Making Markets: A Review of the Audits of the Client Role for Contracted Services

A contractual approach to public services involves clients who specify and monitor contracts, contractors who deliver services in accordance with the contract and consumers who receive the service. This review of local authority contracts shows that they all have important roles to play in the provision of cost-effective services.

Most local authorities have handled CCT well...
- contracts were let on time
- contract conditions were clearly defined
- services continued without disruption

...but clients could make further improvements.
- productivity could be raised if specifications emphasised the desired results rather than the methods to be adopted
- monitoring by clients could be reduced by greater use of contractors' own quality control information
- reports of contract performance from clients to members, senior management and consumers need to improve
- client-side costs, even in small authorities, can often be reduced without loss of control

Clients must involve consumers...
- consumers, whether the public or other council units, must be consulted on service specifications

- consumers are an essential and cost-effective part of the monitoring process
- consultation and feedback to consumers raises their esteem of council services
- specifications should be flexible to reflect consumers' needs

...and encourage more contractors to compete.
- clients must actively encourage contractors into the market
- to enhance competition, clients should consult contractors on the best work packages
- after contracts have been let, clients should find out why contractors failed to submit bids
Introduction

1. In 1993, the Commission published *Realising the Benefits of Competition: the Client Role for Contracted Services*. Local audits were carried out in two-thirds (380) of authorities in England and Wales. This Bulletin reviews the results against the themes of the national report, and reports the updated information on client-side costs.

2. The Local Government Act 1988 brought £2.4 billion of annual expenditure into the process of competitive tendering (Exhibit 1). The efficiency and effectiveness of many of these services have improved considerably, both before and after the Act's introduction. The most dramatic example is refuse collection where, after taking out the effects of inflation, the net cost has fallen by over 40 per cent since 1980/81 (Exhibit 2). Nearly two-thirds of this gain was achieved before the Act was introduced. The causes could include:

   ♦ changes to the specification, e.g. front-gate rather than back-door collection;
   ♦ larger capacity freighters;
   ♦ improved productivity;
   ♦ changes to the net cost of commercial waste collection;

   and possibly,

   ♦ lower wage rates.

Exhibit 1
Annual value of work under contract (1988 Act) at November 1994

The estimated value of work under contract is £2.4 billion.

Exhibit 2  
The cost of refuse collection

The net cost has fallen by over 40% since 1980/81; two-thirds of the gain was before the introduction of the 1988 Act.

*Note: Excludes capital financing costs.*

![Chart showing the cost of refuse collection over time.](chart.png)

Source: CIPFA; DoE/Welsh Office survey of revenue account budgets.

And, clearly, CCT has played its part, but it is difficult to quantify it. The increase in efficiency has been caused by a number of influences which are difficult to disentangle. Given increasing financial restraint and the implementation of new technologies throughout the period surrounding CCT, aggregate data does not allow the financial saving to be attributed to any particular cause. The discipline of CCT is an important framework for maintaining the drive for greater cost-effectiveness. But some councils have succeeded in using the framework more effectively than others. Their experience, as revealed by local audits, is instructive.
3. To meet the statutory timetable for the 1988 Act's introduction, councils initially focused on letting contracts by the due date and preparing Direct Service Organisations (DSOs) for the contractor role. The Commission's 1993 report recommended that councils review their initial contracts and turn their attention to the client role prior to letting the second round of contracts. The focus of the audit was on improving the operation of the interdependent elements of the client role (Exhibit 3). The 1993 report's diagnosis is reproduced at Appendix A.

4. The initial study, which was based on detailed work at 13 authorities and a questionnaire completed by 40 more, recommended good practices for each element of the client role. These recommendations are reproduced at the start of each section of this bulletin and auditors' findings are then compared to them. A number of audits identified instances of good practice which are illustrated in case studies. The findings and case studies show that local government is learning to use CCT to its advantage. There is a growing clarity of specification and authorities are involving consumers in decisions about service levels and in monitoring consequent performance. However, potential contractors also have much to learn if the market is to function effectively, as evidenced by the low level of competition in many activities.

