes two contrasting management structures and, to illustrate the review process each authority should undertake, evaluates these against the checklist of factors. Some of the more general considerations are discussed below, particularly the need for a client-contractor split and whether to have a single client department for all horticultural services or one for each separate activity (e.g. housing, parks, highways). Another important consideration is whether to have a direct service organisation (DSO) dedicated to ground maintenance or whether to combine it with other services in a multi-functional DSO. But this is not a client-side issue and therefore is not considered in detail here.

35. Councils need to decide whether to retain direct control over staff such as park keepers and security staff. These functions are generally perceived to be the direct responsibility of the client. The Provisional Accounting Code of Practice* states that 'emergency work and work done by an employee the greater part of whose time is devoted to, or whose primary duty is to do, other work which is not defined as direct service work' is exempt from the 1988 Act. There is therefore no statutory requirement to put these out to tender, although equally there is no reason why such services should not be subject to competition.

**CLIENT-CONTRACTOR SPLIT**

36. Whatever departmental organisation the authority has, it will in the future be vital to define clear client roles for committees and officers. The requirement to establish a clear client role is incontrovertible; where clients should sit within the committee and departmental structure is more debatable.

37. The Commission strongly believes that clients should be distanced from contractors and that authorities should develop new organisational structures to create that distance. The responsibilities for submitting and adjudicating on tenders should be separated. At member level this is best done through separate committees. A number of authorities have achieved this separation by having the DSO report to a board, constituted as a sub-committee of say, the Finance and General Purposes Committee. Members on the DSO board should not be part of the principal client committee of that DSO, though it may be impractical to suggest that those members should avoid any client committee work. At officer level separation can be achieved through separate departments or through clear definition of sections within departments (Exhibit 9).

38. The main reasons for advocating separation are:

- clients should be concerned with service standards and achieving value for money. Contractors should be concerned with winning contracts and performing to standards and price. In terms of intellectual requirements and style of operation the demands are quite different. 'Two-hattedness’ could muddle priorities and result in officers and members compromising objectives; for example, it would be very easy for the client’s specification to be influenced by considerations aimed at supporting the in-house contractor which are unrelated to the council’s overall objectives. Although this problem may not be totally eradicated, the Commission believes it is less likely if the two sides of the contract are managed by different officers and committees;

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*The Extension of Compulsory Competition: Meeting the Challenge, Part VI CIPFA, 1988.*
Exhibit 9
SEPARATING CLIENT AND CONTRACTOR ROLES
There are two main routes to achieving client and contractor separation

Clean separation at member and officer level

Clean separation at member level, separation below deputy at officer level
• the in-house contractor is more likely to operate competitively if separate from the client. In most authorities achieving competitiveness will require changes to basic working attitudes, methods, pay and conditions. These changes are more likely to be achieved in a free-standing DSO where the manager can develop his approach in a more commercial environment similar to that of his rivals. In a small authority, where there is no separation of client and contractor, the post of DSO manager may not be sufficiently attractive to a high calibre manager;
• it will help to demonstrate that the authority is serious in giving equal treatment to all contractors — private or in-house. Leaving the in-house contractor in the same department as the client may leave the authority open to accusations of anti-competitiveness, whether there is substance to this or not. If private contractors do not believe they will be treated fairly they may not bid. This will negate many of the potential benefits of competition;
• it will help authorities put more emphasis on general management skills rather than professional qualifications. For example, creating explicit client departments should lead to a greater emphasis on the management of the client function, and not obscure it with the technicalities of the precise methods of service delivery.

39. These arguments are so strong that, were one to establish a new authority today a clear client-contractor split would be inevitable. But there are those, perhaps influenced by the shape of their existing organisation, who argue that putting the client and contractor roles into different departments and committees would create problems, such as:
— a possible overall increase in expenditure resulting from two separate operational structures — for example, both the client and the contractor will require particular support staff, whereas in the same department they could share;
— the Competition Joint Committee argue in The Extension of Compulsory Competition: Meeting the Challenge that there are disadvantages in DSOs moving to other departments away from their clients since this would lengthen lines of communication;
— skill shortages: it may be difficult to split managers between departments where there is only one person at a particular level or if two work together as a good team (say, parks manager and a deputy). Combining client and contractor in authorities could concentrate limited management skills.

40. It might be thought that the above arguments for not putting the client and contractor into different departments are most applicable to small authorities. Surprisingly, these are the authorities that are mainly in the vanguard of fully separating, while many of the larger authorities, particularly metropolitan districts and London boroughs, are retaining mixed departments. This suggests to the Commission that these arguments are not strong — and that in some instances it is inertia, considerations of officer status or perhaps a desire to circumvent the legislation and protect the DSO that are preventing separation.

41. Separation will reduce the size of the workforce of some chief officers — and with this comes a perceived loss of power. Some chief officers who have made the separation and lost staff admit that they were reluctant at the time, but are now happy that the new arrangements give sharper direction both to client and contractor roles.

42. From the authorities it has visited the Commission has found no evidence of substantial cost increases arising directly from the establishment of a complete client-contractor split. The client side may take on staff such as supervisors displaced from the contractor side
and deploy them as contract inspectors or the client role may be expanded, but this expansion is not ascribable to the client-contractor split.

