

Contractors
Audit

Volume 3

Lessons from
the first round of
enforced tendering

THE PRICE OF WINNING

Researched by



for

MANCHESTER
City Council
Defending Jobs - Improving Services

With the financial support of ADLO, AMA, CLES

Contractors' Audit
Volume 3

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authorities and trade unions who co-operated
in the preparation of this report

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Graham Stringer, Leader, Manchester City Council.

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Preface

The Price of Winning is the first really comprehensive account of local authorities' experiences of, and responses to the Local Government Act 1988. It goes beyond the various lists of contracts won and lost and finds many Authorities emerging with credit, and public sector principles still high on the agenda.

The experience to date of the complex and tortuous demands made by the legislation in the name of economy and efficiency reveals crucial lessons for the years ahead:

- *Councils who follow the private sector model, the pursuit of the 'bottom line', have faced job losses and reduced standards of service, yet without any guarantee of keeping their services in house.*
- *Lucrative pickings have been exposed to the private sector and, as predicted in Volume 1 of Contractors' Audit, new and dangerous predators stalk the stage waiting to compete with Direct Service Organisations.*
- *It has highlighted a false concept of 'fair competition' exposing the use of loss leaders and cross subsidies, the pressure from invalid complaints and the ability to pick and choose contracts.*

There have been fifty new pieces of legislation affecting Local Government over the last ten years. Most of these have demanded far-reaching changes in the provision of Local Government services, but the enforced tendering legislation could potentially be the most costly and the most damaging to local democracy.

The knowledge and experience of Councillors and Workers, their Trade Unions and Council Officers has won through in 1989, with over 80% of services remaining in-house and under direct democratic control.

Our ability to apply the lessons highlighted in this report will be one of the challenges for the 1990s.

Graham Stringer
Leader, Manchester City Council

November 1989

Part 1

Introduction

Local authorities have won between 70% and 98% of contracts let in 1989 in the first and second rounds of enforced tendering.

Percentage of contracts awarded to DSOs in 1989:

	%
School meals and welfare catering	98.0
Refuse Collection/Street Cleansing combined contracts	89.0
Other Catering	86.4
Ground Maintenance	86.3
Street Cleansing	80.0
Refuse Collection	74.0
Vehicle Maintenance	74.0
Building Cleaning	
(61% plus percentage of shared contracts)	70.0

Our analysis has covered 448 contracts across Britain. The average DSO success rate across all services is 81%.

But 'success' for the authority has sometimes been at the expense of jobs and cuts in earnings for those who work in the service. The Audit highlights some cases where local authorities have clearly mis-interpreted the private sector and contractors' strategies and imposed major cuts in jobs and conditions, yet received no competing bids to the DSO.

Manual workers, particularly women, are bearing the brunt of the impact of enforced tendering. Nine out of ten jobs affected are manual jobs. Seventy percent of the jobs affected are women's employment.

The national pattern of competition has been patchy reflecting the size of the new 'market' open to private firms and their ability and willingness to undertake public sector work. Contractors have been able to pick and choose the size, location and type of contracts and to differentiate between authorities enthusiastically implementing the legislation and those who are fully committed to retaining as much work in-house as possible.

Some local authorities have re-organised and restructured services with imagination and flair in the best practice of local government. In the current climate they are likely to receive scant recognition of their achievements. These changes were not easily achieved. Tradition and established practice are often not readily changed at officer, councillor or trade union level. New financial controls, spending cuts and increased responsibilities resulting from legislation have imposed additional constraints. It has also been achieved at a time when local authorities, and public services generally, are under increasing pressure to 'commercialise' their services, using private sector models. We turn to this theme in Part 10.

The economics of tendering

The economics of enforced tendering mean that the costs of implementing the tendering process must be counted

against any savings produced as a result of differences between contract prices and existing budgets. The cost of tendering 448 contracts is calculated to be £45m, reducing the estimated savings of £94m by half. The remainder is achieved largely as a result of job losses and reduced earnings, following wage cuts, reduced hours and inferior enhancements.

The structure of the report

We have analysed enforced tendering on a service-by-service basis identifying who won contracts, the geographic and political profile, contract packaging, pricing and contractors' bidding strategies. This Volume should be read in conjunction with Volumes 1 and 2, which contain sector analyses and profiles of 55 contractors.

Methodology

The Audit was compiled from research carried out over a six-month period, from June to November 1989. The findings contained in the Audit are the result of thorough analysis using a number of sources of information. They include:

1. Survey

A four page questionnaire was sent out to all Metropolitan District Councils, London Boroughs, County Councils, Scottish Regional Councils and a sample of District Councils in England, Scotland and Wales. Over 360 questionnaires were distributed in total.

The questionnaire sought information about

- the organisation of the contract(s) put out to tender during 1989
- contractors invited to tender
- tenders received and tender price
- tender award and reason for decision
- re-organisation of the service and changes in employment conditions
- changes in the cost of the contract compared to previous service
- employment change
- the costs of tendering
- contractors' complaints

The replies, which have been treated in confidence, can be categorised by sector and type of authority. Many local authorities also submitted tender evaluation reports and other relevant documents.

The majority of questionnaire returns supplied very detailed and informative data which has been incorporated into the sector analysis contained in the Audit.

2. Interviews

To supplement the survey, SCAT carried out interviews

Survey Response

	Refuse & Street Cleaning	Building Cleaning	School & Other Catering	Vehicle Maintenance	Grounds Maintenance	De Minimus	Refusals	Total
Metropolitan Districts	7	4	9	2	3	-	1	26
London Boroughs	7	2	-	1	-	-	-	10
County Councils	1	3	1	1	1	-	1	
District Councils	14	2	1	1	4	4	3	29
Welsh Districts	2	1	-	2	1	1	-	7
Scottish Districts & Regions	8	2	3	3	1	4	2	23
<i>Total</i>	<i>39</i>	<i>14</i>	<i>14</i>	<i>10</i>	<i>10</i>	<i>9</i>	<i>7</i>	<i>103</i>

with local authority and/or trade unionists in ten local authorities. The ten were selected largely for their contrasting approaches to enforced tendering. In addition to informing the research of the various tendering processes adopted by local authorities, these interviews gave an in-depth picture of local authority and trade union strategies, including the various approaches to joint working.

3. Other sources of information

The research for the audit included analysis of a range of sources of published and unpublished data on the first year of tendering. These included:

- local authority tender documents
- information held by Association of Metropolitan Authorities, Association of Direct Labour Organisations and the Centre for Local Economic Strategies

- local press reports of tender awards
- reports from *Municipal Journal* and Local Government Chronicle, including surveys listing first round results
- *Privatisation News* Nos 1-4 prepared by the Local Government Privatisation Research Unit
- trade union analysis and surveys on results of first round

Confidentiality

We have abided by our commitment to maintain confidentiality, promised in the surveys and interviews. References have not been made by authority other than in the listings of contracts awarded by authority, the price and the names of other bidders. Where reference has been made in more detail about individual authorities, this information was obtained from published sources.



Part 2

Local authority and trade union strategies

All three volumes of the Contractors' Audit have provided detailed evidence of the need for a comprehensive and rigorous approach to enforced tendering. Authorities are now in the second round of tendering with leisure management recently added to the list of defined activities, yet we found evidence of many authorities who are still not fully prepared to tackle enforced tendering effectively. Some authorities are still trying to compete on the contractors' terms, believing that a DSOs' best chance of 'winning' is to copy the private sector's organisation, policies and practices rather than building a strategy based on quality services, quality employment and the principles of public service

We do not have the space to examine the lessons learnt on all aspects of enforced tendering strategies, and have focussed on four main points:

- a comprehensive strategy for enforced tendering
- the lack of strategic response
- lessons from joint working
- lessons from tender evaluation

A comprehensive strategy for enforced tendering

The following strategy has been shown to maximise the retention of work within DSOs. None of the authorities where this strategy has been most effectively implemented have yet contracted out services, nor have they resorted to the large cuts in jobs, pay and conditions implemented by some authorities. The strategy has been fully documented in reports from the National Co-ordinating Committee on Competitive Tendering; by local authority associations such as the AMA, ALA, CLES and COSLA; by the joint trade union initiative in *Who Cares Wins*; and by SCAT.

The strategy can be summarised briefly as:

- **Service Profiles:** Building a clear picture of the existing service including staffing, use of resources and equipment, organisation and management, standards and financial information.
- **Joint Working:** Establish local joint working arrangements specifically for enforced tendering including committees, service groups and trade union secondments and facility time. Should include resources for training and keeping the workforce fully informed.
- **Investigation of companies and sectors:** Contract compliance policies, together with company research and sector analysis to build a clear understanding of private sector strategies.

- **Quality specifications:** Drawing up comprehensive specifications, fully detailing the required level, standard and methods of service delivery.
- **Stringent contract conditions:** Ensuring services are delivered according to the specification, in the manner, time and standard required by the authority and users.
- **Comprehensive tender evaluation:** Subjecting tenders to a full technical and financial analysis based on the specification and all the costs to the authority.
- **Rigorous monitoring:** Ensuring users receive the specified service and any defaults are reported, remedied and, if necessary, financial penalties imposed.

The lack of strategic response

The approach and state of preparedness of local authorities to enforced tendering has varied widely. Some authorities have put considerable time, thought and resources into the content and process of tendering, trying to ensure it has been carried out carefully and rigorously. A similar effort has been made to ensure re-structuring and re-organising proposals balance the needs of service delivery and the demands placed on services by enforced tendering.

However, there have also been local authorities, including large District Councils as well as some of the smaller authorities, which are still not fully prepared. The reasons for this include:

- they started too late
- they did not embark on all the measures needed to fully prepare for enforced tendering
- they did not fully understand all the requirements of the strategy being advocated by the National Co-ordinating Committee on Competitive Tendering.

This may be due to one or a combination of the lack of suitable expertise and the scale and speed of change required by the legislation. The situation has also been hampered by some DLO managers and councillors assuming that since they had weathered the Planning and Land Act 1980 they might similarly succeed with the Local Government Act 1988.

In fact, the services covered by the latter are quite distinct from building repair and maintenance.

Lessons from joint working

There are many different interpretations of joint working. It can only be effective where council officers, members and trade unions are represented on joint working and service groups. These groups should have specific enforced tendering duties, including developing service

profiles, specifications and examining ways to improve, promote and defend public services. It must also include secondments and facility time for trade union representatives to play a full part.

However, in some authorities joint working is in effect little more than customary consultation. Trade unions and members have given the trade unions extra facility time, but there is no effective joint working.

Some Metropolitan authorities have made considerable headway in developing joint working arrangements. These vary from centralised arrangements, with trade union secondees working closely with an enforced tendering team, to those based at departmental level.

Discussions with trade union representatives and officers as part of our research revealed significant advantages of joint working arrangements as an integral part of the tendering process.

Joint working arrangements have taken different forms. They have not prevented major industrial action in at least one authority where officers and Members were proposing major job losses. Nor has the process of joint working been without conflict and frustration for those involved.

The main lessons of joint working are:

- improved specifications and understanding of the work involved in day-to-day service delivery
- it has led to local authorities carrying out a more general review of their use of contractors. In some cases work has returned in-house where it is not subject to enforced tendering
- improved Members' awareness of the issues involved in enforced tendering. Joint working can only be fully effective if councillors are equally committed to ensuring its success.
- it has been able to counter attempts by some officers to simply mirror private sector unit costs, wage rates *etc*
- training of trade union representatives involved in enforced tendering is essential. Whilst some training has been carried out by the main local government trade unions and some local authorities, we found cases where trade union representative or secondees were suddenly working full-time on enforced tendering without any training either before or after the work commenced
- most trade union representatives are acutely aware of the dangers of becoming distanced from the membership and of petty jealousies developing between those involved in secondments and those who are not. The issue of whether secondments are full or part-time and for how long must be based on local circumstances. But with second round tendering well under way it is an appropriate time for trade unions and local authorities to review and improve joint working by assessing the lessons learnt to date
- joint working has usually led to improved co-operation between trade unions but will be sorely tested by current recruitment drives
- it has led to improved local authority information about contractors and developments in the private sector. Local trade unions have been able to call on information from their own head offices as well as trade union research organisations such as SCAT and LRD
- joint working has also enabled many of the problems



Eddie Vincent

associated with re-structuring and re-organising services to be tackled more fully, openly and effectively than would otherwise have been the case

- joint working has also been a channel for trade union representatives to put forward their own ideas and proposals for the improvement and expansion of services.

Lessons from tender evaluation

Some of the main lessons learnt are:

- tender documents should clearly require sufficient specific information from the contractor to enable the local authority to carry out an evaluation in full. If full information is not requested in the first place this may seriously hinder a full technical and financial evaluation. Local authorities should now assess their experience of tender evaluation to ensure tender documents for future rounds are improved.
- financial and technical evaluations are not separate processes. Full financial information *ie* prices, expenditure broken down into percentages of wages, transport, overheads *etc* and employee hours on an annual basis are vital for technical/financial analysis of the contractors' proposals and pricing, with the requirements of the specification and contract conditions.

Tender documents should also require:

- a work programme from the contractor indicating how the contract will be delivered. This can be matched with the contractors' proposed working methods, staffing levels and pricing
- details of vehicles, their capacity and equipment, where they will be used and the manual/mechanical breakdown
- the specific hours/days in which the work must be

carried out; some authorities have omitted the designated hours

- that sufficient information is supplied to work out implied productivity levels and their implications for health and safety policies and safe working arrangements
- that activities which are distinct from the other elements of the service must be clearly stated and priced separately. For example, special refuse collections are usually a separate round and should be priced accordingly, litter picking on open spaces separated from street sweeping, and so on. This will help to ensure comparable tenders from DSOs and private contractors and will assist in evaluating the abilities of bidders to carry out the work.

A number of other issues must be mentioned:

Quality of management

Local authorities have experienced problems at two levels. Firstly, finding suitable DSO managers - many authorities have found it difficult to find suitable and capable managers to head up re-organised DSOs.

Secondly, there has been a lack of effective management for particular services or sections within DSOs. There is also a shortage of managers who are committed to public services and have leadership abilities as well as managerial skills.

Quality of services

It is too early to do any definitive analysis of the impact of enforced tendering on the level and quality of services, or on the effectiveness of local authority monitoring systems. Ground maintenance contracts have yet to start.

Some DSOs are also having problems delivering the required service, particularly those which implemented substantial cuts in order to 'win' contracts.

The Audit includes reference to some contracts where local authorities have already issued default notices. Indeed, some contracts with private firms have already been terminated or the contractor has withdrawn from the contract, because of difficulties delivering the required services.

Reports of contract failures and defaults are often claimed to be simply 'settling-in' problems. However, the experience of contracting out throughout the past decade shows that more serious defaults occur after the initial settling-in period. Many contract failures and problems were summarised in Volumes 1 and 2 of the Contractors' Audit and are regularly reported in *Public Service Action*.

Part 3

School Meals, Welfare and Civic Catering

Introduction

Catering is divided into school meals and welfare catering under the enforced tendering timetable. Some authorities have re-organised all their catering operations into one single DSO, and where school meals and welfare catering was the first to be tendered, authorities have usually included civic catering.

The catering sector analysis is divided into two parts. Firstly, school meals and welfare catering which includes some contracts covering all three catering services. However school meals is the main service. Secondly, other catering covering civic, staff and police catering, and some separate welfare catering contracts. Many local authorities have been able to classify welfare catering as *de minimus*.

Who Won What

Our analysis of school meal contracts in 39 authorities shows that DSOs have won 98%. Private contract caterers have won only two contracts - Sutcliffe Catering Group was awarded 50% of Dorset County Council's schools (the remainder go out to tender in late 1989), and the same firm was awarded the Aylesbury College contract in Buckinghamshire (where Sutcliffes have been providing meals in some schools prior to enforced tendering).

It is also significant that in 18 out of 22 authorities (82%) for which we have information no tenders were received from private caterers. Of the four authorities which did receive competing tenders, two were London Boroughs, Brent and Harrow, plus two southern counties, Hampshire and Dorset.