5. The structure of the body of this bulletin is derived from Exhibit 3. It has three main sections:

♦ service direction and contract strategy;
♦ preparing contracts;
♦ managing contracts.
Service Direction and Contract Strategy

Original study messages
Determine a realistic service direction and an appropriate contract strategy:
- balance priorities
- obtain market intelligence
- package contracts to maximise interest
- plan for contingencies

Consumer involvement
6. Two-thirds of authorities had established service strategies; reviewing requirements, balancing priorities and planning for contingencies. Consumers, be they the public (e.g. for refuse collection), or other service providers (e.g. schools), have a vital part to play (Exhibit 4, overleaf). However, in six out of the nine activities, less than half of authorities had consulted service consumers on requirements and standards (Table 1). Service provision is unlikely to meet consumers' changing requirements and may lead to dissatisfaction and waste unless they are consulted. Consultation also makes consumers aware of available budgets and so avoids unrealistic expectations.

Competitive framework
7. Consumer involvement is only one aspect of a successful contract strategy. A competitive market must be nurtured if the benefits of competition are to be achieved. This should result in tighter prices and greater efficiency and innovation. A critical part of the client role is to encourage competition by engaging in a proper dialogue with all potential tenderers and packaging the contracts to attract bids. Overall, auditors judged that only 30 per cent of authorities were 'positive' in generating contractor interest and encouraging bids. For all but one activity, councils, on average, received three or less bids, including those from DSOs. This was reflected in the average number of bids invited and submitted for the most recently let contracts at the time of the study (Table 2, overleaf). The low level of bids may also reflect a poor market for certain activities, notably catering.

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure management</td>
<td>56%</td>
</tr>
<tr>
<td>Catering - education</td>
<td>52%</td>
</tr>
<tr>
<td>Catering - welfare</td>
<td>52%</td>
</tr>
<tr>
<td>Building cleaning</td>
<td>44%</td>
</tr>
<tr>
<td>Ground maintenance</td>
<td>38%</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>37%</td>
</tr>
<tr>
<td>Other catering</td>
<td>33%</td>
</tr>
<tr>
<td>Refuse collection</td>
<td>31%</td>
</tr>
<tr>
<td>Other cleaning</td>
<td>25%</td>
</tr>
</tbody>
</table>

Table 1
Consumer consultations
Per cent of authorities where consumers were consulted before the specification was finalised.

Source: Audit returns.
Exhibit 4
A new focus for the client-contractor relationship

Consumers have a vital part to play.

Source: Realising the Benefits of Competition

Table 2
Average number of tenders invited and submitted

Most recently let contracts.

Notes:
1. Because contracts are often let for five years, a number of these contracts will be the first ones let after the introduction of the 1988 Act.
2. Includes DSO bids.
3. LQ/UQ = lower/upper quartile.

<table>
<thead>
<tr>
<th>Service</th>
<th>Invited to tender</th>
<th>Bids submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LQ(^{(3)})</td>
<td>UQ(^{(3)})</td>
</tr>
<tr>
<td>Ground maintenance</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Refuse collection</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Building cleaning</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Other cleaning</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Other catering</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Leisure management</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Catering - education</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Catering - welfare</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Audit returns.
**Service Direction and Contract Strategy**

**Case Study 1**
**London Borough of Greenwich**

Designing a leisure management contract to achieve strategic objectives.

**Strategic Objectives**

The Council aims to serve the needs of all in its community and places particular emphasis on its equal opportunity strategy. It seeks to match its contracting process with these strategic goals.

**Service Direction**

The client side carried out a consumer survey and consulted local interest groups. Particular attention was given to the needs of those residents which the council was targeting as part of its equal opportunities strategy. Formal objectives, against which the performance of the contractor could be measured, were agreed and comprehensive guidance was issued to contractors to assist them in the tendering process. Once the contract was let, consumers were involved in monitoring measured performance.