43. Some local authorities have adopted a phased client-contractor split where, initially, client and contractor roles are established within one department under one chief officer before splitting into separate departments. This has been combined with a dummy run including submission and evaluation of prices, and contract management supervision and inspection (Exhibit 10). In others, while the intention is to leave client and contractor within the same department, the structure is such that a later complete split could occur with relatively little upheaval.

Exhibit 10

PREPARING FOR COMPETITION IN BOURNEMOUTH
A staged approach to separation has been adopted

NOTE:
• No extra staff result from client-contractor split
• High staff turnover as new styles of management and operation are introduced
• The client established a contract development unit (four temporary posts) to create specifications and assist in preparation of contract documents, e.g. measuring areas, preparing bills of quantities etc.
NUMBER OF CLIENTS

44. Typically, even in a district council of modest size, as many as five committees pay for ground maintenance work; this complicates the definition of the client. Because client officer experience is often concentrated in one or two individuals, several committees may use the same officer regardless of that person's line management responsibilities. In effect, the lead client officers operate as agents for other departments and committees.

45. One large shire district rejected this arrangement because it thought that a client officer acting as agent to a number of committees would inevitably devote a disproportionate amount of time to his own department. This authority established an agency organisation within a neutral department. However, this separate agency organisation should be unnecessary. Where an obvious potential agent exists within one spending department, it makes sense to use that person's skills without disturbing the fabric of the authority. Committees should be strong enough, irrespective of how much they spend, to ensure that their agent gives them good advice and secures best value for money.

*   *   *

46. The introduction of competitive tendering has provoked many authorities to reconsider their committee and departmental structures. The Commission has little doubt that, where services are subject to compulsory competitive tendering, there will in the long run have to be a separation of client and contractor. Authorities should recognise this in whatever decisions they make in the short term. The complexity of local circumstances, however, makes it impossible to prescribe one unvarying formula. But authorities may find the checklist included in Exhibit 8 some help in structuring their thoughts.

47. It remains to be seen whether authorities which have separated client and contractor functions get better results in terms of economy or effectiveness than those that do not. The Commission will monitor the outcomes from November 1989.
3. Contract Management

48. Until very recently few councils contracted out major horticultural work to the private sector. A few rural districts (such as Hambleton and South Lakeland) have let grass cutting contracts. Other authorities have used contractors to cope with peak workloads, or for specialist maintenance services (for example tree work). A number of councils have experience of employing other local authorities, but this has normally been without the full rigours of contract management demanded by the Local Government Act 1988. In the past two years some authorities have let major contracts (e.g. Bath, Hertsmere and Rochford), and others plan to do so ahead of the statutory timetable.

49. If work is to be carried out under contract the client must:
   • establish an inventory of work;
   • prepare contract specifications and tender documents;
   • identify and choose contractors;
   • inspect the work; and
   • design a system to receive and pay invoices.

This Chapter discusses the key requirements and emerging good practice in each case.

ESTABLISHING AN INVENTORY OF WORK

50. The foundation of letting contracts is knowing what work is undertaken and where it is carried out. It is a side benefit of competitive tendering that some authorities are for the first time compiling comprehensive lists of work sites. The majority, however, are able to update existing records used for incentive bonus schemes.

51. Not all inventory work requires detailed horticultural knowledge. St. Helens measured some of its work by redeploying staff from a housing maintenance DLO. For authorities preparing detailed inventories (including, for example, identification of trees and obstructions, or identification of areas demanding different methods of cutting by various machines) the following gives some indication of the scale of effort:
   — Bolton estimated that it would take 2.5 man years to remeasure the whole of its horticultural work (annual value £3 to £4 million). (This estimate has subsequently been revised downwards);
   — in Bath it took about 0.75 man years to identify and measure 10,000 sites (annual contract value £1 to £1.5 million);
   — in Plymouth it has taken two man years to measure sites, and the work is still continuing (annual contract value £3 million).

The evidence suggests that one man year’s effort for measuring works valued at £1.5 million per year is a useful good practice target. The initial inventory collection costs are likely to be of the order of one per cent of the annual contract value and maintenance of the inventory thereafter should only represent a small fraction of this. If the measuring effort is greater than this, it implies that measurement is being carried out either in too much detail or too slowly.
52. In one authority particular difficulties arose from uncertainty over ownership. Another problem occurs when authorities embark on the task and they find they are unaware of the true extent of sites for which they have maintenance responsibility.

53. Most authorities with considerable ground maintenance work to put out to tender are using computers to store the inventory (Exhibit 11). Some have developed in-house systems, others have purchased commercial software packages. Well-designed databases, such as those used by Bath, should be portable between authorities. The Commission's view is that individual local authorities are unlikely to be achieving the best return from their efforts if they continue to develop new programs. It would also be unreasonable in these circumstances to attribute the high cost of software design to the demands of competitive tendering. Bespoke software could cost an authority at least £50,000. It should be possible for most to buy from commercial suppliers for around a third of that amount.

54. In a computerised system keying-in and validating data is an unavoidable activity; the cost is likely to amount to between 10 and 20 per cent of the expense of measuring the sites and collecting the data. Bath input information on over 10,000 sites and 60,000 tasks, amounting to 20 megabytes in total.