Labour controlled Brent received a tender from Commercial Catering Group which has held the school meals contract in neighbouring Ealing prior to enforced tendering. The other three authorities are Conservative controlled.

The firms which have been formally invited to tender include:

Gardner Merchant (Trust House Forte)
Sutcliffe Catering Group (P & O Group)
Letherby and Christopher
John Charles Management
Commercial Catering Group
Compass Services
GKN Vending Services

In some cases local authorities had no contractors to invite to tender since they had all withdrawn after initially responding to tender invitation notices. Contractors usually did not state their reason for withdrawal or failure to submit a tender, although Letherby and Christopher did state they 'were not interested in this type of business' to one authority.

Kent County Council reported contractors withdrew because of the fixed-price form of contract, a desire to focus on the more profitable staff, police and fire services catering contracts, and their inability to submit tenders which were both competitive and profitable. (*Municipal Journal*, 1 September 1989).

Given the public statements since August 1988 (see below), from three of the main contract caterers, Gardner Merchant, Sutcliffes and Compass, stating their distinct lack of interest in local authority catering, it is hardly surprising that most school meals tender invitation lists were 'lightweight'. It is evident that some local authorities are being forced by the legislation into inviting contractors who are unwilling or highly unlikely to tender.

Despite the response from contractors there has been a wide range of school meal contracts out to tender. Some have been only school meals contracts, others have included civic and/or welfare catering. Some have been authority-wide contracts, whilst others have divided the service into several different contracts, for example, Wigan (3 contracts), Northumberland (3 contracts), Berkshire (8 contracts) and Durham (10 contracts).

Kent County Council divided its 800 schools into 160 contracts consisting of individual secondary schools and groups of primary schools. Contractors were encouraged to bid for as much or as little as they saw fit. However, only three firms submitted tenders (out of six which expressed an interest), competing for only 11 out of the 160 contracts.

Table 1

Analysis of Catering Contracts

	School Meals		Other catering		Total	
DSO	38	(98%)	38	(86.4%)	76	(92%)
Private Contractors	1	(2%)	5	(11.4%)	6	(7%)
Other Local Auth	0	(0%)	1	(2.2%)	1	(1%)
Total	39	(100%)	44	(100%)	83	(100%)



John Birdsall

Value of Catering Contracts

School Meals

- Twenty-nine local authority contracts with total annual value of £110.95m
- Average value of work is £3.83m (the average contract value is much smaller since many authorities split the work into separate contracts)
- Value won by private contractors based on 25 contracts is 1.2%, which would reduce to under 1% if all 39 school meals contracts were included.

School catering in a wider context

With the three largest firms, holding a combined 60% of the contract catering market, deciding not to tender or only very selectively there is a danger of superficial analysis leading to simplistic complaints and demands to change the form and size of catering contracts. This would ignore the more fundamental reasons why contractors have not been bidding for school meals contracts.

Firstly, private contractors have a large alternative 'market', with catering contracts in factories, offices, airports, defence establishments and other facilities. Although the overall market declined in the 1980s, contracting out in both public and private sectors increased. Education catering (school meals, colleges and universities) represents only about 15% of the total market.

Leisure and retail sector catering has also been expanding rapidly and although most of the catering is directly provided by leisure firms, for example, Mecca, Granada, First Leisure, it has opened up new opportunities for contract caterers. In addition, market share is often achieved and maintained by gaining a larger number of medium and small contracts rather than fewer larger contracts.

Secondly, the public service function of school meals imposes limitations which directly conflict with the interests of private contractors:

- the relatively small daily average expenditure, limited scope for added value, and price controls.
- the limited hours and days/weeks per annum the service has to be provided.
- the limited scope for expansion, from private contractors interests, due to falling school rolls and the decline in school meals take-up because of the low take-up of Family Credit. (The October 1988 School Meals Census showed a 31% decline in the number of children taking school meals). Some Labour controlled local authorities have already increased take-up by successful promotional campaigns.
- the limited scope for contractors to gain from bulk purchasing of supplies over and above those already enjoyed by local authorities.
- the relatively high cost of tendering for school meals which requires analysis of the service and inspection of kitchens at each location.

Catering in the National Health Service has a similar record. Private caterers won only 21 (5%) of the 413 catering contracts between 1983-88. Even private hospitals are bringing catering in-house. Three BUPA hospitals have set up in-house catering operations so far this year alone. 'A lot of the hospitals feel they will have more control of the catering and a better quality of service if the go in-house' stated BUPA operations director Julian Coulden (*Catering & Hotelkeeper*, 2 November 1989)

Thirdly, lack of interest is also indicative of the lack of private contractors' experience in school and welfare catering and the political and economic risk for private contractors if they fail to provide an adequate service and quality of food. Examples are the national publicity

surrounding ARA's termination of the Wandsworth social services catering contract in 1988, Sutcliffe Catering Group's withdrawal from the Merton social services contract in 1985 after widespread criticism of the quality of meals, and criticisms of Commercial Catering Group's cook-chill school and welfare catering operations in Ealing in 1987.

Whilst some contractors, for example Gardner Merchant, have experience of private school catering, these are much smaller single-site contracts providing three meals daily.

Form of contracts

Size of contract We have already noted the wide range of school meals contracts available in the first round of tendering, ranging from a mere handful of schools to packages of 30, 60, 90 and up to 300 schools in one single package. They covered urban and rural areas; cities and towns; northern, southern, eastern and western parts of Britain; and Labour, Conservative and hung councils. Sutcliffe Catering succeeded in winning the 30-school eastern sector contract in Dorset but the size of the contract appears to have been less important than other factors described below.

Length of contract The bulk of school meals contracts are for either 4 or 5 years. Only two counties, Lancashire and Essex, have 3 year contracts. The average length of contract is 4.3 years. Those authorities which had divided the work into several contracts also tended to adopt a four year contract period. This only re-inforces the variety of contracts which contractors could have bid for.

Form of contract Local authorities have used fixed price contracts under which the contractor purchases the food, employs the staff and provides the service within a contract price. Private contractors, Gardner Merchant in particular, favour management fee or cost plus contracts under which the contractor has to provide the service but also receives a management fee. They also retain any discounts obtained on bulk purchasing. Under this system the contractor is virtually guaranteed a profit and has limited financial risk, since any cost increases are passed onto the client. The contractor has less motivation to keep costs within budget than under the fixed price contract.

Any move to change the size, length, or form of school meals contracts is likely to have major financial implications for local authorities. Division into smaller contracts is likely to increase client side costs in terms of specifications, contract documentation, tender evaluation and would substantially increase the task and cost of monitoring. Shortening the length of contracts would have a similar impact. This is likely to eliminate any 'savings' or lead to meal price increases.

With local authorities under considerable Government imposed financial constraints, any change to the form of contracts would be contradictory to say the least.

Given the low profit margins in contract catering and with DSOs already obtaining bulk discounts through public sector purchasing consortia, contractors can only 'compete' by reducing labour costs. But most staff are already part-time and relatively poorly paid.

Clearly, the threat of competition in school meals has hardly been a reality. The creation of competition is likely

only to be achieved by measures which would be artificial in concept if not in practice, with the costs borne by local authorities and users.

The Contractors' Views

The catering sector analysis in Volume 1 of the Contractors' Audit concluded that given the nature of the school meals service, standards of food, limited scope for added value, price controls, and the existing high take-up in many authorities, contractors had no choice but to be highly selective.

This was confirmed shortly after its publication when the three main contract caterers issued press statements.

Sutcliffe Catering stated they intended to bid for only two or three contracts where local authorities were keen to privatise the service. Sutcliffe's have been more interested in providing a consultancy service to authorities rather than submitting tenders. 'The offer we are making to the public sector is that, rather than compete with them for their business, we would prefer to use our skills and resources to help them on their own terms' stated Nick Matheson, Sutcliffe's director of management services. (*The Guardian*, 3rd August 1988).

Gardner Merchant stated their intention to be highly selective and avoid authorities hostile to contracting out (*Financial Times*, 3rd August 1988). Compass Services adopted the same selective position.

Almost a year later little had changed. 'We've concluded that school catering isn't that inefficient, and the opportunity to improve is limited', stated Nick Matheson of Sutcliffes (*Catering & Hotelkeeper*, 18th May 1989), which had been advising several local authorities including Lancashire, Gloucestershire and Shropshire. A Compass spokesperson complained that tenders 'don't allow for any change to production techniques or commercial flair to develop the service'. They also stated a dislike to large contracts *ie* 'blocks of schools - 150 to tender, which requires a heavy manpower input'.

Gardner Merchant were somewhat more forceful. Managing Director, Gary Hawkes, stated they were not bidding for school meals contracts and described the whole procedure as 'farcical', and re-stated the firm's opposition to fixed-price contracts as 'unfair, unrealistic and we're not prepared to do it' (*Catering & Hotelkeeper*, 18th May 1989). Gardner Merchant has been tendering for catering at opted-out state schools, winning contracts at 14 schools. All are on a management fee basis. Gardner Merchant claim to be the largest school meals caterer in the private schools sector, with about 200 contracts.

Implications for future rounds

It is unlikely that there will be any substantial change in the ratio of work retained by DSOs, at least in the short term. The position of the main contractors is unlikely to change substantially even if the Government imposes certain changes to the form and size of contracts.

In the longer term, caterers may show more interest in education contracts if the growth in leisure and commercial catering contracts slows as they are vulnerable to recession. Clearly, the contract caterers are also gaining experience and information from the handful of contracts

and their consultancy work with authorities. This will enable them to identify and target opportunities more clearly in subsequent rounds and to clarify their demands on the Government for changes in the form and content of tenders.

Some contractors may also seek school and college site services contracts, combining catering with cleaning, caretaking, grounds maintenance and building maintenance services into a single contract. Gardner Merchant has a similar site services contract at St Helier Hospital, with Merton and Sutton Health Authority which includes catering, domestic services, portering, window cleaning, grounds maintenance, residences management, car parking, security and pest control in one contract.

It may only be applicable to small groups of schools or larger comprehensives and colleges. The trend towards the larger cleaning companies diversifying the range of services was noted in Volume 1 of the Contractors Audit.

Contractors may be waiting to observe the implications of the implementation of Local Management of Schools. This may lead to certain fragmentation of services in some authorities, a situation in which contractors might have more opportunity to determine the form of contracts.

Cambridge County Council is currently considering abandoning its school meals service as part of a £3.5m 'savings'. Only the statutorily required free school meals will be retained. Dorset abandoned meals in first and middle schools in a similar move in 1980.

Dorset contract won by Sutcliffe Catering

The one major school meals contract won under enforced tendering deserves closer examination. Two contracts have been tendered. The first for 32 schools was won by Sutcliffe Catering with a £32,000 bid (plus £1.3m food costs etc), which was ten times smaller than the next lowest bid, the DSO at £366,000. Three other bids were significantly higher, ranging up to £900,000.

Sutcliffe's had just lost the Dorset police catering contract to the DSO. It denies the school meals tender is a loss leader. The trade unions are convinced that the low price reflects a weak specification with substantial loopholes. They describe monitoring as a 'shambles', with only £20,000 reportedly allocated for a £1.3m contract covering 32 sites.

Some heads and teachers are claiming a dramatic drop in the numbers taking meals. One head, at the The Grange School in Christchurch, complained of less choice since Sutcliffe's took over. There have been complaints about the quality and temperature of food. However, Dorset County Council say that they are monitoring the contract and have found no particular problems with quality or choice.

Heads and teachers are already reporting a dramatic drop in the numbers taking meals. One head at The Grange School in Christchurch complained of less choice since Sutcliffe's took over. There have been complaints about the quality and temperature of food. More are turning to local chip shops (*Western Gazette*, 19th October 1989).

A second contract for 31 schools was won by the DSO. Sutcliffe's tender was marginally lower than the DSOs but the situation was reversed after redundancy costs were

included. The County Council had ordered a re-submission of tenders after noting that the DSO proposed to effectively buy-out current staff conditions with a lump sum payment and would then be re-employing workers on worse conditions. This was being treated as a pre-tender matter. Unfortunately, contractors then virtually knew the DSO tender price.

Management buy-out saga in Bradford.

A school meals management buy-out has been attempted in one authority, Bradford. The DSO submitted the only tender, after which the management buy-out was proposed by the catering development officer and the catering manager.

NUPE sought a High Court injunction on the grounds that the two officers had conflicting interests and had pitched the in-house tender high in order to later undercut it with the buy-out bid. But the legal action failed because of the time gap between the announcement of the proposal and the injunction application.

In the event, the buy-out failed to get off the ground before the deadline and the Conservative-controlled Council, which has a policy of encouraging buy-outs, was forced to award the work to the DSO. However, the management buy-out proposals are pressing ahead with catering consultants Greene Belfield Smith advising the Council.

Re-organising School Meals

Several authorities have re-organised their catering operations, usually combining school meals, welfare catering, civic and leisure catering into one organisation. Manchester, Gloucestershire, Newcastle, Walsall, Dudley, Coventry and Leeds are examples.

Impact on budgets

Details of tender prices in relation to previous costs have been obtained for seven authorities, three of whom reported no change ie no savings. Another stated savings of £45,000 but this had to be offset by higher client side costs. Three other authorities stated savings of 2.3%, 2.5% and 4.4% on the previous budget.

It should be noted that many authorities had adjusted staffing levels prior to enforced tendering in response to falling school rolls and Government imposed financial constraints. Some had carried out major re-organisations with loss of staff in the last five years. This has meant 'savings' and cuts in staffing levels have not been as large as they might otherwise have been.

Impact on jobs, pay and conditions of service

Details of actual changes in school meals staffing levels have been obtained for only two authorities - one showed a net increase of eighteen staff (3.5%) and another had a reduction of seven staff (5.7%). In both cases there were no competing bids. However, despite the lack of tenders from private contractors at least three other authorities have reduced staff.

Five other authorities, four of whom had no competing tenders, have reduced terms and conditions including:

- reductions in hours
- termination of holiday retention payments

This has led to a cut in earnings of up to 20% in some cases.

Management in one Labour-controlled authority in the North East produced a list of similar options following an analysis of private contractors' wage and unit costs. All but one were eventually withdrawn after the trade unions organised a publicity campaign and a plan for industrial action. And this was in an authority with joint working between management and trade unions.

Stockport MBC engaged Gardner Merchant as consultants to advise on ways and means of making the service more 'competitive' in the longer term.

The consultants suggested the following measures:

- wage cuts of up to 10%
- termination of holiday retainer
- reduction in public holidays from eight to six days per annum
- reduction in annual leave from twenty-seven to nineteen days
- reduce sick pay scheme to statutory minimum
- cut staffing levels by 12.5%
- transfer one in four workers to casual employment

There was no indication of the possible effect of such changes on the quality of the meals service.

John Birdsall



Other Catering

A large number of local authorities 'Other Catering' falls under the *de minimis* category - over 180 authorities, mainly District Councils.

Who won what

DSOs have 86.4% of Other Catering contracts in 44 local authorities of whom 15 or 34% did not receive any competing bids from the private sector. The lack of competition was spread across authorities in the North and South, between large and small contracts, and between Conservative and Labour controlled authorities.

Despite private contractors having gained a much larger percentage of civic and leisure catering contracts in the last decade, they have failed not only to gain very many contracts in the first year of enforced tendering, but also failed to submit tenders in several authorities. This is surprising, since Civic and leisure catering is considered more profitable than school meals for contractors. Average user expenditure is higher, particularly when bars are included. Contractors usually have more freedom in running and pricing, and contracts are much smaller. Many more regional and local firms can compete for this work.

Value of contracts awarded:

- 25 Local Authority Other Catering contracts with total annual value of £11.89m.
- Average value of work is £470,000
- Value won by private contractors based on 4 out of 6 contractors with an average contract value of £170,000.

Of the five contracts won by the private sector two are for police and three are leisure centre catering.

But DSOs also won back contracts from private caterers:

Dorset: police catering from Sutcliffe Catering.

Newcastle upon Tyne: function catering from Ring & Brymer

Hampshire CC: staff catering at County Council offices.