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**Case Study 2**
**Coventry City Council**

Involving consumers in contract strategy.

**The Aim**

The Client Agency in Coventry City Council wants to ensure that consumers of contracted services have a clear understanding of the service standard currently provided, and can influence service delivery and development. The council wishes to develop innovative ways of coordinating and packaging contracted services to meet users' needs.

**The Evaluation**

The Client Agency is building on the council's Area Services initiative to establish more effective links with communities and other users, e.g. schools. There is a 'street contract' describing the contracted services and expected standards. A 'Premises Officer' acts as the point of contact for other users. As part of this process, the Client Agency is working with the City's contractors to ensure local services are better coordinated and reflect end-user priorities. Contracted services are to be focused on output criteria.

**The Outcome**

The expected results of this process are: a better appreciation by end-users of the services; the contractors to be more 'in touch' with the end-users; and better standards and balance between the services delivered to each area, community or institution. A more coordinated approach for service delivery has already been achieved.
8. Research commissioned by the Department of the Environment\(^1\) found that only a small proportion of firms which are capable of providing the service, in fact, do so. The potential market is made up of small firms, particularly in the areas of catering and vehicle maintenance and contracts are often too big for them. Local authorities should investigate whether more, smaller contracts would offer better value for money overall.

9. For seven of these activities, at least 25 per cent of authorities received a tender only from their DSO. The more established contract activities do attract more competition (for example, planned housing maintenance averaged 18 bids invited and 16 submitted) but it is clear that by 1994, six years after the 1988 Act, little effective competition existed in many activities (Exhibit 5). The LGMB survey\(^{II}\) reported that 33 per cent of vehicle maintenance, 48 per cent of catering contracts and 56 per cent of leisure management were awarded without competition. Some markets are becoming more competitive as evidenced by education and welfare catering contracts let in 1994, where the average number of bids was four compared to just one in earlier competitions. The decline in DSO success rates provides further evidence of increased competition. The DSO share of building cleaning contracts has declined from a pre-1991 share of 61 per cent to a 1993/94 share of 39 per cent, and in ground maintenance the DSO share has gone from 73 per cent to 52 per cent. If these trends persist, there will be a gradual decline in the overall market share of DSOs as contracts progressively come up for renewal. Nonetheless there is evidence of weak markets that still require more active encouragement by clients. On average half of potential contractors fail to respond to an invitation to tender.

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\(^{I}\) Contractor Markets for Local Authority CCT, Ernst & Young for DoE, HMSO, January 1995.

\(^{II}\) LGMB CCT Information Service (Survey 10).
Preparing Contracts

Contract specification

**Original study messages**

*Write* specification to:

♦ reflect consumers’ views
♦ define contract outputs as far as possible
♦ allow flexibility for changing circumstances
♦ take account of experience with first-round contracts

10. Contract specifications should be based on the intended outputs of the service, as far as possible, so that contractors can alter the inputs and processes with productive advantage. The appropriate balance varies by type of activity. And contracts should allow flexibility for changing circumstances. Auditors judged most contracts to have an appropriate mix of inputs, process and outputs in the specifications but this was lacking for some activities, particularly building cleaning, where 42 per cent did not focus adequately on the output.
Delegation and contract specification

The Policy

Kent County Council has devolved responsibility for the management of contracts, as with other aspects of financial management, to service managers and budget holders. The authority has a policy of consulting end-users of services as widely as possible and of ensuring contract specifications reflect user requirements, based on service outputs, wherever possible.

Ground Maintenance for Schools

A standard specification was drawn up by the client agent, with an outline of the necessary services and outputs. It required each school to complete, on a pro forma, the details of the service required, for example, the different levels of maintenance for different areas of their grounds. As schools’ delegated budgets include ground maintenance, they can pay the contractor direct, or withhold payment if the service does not meet their specification. The advice and formal monitoring function of the client agent can be purchased by schools, as and when required, again, out of delegated budgets.