55. Mapping is another inventory activity. Most plans are approximate but Bournemouth has taken the radical approach of basing inventories on maps. A four-person contract development unit has been employed to set up the contracts; this team includes one tracer who will work on the mapping exercise for up to two years. Eventually the authority hopes to computerise mapping so that changes can be easily made.

56. In summary, inventory establishment is likely to involve buying a micro computer (if the client department does not already have one), acquiring software, measuring sites, inputting and validating information and mapping sites. With the exception of the purchase of a computer and software, most of the costs are directly proportional to the size of the horticultural operation and the complexity of information collected. In round terms, set-up costs of the inventory should be no greater than three per cent of the annual contract value. Maintenance should not exceed $\frac{1}{2}$ per cent per annum. For small to medium size authorities these figures could be doubled if bespoke software is commissioned.

57. One spin-off from an inventory designed for contract management is that information can be provided for other purposes. For example, Bath plan to publish a tree and shrub guide for sale to visitors — this will contain information on 80,000 specimens in the city.

PREPARING CONTRACT SPECIFICATIONS

58. All authorities will need to invest effort in specifying contracts. They should not attempt to reinvent the wheel, but should base their specification on one of the illustrative examples prepared by the professional bodies or specifications made available by other authorities. The Association of Chief Technical Officers has published a specification and the Institute of Leisure and Amenity Managers will be doing so shortly. The Society of Local Authority Chief Executives and the Local Government Training Board give helpful advice on drawing up contract documents in their report, Managing Competition — Tendering for Local Government Services. The Joint Contracts Panel of the Local Authority Associations is developing a model core contract. A typical contract specification for a park is a combination of some, or all, of the following:

- identification of sub-areas;
- identification of jobs to be done to particular standards;
- description of frequencies of maintenance;
- description of times of year for maintenance;
- suggestion of methods to be used.
Exhibit 11
COMPONENTS OF A CLIENT COMPUTER SYSTEM

A good computer system can manage the links between tasks, contracts, inspection and invoices.
COMPUTERS

59. One advantage of computer systems is that they can assemble the pieces of information relevant to individual sites and create site-specific contract specifications. For example, if the council decides that it will have two standards of football pitch maintenance (one for education and the other for parks and open spaces), the computer can store model specifications for each of the two football pitch types. From the inventory it will know which committee pays for which pitch, and it can then link each pitch to the relevant standard. A pitch located in a park will appear on the contract specification with one set of maintenance guidelines, and a pitch in a school playing field with another. A good computer system will also provide cross-references to plan numbers, and print out a package of data for each site or sub-area to help the contractor price the jobs accurately.

60. The best systems go one stage further, enabling the client to experiment with 'what if routines. If the client puts in anticipated time values or prices against jobs, he can use the computer to calculate the likely effect on the overall price of altering the standards, frequency or timing. In a competitive environment this is only an approximation — the real cost is the price of the winning tender. But it can serve as a basis for option appraisal, and to demonstrate to committees the likely financial implications of altering service standards.

BILLS OF QUANTITIES OR PERFORMANCE-BASED SPECIFICATIONS

61. There are broadly two types of contract suitable for ground maintenance work:
   — one specifies tasks to be completed at a pre-determined frequency through bills of quantity;
   — the other performance to be achieved (e.g. grass to be maintained at a height of 25 to 75mm).

Contracts of the first type are normally based on a bill of quantities and a tendered rate. The bill of quantities is a schedule of the work to be done at each work site and its frequency. The lump sum for each contract is calculated by multiplying the quantities by the rates. Variations in the quantities can be valued using the same rates. This is the method used by Bath. The performance-based contract, on the other hand, requires contractors to agree to overall performance standards and to submit a lump sum bid. This should still be supported by a schedule of rates for work arising from contingencies and variations, but the rates are not necessarily directly related to the lump sum bid. Bournemouth intends to use this system.

62. In the bill of quantities approach the contractor will be informed of the frequencies of the tasks by the client. In the specification of performance approach the contract will specify, for example, the minimum and maximum acceptable lengths of grass plus a guideline number of cuts. The contractor will be expected to price at least to the guideline although the actual number of cuts required will be decided by the contractor in the light of the weather and other factors. The prudent contractor will price at a figure which will take some account of the potential variations in any cutting season.

63. Performance contracts are appealing, provided the required performance can be specified unambiguously. They should prove easier to inspect than contracts based on a bill of quantities because inspection can be made at any time to check conformity with the specification, rather than shortly after the work has been done. However, there is some danger that contractors will over-protect themselves against the risk of having to do the work more frequently than they allowed for and therefore the prices for performance contracts will be higher than for a bill of quantities.
In drawing up their specifications, authorities should be alert to the danger of unwittingly specifying higher standards or frequencies than currently apply, and then being embarrassed by receiving tenders with prices above those expected. This danger is greatest where specifications draw on standards and frequencies which have already been laid down, but which in fact the DSO are not achieving.

OTHER CONTRACTUAL CONSIDERATIONS

As is the case with other examples of competitive tendering, the authority has options in specifying the terms of the contracts. For example, they can be made labour only — the client can supply accommodation, equipment and materials. Provision of accommodation seems sensible because of the difficulty many councils have in finding alternative uses for site huts and depots. The SOLACE/LGTB report *Managing Competition — Tendering for Local Government Services* offers advice on how to licence the uses of premises.