Contract packaging

It was noted earlier that some local authorities had set up Catering DSOs, combining school meals, welfare and civic catering in one DSO. Two authorities out of eleven for whom we have details had set up catering DSOs whilst another two said they had strengthened client-side management. No substantial changes were necessary in the other authorities.

Only two authorities reported a change to budgets, with total savings of £130,000 over two contracts, representing budget savings of 11.6% and 19% respectively.

Changes in jobs, pay and conditions

An analysis of six contracts, all won by DSOs, showed an increase in total employment from 248 to 276. One contract showed a reduction of 3%, the rest remained the same, with the exception of one authority which increased employment due to the opening of two new leisure centres. The figures exclude any changes to casual staff.

Examining information on nine catering contracts, six

reported no changes to pay and conditions. Of the remainder one authority reported removing the bonus and shift systems, overtime working, and a flat rate payment introduced for weekend contracts. Another also withdrew enhancements for weekend working and changed the shift system. The other authority made minor reductions in the hours of work of part-time staff.

Complaints

A contractor queried the level of the performance bond in one authority, stating that unless it was reduced they would withdraw; the authority refused to reduce it. The firm withdrew after reminding the authority of Government statements about the level of bonds.

Commercial Catering Group complained to the Scottish Office about Lothian Regional Council's award of a £266,000 staff and police catering contract to its DSO. CCG's tender was £8,997 lower after redundancy costs were taken into account. The Labour controlled authority stated this excluded the possible loss of £17,000 in contributions to central costs if the work was contracted out.

Contracts awarded during 1989

EDUCATION CATERING

* indicates combined school meals and other catering

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Bedfordshire CC	*DSO	£7.25m	none
Berkshire CC	DSO	£6.0m	
Bexley LBC	DSO		none
Birmingham	DSO		none
Bradford MBC	DSO	£7.3m	none
Brent LBC	DSO	£2.8m	Commercial Catering Group Caribbean Catering
Buckinghamshire CC (Aylesbury College)	DSO Sutcliffe Catering	£1.0m	
Central Highland RC	DSO	£2.85m	none.
Clwyd CC	DSO	£5.4m	
Cornwall CC	DSO	£3.1m	none
	DSO	£3.4m	
Dorset CC (50%)	Sutcliffe Catering DSO	£1.3m £1.3m	DSO and 3 other firms Sutcliffe Catering
Dudley MBC	*DSO	£3.0m	none
Durham CC	DSO	£10.2m	none
Enfield LBC	DSO		none
Essex CC	DSO		
Gateshead	DSO	£2.0m	none
Gloucestershire CC	DSO	£5.0m	none
Hampshire CC	DSO		2 firms
Harrow LBC	DSO	£1.95m	1 firm
Havering LBC	DSO		
Highland RC	DSO		none
Kent CC	DSO		3 firms bid for 11 of 160 contracts
Kingston upon Thames LBC	DSO	£1.02m	Commercial Catering Group
Lancashire CC	DSO		none
Manchester	DSO	£9.1m	none
Newcastle upon Tyne MBC	DSO	£5.0m	none
Northamptonshire CC	DSO		none
Northumberland CC	*DSO	£5.2m	none
St Helens	DSO		
Salford	DSO	£3.5m	
Sandwell MDC	DSO	£3.75m	
Somerset CC	DSO		
Stockport MDC	DSO		none
Suffolk CC	DSO	£400,000	
	DSO	£1.2m	
Walsall MDC	*DSO	£5.0m	none
Warwickshire CC	DSO	£4.0m	
Western Isles IC	DSO	£0.78m	none
West Sussex DC	DSO	£5.0m	
Wigan MDC	DSO	£4.45m	none

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Bexley LBC	DSO		
Blackburn DC	DSO	£400,000	none
Bolton MDC	DSO	£700,000	none
Buckinghamshire CC	DSO	£200,000	
Cardiff DC	DSO		Gardner Merchant
Cannock Chase DC	DSO		
Cheshire CC			
staff catering	DSO	£250,000	
police catering	Gardner Merchant	£250,000	DSO
Cleveland CC	DSO	£280,000	
Congleton DC	DSO		
Crawley DC	DSO		
Dorset CC			
police catering	DSO	£1.4m	
Doncaster MDC	DSO		none
Dumfries & Galloway RC	DSO		
Ealing LBC	DSO		
Staff		£132,000	none
Welfare		£555,000	none
Eastbourne DC	DSO		
Hampshire CC	DSO		
Harrow LBC			
Leisure Centre	Sports & Leisure Foods		DSO
Hastings DC	DSO	£40,000	none
Kent CC	DSO		none
Kingston upon Thames			
welfare catering	DSO	£265,000	
Leicester DC	DSO	£750,000	none
Lothian RC	DSO	£266,000	Commercial Catering Group
Manchester MDC	DSO	£92,841	none
Motherwell	DSO	£63,107	none
Northamptonshire CC			
police catering	Catering Management Services	£295,000	DSO
civic catering	DSO	£100,000	none
Pendle DC	DSO	£40,000	
Portsmouth DC	DSO	£620,000	
Reigate & Banstead DC	DSO		
Richmond on Thames	DSO	£70,000	
Rochford DC	Circa Leisure (MBO)		
Rotherham MDC	DSO	£1.0m	none
Rushcliffe DC			
leisure centres	Churchwise	£36,000	
Salford MDC	DSO		none
St. Helens	DSO		
Scarborough DC	DSO	£1.5m	
South Glamorgan CC	DSO	£70,000	
South Yorks CC			
police catering	DSO		none
Southwark LBC			
welfare catering	DSO		
Stirling DC	Central RC	£110,000	Remark Catering Ltd
Stoke on Trent DC	DSO		
Surrey CC	DSO	£273,100	
Wakefield MDC	DSO	£500,000	none
Warwickshire CC			
police catering	DSO	£1.5m	
Watford DC	DSO	£259,900	Bromwich Catering

Contracts awarded during 1989

OTHER CATERING

Part 4

Refuse Collection and Street Cleaning

Introduction

Although refuse collection and street cleaning are two distinctly specified services under the Local Government Act 1988, this section documents the patterns of tendering for both these services. The first reason for this lies in the long tradition of many local authorities where these services have been run by the same department and have in recent years been incorporated into a single DSO. Consequently, 55 of the 204 Local Authorities (see table 1) monitored for this report have combined refuse collection, street cleaning and related services into a single contract for the purposes of CCT.

The close connection between the two services is also reflected in the competition from the private sector, the second reason for linking the analysis of the two services; the same companies are competing with DSOs in both services. However, we have also looked at the individual services where appropriate since clear patterns have emerged, particularly around the tactics used by the private sector in bidding for the 104 refuse, 45 street cleaning contracts and 55 combined contracts exposed to competition during 1989.

Who won what?

In general, DSOs appear to have been very successful in winning contracts, as table 1 illustrates. Out of a total of 204 contracts, 162 (79%) were won in-house. In the majority of cases, where we have available data (see table 2), there were competing bids from private sector companies, illustrating that the DSO bids were evaluated against one or more private sector bids.

Where there were no competing bids, private contractors gave the same reasons for withdrawing from the tendering process in many cases. They were overcommitted in their bidding and did not have the

capacity in terms of time and resources to prepare tender bids for often complex and highly demanding service levels laid down in detailed specifications. The larger and more complicated contracts where street cleaning and refuse collection were combined proved less attractive to the private sector than contracts where, in particular, refuse collection was put out on its own.

This pattern is repeated when it comes to private sector successes. The part of the service most attractive to private contractors and where there were more competing bids — refuse collection, is also the part of the service where most contracts (25) were won by the private sector (see Table 1). Two contracts were won by cross boundary tendering by other local authorities.

Geographic Profile

The geographical patterns resulting from tendering for refuse and street cleaning during 1989 are linked to

- i) the political complexion of the local authorities involved
- ii) the strategies of the private sector

Table 3 clearly shows that in all parts of the service the major successes for private contractors were in small District Councils, particularly those who had put out refuse collection as a single contract. Many of these districts actively support the notion of CCT. Several have put out services to CCT prior to the legislation. Their packages were more attractive to the private sector than the larger, more complicated County, Metropolitan District Council and London Borough contracts with a long history of intensive and highly demanding services operating in often difficult circumstances.

Among **refuse-only** contracts, the private sector won small contracts scattered over the South and Midlands. Sitaclean's success in Blackpool is the most northerly. The Conservative-controlled London Borough of Bromley was the only London Authority to award its refuse-only

Table 1

Contracts awarded by type of service

Contractor	Refuse Collection	Street Cleaning	Refuse and Street Cleaning	Total
DSOs	77 (74%)	36 (80%)	49 (89%)	162 (79%)
Private Contractor	25 (27%)	9 (20%)	6 (11%)	40 (20%)
Other Local Authorities (cross-boundary tendering)	2 (2%)	—	—	2 (1%)
Total	104	45	55	204

Table 2

Level of Competition where DSOs won In-House Refuse Collection and Street Cleaning Services

	Refuse Collection	Street Cleaning	Refuse and Street Cleaning	Total
Competing bids	28	15	20	63
No competing bids	5	3	9	17
Not known	46	18	20	84
Total	79	36	49	164

brought forward their refuse collection service for tender earlier than required.

In **street cleaning** it is of interest that contractors have won some more prestigious contracts — City of London, Brighton, Kensington & Chelsea — they also bid very competitively for other prestigious contracts, *eg* York.

Table 3

Contracts won by Private Contractors by type of Authority

	Refuse Collection	Street Cleaning	Refuse & Street cleaning
District Councils <i>Including Scottish and Welsh Districts</i>	24	8	4
County Councils	—	—	—
Metropolitan Districts	—	—	—
London Boroughs	1	1	2
Total	25	9	6

Apart from the contract won by a local contractor in Skye and Lochalsh, the few combined **refuse and street** contracts won by private contractors were in the Midlands and South East. None of the contracts in the Metropolitan Districts or County Councils awarded up to November 1989 were won by the private sector.

Reasons

1. More complex and demanding level of service for which few contractors have any experience/track record.
2. Contractors played safe and bid more competitively in the Midlands and South where there is more political sympathy and active encouragement for privatisation. A classic example of this is East Staffs DC, where Leigh won the refuse collection contract. This Conservative controlled district is keen to privatise its services quickly and some services are being put out to tender earlier than the legislation requires. Leigh Environmental, who put in the lowest of 5 tenders for refuse collection, already have a depot in Burton.
3. Contractors are clearly keen to get a foothold in 'safe' areas to build up experience for future rounds of tendering. They are perhaps able to run services in rural district areas without the close public scrutiny that would be more obvious in a large city with a history of a high quality service.

4. Several contractors with a base in a particular geographical location submitted bids in neighbouring areas. Biffa, for example, bid for several refuse collection contracts in areas where they already hold a contract, presumably to reduce overhead costs.

Value of refuse and street cleaning contracts

- 61 contracts with a total value of £103.341m
- The average value of work is £1.69m; however there are great variations in contract value between authority types
- the value won by contractors based on 61 contracts is 14.4% among combined refuse and street cleaning contracts.

Value of street cleaning contracts

- 29 contracts with a total annual value of £26.54m
- The average value of work is £915,000; this includes contrasting contract sizes - at one extreme Glasgow's £5.298m per annum contract, at the other Lichfield District Council's £115,000 a year street cleaning contract
- The value won by private contractors based on 29 street cleaning contracts is £2.45m (8%)

Value of refuse collection contracts

- 68 contracts with a total annual value of £59.37m
- the average value of the work is £870,000
- the value won by contractors based on 68 refuse collection contracts is £14.199m (24%). This represents a much larger proportion than the combined and street cleaning contracts

The Contractor's Response: Refuse Collection and Street Cleaning

Over 200 refuse, street cleaning or combined local authority contracts have been exposed to competition during 1989, giving the private sector a superb choice. The choice has been wide - different sizes and packaging of contracts in different types of localities ranging from rural district councils to inner city metropolitan districts.

The patterns of bidding revealed by an analysis of the first round of tendering shows that contractors have been highly selective in deciding where to submit authentic tenders as opposed to those where they do not tender at all, withdraw or put in very high bids.

Refuse collection proved to be a much more attractive proposition to contractors than street cleaning. 25 out of 104 (27%) of refuse-only contracts were won by

contractors and there is evidence of more intensive bidding in refuse-only contracts than in street cleaning or combined contracts.

Contractors Audit Volume 1 predicted that waste disposal companies would be more interested in refuse collection contracts than separate street cleaning contracts. This has been the case for all types of companies involved in tendering. Street cleaning is much less attractive - it has a history of being one of the cinderella services of local government. It is also labour intensive and there are less possibilities for profitable return and higher levels of productivity through capital investment than in refuse collection.

Certain companies actively sought refuse-only contracts. The primary example of this is Biffa who won 8 refuse contracts, all in small District Councils with an annual value between them of approximately £5m. The only contract Biffa took on where street cleaning was included was Arun DC, where Biffa previously held the refuse collection contract.

Competitive bidding took place in many small District Councils, many of which are Conservative controlled. The result was that out of 40 street cleaning and refuse contracts won by contractors, 36 were in District Councils, the remaining 4 in London Boroughs. Together these represent a very small proportion of the total market opened up to competition during 1989.

As Table 4 shows, Sitaclean and Biffa were by far the most aggressive bidders in the first round. Most of Biffa's bidding was in the South, however, the company also won contracts in Cornwall, Chester and Cumbria. Sitaclean have won 4 refuse contracts so far together worth approximately £4m despite very competitive and keen bidding all over the country for all types of contracts. Sitaclean bid for 6 contracts in Scotland, several in Metropolitan Districts, London Boroughs and Counties. However, their only success so far is in District Councils.

Who Are The Contractors?

The first year of tendering for refuse and street cleaning under the Local Government Act 1988 has witnessed the emergence of a rapidly changing private sector. Many new companies have been established with the sole purpose of tendering for Local Authority cleansing contracts. New names have appeared representing Anglo-European ventures into the market, much to the surprise of many Local Authorities.

The waste disposal companies cited in Volume 1 of the Contractors' Audit have proved to be largely disinterested in local authority work. The waste disposal industry is expanding and profitability remains high - the need to diversify into the public sector refuse/street cleaning industry for companies such as Cleanaway, Wimpey Waste Management, Shanks & McEwan, Econowaste and Hargreaves Clearwaste is apparently not there. The risks of tendering for public sector contracts are not worthwhile for these companies.

The exceptions among waste disposal companies analysed in Volume 1 are Biffa (BET-owned and now merged with Exclusive) and Leigh Environmental, owned by Leigh Interests (see below). The cleaning companies Teamwaste (now Tyler Waste Management), Exclusive (now Biffa) and BFI Wastecare have been active in the new opening up of the market.



Eddie Vincent

The most important companies to emerge in the last year as serious competitors to local authority cleansing DSOs are listed in table 4 and can be categorised as follows:

1. Established refuse collection contractors - BFI Wastecare, Tyler Waste Management and Biffa (since it merged with Exclusive).
2. Established waste management companies eg Charlesplant, Drinkwater Sabey and Leigh Environmental.
3. Newly formed subsidiaries of UK companies with little or not track record in cleansing or related services eg Enviroman, General Contracting, Town and Country and UK Waste Control.
4. Newly formed Anglo/European subsidiaries of French and Spanish multinationals eg Sitaclean, Cory Onyx and FOCSA.

The latter two categories of companies have been extremely active in their response to the opening up of refuse and street cleaning contracts to private companies. However, contractors have taken different approaches and strategies as the following analysis of the main players in the current market illustrates. Table 4 is a guide to the contractors and their success or otherwise during 1989.

Established Refuse Collection Contractors

1. **BFI Wastecare**, the subsidiary of Browning Ferris Industries Inc (USA), has adopted a cautious strategy in tendering for contracts during 1989. (see also Contractors' Audit Volume 2 for company details). The company is committed to expand its UK operations and prior to 1989 originally held 4 local authority contracts in the UK, including London Borough of Wandsworth's refuse collection contract. When the contract was re-tendered in 1988 Teamwaste were awarded the contract.