Vehicle Maintenance

The client agent entered into call-off contracts with 27 approved contractors, spread across the county. The decision as to which contractor actually gets the work is then left to individual drivers, who can decide on the basis of geographical convenience, prior experience or reputation of the approved contractors. The client agent continuously updates the approval status of contractors by inspections, and by requiring the contractors to submit details of the works and costs for approval before they commence.

Contract specification

The Evaluation

A survey of the authority’s schools indicated high levels of satisfaction on ground maintenance and building cleaning contracts. In contrast, for the catering service, where less than a third were consulted, there was less satisfaction, as shown below:

<table>
<thead>
<tr>
<th></th>
<th>Ground maintenance</th>
<th>Building cleaning</th>
<th>Catering</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of schools consulted about the contract specification</td>
<td>91%</td>
<td>76%</td>
<td>31%</td>
</tr>
<tr>
<td>% of all schools believing that the existing contract meets their needs</td>
<td>87%</td>
<td>76%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Survey of all schools; 80% response.

The Outcome

The client agent consulted more widely with schools for the second round of the school meals contract. This identified a number of common concerns including the need to simplify financial arrangements and concerns over kitchen gas, electricity and waste disposal costs being charged to school budgets without schools having any real control over these items. The issues identified through consultation have been addressed in the specification for the renewal of the contract. Schools now have more acceptable catering contracts and greater customer satisfaction is expected when the new contract starts in 1994.
Contract conditions

Original study messages

Ensure contract conditions are comprehensive:

♦ define the responsibilities of the parties to the contract
♦ spell out how variations should be made
♦ clarify alternatives if things go wrong
♦ set out administrative arrangements

11. Contract conditions should be comprehensive and clearly define responsibilities, administrative arrangements and how to deal with variations. Auditors found these essential features were well covered, but, even so, about ten per cent of contracts contained significant faults. Such faults can lead to problems of misinterpretation, and can cause disputes and money to be wasted. In particular, the conditions need to clarify what happens at the end of the contract.

Contract letting

Original study messages

Make contract letting procedures as transparent as possible:

♦ define and adhere to timetable
♦ provide relevant information to all potential tenderers
♦ carry out tender evaluation fairly
♦ utilise mobilisation period to resolve anticipated difficulties

12. Apart from market intelligence, advertising, dialogue and contract packaging there are other practical steps that clients can take to encourage bidders. The inclusion of ‘model bids’ – with formats and examples – in the contract documentation can save time and reduce confusion for both contractors and clients. Evaluation is easier and seen to be fairer if the bids are of similar format. If the specifications are biased towards outputs, model bids should not stifle innovation. Early discussions with potential suppliers could lead to more efficient contract models which encourage and reassure bidders. Another deterrent to suppliers can be excessive detail required in the tender, especially of inputs and methods of work, which can waste management time in the bidding process and reduce productivity opportunities. A clear and timely contract letting process will help to reduce the fall-out of potential contractors. Finally, suppliers who did not submit bids should be contacted to understand if and why they are inhibited from competing. It may be the size of the contract or the effort necessary to respond to an over-elaborate specification.

13. The DoE has commissioned research into the private sector’s experience of CCT which echoes auditor’s findings. Researchers concluded that ‘Tender documents were perceived to be too complex, and should be simplified or standardised. Contract conditions were not generally a problem, with the exception of requirements for performance bonds. Where firms had needed extra information in order to tender, this had frequently been difficult to obtain.’
Managing Contracts

Contract monitoring

Original study messages

Involving consumers and contractors in contract monitoring:

♦ Understand the purpose of monitoring
♦ Utilise a complaints systems and encourage consumer feedback
♦ Encourage contractor quality assurance
♦ Provide monitoring information to interested parties

14. Contract monitoring accounts for nearly half of client-side costs. (The other costs include letting, administration and the updating of specifications). There are opportunities to reduce monitoring costs and increase effectiveness by involving both consumers and contractors in this part of the process. Consumer monitoring encourages responsive service provision and is relatively low-cost. Some monitoring by contractors, subject to random sampling validation by the client, utilises the contractors’ internal controls. It is already included in contractor charges and can be combined with direct customer feedback to improve satisfaction and mutual understanding.