Clients can provide materials as this gives control over quality for items such as grass seed. Bournemouth plans to do this partly because of the quality control advantage but also because of the purchasing discounts enjoyed by a large authority. An alternative is to inspect samples of materials, including plants, supplied by the contractor before they are used. This is the strategy adopted by North Devon and Hillingdon.

Where the client is supplying plant material, and where the authority believes it has a commercially efficient nursery, it makes sense for this facility to remain under the control of the client department — although it is still necessary for the work to be put out to tender at some stage under the Local Government Act 1988. Many authorities are, however, concerned about the efficiency of their nurseries and for these an alternative is to dispose of the nursery and buy plants direct from a commercial supplier. The third option, if the contractor supplies plants, is to offer the nursery to the contractor and allow him to decide whether to keep it on commercial grounds.

A further factor to be considered is how far equipment can be specified. Generally the choice should rest with the contractor, but for some work it is possible that the client will want to specify in generic terms the item of equipment to be used to provide the specified standard of finish. For example, for top quality turf maintenance the number of blades on a cylinder mower may be specified as a proxy for the number of cuts per metre.

Authorities naturally want to get full use from equipment already purchased, but as a long-term policy it would be wrong to expect contractors to use the authority's equipment. First, the contractor may have good operational reasons for using other types, and second it could lead to equipment abuse and related contractual difficulties.

There are no guidelines on contract size. Very large contracts are likely to be deemed anti-competitive because they exceed the capacity of most contractors. On the other hand, a multiplicity of small contracts may prove administratively difficult and costly, and unattractive to contractors. Several authorities have successfully let contracts with an annual value of between £100,000 and £500,000.

To date most contracts have been let on an area rather than functional basis. A gang might thereby have responsibility for grass and hedge cutting, rose pruning, and watering, servicing all committees. Specialist contracts may still be used for work like tree maintenance, bedding out and high-quality sports ground maintenance. The Commission's view is that most authorities should use a combination of contract types, but that all authorities should avoid proliferation of functional contracts as too many may prove more difficult to administer. The overall objective, of course, is straightforward — to maximise value for money.
IDENTIFYING AND CHOOSING CONTRACTORS

IDENTIFYING CONTRACTORS

72. The Government has legislated on how to advertise for contractors — authorities are required to advertise locally and in trade journals. Hertsmere used the British Association of Landscape Industries to help draw up a select list of potential contractors. Nine contractors were asked to tender for work, all capable of handling contracts to the value of £1½ million, and all within 50 miles of the authority.

73. Another aspect to consider is the development of quality assurance schemes. These include accreditation of contractors according to working methods and status. If the schemes develop they will provide clients with select lists of reputable contractors. At least one authority is marketing information on contractors, and exchanges of this type of information may develop in the future.

74. In advertising for contractors many authorities are explicitly asking what sizes of contract the contractor is capable of carrying out. Authorities may then use this information to design the best balance of contracts. Done properly, this should result in authorities being able to choose which contractors to ask to tender, rather than being forced to seek tenders from a very small number.

VETTING CONTRACTORS

75. Some authorities are developing standard vetting procedures that can be used for all types of contract — for example, horticultural, cleansing or catering. One authority visited by the study team has set up a central contracts unit within its management services department to handle the initial stages of contract letting. The authority has developed tender-vetting questionnaires to help, first to choose the most likely contractors to be asked to prepare tenders, and second to check that the winning tender is in order. At the first stage the questionnaire asks for general information on company status and accounts, and previous work, and for specific information on items such as quality assurance. At the second stage the questionnaire requires specific details on matters such as supervising arrangements, equipment to be used, and arrangements to cover for unexpected sickness or leave.

76. Vetting procedures should be designed to require positive statements from contractors rather than allow boxes to be ticked. But authorities should not try to use the process to deter contractors from bidding through the weight of bureaucratic procedures they impose. If they do this — and there is some evidence of the introduction of onerous reporting requirements — they will be vulnerable to challenge on anti-competitive grounds. The Provisional Accounting Code of Practice sets out matters which can and cannot be taken into account when choosing contractors. The Commission's view is that authorities which thwart the competitive process in this way will, in all probability, be costing their rate or charge payers money through incurring higher costs than they need.

77. Authorities should meet potential contractors after sending out specifications, and before the complete tender is submitted. This is to help ensure that the contractor fully understands what is required. Bath, which has already let a substantial contract to a private contractor, went one stage further. Client officers visited the contractor's premises, inspected their machinery and visited current work sites. Where time and resources permit, that should be done. There is no better way of assessing a contractor than by examining work already performed and taking references from previous clients.
78. The various procedures for vetting contractors may initially appear costly and time-consuming but robust procedures are essential. There is an understandable fear of the implications of letting contracts to unreliable operators. But authorities should be clear that difficulties with contractors can be a symptom of client failings; the unfortunate experiences of a small number of authorities do not invalidate the arguments for the introduction of competition. With well thought out tendering procedures authorities should be able to weed out so-called ‘cowboy’ operators.