The Basingstoke and Dean District Council refuse

collection contract awarded to BFI in 1984 was re-awarded in 1989. BFI, who previously held the refuse contract, were also awarded London Borough of Kensington and Chelsea's combined street cleaning and refuse collection contract worth £5m per annum during 1989. Problems with this latest contract have already arisen; the Council have admitted that BFI's 'settling-in period' when the contractor is usually exempt from financial penalties for non or poor performance, has already gone on for seven months because of difficulties in achieving the specification.

Of BFI's more notable unsuccessful bids during 1989, those for East Staffs DC and London Borough of Islington are of interest. In both cases the company submitted bids which were substantially higher than the winning bids. During 1989 BFI's only real successes have been where the company already have a foot in the door. A history of problems with contracts both in the UK and the US may be a reason for BFI's limited bidding strategy.

2. **Biffa Waste Services** (previously also Exclusive Cleansing). Prior to 1989 Exclusive Cleansing (owned by the multinational contractor BET) held as many as 14 of the 30 local authority refuse and street cleansing contracts awarded to the private sector during the 1980s. In 1988 BET announced that all local authority cleansing contracts awarded to Exclusive would operate under Biffa Waste Services. At that time Biffa, primarily a waste disposal company, held only two refuse collection contracts.

During 1989, Biffa in its new guise have won 8 refuse collection contracts - all with a value of well under £1m per annum each - and the combined refuse collection/street cleaning contract in Arun District Council worth £1.6m per annum¹. Biffa previously held the Arun refuse collection contract. Biffa also had several unsuccessful bids in small district councils. However, we can predict that Biffa are looking for further expansion, particularly in refuse collection services. Whether Biffa will move towards a more aggressive form of tendering in the metropolitan districts and London boroughs remains to be seen. On current performance Biffa may prefer to continue to pursue contracts in the safer, Conservative controlled district councils.

3. **Tyler Waste Management** is part of the environmental services division of AAH Holdings PLC, the pharmaceuticals and transport group. Like other companies in the industry, Tylers are seeking to expand by acquisition. In January 1989 AAH Holdings acquired Go Plant Ltd, specialists in the hire of cleansing service vehicles.

Prior to 1989, Tylers held the refuse and street cleaning contracts for Romford District Council worth £0.5m per annum and small contracts in Tunbridge Wells, Tandridge and Sevenoaks. The major contract held by Tylers is Wandsworth's 7 year

refuse collection contract, where they took over from BFI Wastecare in 1988. Tylers also hold ground maintenance contracts, although their bidding during 1989 for this service has been rather limited.

Like BFI and Biffa, Tylers have been selective in their approach to tendering and have targetted small district councils. So far they have been awarded two refuse, one street cleaning and one combined contract. Their expansion has not been as great as previously expected, and their bidding less successful than some of their competitors.

Waste Management Companies

1. **Charlesplant** is a waste disposal and vehicle hire company. It is part of the Colin Draycott Group of Companies, which has taken up the opportunities in the public sector and adopted a strategy to expand into refuse and street cleaning. Up to 1989 the company held no local authority cleansing contracts. During this year the company has submitted three successful bids, two of them in street cleaning.

Again they have been selective in their bidding - apart from an unsuccessful tender bid for Nottinghamshire's street cleaning all their bids have been for services in small district councils in the Home Counties and Midlands - their traditional geographical base. The three contracts in Tamworth, South Bucks and South Kesteven are together worth under £1m per annum. However, the major expansion of the market and the rolling programme of tendering is clearly to this company's advantage.

2. **Drinkwater Sabey** has been a subsidiary of Attwoods plc since 1986. Attwoods is a major, rapidly expanding and highly profitable UK based mineral extraction and waste disposal company with operations in this country and the US where they have a number of public cleansing contracts. Dennis Thatcher is one of Attwoods company directors. Since 1986 Attwoods have acquired a number of companies including Ropers and Drinkwater Sabey - both waste contractors.

Up to 1989 Drinkwater Sabey held no public cleansing contracts in the UK and during this year they have won two contracts - the refuse collection contract for Christchurch District Council and the street cleaning contract in Bournemouth. Given their limited bidding it is quite probable that the company are seeking to expand further in waste disposal, and have a limited interest in the less profitable refuse and street cleaning aspects of the waste industry.

3. **Leigh Environmental** is a wholly owned subsidiary of the Leigh Interests Group (see Contractors Audit Volume 2), whose principal activities include the disposal of hazardous waste. Leigh Interests has expanded rapidly in recent years by acquiring a number of small waste disposal companies.

Leigh Environmental is clearly seeking to expand in the public sector and has tendered for at least eight district council contracts during 1989. Its successful contracts are in refuse collection alone - in Leominster, West Oxfordshire and East Staffs. In East Staffs they won the contract against competition from the DSO, BFI, Tylers, Biffa and UK Waste.

¹ Arun District Council is to be challenged in the High Court over this decision. NALGO have alleged that Arun did not seek alternative bids for the street cleaning contract. The local authority have stated that Biffa was already carrying out refuse collection when negotiations resulted in a revised contract for that service, which included the street sweeping contract. (*Municipal Journal* 10/11/89)

UK Companies New to the Cleansing Industry

Several new companies with no track record or experience in cleansing activities have been established with the sole purpose of tendering for refuse collection and street cleansing contracts. Several of these companies have succeeded in winning contracts and include:

1. **Environman** This Cheltenham based company was set up by the Caird Group plc in 1988 to bid for Local Authority contracts. Caird has a 60% share stake in the company and provides financial and operational support to its activities. Caird is also clearly seeking to broaden its waste disposal activities and has recently acquired a number of waste companies.

Environman now has a foothold in the public sector. Following intervention by the DOE, Environman was awarded the refuse collection contract for Peterborough DC worth £960,000. This bid was £300,000 cheaper than the DSO's; over 70 workers employed by Peterborough were affected by this decision.

2. **General Contracting Company** is a small company based in Kirkby-in-Ashfield seeking to move into the public sector. Given its size and limited assets, the company has been relatively active in bidding for cleansing contracts. Its only success so far has been in Conservative controlled East Northants District Council where the company won a contract worth £1.043m covering six services - refuse collection, grounds maintenance, street sweeping, building cleaning, vehicle maintenance and ancillary services.

The company have also submitted bids for street cleansing contracts in Barnsley and Chesterfield. In one case General Contracting bid substantially more than the DSO.

3. **Town and Country**. Although this Company have not yet won any contracts they have appeared on many pre-tender lists and have put in unsuccessful bids in several local authorities. Town and Country is a subsidiary of Hekla Holdings, based in Hull. Hekla is a small haulage and transport company with no previous involvement in the waste industry. Town and Country was established during 1988 with the prime objective of seeking local authority contracts. It is currently a very limited operation with only a handful of staff operating from an office in Hull.

Given their lack of assets, lack of experience and limited resources, it would seem that local authorities should be scrutinising very carefully any tender bids put forward by this company, on more than financial criteria alone.

4. **UK Waste Control**. This company was established in 1988 to take up the opportunities of enforced tendering, by the waste management group United Environmental Systems Ltd. The company appointed Barry Trowbridge as managing director; he was formerly director for Wastecare Ltd.

The company claim to have submitted 160 pre-qualifications to local authorities and where it has qualified has made its decision to tender on a number of factors. 'Many factors, such as geographical position or grouping play a role in the final decision to tender for a contract.' (*Waste Management Journal*.)

UK Waste have been bidding very competitively in financial terms for a range of contracts, particularly in street cleaning where the company have four contracts including the City of London. These four contracts are worth almost £3m annually.

UK Waste has gained access to the public sector more rapidly and successfully than many of its competitors, reflecting a more aggressive strategy and bids that are more 'accurate' and harder for DSOs to compete with in financial terms even though the company has no previous track record.

European Competition

Three major European (two French and one Spanish) multi-nationals have been responsible for the formation of UK based cleansing contractors. Their strategy is to compete and win public sector refuse and street cleaning contracts in the UK. To all those involved in tendering, Sitaclean, Cory Onyx and FOCSA have become well known names. Sitaclean in particular has appeared on the pre-tender lists of local authorities preparing for competition all over the country.

The French Connection

Two competing French multi-nationals with major involvement in service industries are behind the activities of Sitaclean and Cory Onyx. These multi-nationals also aim to take over much of the UK water industry following privatisation. They have significant stakes in UK water authorities and probably intend to exploit the market link between waste disposal and refuse collection.

Sitaclean Technology. Lyonnaise des Eaux is the holding company of the Sita group which provides cleansing and other public services in France and other European cities. Sita has a long history as a contractor to local authorities in water and other public services. The group has a turnover of £1.8bn, and its major priority is to expand outside France.

Sita is a major manufacturer of cleansing vehicles and has already acquired a UK based manufacturer of refuse and street cleaning equipment. Sita has 120 refuse and street cleaning contracts with French local authorities (including parts of Paris, Lyons, Reims, Tours) as well as contracts in Spain and the Far East. Sitaclean are using Sita's experience in public sector work in Europe as an argument for their suitability for running UK cleansing contracts.

Sitaclean Technology was established specifically to compete for UK local authority services. Sitaclean's chief executive Richard Barlow was previously chairman of Exclusive Cleansing Services and has experience of the early privatisation of refuse collection in, for example, Southend and Eastbourne.

In the UK Sitaclean have competed very aggressively all over the country for contracts of all sizes and types. As table 4 shows they have not been particularly discriminating in their bidding. Unlike many contractors, Sitaclean have submitted several bids in major metropolitan districts and London Boroughs. They have bid for refuse, street cleaning as well as combined contracts reflecting a high level of backup resources to their tendering strategy. Their actual success has been more limited and confined to 4 refuse collection contracts

in district councils worth together approximately £4m per annum.

Sitaclean have been relatively accurate in their bidding in that their prices have been very close to the DSOs in many cases. In 3 cases Sitaclean bid marginally below the DSO but the award was made in-house as redundancy and other costs were taken into account.

Cory Onyx is jointly owned (50:50) by Ocean Environmental Management Ltd (UK) and Compagnie Generale d'Enterprises Automobiles (CGEA-France). OEML is a subsidiary of Wm. Cory and Son Ltd., a waste management business, which is in turn a subsidiary of Ocean Transport and Trading Co. - the ultimate holding company. Cory Waste Management operate several waste disposal facilities in S.E. England.

CGEA has a turnover of £5bn, and has long experience as a contractor in Europe. Local authority work includes refuse and street cleaning which alone accounts for 60% of CGEA's £100m turnover. Cory Onyx (previously named Cory CGEA) was established in late 1988 to tender for UK cleansing contracts. The company argues that its strength lies in 'a combination of established continental technologies and operational expertise and British environmental management skills'. Cory appointed Mike Blundy, who was previously the development manager for the municipal services division of Exclusive Cleansing.

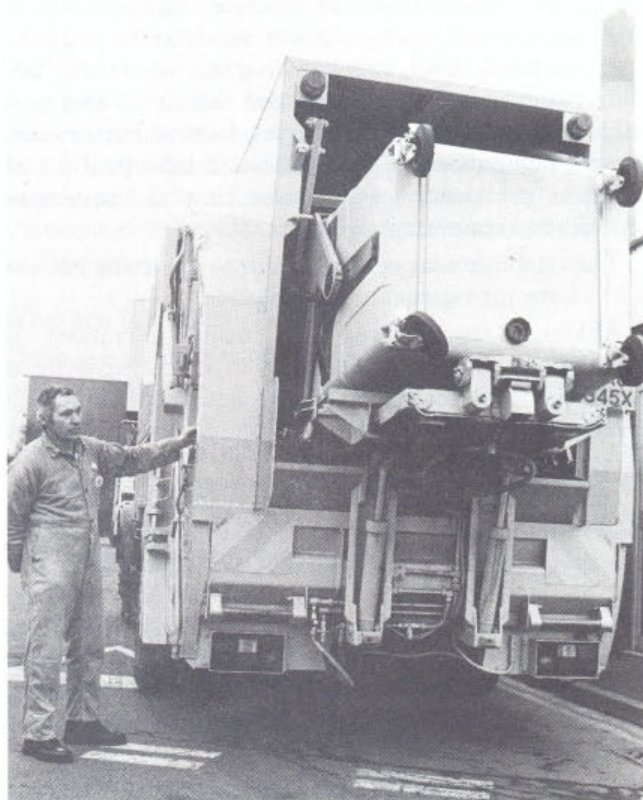
According to a recent ALA report, Cory has been given the objective of winning £30m of contracts in the first three years, (*The Continental Challenge - European Competition for Local Authority Services*, Association of London Authorities, 1989). The bids the company made during 1989 resulted in 2 London borough contracts together worth £3.7m per annum. In Tower Hamlets the DSO won part of the combined refuse/street cleaning contract and Cory a contract worth £1.5m per annum.

In Conservative controlled London Borough of Bromley, problems have already emerged although the refuse contract only started in September 1989. The company admitted that 20% of the borough's refuse had not been collected on the due date. Cory had to employ 30 extra staff and a further six refuse vehicles to deal with the problem.

In terms of the overall pattern of bidding (see Table 4) Cory have differed from other contractors. Although they have submitted bids for some district councils, Cory have targetted larger towns and city areas. They have been more selective than Sitaclean and competed with DSOs for relatively large-scale contracts in both refuse and street cleansing. Cory's most northerly bid was in York, where the company submitted an extremely competitive bid for street cleansing.

The Spanish Connection

FOCSA Services UK Ltd. In the last few months FOCSA Services (UK) a subsidiary of a Spanish company Formento de Obras y Construcciones SA (FOCSA) has cropped up with increasing repetition in Local Authority tender lists. FOCSA, the holding company has a £520m turnover and claim to hold 70% of the refuse collection market in Spain. They have a workforce of 13,000 with 9,000 working in cleansing services. FOCSA have 85 refuse contracts, including Spain's major cities, and contracts in South America. FOCSA are placing emphasis



Martin Jenkinson

on new technology and capital equipment; they design their own cleansing vehicles.

The UK company was set up in April 1989 as part of FOCSA's strategy to expand in Europe and South America. Their operations office is in Manchester. FOCSA have submitted 10 tenders so far, including one for Glasgow's refuse collection contract. So far, FOCSA have been awarded the street cleaning contract for Brighton District Council. This, however, is surrounded by controversy and accusations that FOCSA submitted a loss-leader, given that the FOCSA tender bid was substantially cheaper than the DSOs.

Re-organisation of refuse/street cleaning services and consequent impact on employment

The threat of the Local Government Act 1988 combined with severe budget restrictions have resulted in radical restructuring of many local authority cleansing departments. This has had an impact on service quality and has greatly affected the working conditions of thousands of public sector cleansing workers who are predominantly manual workers. The effect on employment levels has been devastating, with some local authority DSOs halving their workforce; where the DSOs have lost to private contractors hundreds of jobs have been cut from the service nationally.

In several local authorities the traditional methods used in refuse collection such as rear-door metal bin or plastic sack collections have been replaced by kerbside wheeled bins. The result of this change in the service and higher productivity rates have been reductions in labour levels and changing working practices. In street sweeping, new systems have been introduced including increased mechanisation and alterations in sweeping frequencies.

Many authorities have introduced higher levels of labour productivity without introducing new capital

equipment. DSOs have, for example, tightened up on working practices such as bonus agreements, staggered start and finish times, re-scheduling and new routes, new shift patterns and more runs per vehicle as means of increasing output per person. A few local authorities have bought out public holidays and some have paid a cash payment per person at the same time as introducing changes and increasing workloads.

The establishment of DSOs prior to tendering has also led to some management reorganisation.

Although there have been major alterations to productivity and employment levels in the majority of cases, the trade unions have maintained hours and wage levels and have not agreed to alterations in national agreements.

Nevertheless, the employment impact has been extremely serious. Jobs have gone through natural wastage, redeployment and voluntary redundancy, not just in local authorities where the service has been privatised, but more importantly in the DSOs. This is the direct effect of competing with the private sector, combined with budget cuts. In virtually every authority major savings have occurred which have meant reductions in job levels.