15. Quality assurance standards like EN ISO 9000 (the successor to BS 5750) assure the adequacy of the contractor’s process but do not define the quality standards which must be set to meet the individual customer’s requirements. Quality assurance does not guarantee performance. Nonetheless, clients learn about the supplier’s processes which makes cooperation easier. This can help to raise standards and reduce the need for client contract monitoring. Auditors found less than a third of contract monitoring was carried out by the consumers of the service and less than a fifth by contractors (Table 3).

16. Another key element of contract monitoring and control is reporting - to consumers, contractors, members and management. The first two parties require feedback on the operation of the contract since it affects them directly. Members and management at the authority need to know of any problems and see regular performance reports. Auditors found that less than 20 per cent of authorities report to consumers; only half of authorities have regular reporting to members and corporate management.

17. Part of the reason for poor feedback may be that the monitoring taking place is of little interest or relevance to the parties concerned. In more than half of cases, auditors judged that the monitoring resources were based on tradition rather than real needs. This was particularly true of vehicle maintenance (64 per cent) and catering (63 per cent in education and 79 per cent in welfare services).
### Table 3

**Consumer and contractor involvement in contract monitoring**

<table>
<thead>
<tr>
<th>Service</th>
<th>Consumers</th>
<th>Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refuse collection</td>
<td>43%</td>
<td>13%</td>
</tr>
<tr>
<td>Building cleaning</td>
<td>36%</td>
<td>15%</td>
</tr>
<tr>
<td>Other catering</td>
<td>36%</td>
<td>12%</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>28%</td>
<td>22%</td>
</tr>
<tr>
<td>Leisure management</td>
<td>28%</td>
<td>20%</td>
</tr>
<tr>
<td>Catering - welfare</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Catering - education</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>Other cleaning</td>
<td>24%</td>
<td>14%</td>
</tr>
<tr>
<td>Ground maintenance</td>
<td>23%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Source:** Audit returns.

### Case Study 5

**London Borough of Croydon**

**Improving the effectiveness of contract monitoring.**

#### The Issue

The Authority accepted an extremely competitively priced bid for refuse collection and other cleaning from an outside firm. Additional monitoring effort was considered necessary as a result of the extra risks identified with accepting the lowest tender. There were high customer expectations for the newly contracted-out service following extensive consultations with residents’ associations, the local Chambers of Commerce and Industry and other relevant organisations.

#### The Solution

The Authority considered a number of options for monitoring the contract and decided to introduce zonal monitoring arrangements based on an area management structure. Individual officers in each area were made personally responsible for all matters relating to a range of services in that area, including street cleaning, refuse collection and blocked road gullies. Brochures explaining the arrangements and identifying the relevant officers (including photographs) were distributed and residents were encouraged to contact the officers with problems relating to these services, including instances of contractor non-performance. A new computer system was also introduced to help plan their work and quality assurance accreditation was sought and gained under BS5750 and BS7750 for the entire client-side waste management operation.

#### The Outcome

There has been a generally good reaction from the community who welcome a local contact. Now that the initial contract has ‘bedded in’, and the additional risks are generally dealt with to the Authority’s satisfaction, the authority is considering a further rationalisation of its client-side organisation to reduce costs, while maintaining the zonal arrangements. It is also preparing a customer service standards pamphlet for distribution within the community to improve the link with its consumers and involve them more in monitoring of performance standards.
**Case Study 6**
**Newport Borough Council**

Monitoring contracts.

**Contract Planning**
The Community Services Department is the client for three main services - street cleaning, refuse collection and ground maintenance for housing, leisure, highways, community council land and other areas. Each service has a plan which sets out the service’s objectives and the resources required. Appropriate performance indicators are being developed. The plan provides the context for monitoring and control.