**APP pointing CONTRACTORS**

79. In an earlier Occasional Paper, *Competitiveness and Contracting Out of Local Authorities' Services*, the Commission argued that in most cases it is wise to have more than one supplier for a key service. This will ensure that a private monopoly is not simply substituted for a public one. This view has been endorsed by the Competition Joint Committee, which argues that the approach gives clients an opportunity for continuous comparisons of cost and performance. It is therefore fortunate that the legislation for ground maintenance contracts will lead to the phasing of contracts over successive years and to the possibility of several contractors.

80. Given the proposed timetable, most local authorities will be faced with managing formally let contracts at the same time as continuing to provide and manage a traditional service. By establishing clear client and contractor roles, the authority should be able to use it as an opportunity to manage the residual work through an informal contractual relationship. This will help to develop contract expertise without the finality of formal contracts throughout the service.

**INSPECTING WORK AND LIAISING WITH CONTRACTORS**

81. A large number of authorities appear to associate competitive tendering with the need to start inspecting work. While contract management requires inspection, it is wrong to assume that the in-house contractor has not needed equal levels of inspection in the past. Good practice authorities have always inspected their work, and directed employees to make good where work is unsatisfactory. Other authorities have taken a less positive managerial stance, expecting the bonus scheme to manage the operatives. In authorities with DSOs not subject to close supervision, there are examples of poor maintenance leading to closed facilities which could have been avoided with better inspection systems.

82. One potential problem of competitive tendering is that clients will set inspection at the wrong level — either too much or too little. As a guideline, the Commission suggests that no more than one full-time equivalent inspector should be needed for each £1/2 million of annual contract let (Exhibit 12). The inspection level should be less in urban areas, and might be more in very rural areas or in the initial stages of a contract.

83. Some authorities are considering quite radical changes to inspection schemes. For instance, Christchurch is considering a system of community wardens who will inspect the quality of a whole range of services within their area, such as parks, trees, street sweeping and refuse collection. They will also act as the local authority’s contact with the public. In smaller authorities a multi-functional approach such as this would appear to offer good value for money.
84. The Commission is alert to the possibility that authorities may transfer staff from contractor-side to client-side as part of efforts to make the in-house contractor operation more competitive. It would be unfortunate if in this way additional inspectors are created cancelling out the DSO’s improvements in efficiency. One authority has suggested that management services departments should be commissioned by clients to produce objective inspection schemes.

85. An authority with a large number of small contracts, or a large geographical area or no computer system, may have increased inspection requirements. An advantage of a client computer system is that it can produce inspection forms from the inventory, and then receive and analyse inspection information. For example Bath has a ‘pass’ and ‘fail’ system where passes are graded A, B and C, and fails D and E. The computer can generate analysis of the inspection information such as ‘all failures by particular contractors’, ‘all inspection details on bowling greens’ and ‘trends in performance over contract’. This provides valuable management information to help the client sharpen the specification, and guide him through contract reletting. It is also linked to the payment system; inspection analysis can be completed before bills are paid.

86. Another monitoring method is based on a system of default points, for example giving one default point for each job inadequately done, and a further default point for each day that the fault is not rectified. Payment deductions can then be made at the end of the month depending on the points total.
87. Ultimately some authorities may rely on terminating the contract and claiming against performance bonds held by the contractor. In reality the costs of doing so will encourage both parties to seek a compromise before going that far. The decision to have a performance bond should take into account the size, resources and technical and financial status of the intended contractor. There has been a practice in the past of setting bonds at 5 to 10 per cent of the annual contract value, but rather than such a rule of thumb the value of the bond should be an estimate of the net cost to the authority in the event of failure, for example the cost of making alternative arrangements less the likely value of work not paid for. Some contractors might be deterred by the need to give a performance bond, and it is likely that contract prices will be higher than otherwise to cover the cost to the contractor of raising the bond. Small contracts are unlikely to warrant the administrative and other costs of requiring bonds.

88. An alternative approach adopted by a few local authorities is that of quality assurance. This is a system aimed at organising the system of management to minimise the causes of poor quality or performance and to increase the chances that final inspection will be satisfactory. The contractor will institute systems and procedures designed to ensure the quality of service and will provide the client with documentary evidence of the monitoring of contractor performance (Exhibit 13). The client may be required to pay a small premium towards the contractor's quality assurance arrangements.

89. The client will still need to inspect and monitor, but a system of quality assurance should reduce inspection costs. If the client finds frequent examples of unsatisfactory work, the criticism will not just relate to poor contractor performance but also to a failure to adhere to an agreed quality assurance system; ultimately the contractor could lose his quality assurance accreditation.

90. These are examples of formal systems. Informal systems are also used, for example in respect of sports areas such as cricket squares and bowling greens. If these are unplayable or below standard the client will certainly be made aware by the users. This could be supported by a complaints book to ensure any adverse trends are identified and appropriate action prompted. Llw Valley will require contractors to keep diaries, logging all work in high quality sports areas — for example, cricket squares, bowling greens and pitch and putt courses.