Where DSOs have won tenders in-house, the contract price included cuts in labour costs. In 43 local authorities where we have collected detailed employment figures, in all but three cases there were reductions in employment levels; in several cases employment was halved. In only three cases were there no alterations to employment numbers post-contract.

In some of the larger cleansing departments in metropolitan districts and London boroughs, tens and even hundreds of jobs representing a considerable proportion of the workforce were cut. This was always associated with major savings between the previous cost of the service and the winning contract value.

Table 5 shows the average employment change in 27 local authorities.

The figures in Table 5 should be treated with caution - they are only averages and do not reflect the changes that may have taken place prior to 1988. The averages disguise the fact that while some authorities have maintained employment levels over the past year, others have drastically cut labour, by as much as half in some cases.

Complaints — Refuse/Street Cleaning

There have been a large number of complaints by contractors bidding for refuse and street cleaning contracts. Many of these have been taken up by letters from the DOE to local authorities. The DOE have also intervened directly in a few award decisions, although only one council involved in refuse and street cleaning competitive tendering has been legally challenged under the legislation for allegations of anti-competitive practices in tendering procedures.

Twenty-three local authorities provided details about the complaints (sometimes more than one) they encountered. The complaints fall into the following categories:

1. Complaints over the fact that the council was not offering its vehicles or depots for use by contractors. Local authorities often make this provision since depots often include many activities outside the prescribed service and cannot be physically divided up. This occurred in 14 of the 23 local authorities and applied to both refuse and street cleaning contracts. In several cases, the complaint fell with the DOE agreeing with the local authorities' case.
2. Conversely, in four cases contractors complained that tenderers were required to make use of vehicles and/or depots.
3. There was a complaint about one council's stipulation that it would hire out specialist vehicles at rates specified in tender documents.
4. Two complaints were made about the short tendering period.
5. In only one case did a contractor complain about the short time scale for resourcing up for the company once the contract was awarded.
6. In five cases complaints were made to the DOE about award decisions. In one case - Peterborough - the council awarded the refuse collection contract to the DSO in spite of a lower bid from Environman. The DOE intervened and the council reversed their original decision and awarded the contract to Environman, making over 80 DSO refuse workers redundant.

Some cases are still being investigated by the DOE, others involved an acceptance of the local authorities case.

Table 5

Average employment change 1988/89 - 1989/90 in Cleansing DSOs

	No. of Local Authorities	Employment 1988/89	Employment 1989/90	Actual Change	% Change
Metropolitan District Councils	5	1022	806	- 216	- 21%
London Boroughs	5	1032	791	- 241	- 25%
District Councils	17	1420	1138	- 282	- 20%
Total	27	3474	2735	- 739	- 21%

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Aberconwy DC	DSO	£0.5m	Sitaclean and three other contractors
Alnwick DC	DSO		
Alyn & Deeside DC	DSO		
Babergh DC	Sitaclean	£0.599m	DSO and three other contractors
Basingstoke and Dean DC	BFI		
Beverley DC	DSO	£0.825m	
Blackpool DC	Sitaclean	£1.19m	Town & Country, Wistech, UK Waste Control
Blaenau Gwent DC	DSO		
Bracknell Forest DC	DSO		
Brighton DC	DSO		DSO
L.B. Bromley	Cory Onyx	£2.2m	
Broxtowe DC	DSO		
Burnley MDC	DSO		General Contracting
Caradon DC	DSO	£0.58m	
Calderdale MDC	DSO	£1.7m	
Carlisle DC	Biffa	£0.64m	DSO
Charnwood DC	DSO	£1.1m	
Cherwell DC	DSO		
Chester DC	Biffa	£0.86m	1 contractor
Chester le Street DC	DSO	£0.21m	
Christchurch DC	Drinkwater Sabey	£0.27m	
Copeland DC	Biffa	£0.9m	DSO, Biffa, Taskmasters
Cotswold DC	Stratford on Avon DSO		
Crewe & Nantwich DC	DSO	£0.756m	
Dacorum DC	DSO	£0.98m	2 contractors
Derby City DC	DSO		
Derbyshire Dales DC	Tylers	£0.65m	
Dumbarton DC	DSO	£1.029m	Sitaclean, Leigh Environmental
East Cambridgeshire DC	DSO	£0.5m	
East Hampshire DC	Biffa		
Eastleigh DC	DSO	£0.5m	Enviromon, Sitaclean and two others
East Lindsey DC	DSO		
East Lothian DC	DSO	£1.7m	
Eden DC	DSO	£0.48m	Biffa, Sitaclean
Erewash DC	Sitaclean	£0.89m	
Forest of Dean DC	Biffa	£0.4m	
Forest Heath DC	DSO	£0.357m	FOCSA, Lilley Sitaclean (Anglo/French)
Glasgow DC	DSO	£8.3m	
Gordon DC	DSO	£0.58m	
Gloucester DC	DSO	£0.759m	Countploy, Highway Cleansing Services
Guildford DC	DSO	£0.83m	

Contracts awarded during 1989

REFUSE COLLECTION

Contracts awarded during 1989

REFUSE COLLECTION

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Harrogate DC	DSO	£1.4m	
Horsham DC	DSO	£0.9m	Waste Management, Taskmasters and Tylers
L.B. Hounslow	DSO	£1.6m	Sitaclean
Hull DC	DSO	£1.8m	Sitaclean
Ipswich DC	DSO	£0.708m	
Kennet DC	DSO	£0.421m	
Kingswood DC	DSO		
Knowsley MDC	DSO	£0.35m	Sitaclean
Leominster DC	Leigh Environmental	£1.75m	
Melton DC	Tylers	£290,000	
Mid Suffolk DC	Biffa	£0.5m	DSO and three contractors
Montgomeryshire DC	DSO	£0.416m	
Monklands DC	DSO	£1.070m	none
Newark & Sherwood	DSO		
North East Fife DC	DSO		
North Kesteven DC	DSO		
North Wiltshire DC	DSO	£0.684m	
Oadby & Wigston DC	DSO	£0.405m	Sitaclean
Ogwr DC	DSO	£0.873m	
Okehampton & Tavistock DC	DSO	£0.27m	1 contractor
Orkney DC	DSO	£0.15m	
Peterborough DC	Enviroman	£0.9m	DSO
Penwith DC	Biffa		
Preseli DC	DSO	£0.507m	
Purbeck DC	DSO		
Rhondda DC	DSO		
Ribble Valley DC	DSO		
Rossendale DC	Sitaclean	£0.66m	
Rother DC	DSO	£0.77m	FOCSA
Rutland DC	DSO	£0.29m	
Sedgefield	DSO	£0.78m	
Shrewsbury & Alcham DC	DSO	£0.75m	
South Bedfordshire DC	DSO		
South Cambridgeshire DC	DSO	£0.67m	Cambridge CC, Waste Management, Tylers
South Lakeland DC	DSO	£1.04m	none
South Shropshire DC	DSO		
Stafford	DSO		
Staffordshire Moorlands DC	DSO	£0.8m	5 contractors
Stroud DC	DSO	£0.87m	Bristol City, Leigh Environmental, Sitaclean
Sunderland MDC	DSO		
Tamworth DC	Charlesplant	£0.4m	Leigh Environmental, Tylers, Cleanaway
Test Valley	DSO	£0.780m	
Three Rivers DC	UK Waste Control	£0.63m	DSO and 2 contractors

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Torridge DC	DSO	£0.3m	none
Thurrock DC	DSO	£0.86m	
Tunbridge Wells DC	Tylers		
Tynedale DC	DSO	£0.59m	
			UK Waste Control General Contracting Highway Cleansing, Wistech Town & Country, Biffa Enviroman, Boiler & General
Wandsdyke DC	DSO	£0.7m	Tylers
Waverley DC	DSO		
West Devon DC	DSO	£0.260m	
West Oxfordshire DC	Leigh Environmental	£0.47m	DSO, Cory Onyx Waste Management
West Somerset DC	DSO		
Winchester DC	DSO		
Windsor DC	DSO	£1m	
Woking DC	Surrey CC	£0.3m	Sitaclean
Wolverhampton MDC	DSO	£1.52m	
Wyre Forest DC	DSO	£0.730m	

Contracts awarded during 1989

REFUSE COLLECTION

Contracts awarded during 1989

STREET CLEANING

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Adur DC	DSO	£0.18m	
Barking & Dagenham LBC	DSO	£1m	none
Barnsley MDC	DSO	£0.46m	General Contracting Co.
Beverley DC	DSO	£0.223m	BFI, Cory Onyx
Brighton DC	FOCSA		DSO, UK Waste Control
Carlisle DC	UK Waste Control	£0.5m	DSO
Chesterfield DC	DSO	£1.8m	General Contracting Co., Sitaclean
City of London	UK Waste Control	£1.95m	DSO, Cory Onyx
Coventry MDC	DSO	£1.5m	Ocean (Cory Onyx)
Darlington DC	DSO	£0.75m	3 contractors
Derbyshire Dales	DSO		
Ellesmere Port & Newton DC	DSO	£1m	
Erewash DC	DSO		
Glasgow DC	DSO	£5.298m	Lilley Plant Ltd, UK Waste Control
Gosport DC	DSO	£1.3m	
Hammersmith & Fulham LBC	DSO	£1.5m	
Hertsmere DC	DSO	£0.2m	Tylers
Kilmarnock & London DC	DSO	£516,000	none
Kincardine DC	DSO		1 local contractor
Leeds MDC	DSO	£3m	none
Lichfield DC	DSO	£115,585	
Mendip DC	DSO	£120,000	Tylers, Cleanaway
Middlesborough DC	DSO	£0.82m	UK Waste Control, Sitaclean
Newham LBC	DSO		none
Nithsdale DC	DSO		
Nottinghamshire CC	DSO	£198,000	Charlesplant, Sitaclean
Ribble Valley DC	DSO		
Runnymede DC	DSO	£0.260m	
Rydale DC	DSO	£0.219m	
Rochdale MDC	DSO	£1m	
Speithorne DC	DSO	£0.45m	
South Somerset DC	DSO	£0.24m	Town & Country, Tylers
Suffolk Coastal DC	DSO	£214,291	
Sutton LBC	DSO	£0.4m	
Tonbridge & Malling DC	Tylers		
Torfaen DC	DSO	£0.43m	UK Waste Control
Warrington DC	DSO		
West Wiltshire	DSO		
York City	DSO	£0.6m	Cory Onyx

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Aberdeen DC	DSO	£3.2m	Sitaclean, Environman, UK Waste Control
Amber Valley DC	DSO (Refuse) UK Waste Control (street cleaning)	£0.87m £0.21m	DSO
Arun DC	Biffa	£1.6m	
Banff & Buchan DC	DSO	£0.75m	2 contractors
Barrow in Furness DC	DSO	£1m	
Basildon DC	DSO		Town & Country
Bristol DC	DSO	£6.7m (includes building cleaning)	
Brecknock DC	DSO	£0.502m	Wistech, General Contracting Co., Sitaclean, UK Waste Control
Berwick DC	DSO	£314,000	Sitaclean, Environman, Town & Country, General Contracting Co.
Blyth Valley DC	DSO	£1.06m	none
Bournemouth DC	DSO (refuse)	£0.789m	Drinkwater Sabey Biffa, Ocean (Cory Onyx)
	Drinkwater Sabey (street cleaning)	£1.5m	
L. B. Camden	DSO	£3.99m	Cory Onyx
Cardiff DC	DSO	£3.2m	none
Clydebank	DSO	£0.885m	Waste Technology, Sitaclean
Clywd CC	DSO	£5.4m	
Clackmannan DC	DSO	£0.628m	Town & Country, Environman, Sitaclean
Colchester DC	DSO		
Colwyn CC	DSO	£0.634m	
Corby DC	DSO		
Cunninghame DC	DSO	£0.6m	none
East Devon DC	Tylers	£0.65m	DSO
East Northants DC	General Contracting Co.	£1m (6 services)	
East Staffs DC	Leigh Environmental (refuse) DSO (street cleaning)	£0.7m £0.27m	Tylers, Biffa UK Waste Control BFI, DSO Tylers, Charlesplant
Eastwood DC	DSO	£0.858m	
Exeter DC	DSO	£1.1m	Sitaclean
L.B. Hackney	DSO	£4.13m	none
Havant DC	DSO	£1m	
L.B. Islington	DSO	£4.09m	BFI
L.B. Kensington & Chelsea	BFI Wastecare	£5m	UK Waste Control, Highway Cleansing, Ocean (Cory Onyx), TNT, Nationwide
Lewes DC	DSO		
Llanelli DC	DSO	£1.1m	Cory Onyx
Maidstone DC	DSO		
Medina DC	Biffa	£0.5m	Tylers

Contracts awarded during 1989

REFUSE COLLECTION and STREET CLEANING

(combined contract or put out at same time)

Contracts awarded during 1989

REFUSE COLLECTION and STREET CLEANING

(combined contract or put out at same time)

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Midlothian DC	DSO	£1.507m	none
Monmouth DC	DSO		Sitaclean
Northampton DC	DSO	£3m	none
North Cornwall DC	DSO	£0.852	BFI, Biffa
North Devon DC	DSO		
Oldham MDC	DSO	£4.750m	none
Plymouth DC	DSO	£3.1m	Sitaclean
Reading DC	DSO	£1.5m	
Sedgemoor DC	DSO	£0.95m	Tylers
Sheffield MDC	DSO	£7.5m	none
Skye & Localsh DC	L & C Wastetech	£0.24m	DSO, Sitaclean
St. Albans DC	DSO	£1.46m	2 contractors
South Bucks DC	Biffa (refuse) Charlesplant (street cleaning)	£0.67m £0.25m	Tylers
South Derbyshire	DSO (refuse) UK Waste Control (street cleaning)	£0.58m £0.175m	DSO and 4 contractors
South Hams DC	DSO	£1.12m	
South Kesteven DC	Biffa (refuse) Charlesplant (street cleaning)	£0.67m £0.25m	
Southampton DC	DSO (refuse) (street cleaning)	£1.4m £0.7m	Sitaclean, Cory Onyx
South Wight DC	DSO		
Taff & Ely DC	DSO		
Tameside MDC	DSO	£2.63m	Sitaclean
Taunton Deane DC	DSO		
L.B. Tower Hamlets	DSO Cory Onyx	£4.5m £1.5m	
L.B. Waltham Forest	DSO (refuse) (street cleaning)	£1.8m £2.1m	Sitaclean none
Wealdon DC	DSO	£1m	
West Dorset DC	DSO	£1.047m	none
Worcester DC	DSO	£1.2m	
Worthing DC	DSO	£1.39m	
Wrekin DC	DSO		
Wycombe DC	DSO (refuse) (street cleaning)	£0.98m £0.29m	