**Contract Control**
Members receive quarterly monitoring reports on client activities - complaints dealt with, inspections against targets, and contractor performance - penalty points, budget and workload variances and an overall qualitative assessment.

A computerised contract monitoring system for ground maintenance enables the actual workload to be aligned continuously with the budget and appropriate changes made to scheduled work. Complaints are monitored by source and area, and response time via a separate computer system for all three activities (street cleaning, refuse collection and ground maintenance).

A help desk is available 24 hours a day (recorded message machine out of working hours) and, in the case of ground maintenance, user meetings ensure that users can report on performance. Inspectors are being trained to monitor performance in all three activities so that in due course they will be multi-skilled.

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**Case Study 7**
**Cardiff City Council**

Management information.

**The Task**
The City Council is responsible for ground maintenance covering approximately 3,000 acres at 300 locations, including public open space, gardens and housing amenity land. The authority requires sufficient management information for effective budgetary control, while meeting the needs of housing tenants and the general public.

**The Approach**
Ground maintenance was let as six separate contracts with output-based specifications documented through a digital mapping system. Service direction focused on the quality of service to the consumer. The public’s expectations are monitored and, where there is sufficient demand, the specifications are altered to meet their needs.

**The Outcome**
The authority now administers quality-focused ground maintenance contracts which are monitored both by officers and the public. All consumer complaints are reported to committee together with any default notices served on the contractor. The contractor administers a detailed monthly invoicing system which provides the client with effective budgetary control.
Managing Contracts

Contract administration

**Original study messages**

*Streamline contract administration:*

- set out clear responsibilities
- hold regular meetings between client, contractor and consumer
- resolve problems at the local level if possible
- apply defaults fairly
- use arbitration procedures where appropriate

18. Sound contract administration is essential. Contracts must be kept up-to-date, links must be maintained with consumers and contractors, and payments made promptly. But contract administration need not be bureaucratic. Regular meetings between the client, contractor and consumer, with a resolution of problems at the local level, will help to reduce paperwork. Auditors rated administration to be fully adequate in only 35 per cent of authorities overall, with only 21 per cent for catering in education and only 5 per cent for welfare catering. Vehicle maintenance also rated badly with only 23 per cent completely adequate.

19. The organisation of the client function is varied and changing in many authorities. Most contracts were handled by a lead department, such as education, acting as client/agent. About a third of contracts were let by a central client/agent but in some authorities central CCT teams have been disbanded and responsibility for the contract devolved. There was no significant difference in client cost for these different arrangements but some internal consumers wanted direct access to the contractor. Auditors judged that the relationship between client and contractor was constructive in 40 per cent of cases overall, with the lowest ratings in vehicle maintenance and catering. Although no significant change in cost was noted where relations are good, positive supplier involvement can be of great benefit to effective service delivery.

Case Study 8
Essex County Council

The Policy

The authority’s commitment to delivering high quality services is set out in the Essex Charter, a public statement of the standards of service which the Council strives to achieve. In order to meet its standards, the authority has taken a number of initiatives to promote and secure quality in contracted services. The role of the client function has been accorded high priority and its organisation and management has received senior management attention.

**Strategic Direction**

There is a clear corporate structure with defined roles for both committees and management, with a distinction between strategy and policy issues on the one hand, and operational contract matters on the other. Client departments produce business plans which set out their business objectives. This process ensures that client departments give serious thought to the way in which their own functions operate and can be improved, rather than focusing solely on contractor performance.