91. Experience to date has also highlighted the requirement for good informal relations between client and contractor. The nature of horticultural work and the impact of uncontrollable weather dictate that there must be an element of flexibility. To accommodate this, client staff may need to meet contract supervisors on a daily basis, and senior staff from both sides monthly. It is difficult to imagine how this could operate successfully if clients and contractors viewed their relationship as one of adversaries.

**RECEIVING AND PAYING INVOICES**

92. If all the other parts of the client system are in order, payment should not present problems. One important point is that staff inspecting work should, in effect, be empowered to authorise payment. The line management implications of this may need to be worked through where inspectors are operating as agents for a department or committee which is not their own. In any case, the introduction of inspection and payment methods for contract management may be a good opportunity to review departmental paperflows.
QUALITY ASSURANCE

In this system, client and contractor share the inspection burden.
93. Another requirement is to agree speed of payment with the contractor. One authority, for example, has agreed to make payments within 14 days of receiving the invoice. If it fails to meet this, the client pays interest to the contractor. The Commission does not necessarily recommend that authorities follow this example. If they do so, they should certainly expect a discount for paying more promptly than the normal business terms, otherwise there would be no compensation for the authority’s cash flow losses. The point is that all contracts should be explicit about payment arrangements and methods.

BENEFITS OF COMPETITION

94. There is clear, although limited, evidence that where ground maintenance has been subject to competitive tendering there can be significant savings. Those authorities reviewed in the study which have put work out to competition have secured gross annual contract price savings in the range 10 to 25 per cent, and in these authorities there is no evidence to suggest that there has been any decline in standards (Exhibit 14). Discussions with local authority officers reveal that some of them are expecting to have to improve the efficiency of their DSOs by up to 40 per cent.

95. Another insight into the potential for improvement can be obtained from the range in prices charged for commonly occurring work. To establish the range in prices, the Commission devised a series of realistic jobs which might commonly occur in any parks department, and then asked authorities to price them as though their DSO or contractors were bidding for the work. Each model job is tightly specified, so that any variation in price should be attributable to variations in productivity or methods of working. To take out regional variations in pay, the time taken to do the work has been analysed (Exhibit 15). There is an extremely wide variation, some of which can be attributed to the method of working or the quality of work, but much is due to variations in productivity. The evidence on contractors’ prices is limited in scope, but for almost all jobs the few contractors’ prices are substantially below the average DSO price.

Exhibit 14
COST SAVINGS ACHIEVED FROM COMPETITIVE TENDERING

The evidence to date is that authorities can expect to achieve savings from exposing work to competitive tendering

<table>
<thead>
<tr>
<th>AUTHORITY</th>
<th>PREVIOUS ANNUAL BUDGET (£000)</th>
<th>WINNING BID (£000)</th>
<th>% SAVINGS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bath</td>
<td>330</td>
<td>280</td>
<td>15</td>
</tr>
<tr>
<td>East Lindsey</td>
<td>132</td>
<td>100</td>
<td>24</td>
</tr>
<tr>
<td>Rochford</td>
<td>790</td>
<td>700</td>
<td>11</td>
</tr>
</tbody>
</table>

* Annual contract management costs of about four per cent should be offset against contract price to give net savings

Source: Audit Commission fieldwork
Exhibit 15
THE VARIATION IN THE TIME TAKEN TO DO STANDARD JOBS IN DIFFERENT AUTHORITIES

There are wide variations in productivity. The ratio between the highest and lowest quarter of authorities is typically around 2:1

### JOB: POTTING ON 1,000 PLANTS

Time in hours

<table>
<thead>
<tr>
<th>Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

### Table: Ratio between times quoted by highest and lowest quarter of authorities

<table>
<thead>
<tr>
<th>Job</th>
<th>Ratio between times quoted by highest and lowest quarter of authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plants and shrubs</td>
<td></td>
</tr>
<tr>
<td>February rose bed pruning</td>
<td>1.71</td>
</tr>
<tr>
<td>March shrub bed maintenance</td>
<td>2.23</td>
</tr>
<tr>
<td>Spring bedding</td>
<td>1.88</td>
</tr>
<tr>
<td>Make-up hanging baskets</td>
<td>1.60</td>
</tr>
<tr>
<td>Nursery potting on</td>
<td>1.57</td>
</tr>
<tr>
<td>Nursery prickling out</td>
<td>1.71</td>
</tr>
<tr>
<td>Indoor floral displays</td>
<td>1.73</td>
</tr>
<tr>
<td>Tree work</td>
<td></td>
</tr>
<tr>
<td>Tree planting</td>
<td>1.81</td>
</tr>
<tr>
<td>Tree maintenance</td>
<td>4.42</td>
</tr>
<tr>
<td>Tree felling</td>
<td>6.20</td>
</tr>
<tr>
<td>Grass cutting</td>
<td></td>
</tr>
<tr>
<td>Gang mowing</td>
<td>2.09</td>
</tr>
<tr>
<td>Flail mowing</td>
<td>2.84</td>
</tr>
<tr>
<td>Urban verges</td>
<td>4.05</td>
</tr>
<tr>
<td>Parks grass</td>
<td>1.63</td>
</tr>
<tr>
<td>Sports pitches</td>
<td></td>
</tr>
<tr>
<td>Bowling green top dressing</td>
<td>2.90</td>
</tr>
<tr>
<td>Bowling green mowing</td>
<td>1.85</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Pre-match cricket wicket renovation</td>
<td>3.95</td>
</tr>
<tr>
<td>Autumn renovation of grass tennis court</td>
<td>3.04</td>
</tr>
</tbody>
</table>