Contractor	Refuse Collection	Street Cleaning	Refuse & Street Cleaning
BFI WASTECARE			
1. Contracts Awarded	1. Basingstoke & Dean DC		1. L.B. Kensington & Chelsea (£5m)
2. Unsuccessful Bids	1. East Staffs DC 2. Caradon DC	1. Beverley DC	1. L.B. Islington 2. North Cornwall DC
BIFFA			
1. Contracts Awarded	1. Chester DC £0.86m 2. East Hampshire DC 3. Forest of Dean DC £0.4m 4. Mid Suffolk DC £0.5m 5. Penrith DC 6. South Bucks £0.67m 7. South Kesteven £0.67m 8. Carlisle DC £0.64m		1. Arun DC £1.6m
2. Unsuccessful Bids	1. East Staffs DC 2. Cotswold DC 3. Eden DC 4. Caradon DC 5. Tynedale DC 6. Windsor DC		1. Bournemouth DC 2. North Cornwall DC
CHARLESPLANT			
1. Contracts Awarded	1. Tamworth DC £0.4m	1. South Bucks DC £0.25m 2. South Kesteven DC £0.25m	
Unsuccessful Bids		1. Nottinghamshire CC	1. East Staffs DC
CORY ONYX			
1. Contracts Awarded	1. L.B. Bromley £2.2m		1. L.B. Tower Hamlets £1.5m
2. Unsuccessful Bids	1. West Oxfordshire	1. Beverley DC 2. City of London 3. Coventry MDC 4. York City	1. Southampton DC 2. Kensington & Chelsea L.B. 3. Bournemouth DC
DRINKWATER SABEY			
1. Contracts Awarded	1. Christchurch DC	1. Bournemouth DC (£1.5m)	
2. Unsuccessful Bids	1. Bournemouth DC		
ENVIROMAN			
1. Contracts Awarded	1. Peterborough £0.9m		
2. Unsuccessful Bids	1. Eastleigh DC 2. Tynedale DC		1. Berwick DC 2. Clackmannan DC
FOCSA			
1. Contracts Awarded		1. Brighton	
2. Unsuccessful Bids	1. Glasgow DC 2. Rother DC		
GENERAL CONTRACTING			
1. Contracts Awarded			1. East Northants DC
2. Unsuccessful Bids	1. Broxtowe DC 2. Tynedale DC	1. Barnsley MDC 2. Chesterfield DC	1. Brecknock DC 2. Berwick DC
LEIGH ENVIRONMENTAL			
1. Contracts Awarded	1. Leominster DC £1.75m 2. West Oxfordshire DC £0.5m 3. East Staffs DC £0.7m		
2. Unsuccessful Bids	1. Dumbarton DC 2. Stroud DC 3. Tamworth 4. Derby City		

Patterns of Bidding by Contractor in Refuse Collection and Street Cleaning

Table 4

Patterns of Bidding by Contractor in Refuse Collection and Street Cleaning

Table 4 (part 2)

Contractor	Refuse Collection	Street Cleaning	Refuse & Street Cleaning
L & C WASTE			
1. Contracts Awarded			1. Skye & Lochalsh
SITACLEAN			
1. Contracts Awarded	1. Erewash DC £0.89m 2. Blackpool DC £1.9m 3. Rossendale DC £0.66m 4. Babergh DC £0.598m		
2. Unsuccessful Bids	1. Alyn & Deeside DC 2. Calderdale MDC 3. Dumbarton DC 4. Eastleigh DC 5. Eden DC 6. Glasgow DC (Lilley Sitaclean) 7. L.B. Hounslow 8. Knowsley MDC 9. Oadby & Wigston DC 10. Stroud DC 11. Wolverhampton MDC 12. Hull DC	1. Chesterfield DC 2. Middlesbrough DC 3. Nottinghamshire	1. Aberdeen DC 2. Brecknock DC 3. Berwick DC 4. Clackmannan DC 5. Southampton DC 6. Tameside MDC 7. L.B. Waltham Forest 8. Exeter DC 9. Plymouth DC 10. Skye & Lochalsh DC 11. Clydebank DC 12. Monmouth DC
TOWN & COUNTRY			
1. Contracts Awarded			
2. Unsuccessful Bids	1. Tynedale DC	1. South Somerset DC	1. Basildon DC 2. Berwick DC 3. Blaenau Gwent DC 4. Clackmannan DC
TYLERS			
1. Contracts Awarded	1. Derbyshire Dales DC 2. Melton DC 3. Tunbridge Wells DC	1. Tonbridge & Malling DC	1. East Devon DC
2. Unsuccessful Bids	1. Waverley DC 2. Caradon DC 3. Windsor DC 4. Horsham DC 5. Tamworth DC 6. Cotswold 7. South Cambridgeshire	1. Mendip DC 2. Hertsmere DC 3. South Somerset DC	1. East Staffs DC 2. Sedgemoor DC 3. Medina DC 4. South Bucks
UK WASTE CONTROL			
1. Contracts Awarded	1. Three Rivers DC	1. City of London £1.95m 2. Amber Valley DC £0.21m 3. South Derbyshire DC £0.175m 4. Carlisle DC £0.5m	
2. Unsuccessful Bids	1. East Staffs DC 2. Tynedale DC 3. Blaenau Gwent DC	1. Glasgow DC 2. Middlesbrough DC 3. Torfaen DC 4. Brighton DC	1. Aberdeen DC 2. Brecknock DC 3. Kensington & Chelsea
WISTECH			
1. Contracts Awarded			
2. Unsuccessful Bids	1. Tynedale DC		1. Brecknock DC 2. Blaenau Gwent DC
SURREY CC			
1. Contracts Awarded	1. Woking DC £0.3m		
STRATFORD ON AVON DC			
1. Contracts Awarded	1. Cotswold DC		

Part 5

Vehicle Maintenance

Introduction

Transport plays a key role in the delivery of many local authority services. Local authorities have historically developed often quite different organisational and financial arrangements for the provision and maintenance of their fleets. The increasing trends towards leasing and contract hire and the changes taking place in warehousing and distribution in industry were noted in Volume 1 of the Contractors' Audit. These trends have a direct bearing on the level of competition in vehicle maintenance.

Prior to enforced tendering, eight local authorities had contracted out vehicle maintenance. The main contracts were Hammersmith and Fulham LBC, Woking DC, Three Rivers DC and Runnymede DC (all Transfleet Services), and Wandsworth LBC (Highway Vehicle Maintenance).

Who won what

DSOs have won 74% of 81 vehicle maintenance contracts let to date in 1989. This rises to 84% by value based on an analysis of fifty contracts. At least 40 authorities fell into the *de minimis* category, with the work continuing to be carried out under previous arrangements.

Contracts Awarded (No. of authorities)

DSO	59	(74%)
Private contractors (including 2 MBOs)	18	(25%)
Shared between DSO and contractor	1	(1%)
	1	(1%)
Other DSOs	0	
Total	80	(100%)

At least 4 local authorities received no bids from the private sector: Lewisham LBC, Gwent CC, North Tyneside MBC, and Sunderland MBC.

Value of contracts (covering 50 contracts)

DSO: 40 contracts with total annual value of £27.18m

Average size of contract £679,450

Contractors: 10 contracts with total annual value of £5.34m

Average size of contract £533,845

The classification of private contractors who have gained contracts to date indicates the range of firms who are bidding for vehicle maintenance contracts. They fall into six categories:

Fleet Management (leasing and/or maintenance): 8 contracts: BRS, TNT, Transfleet Services. Includes two full fleet management contracts for supply and maintenance at Kensington & Chelsea and Barrow.

Specialist Vehicle Maintenance 2 contracts: Highway Vehicle Maintenance, Norba Waste Management.

Bus Companies 2 contracts: Derby City Transport, Northumbria Motor Services, Scottish Bus Group, Western Scottish Omnibuses.

Management Buy-outs 3 contracts: CSG (Bath), Prime Contractors Ltd, Fosse Group Ltd.

Other Mainly Local Transport Firms 6 contracts

The level of interest and the number of bids received depends heavily on the existing capacity and interests of local bus companies and dealers/garages. They do not have the resources of the larger fleet management firms, with a network of existing depots and the capital to invest in new facilities and contracts.

The pattern of bidding which is emerging indicates the fleet management firms are being very selective with regard to the larger Metropolitan Borough/London Borough/larger District Council contracts. Local garages are generally bidding for smaller District Council contracts. There is little evidence of a concerted bidding from Ford dealerships, despite the advice circulated by the company last year. Some Leyland/DAF dealerships have shown an interest and we know of two unsuccessful bids.

Contract packaging

Local authorities have retained flexibility in packaging vehicle maintenance. Some have included vehicle maintenance with refuse collection, others have included plant maintenance associated with ground maintenance as part of that contract, others have existing fleet leasing arrangements. Where vehicle maintenance has been organised as a separate activity there have been four main ways in which the service has been packaged.

- One all-in contract
- Geographic division, for example, two contracts covering north and south depots
- Division of vans and cars into one contract and heavy goods and specialist vehicles into another
- Separate contract for grounds maintenance vehicles and plant maintenance

There did not seem to be any difference in the response from contractors to the large single contracts compared to those with several smaller contracts. One County Council divided vehicle maintenance into 20 different contracts to which 14 contractors were invited to tender for all or specific contracts. Three firms withdrew, no tenders were received from another two firms, and a further two firms submitted tenders for fewer contracts than they were invited to bid for.

Similarly, local authorities with larger contracts had usually invited two or more of the major competing firms,

but rarely received more than one bid in addition to the DSO.

Nearly 60% of contracts are for five years, most of the remainder for four years and a handful for six years. All the main contracts won by the private sector were for five year periods.

Contract prices

We obtained financial details of only a handful of vehicle maintenance contracts which showed contractors' tenders to be between 9% - 18.5% higher than DSOs. In Kirklees MBC, the BRS bid for a five year contract was £6.24m compared to the £8.07m DSO bid. The Council have claimed this to be a loss leader bid. The authority recently issued default notices to BRS in connection with the performance of the contract.

Geographic and political profile

Geographic location of private sector contracts

London	3
Rest of South	7
Midlands	6
North	2
Scotland	1
Wales	0
Total	19

The highest proportion of contracts are in the south and decrease northwards.

Political control

Only one of the 19 authorities awarding contracts to the private sector is Labour controlled, one was SLD, two are hung councils, and the remainder are Conservative controlled.

The 3 London contracts are significant because Wandsworth and Hammersmith & Fulham had contracted out vehicle maintenance to Transfleet Services before enforced tendering, making a total of 5 London vehicle maintenance contracts held by the private sector. This represents a 56% success rate from the nine contracts for which we have information. The private sector contracts are mainly in Conservative controlled outer boroughs; Hammersmith, now Labour controlled, was Conservative at the time the contract was awarded.

The contractors response

Contracts Awarded and Unsuccessful Bids in 1989

British Road Services (Southern)

British Road Services (Northern)

British Road Services (Western)

British Road Services (Midlands)

Scottish Road Services

(all part of BRS Group, National Freight Consortium plc (NFC))

Contracts Awarded

Kirklees MBC

Bradford MBC (50%)

Kensington & Chelsea LBC

Barrow

Unsuccessful bids

Bury MBC

Falkirk

Harlow DC

Stockport MBC

Somerset CC

Invited to bid but did not tender: North Tyneside MBC, Gwent CC, Strathclyde RC.

Highway Vehicle Maintenance

Contracts Awarded

Enfield LBC

Solihull

Unsuccessful bids

Blackpool

Somerset CC

South Bucks DC

Invited to bid but did not tender: Kirklees MBC, North Tyneside MBC, Gwent CC, Harlow DC, South Bucks DC.

TNT (UK) Ltd, (TNT Ltd, Australia)

Contracts Awarded

Bromley LBC

Unsuccessful bids

Bury MBC

Bournemouth DC

Bradford

Invited to bid but did not tender: Kirklees MBC, Leicestershire CC, Gwent CC, Harlow DC.

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Transfleet Services Ltd

(joint venture Lombard North Central and Lex Service Group)

Contracts Awarded

Nithsdale DC
South Bucks DC
Three Rivers DC (retained contract)

Unsuccessful bids

None

Invited to bid but did not tender Leicestershire CC, South Bucks

The reasons for very selective tendering and the absence of competition in some cases has much to do with the continued expansion and changes in transport fleet management and distribution in industry and private sector services. The specific demands of local authority vehicle maintenance and the wide variety of contract packaging are another reason.

- Most of the large fleet management firms have continued to gain substantial contracts from private industry. For example, BRS Group turnover increased 9% in 1988 with profits up 28%. Contract hire and truck rental (up 25%) expanded and major new contracts were started with major companies such as Storehouse, Steeley, and Argyll. With an expanding private sector market, fleet management firms can afford to be highly selective towards public sector contracts.
- Bidding by the larger fleet management firms will depend on the location and level of spare capacity in their existing engineering facilities. Local authorities have rightly imposed restrictions on the distance vehicles have to travel between their facilities and servicing depots. Also, restrictions on the use of local authority depots because the services are closely linked to other services for private sector work may have deterred some firms.
- The specialist nature of local authority work has limited the number of firms who are capable and interested in undertaking the work. Some local authorities have vehicles and plant designed or modified to meet their own local requirements. This presents problems for some contractors, not least their ability to provide comparable temporary replacements in the case of major breakdowns. Time requirements for servicing and/or replacements with default procedures for non-delivery are also a problem for some firms but essential given the crucial role of transport in most service delivery.

An analysis of tender prices on one contract won by the private sector by a substantial margin showed the following pricing differences:

- the DSOs labour costs were 6% lower in the first year for both existing and new vehicles, but this advantage disappeared in year two where the contractor had a 2% price advantage which rose to 21% in year five. The pricing advantage was entirely within labour costs for existing vehicles - the contractor's labour costs for new vehicles were higher throughout the contract period.
- the contractor gained substantial advantage in the

pricing of parts being 43% lower than the DSOs in the first year rising to 68% in year five.

- the DSO had lower prices for new parts in the first two years but in the last three years the contractor gained a price advantage rising to 33%.

Reorganisation of vehicle maintenance service

Substantial re-organisation and restructuring of vehicle maintenance operations were carried out in seven out of eight local authorities. It took different forms in different authorities and included:

- reduction of operational bases into fewer depots, and in some cases centralised in one main depot.
- vehicle maintenance brought under single DSO with other services.
- amalgamation of separate workforces into one.
- separation of vehicle maintenance operations from other transport functions.
- client/contractor roles more clearly defined.
- one authority relocated fire brigade fitters into the DSO

The impact on the cost of the service was very variable. One authority reported a net increase of 9%, two reported no change, another stated only nominal savings, and another two reported savings of £40,000 (9%) and £200,000 (35%). More than half the latter came from a reduction in the number of depots.

Changes in jobs, pay and conditions

Changes in employment and conditions include:

- introduction of shift system or changes to existing shift arrangements
- changes to bonus schemes with one authority replacing the bonus schemes with a productivity scheme
- new standby arrangements.

Five authorities reported no cuts in jobs and conditions. another six authorities stated the following changes in employment in contracts won by DSOs:

	Actual employment 1988/89	Actual contract employment	% change
Manual	104	90	-13.5
Non-Manual	208	179	-13.9
not specified	59	41	-30.5
Total	371	310	-16.4

Two other authorities reported a loss of 10 jobs and another an increase of two. Two authorities reported unspecified changes in the number of jobs. All the above data comes from contracts won by DSOs. Job losses are likely to be higher in those contracts won by the private sector.

Complaints

Despite the many different types of contract packaging there have been few officially notified complaints from contractors. One authority did receive a complaint about the amount of detail required for the questionnaire but it was a small local firm seeking a large contract and although invited to tender it did not submit a bid.

One reason for the lower level of complaints compared

to refuse collection and grounds maintenance is that the issue of depots is less contentious. Fleet management firms and bus companies seeking vehicle maintenance contracts are usually seeking to utilise spare capacity at their existing depots, or establishing new depots which will serve both public and private sectors.

The Department of the Environment has served a Section 13 Notice under the Local Government Act 1988 on the London Borough of Hillingdon alleging anti-competitive practices in the award of its vehicle maintenance contract to the DSO.

Future rounds

There is unlikely to be a sudden surge of interest from the private sector in the immediate future. Firms which have gained contracts, such as BRS and TNT, are likely to continue to be highly selective and will be gaining experience and testing the profitability of the contracts already won. Much depends on the state of the economy generally and the continued expansion of fleet management in the private sector.

In a recession, firms such as BRS, TNT and Transfleet Services may focus more attention on the public sector in order to retain and consolidate market share.

There is little evidence of other contract hire and fleet management firms competing for vehicle maintenance contracts in the first round of tendering. This is partly due to lack of experience in the HGV/specialist vehicles sector. Many of these firms and local garages usually concentrate on a high volume of cars and vans.

Contractors

Many of the firms bidding for contracts were profiled in Vol 2 of the Contractors Audit. Below is some brief additional information.

British Road Services

BRS Northern, BRS Midlands, BRS Southern, BRS Western, and Scottish Road Services are all part of the BRS Group which forms the Transport division of National Freight Consortium plc (NFC), privatised in 1981. BRS Group contributed £448m turnover out of NFC's £1.17 billion in 1988 and was the major profit contributor with £32m.