The Client Services Unit has appointed a Marketing and Quality Manager to advise on and implement systems to ensure that both services and processes are subject to quality management.
Client-side Efficiency

20. In addition to attending to the key elements of the client role, authorities must have regard to their client-side costs. Information from nearly 200 audits provides the basis for revisiting the benchmarks published in *Realising the Benefits of Competition*. As usual the data showed considerable variability, but cost as a percentage of total annual turnover by activity (including client payments to the contractor and income retained by the contractor) proved the best measure across a range of authorities. There is considerable variation, but larger authorities are not proportionately cheaper, for example, for refuse collection (Exhibit 6). The differences between size and type of authority are not significant but costs do vary by activity reflecting the level of technical specification required for individual tasks (Table 4).

21. There are indications that some authorities should spend more on the client-side of catering because, at present, there is little competition and auditors reported weaknesses in administration. Typically, client costs for catering contracts are only one per cent of turnover. Any extra cost should be easily recovered by more competitive prices.

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**Exhibit 6**

*Client-side costs: domestic refuse collection*

There is considerable variability but larger authorities are not proportionately cheaper.

*Source: Audit returns.*
<table>
<thead>
<tr>
<th>Activity</th>
<th>All Authorities (median)</th>
<th>London and Metropolitan districts (median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building maintenance - response</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>Building maintenance - general</td>
<td>8.4</td>
<td>n/a</td>
</tr>
<tr>
<td>Building maintenance - planned</td>
<td>7.4</td>
<td>8.2</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>7.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Ground maintenance</td>
<td>5.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Other cleaning</td>
<td>4.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Building cleaning</td>
<td>3.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Refuse collection</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Other catering</td>
<td>2.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Catering-education and welfare</td>
<td>1.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Audit returns.
Conclusions

Local authorities have handled CCT well in terms of letting contracts and maintaining continuity of service. The basic mechanisms are in place and the experience gained provides a platform to build on. There is a real opportunity to achieve further benefits in terms of value, quality and customer satisfaction.

The right strategic direction, involving consumers and understanding their changing needs, leads to benefits at all stages of the process: specification, contract conditions, letting, monitoring and administration.

Quality can be defined as 'meeting customer requirements'. The contracting process, and the definition of services and standards it entails, can provide the vehicle for communication with consumers. This in turn can improve public perception and satisfaction.

The framework and experience of the client organisations which have been established should be valuable for contract renewal and extending CCT. Further change is needed if the potential improvements in value for money are to be achieved. Local authorities need to be active in promoting the opportunities to the market.

Early supplier involvement in the packaging of work into smaller, more manageable contracts could enhance competition. But competition in many areas is still very limited and has not been a priority for many council client organisations.
Appendix A

What needs to be done

**Problems**

- Dissatisfaction felt by service recipients
- Difficulties in application of CCT
- Potential benefit of CCT not fully realised

**Causes**

- Specification is not what is wanted
- Services not delivered to specification
- Difficult to get faults rectified
- Problems with contractors (contract termination or financial defaults)
- Bureaucracy of administration and documentation
- Client-side inefficiency
- Lack of interest in contracts
- Potential tenderer drop-out
- Efficiency savings not achieved

**Solutions**

Determine realistic service direction and appropriate contract strategy
- balance priorities
- obtain market intelligence
- package contracts to maximise interest
- plan for contingencies

Write specification to
- reflect consumers' views
- define contract outputs as far as possible
- allow flexibility for changing circumstances
- take account of experience with first round contracts

Ensure contract conditions are comprehensive
- define responsibilities of parties to the contract
- spell out how variations should be made
- clarify alternatives if things go wrong
- set out administrative arrangements

Make contract letting procedures as transparent as possible
- define and adhere to timetable
- provide relevant information to all potential tenderers
- carry out tender evaluation fairly
- utilise mobilisation period to resolve anticipated difficulties

Involve consumers and contractors in contract monitoring
- understand the purpose of monitoring
- utilise complaints systems, consumer feedback
- encourage contractor quality assurance
- provide monitoring information to interested parties

Streamline contract administration
- set out clear responsibilities
- hold regular meetings between client, contractor and consumer
- resolve problems at local level if possible
- apply defaults fairly
- use arbitration procedures where appropriate

**ACTION**