Source: Model jobs specified by Audit Commission and priced by local authorities
96. Against these savings must be set the costs of setting up the contract and the recurring annual costs of inspection, maintenance of the inventory and contract administration. Set-up costs which would not otherwise be incurred typically equate to between four and six per cent of the annual contract value divided about equally between the costs of establishing the inventory of work and the costs of drawing up the specification and going out to tender. The recurring annual costs will typically equate to four per cent of the annual contract fee for the maintenance of the inventory and contract administration and inspection. Good practice authorities should be incurring much of these inspection costs anyway. In money terms this means that a £1 million annual contract may cost between £40,000 and £60,000 to set up, and then for each year of its life about £40,000 to administer.

97. The evidence suggests that the benefits from competition will outweigh the costs of contract specification and administration. For a £1 million annual contract, annual price savings of between £100,000 and £250,000 might be typical.
4. Programme of Action

98. The Local Government Act 1988 provides an opportunity for authorities to re-examine what they are trying to achieve and how best to achieve it. There is a range of questions authorities should be asking themselves to ensure their approach is both broad and practical (Exhibit 16).

99. To meet the challenge of the Act, and realise the potential improvements, authorities need already to be working through an implementation programme (Exhibit 17). They need to:

- set down a policy on the future provision of parks and open spaces, their location and the use to be made of each area. This should take account of the needs of special groups such as the elderly, disabled, children, gardeners, schools etc., and what the public think about parks, as measured by public opinion surveys, etc.;
- review the use of the facilities to ensure that they are effective in meeting needs;

Exhibit 16

QUESTIONS FOR CLIENTS
All authorities should ask themselves these questions:

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>CONSIDERATIONS</th>
</tr>
</thead>
</table>
| Do we know what facilities we have and why we provide them? | • Consumer views to be assessed and satisfaction monitored  
• Output measures identified  
• Danger of supply-led facilities  
• See Audit Commission publication on property management |
| When did we last review standards? | • Competitive tendering is good opportunity  
• Relationship between costs and standards |
| Do all staff have clear job descriptions? | • Changing jobs  
• New jobs  
• Retraining |
| Are members prepared for a different role? | • Relationship to external contractors  
• Contract variation |
| Do we have a sensible inspection scheme? | • Neither too much, nor too little  
• Quality assurance  
• Business-like relations with contractors |
| How will we monitor contract success? | • Complaints scheme  
• Comparisons with other authorities |
| How will we learn from our mistakes? | • Dummy run  
• Attitudes towards errors  
• Review procedures |
• review and document the maintenance standards to be achieved. Each authority should experiment with different standards to determine the most appropriate for each area;

• establish a management organisation in line with the Local Government Act 1988, i.e. with clear roles for committees and officers and a clear distinction drawn between client and contractor functions. The opportunity should be taken to review the level of overheads charged to clients and DSOs;

• establish an inventory of the work to be done, preferably based on a computer or a map. The initial set-up costs of collecting and computerising the inventory are likely to be in the order of three per cent of the annual contract value;

• prepare contract specifications, based on a mix of specifications of performance to be achieved and tasks to be completed at a pre-determined frequency;

• install appropriate inspection arrangements. As a guideline, the Commission suggests one inspector for each £1/2 million of annual contract let;

• consider whether to offer the DSO a 'dummy run', in which it and the client behave towards one another as though a formal contract existed between them.

100. Contractors should be identified by June 1989 and the contract awarded by the end of September 1989, allowing the winner to gear up over the three months prior to the start of the contract in January 1990.

101. During the year beginning November 1988, auditors will be working with authorities in the run-up to compulsory competitive tendering to advise them how to get the best out of the opportunities stimulated by the requirement for competition. There will also be the opportunity to draw on the experiences of those authorities which have put ground maintenance work out to competition earlier than prescribed by the legislation. In the following audit year, auditors will be reviewing the first full round of competitive tendering as well as the approach of authorities to the broader issues raised in this report.
Exhibit 17
TIMETABLE FOR COMPULSORY COMPETITION FOR GROUND MAINTENANCE

To meet the D-day of 1 January 1990 authorities need to be already into an implementation programme

<table>
<thead>
<tr>
<th>STAGES (MONTHS)</th>
<th>WORK TO BE DONE BETWEEN STAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>D MINUS 13</td>
<td>Choose type of contract</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>D MINUS 11</td>
<td>Advertise the work</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>D MINUS 7</td>
<td>Choose tenderers and invite them to tender</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>D MINUS 4</td>
<td>Open tenders</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>D MINUS 3</td>
<td>Choose winner</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>D-DAY</td>
<td>Winner starts work</td>
</tr>
</tbody>
</table>

- Draw up detailed specification and approximate quantities for the information of respondents - 2 months
- Ascertain quantities for inclusion in bills of quantities and schedules
- Supply specifications to respondents
- Receive applications from respondents to be invited to tender - 4 months (Act specifies 3 to 6 months)
- Tenderers price and submit tenders - 3 months
- Evaluate tenders - 1 month
- Winner gears up - 3 months
APPENDIX: CHOOSING AN APPROPRIATE ORGANISATIONAL STRUCTURE

This Appendix illustrates the review each authority should undertake of its proposed organisational structure. It evaluates two illustrative structures against the checklist of factors in Exhibit 8. The results cannot be extended to similar structures in other authorities since the evaluation has been done with specific authorities in mind; factors such as the calibre of staff, the size of authority and its style will not be the same in all authorities.