Waste Management Ltd (waste disposal, refuse collection/ street cleansing - Wirral MBC contract) and Lynx Express Delivery are also part of this division. In 1988 BRS engineering operations suffered from the loss of a major contract, thus increasing spare capacity. However, the continued expansion of fleet management contracts and the expansion of truck rental and 'revamped' engineering operations have gained more contracts.

Fraikin Ltd

At least one European company, established in Britain for 11 years, has started to show an interest in local authority vehicle maintenance. Fraikin Ltd is a subsidiary of a French multi-national of the same name which operates 15,000 contract hire vehicles in France, Spain, Britain and the USA.



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Local Authority	Contractor	Annual Value	Unsuccessful Bids
Amber Valley DC	DSO	£75,636	none
Angus DC	DSO		
Argyll & Bute DC	DSO		
Barrow DC	BRS		
Bath DC	CSG Bath (MBO)		
Blackpool DC	DSO	£100,000	Blackpool Transport Services, Dennis Eagle, Highway Vehicle Maintenance Ltd., Gilbraith Commercial Ltd.,
Bournemouth DC	DSO	£92,000	Drinkwater Sabey, Yellow Buses, TNT
Bradford MBC	DSO	£935,950	TNT
	BRS	£858,780	DSO
Bromley LBC	TNT	£620,000	DSO
Buckinghamshire CC	DSO	£1m	
Bury MBC	DSO	£335,000	BRS, TNT
Cornwall CC	DSO		
Cumbria CC	DSO	£155,000	
Derby DC	Derby Transport Ltd.,		
Dunfermline DC	DSO	£3m	
Easington DC	DSO		
Eastleigh DC	DSO	£250,000	
East Lindsey DC	DSO	£99,600	
East Northants DC	General Contracting		
East Staffs DC	Stevensons		
East Sussex DC	DSO	£950,000	
Enfield LBC	Highway Vehicle Maintenance Ltd	£400,000	
Epsom & Ewell DC	DSO	£500,000	
Exeter DC	DSO		
Falkirk	DSO	£179,870	Scottish Road Services (£213,161)
Fife RC	DSO	£375,000	
Gwent CC	DSO	£388,465	None
Gwynedd	DSO		
Greenwich LBC	DSO		
Harlow DC	DSO	£252,699	BRS Southern (£279,886)
Havant BC	DSO	£233,000	Hughes Garages Ltd., William Selwood
Havering LBC	DSO		
Hertfordshire CC	DSO		
Hillingdon LBC	DSO	£619,637	Serco. Ltd
Hinckley & Bosworth DC	DSO		
Inverclyde	DSO		
Inverness	DSO		
Ipswich	DSO		
Kingston upon Hull DC	DSO	£750,000	Kingston Transport, Crystal
Kirklees DC	BRS	£1.25m	DSO
Kensington & Chelsea LBC	BRS	£400,000	
Leicester DC	DSO		
Leicestershire CC	DSO	£317,584	Ford & Slater, Leicestershire Co-op
Lewisham LBC	DSO	£490,000	none
Lichfield	Derby City Transport	£137,348	

Contracts awarded during 1989

VEHICLE MAINTENANCE

Contracts awarded during 1989

VEHICLE MAINTENANCE

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Medina DC	DSO	£500,000	
Melton DC	Ladburys Garage		
Mid Glamorgan CC	DSO	£900,000	
Mid Sussex DC	Prime Contractors Ltd (MBO)		
New Forest DC	DSO	£214,797	
Newcastle upon Tyne	DSO	£547,000	Northumbria Motor Services £549,000
Nithsdale DC	Transfleet Services Ltd	£500,000	
North Tyneside	DSO	£915,553	none
North Yorkshire CC	DSO	£1.8m	
Nottingham	DSO		Leyland/DAF garage
Restormal DC	DSO	£320,000	
Sefton	DSO		
Sheffield MBC	DSO		
Solihull	Highway Vehicle Maintenance Ltd	£800,000	
Somerset CC	DSO		Highway Vehicle Maintenance BRS, Whites of Taunton
South Bucks DC	Transfleet Services Ltd	£32,329	Fleet Management Services Highway Maintenance Ltd, Go Plant Ltd, Rhodes Plant & Machinery
South Hertfordshire DC	Maxwell Bros		H & H Motors Ltd, Prall Motor Group Ltd
South Ribble	DSO		
Southport	DSO	£500,000	
Strathclyde RC	DSO	£6.26m	Scottish Bus Group Engineering Western Scottish Omnibuses
Stratford on Avon DC	Fosse Group (MBO)		
Stockport MBC	DSO	£564,000	BRS
Sunderland MDC	DSO		none
Sutton LBC	DSO	£500,000	3 firms
Tamworth	Rockfield Contracts Ltd	£340,000	
Tending DC	DSO	£255,297	
Three Rivers DC	Transfleet Services Ltd		
Waveney DC	DSO		
Waverley DC	DSO	£340,000	
Welwyn Hatfield DC	DSO	£500,000	
West Sussex CC	DSO	£800,000	
Wigan MBC	DSO		
Wiltshire CC	DSO	£500,000	
Winchester	DSO	£230,000	
Wirral	DSO	£316,000	
Worcester DC	DSO	£116,000	
Wychavon	E. Cole Transport		H. Goodall & Sons Ltd

Part 6

Building Cleaning

Introduction

Building cleaning is the local authority service which has been most severely affected by competitive tendering over the past year. There are a number of reasons for the cleaning services' vulnerability to major reorganisation and rationalisation prior to the tendering process.

- the labour intensive nature of the service with labour costs usually accounting for about 90% of contract costs
- the services' invisibility; cleaning is only really noticed when it is not done
- the poor management of the service over recent years in a number of local authorities
- the experience gained by private sector companies in competing for cleaning services in other parts of the public sector eg the Civil Service, National Health Service
- the ability of the private sector to establish itself rapidly in an area, since little investment is required and start up costs are small
- the ability of private contractors to compete with local authorities on labour costs by paying extremely low wages and offering minimal or no benefits, such as paid holiday or sickness pay.

Contract Packaging

All types of cleaning contracts have been exposed to competition during 1989 and there is evidence of keen competition in many areas. It is clear from our research that contract packaging is a key issue for local authorities and contractors. Some authorities, particularly those with contracts of around a total cost of £100,000, have gone out to competition with a single contract. Most of the larger authorities, including Counties and Metropolitan Districts, have split their contracts, either geographically or by type of building eg schools, libraries and civic offices.

Many contractors clearly want the option of picking and choosing between parts of contract packages. Some of the keenest competition occurred in the County Councils, where contracts were split several times. As a result six out of fifteen County Council contracts were awarded in part to the DSO and in part to one or more contractors. In total, fourteen out of the 94 contracts monitored for this report were awarded in this way.

An extreme example of this is Surrey County Council, who awarded £3.5m worth of the cleaning package to the DSO and £0.75m worth to four different contractors, against competition from ten other contractors who all submitted bids for one or more sections of the total contract.

In Rotherham MDC's case, Initial bid for, and won, three out of four cleaning contracts, while the DSO was the

only contender for the fourth.

Some Conservative local authorities, keen to attract competition, have tended to split cleaning contracts into smaller sizes. On the other hand, many of the authorities where the cleaning DSO has been centralised and reorganised, have put out larger packages. However, the level of competition according to contract size has not necessarily followed the expected route and problems have occurred.

In the London Borough of Croydon cleaning was split into eleven contracts, all of which were awarded to the private sector. As many as six cleaning contractors were initially awarded the eleven contracts. However, two of the contractors covering six contracts withdrew prior to the contract commencing.

Co-ordinated Cleaning, awarded five contracts worth £0.5m per annum, pulled out because the contract did not include a termination clause allowing them to withdraw at their own request. The company had no local government experience and had costed the contract at an extremely low price.

A second contractor, Ramoneur, withdrew as the company had underestimated labour costs.

At the other extreme, Birmingham City Council split its building cleaning into two large packages, schools and civic buildings. Nevertheless, there was close competition for the civic cleaning contract worth over £2m per annum, from Academy Cleaning and Amalgamated Cleaning Services.

Who Won What?

Out of 94 local authority cleaning contracts analysed for this report, 57 (61%) have been won by DSOs (see Table 1). DSOs have been particularly successful in the metropolitan districts and London Boroughs, where the cleaning work is larger scale, more complicated and organisationally more demanding than in district councils.

Cleaning contractors have won 23 (25%) of contracts awarded during 1989, and 14 (15%) of local authorities have awarded part of their cleaning services to the DSOs and part to private companies. The latter figure reflects the

Table 1

Contracts Awarded in Building Cleaning

Contractor	No. of Contracts Awarded
DSO	57 (61%)
Private Contractors	23 (25%)
Part DSO/part private contractor	14 (15%)
<i>Total</i>	94

nature of the service, the way the contract was packaged and the careful targeting of contracts by particular companies. The relative success of the private sector in building cleaning is higher than for any specified service subject to competition, reflecting perhaps the fact that in the majority of cases there was competition with DSOs from cleaning contractors willing to employ cleaners employed on fewer hours, lower wages, and worse terms and conditions.

These employment conditions, which are widespread in the contract cleaning industry, are the main factors on which private companies can win where prices are put before the track record of the company, service quality and delivery.

Value of Building Cleaning Contracts

- 65 contracts with a total annual value of £98.660m
- the average value of work is £1.5m but this disguises great variations in contract size, varying from Strathclyde Regional Council's £24m cleaning package, to small district councils with contracts of approx. £100,000
- the value won by private contractors based on the 31 contracts they have been awarded is £21,826,000 or 22% of the total value of the 65 contracts

However, this proportion could be less since £6.6m of the £21.826m represents the Tayside cleaning contract originally awarded to Initial. This contract is now being re-awarded, since Initial failed to meet the specification standards.

Geographical Profile

Districts

The geographical pattern emerging from the Audit shows that private companies won the majority of their new cleaning work in District Councils (see Tables 2, 3 and 4); 17 of the 23 contracts won outright and 4 out of 14 contracts won in part by the private sector were in district councils. However, as a proportion of all cleaning contracts let by district councils during 1989, their success is not as high as first impressions give.

Table 4 shows that contractors won 34% of district cleaning contracts in total and 80% in part, with well over half (58%) retained by DSOs. The financial value of the private sector success in the districts is also very small in relation to the total cleaning market in local authorities.

However, the private sector successes in the districts which are all located in the South and Midlands, give cleaning companies a foothold for further rounds of tendering.

Fifteen County Councils exposed their cleaning services to competition during 1989, and there is evidence that these large packages (between £1.5m - £6.25m) were keenly competed for, especially when split into smaller contract sizes. Seven out of the fifteen were won in whole or part by contractors, including Norfolk where the DSO won six contracts and Initial five contracts. In Essex, OCS and Electrolux were awarded one contract each, and in Gloucestershire the DSO won 5 contracts worth £2.6m while Initial were awarded one contract. ISS were re-awarded the £1.5m Lincolnshire school cleaning contract.

Again, all the contractors' successes were located in the south including East Anglia and the Midlands.

Table 2

Cleaning Contracts Won by Contractors by Type of Authority

Authority	Whole Contracts	Part Contracts	Total
District Councils <i>include Scottish and Welsh districts</i>	17	4	21
County Councils	1	6	7
Metropolitan districts	—	2	2
London boroughs	4	1	5
Scottish regions	1	1	2
<i>Total</i>	23	14	37

Table 3

Cleaning Contracts Won by DSOs by Type of Authority

Authority	Whole Contracts	Part Contracts	Total
District Councils	29	4	33
County Councils	8	6	14
Metropolitan districts	10	2	12
London Boroughs	9	1	10
Scottish regions	1	1	2
<i>Total</i>	57	14	71

Table 4

Cleaning Contracts Awarded to DSOs and Private Contractors as a Percentage by Type of Authority

Authority	DSOs	Private contractors	Part DSOs/ part private	Total
District Councils	58%	34%	8%	100%
County Councils	53%	7%	40%	100%
Metropolitan districts	83%	—	17%	100%
London boroughs	64%	29%	7%	100%
Scottish regions	33%	33%	33%	100%

Metropolitan Districts

The picture of competing bids in metropolitan districts varied considerably, 10 out of 12 contracts were won in-house. Some of the metropolitan district councils experienced very competitive bidding, eg in Doncaster, where the DSO won the £1.9m contract, there was competition from Initial for three contracts and Hall Cleaning for one contract out of the 4 contracts put out to tender.

Initial have been awarded contracts in 2 metropolitan districts - in Rotherham, where they won 3 out of 4 contracts, and in Solihull where they won 2 out of 8 cleaning contracts in competition against the DSO and ISS



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Servisystem. The DSO won 5 contracts and ISS 1 contract.

Barnsley, Birmingham, Wakefield and Trafford succeeded in winning building cleaning services in-house against private sector competition. There was no competition for Liverpool's £1.5m cleaning contract.

London Boroughs

There was competitive bidding from contractors in the majority of the 14 London Boroughs who exposed their building service to competition during 1989. Bromley, Croydon (£1.5m), Wandsworth and Westminster (£1.5m) awarded cleaning contracts to private companies, while Redbridge awarded part of the borough's cleaning service to the DSO and part to OCS.

In Hammersmith, Islington, Newham and Waltham Forest there was no competition to the DSO. However, Haringey, whose DSO won 2 contracts (£3.67m) for offices and schools, had another bid from Automagic who submitted a more expensive tender.

Regional Councils

The Scottish regions have the largest cleaning organisations in the country and so far the 3 who subjected the service to enforced competition have had very different experiences.

Borders Regional Council, who put out £100,000 of cleaning work, had no competition from the private sector. Strathclyde Regional Council split £24m of cleaning work into 12 contracts. 10 were in-house and 2, worth £4m, were awarded to Southdown Cleaning and Maintenance, a Hounslow-based cleaning company with no Scottish connections.

Tayside Regional Council originally awarded Initial £6.6m worth of cleaning work, against competition from the DSO and OCS (Scotland). This proved to be disastrous. Firstly, Initial did not lodge a £600,000 performance bond as required by the contract agreement until after the deadline set by the region. Secondly, after 2 months of failing to meet cleaning standards and major recruitment difficulties, Initial's contract was terminated by Tayside.

Who are the contractors?

There are thousands of cleaning companies in the UK, ranging from small companies employing as few as 10 cleaners to multi-nationals employing thousands of cleaners all over the world. As Volume 1 of the Contractors' Audit described, cleaning companies can be divided into 3 categories;

● Multi-national Service Companies

For example, Initial which is owned by BET; ISS Servisystem, owned by Danish company ISS International Service System A/S; Taylorplan, owned by Australian company Berkeley Taylorplan.

● Medium sized national companies.

For example, OCS (Office Cleaning Services). This category has a diminishing number of contractors since many, such as Reckitt Cleaning Services and Blue Arrow Cleaning Group, have been bought out by BET during the 1980's.

● An increasing number of small regional and local independent companies

In this growing category are such as CCA Contract Services, Conquest Cleaning, Daily Office Cleaning, Quality Cleaning. Most of these companies have no previous local authority experience.

The experience of the first year of tendering for building cleaning under the Local Government Act 1988 has been largely predictable. Initial, owned by the multi-national BET, and by far the largest UK cleaning contractor, has exerted its dominance over the market and been the most assertive of the private companies in bidding for local authority work all over the country, including Scotland.

OCS (Office Cleaning Services) and ISS Servisystem have been more selective in their bidding but have both won several contracts each. Taylorplan Cleansing Services have emerged as an important company involved in the market expansion of the past year, despite the group's lack of track record in cleaning and more recent experience as a catering contractor in the public sector.

The small companies are too numerous to mention. Although there are thousands of small cleaning contractors operating in this country, only a handful have succeeded in winning small district council contracts or one contract out of several in London Boroughs and County Councils (see Table 5). Dozens of companies who bid unsuccessfully do not appear on the table, including Hall Cleansing Services who bid for one contract out of four in Doncaster.

As the following illustrates, it is the few companies with a track record, powerful economic status and substantial back-up resources who have been the most successful. The small companies have made limited inroads into the public sector.