ILLUSTRATIVE EVALUATIONS

Authority 1 has made a clean split between client and contractor, while authority 2 has retained two-hatted officers down to assistant director level (Exhibits A1 and A2). Authority 2’s structure is an attempt to retain what it regards as the strengths of the traditional approach while meeting the demands of competitive tendering.

No structure is perfect — the important thing is to recognise the strengths and weaknesses and to correct for the weaknesses by providing checks and balances. For example, a two-hatted chief officer may be less motivated than a single-hatted chief officer to expose shortcomings in the DSO’s work, because of allegiance to his workforce, but this can be countered by having a separate committee of the council reviewing performance (Exhibit A3).
**Exhibit A1**

**THE STRUCTURE IN AUTHORITY 1**

This authority has made a full separation between client and contractor at both member and officer levels.

**Exhibit A2**

**THE STRUCTURE IN AUTHORITY 2**

The authority retains two-hatted officers down to assistant director level, and provides a common departmental support service to both client and DSO.
**EVALUATION OF ORGANISATIONAL STRUCTURES**

<table>
<thead>
<tr>
<th>CRITERION (from Exhibit 8)</th>
<th>AUTHORITY 1</th>
<th>AUTHORITY 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Facilitates the setting of objectives</td>
<td>Does so</td>
<td>The Director of Leisure Services and his assistant may be influenced by the needs of the DSO</td>
</tr>
<tr>
<td>2. Enables clients to obtain adequate financial resources</td>
<td>Should do so, but may be vulnerable in some authorities if the decision is influenced by who is doing the work</td>
<td>Should do so</td>
</tr>
<tr>
<td>3. Ensures fair competition between in- and out-house contractors</td>
<td>More likely to be seen as fair by outsiders</td>
<td>Less likely to be seen as openly fair by outsiders</td>
</tr>
<tr>
<td></td>
<td>Permits accurate costing of the DSO work</td>
<td>May be difficult to allocate overheads and the cost of support services</td>
</tr>
<tr>
<td></td>
<td>DSO untrammeled by the culture of the client department</td>
<td>DSO could be held back by the culture of the client department</td>
</tr>
<tr>
<td></td>
<td>Disputes between client and contractor will be highlighted</td>
<td>The Director of Leisure Services will be motivated to mediate in disputes</td>
</tr>
<tr>
<td>4. Requires lean staffing levels and low overheads</td>
<td>May be costly to have single-hatted chief officers in very small authorities</td>
<td>In theory, should require low staffing levels</td>
</tr>
<tr>
<td></td>
<td>The DSO manager's job will attract high calibre people</td>
<td>May be difficult to attract DSO managers of high calibre expecting high pay, but easier to attract good quality support staff</td>
</tr>
<tr>
<td></td>
<td>The DSO manager will be motivated to challenge overheads</td>
<td>In theory, should reduce overheads, while in practice providing less opportunity to challenge them</td>
</tr>
<tr>
<td>5. Is internally consistent</td>
<td>Committee and management structures fully aligned</td>
<td>Alignment not as complete as (1)</td>
</tr>
<tr>
<td>6. Provides for clear accountability and allows objective and accurate monitoring of performance on service delivery</td>
<td>Does so</td>
<td>Accountability clear, but if DSO wins the work, the Director of Leisure Services may not wish to expose shortcomings in service delivery</td>
</tr>
<tr>
<td>7. Promotes adaptability so that services can be altered to suit changing circumstances</td>
<td>Likely here because manager less concerned with impact on DSO</td>
<td>In principle no reason why service should not adapt but allegiance to DSO could prevent it</td>
</tr>
<tr>
<td>Title</td>
<td>ISBN</td>
<td>Date</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
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<td>Reducing the Cost of Local Government Purchases</td>
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<td>July 1984</td>
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<td>Securing Further Improvements in Refuse Collection</td>
<td>0 11 701267 X</td>
<td>August 1984</td>
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<td>The Impact on Local Authorities' Economy, Efficiency and Effectiveness of the Block Grant Distribution System</td>
<td>0 11 701266 1</td>
<td>August 1984</td>
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<tr>
<td>Improving Vehicle Fleet Management in Local Government</td>
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<td>December 1984</td>
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<tr>
<td>Obtaining Better Value in Education: Aspects of Non-Teaching Costs in Secondary Schools</td>
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<td>Computer Fraud Survey</td>
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<td>Managing the Crisis in Council Housing</td>
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<td>March 1986</td>
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<tr>
<td>Towards Better Management of Secondary Education</td>
<td>0 11 701294 7</td>
<td>May 1986</td>
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<tr>
<td>Improving Cash Flow Management in Local Government</td>
<td>0 11 701300 5</td>
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