This section updates the analysis contained in Volumes 1 & 2 of the Contractors' Audit.

Electrolux Contract Services

Electrolux Contract Services was established in 1985 by the Swedish-owned Electrolux Group. Electrolux, one of the largest contractors in Scandinavia, has built up its UK base and the subsidiary now has a £5m turnover. Based in Park Royal, London, Electrolux is seeking to expand in the South East, particularly around public sector cleaning contracts.

Electrolux have already been awarded one of Essex County Council's cleaning contracts and of Westminster LBC's £1.5m building cleaning contract.

Initial Contract Services

Initial, owned by the largest contract services company in the UK, BET, is the market leader in the cleaning industry. There are no serious competitors to Initial, since multi-national contractor ADT pulled out of cleaning by selling Pritchard Services and Provincial Cleaning to BET in 1988.

Initial have a chequered history of running public sector contracts, both in the NHS and local authorities during the 1980s. As Table 5 shows, Initial have been bidding for cleaning work all over Britain, including in Scotland. Successful bids have included small district council contracts in Amber Valley, Chatham, East Hampshire, one or more contracts from within a larger package of cleaning contracts including Isle of Wight, Suffolk County Council, Norfolk County Council.

However, Initial appear to be having problems in achieving the demands of the two largest contracts they were awarded during 1989. In Rotherham MDC, where Initial won 3 out of 4 cleaning contracts, there are local press reports of dirty schools and evidence of major recruitment problems, with extremely high turnover levels.

A Joint NUPE/GMB report claims: 'The standard of cleaning done by ICS is poor. The cleaners are given a large workload which they cannot achieve.'

In Tayside, Initial was originally awarded £6.6m worth of cleaning work amidst strong political controversy over the decision. After 2 months of operation, the contract with Initial was terminated. The company failed to meet the specification standards in schools and other buildings. Initial also had immense difficulty in recruiting staff to cover particular time periods.

Tayside is re-tendering the contract and in the meantime employing former DSO staff on a temporary basis.

ISS Servisystem

ISS is a subsidiary of a Danish-owned multi-national contractor with operations all over the world. The company had a turnover of £16.9m in 1986 and is clearly seeking further public sector expansion. Although problems have emerged in ISS's Lincolnshire school cleaning contract (documented in detail in *Taken to the Cleaners; The Lincolnshire Experience* SCAT.), the contract covering 258 buildings was extended for a further year in 1989.

In addition, ISS have been awarded one district council, one county council and metropolitan district building cleaning contract during 1989, worth a total of £1.6m approx.

OCS (Office Cleaning Services)

OCS is the major UK cleaning subsidiary of the OCS Group and in 1987 was estimated to have a 7% market share of the total contract cleaning sector.

Prior to 1989, the company held 11 NHS domestic services contracts and several small local authority cleaning contracts. OCS appear to have been less adventurous than might have been expected in the opening up of the local authority cleaning market. The company have been awarded 5 new contracts, 4 of which are in the South of England, and bid unsuccessfully for several others, including 3 in Scotland.

Taylorplan Services Ltd

Taylorplan is owned by Australian company Berkeley Taylorplan Catering Ltd, and is known to local authorities more for its catering rather than its cleaning services. The parent company provides catering, vending, leisure and travel facilities as well as cleaning, following the acquisition of Taylorplan Cleaning Services in November 1986.

Taylorplan Cleaning Services have succeeded in winning 3 contracts including one of ten contracts awarded by Croydon LBC, and one awarded by Suffolk County Council. Evidence from three local authorities shows that Taylorplan were inconsistent in their bidding - in one district council the company submitted a bid twice the cost of the DSO's. In two other cases (county councils) the company were considered to have submitted unrealistic bids by underpricing the contract.

Smaller cleaning contractors

Little information is publicly available on all the small and medium sized cleaning contractors listed in Table 5. Many have little or no experience of public sector cleaning work. They usually operate in one particular geographical locality and only compete for cleaning work in neighbouring local authorities.

The exception to these small companies is CCA Contract Services, which is part of the Care Services Group based in West Yorkshire. CCA had a turnover of £5.4m in 1987 and has a sister company, Hospital Hygiene Services, a contractor in the NHS. CCA have been awarded 2 small local authority cleaning contracts so far.

Trade Views

The CCMA, the Cleaning Contractors' Trade Association, claim to be satisfied with the results of the first round since they predicted that there would be a 25% contractor-share of the first round of local authority contracts. The CCMA have based this on their NHS experience.

John Hall, secretary general of the CCMA, argues that the contractors are not putting in 'loss leaders' to win contracts, but are 'cherry picking', looking for profitable contracts rather than turnover. He also points out that 'scarce tendering resources will be reserved for those local authority tenders where there is a declared interest in giving contractors a real chance to win contracts. The stakes are quite high'.

The CCMA are lobbying the government to change the £100,000 *de minimus* exemption. John Hall argues that 'CCMA members, the majority of whom specialise in office cleaning, feel that the *de minimus* clause has

removed from the competitive tendering process precisely the work which they are best able to do'.

New cleaning industry body

The Cleaning Industry Lead Body has been established this year, to deal with occupational standards and training in the cleaning industry. The body includes public and private organisations. Its establishment is probably linked to the concern the CCMA has voiced in recent years about the poor reputation the industry has as an employer and the problems the large contractors are experiencing in terms of staff turnover and recruitment difficulties.

Private contractors: issues and complaints

Analysis of the audit questionnaire returns shows that;

1. Contractors have preferred to bid for parts of cleaning packages and have been selective about contract size. Even the largest contractor operating in the UK, claim that in many cases they are unable to allocate resources to prepare tender documents for every part of a large package.
2. Many contractors were invited to bid and withdrew for a number of reasons: concern about contract conditions eg default clauses, performance bonds, penalty points; inadequate resources to prepare bids; other business opportunities which were more attractive; concern about the level of detail required by the specification.
3. Complaints to the DOE have been less noticeable in building cleaning than in, for example, refuse collection. Where they have occurred, complaints have concerned contract packaging, contract documentation and the levels of detail required in bidding to meet the specification requirements.

Re-organisation of local authority building cleaning services and the consequent impact on employment.

Since cleaning is an extremely labour intensive service, the impact of major DSO re-organisation prior to tendering combined with the comparative success of the private contractors has been more severe than for any other service affected by the 1988 legislation.

In virtually every local authority analysed in detail for this audit, major re-organisation of the cleaning service had occurred in preparation for CCT.

In most cases the service had been centralised from area or departmentally-based cleaning and caretaking functions. For example, in one metropolitan district, office cleaning which used to be undertaken by at least 12 departments is now in a single DSO in the Education Department.

Similar moves have been made by City Councils and London Boroughs. In every case productivity has been increased by one or more methods - including increased mechanisation, updating equipment, re-allocation of duties between cleaners, reductions in hours staffing levels and pay and/or bonus.

Many local authorities have reduced the total cleaning hours available. In one County Council there was a reduction in cleaning hours of 50% in some buildings. In other cases, cleaners' hours have been cut to levels as low as 10 hours per week from an average nearer 20 hours per

week, with the result that they are under the National Insurance threshold, depriving them also of employment protection rights. Staffing levels have been reduced by natural wastage and voluntary redundancy.

In one District Council, 400 cleaners were given redundancy notices as the council wanted to employ them under new contracts which would have meant a pay cut of 70p an hour. Many school cleaners have been put on 42 or 44 week contracts rather than the traditional 52 weeks covering holidays, to cut costs. Bonus schemes have been terminated or altered in a number of cases.

Most councils that have won cleaning in-house have not made any reductions to hourly pay rates and have maintained national pay and conditions. However in many of these local authorities, tens and even hundreds of cleaning jobs have been cut from the labour force.

The quantification of job loss is difficult in a rapidly changing situation. However, this research concludes that thousands of part-time women manual workers have lost their employment with local authorities during 1989. Where the service has been contracted out in whole or part, hundreds of jobs at a time have been cut from local authority departments. For example, in one London Borough where the service was privatised, 580 cleaners lost their jobs. In a metropolitan district where 3 out of 4 cleaning contracts were privatised, 600 cleaners were offered early retirement and voluntary redundancy. In one county council where Initial were awarded the contract, 650 cleaners were sacked.

Where the service has been retained in-house, re-organisation accompanied by financial savings have resulted in substantial reductions in employment - the main brunt of this has fallen on part-timeers.

In one metropolitan district council, full-time employment fell from 50 to 24 and part-time employment

Martin Jenkinson



from 1200 to 800, making a total reduction of 426 out of a workforce of 1250. In another larger metropolitan authority there are to be 800 job losses out of a total of 2500. County Councils have also drastically reduced labour, for example, in one county as many as 150 full time and 800 part time jobs were lost during 1989.

Although smaller scale, the impact in district councils has nevertheless been severe, with several small districts admitting that their part-time cleaning staff has been halved as a result of major savings made as part of the preparation for competitive tendering.

Conclusion

Cleaning contractors have certainly benefitted from the opening up of the public sector cleaning market during 1989. The major and most economically powerful contractors have made significant inroads in all types of authority. For local authorities, Contract Packaging is a crucial issue, as is maintaining service quality and a high standard of cleaning. This will probably prove to be difficult where authorities have perhaps over-reacted to the prospect of competition.

In some cases it is hard to distinguish whether DSO strategies have been led by the requirements of the Local Government Act 1988, or by the financial stringencies facing many authorities and the political move to make substantial budget cuts in cleaning services.

DSOs, particularly in the South of England where unemployment is low, are clearly having problems recruiting and retaining labour. This mirrors the problems Initial have had in Rotherham and Tayside. The low wages and poor working conditions offered to cleaners have resulted in major difficulties for the contractor in recruiting and retaining cleaners and thereby meeting specification standards.

The cost of problems with contracts is high. In Tayside, where Initial were sacked after 2 months, the council leader has said the cost of tendering, re-tendering, redundancy payments and wages for temporary cleaners would total £800,000. 'The lesson to be learned from this is that the cheapest is not always the best.' (*Local Government Chronicle*, October 1989).

References

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Local Authority	Contractor	Annual Value	Unsuccessful Bids
Allerdale DC	DSO	£156,000	
Amber Valley DC	Initial DSO	£58,000 £8,000	
Annandale & Eskdale DC	DSO	£45,000	
Avon CC	DSO	£3,943,897	none
Barking LBC	DSO		
Barnet LBC	DSO	£1m	
Barnsley MBC	DSO		Initial
Basingstoke & Dean DC	ISS Servisystem	£50,000	
Birmingham City	DSO building cleaning DSO school cleaning	£2,304,390 £4,387,000	Academy Cleaning Amalgamated Cleaning Services none
Borders Regional Council	DSO	£100,000	none
Bournemouth DC	Academy Cleaning Services		Taylorplan Cleansing Services Initial
Bristol DC	DSO		
Broadland DC	Thorpe Industrial Cleaners	£12,935	
Bromley LBC	Vantage Cleaning		
Cambridgeshire CC	DSO SBS City Cleaning	£3m	
Charnwood DC	Office Cleaning Services		
Chatham	Initial		
Cheshire CC	DSO	£4.7m	Initial Cleaners Ltd
Chichester DC	Strand Cleansing Services	£43,596	Specialist Hygiene Services
City of London	DSO		1 Contractor
Colchester DC	DSO		
Colwyn CC	DSO	£16,000	
Coventry MDC	DSO		
Croydon LBC	‡(w) Co-ordinated Cleaning	£600,000 (5 contracts)	DSO
		£590,000 (1 contract)	
	‡(w) Ramoneur	£198,000 (1 contract)	
		£126,000 (1 contract)	
	Initial	£83,000 (1 contract)	
	Superclean	£53,000 (2 contracts)	
	Lustrebourne		
Darlington DC	DSO		none
Delyn DC	OCS Wales CSD Delyn	£10,149 £14,440	Initial, ICS Group, Clwyd CC
Derby DC	Hands Cleaners Quality Clean	£42,680 £10,410	
Derbyshire CC	DSO	£4.5m	none
Devon CC	DSO	£6.25m	10 contractors
Doncaster DC	DLO (4 contracts)	£1.9m	Initial (3 contracts) Hall Cleaning (1 contract)
Dundee DC	DSO	£0.25m	Initial, OCS
East Hampshire DC	Initial		

Cleaning Contracts awarded during 1989

BUILDING AND SCHOOL CLEANING

‡ withdrew prior to contract commencing

Cleaning Contracts awarded during 1989

BUILDING AND SCHOOL CLEANING

‡ withdrew prior to contract commencing

Local Authority	Contractor	Annual Value	Unsuccessful Bids
East Northants DC	General Contracting Services		
East Yorks DC	DSO		
Edinburgh	DSO	£0.4m	none
Essex CC	DSO OCS (1 contract) Electrolux (1 contract)		
Fareham DC	Initial	£20,000	
Gelding DC	CCA Contract Services	£28,000	
Glyndwr DC	DSO	£88,292	
Gloucestershire CC	Initial (1 contract)	£0.5m	
	DSO (5 contracts)	£2.6m	
Grampian DC	DSO		
Gravesham DC	DSO		
Hamilton DC	DSO	£46,000	OCS Group
Hammersmith LBC	DSO		none
Haringey LBC	DSO	£3.67m	Automagic Cleaning
Havering LBC	DSO		
Hertsmere DC	Conquest Cleaning	£21,000	
Humberside CC	DSO	£5m	
Isle of Wight	Initial (1 contract)		
	DSO (5 contracts)		
Islington LBC	DSO		none
Kirkaldy DC	DSO	£0.8m	
Langbaugh DC	Taylorplan		DSO
Leicester City	DSO		
Lincoln DC	DSO		
Lincolnshire CC	ISS Servisystem	£1.5m	
Liverpool MDC	DSO	£1.5m	none
Middlesborough DC	DSO	£0.8m	
Mid-Glamorgan DC	DSO		none
Milton Keynes DC	Municipal Cleaning Services	£169,000	
Newham LBC	DSO		none
Newport DC	DSO		none
Norfolk CC	DSO (6 contracts)	£1.6m	Taylorplan
	Initial (5 contracts) ISS Servisystem already hold £0.3m contract	£1.2m	
Nth East Derbyshire DC	DSO		
North Kesteven DC	DSO ISS previously held contract		
Norwich DC	DSO	£0.3m	
Nottinghamshire CC	DSO		

Local Authority	Contractor	Annual Value	Unsuccessful Bids
Oxon CC	DSO	£2.7m	1 contractor
Perth & Kinross	DSO		Initial/OCS
Port Talbot	DSO		
Powys DC	DSO		
Reading DC	DSO	£205,346	Academy Cleaning, Taylorplan Services
Redbridge LBC	DSO/OCS	£2.5m	
Rochdale MDC	DSO	£2.6m	none
Rochester upon Medway DC	Initial	£0.25m	
Rotherham DC	Initial (3 contracts) DSO (1 contract)	£2.8m	DSO
Shetland DC	DSO	£0.45m	
Slough DC	DSO	£0.5m	
Solihull MDC	DSO (5 contracts) Initial (2 contracts) ISS Servisystem (1 contract)	£0.206m £0.147m £0.53m	Today's Cleaning Services Initial, ISS Servisystem DSO
South Bucks DC	Crown Cleaning Initial	£11,000	
South Tyneside MDC	DSO	£0.809m	
Stockton on Tees DC	DSO	£188,000	
Strathclyde RC	DSO	£22m 10 out of 12 contracts	
	Southdown Cleaning & Maintenance	£4m 2 contracts	
Suffolk CC	DSO (3 contracts) Initial (1 contract) Taylorplan (1 contract)		
Surrey CC	DSO OCS (1 contract) Servicemaster (1 contract) Cleanmaster (1 contract) CCA Contract Services	£3.5m £0.75m	10 contractors
Surrey Heath DC	Daily Office Cleaning		
Tayside Regional Council	Initial	£6.6m	DSO, OCS (Scotland)
Trafford MDC	DSO		1 contractor
Vale of Glamorgan	DSO		
Wakefield DC	DSO		Hall Cleaning
Walsall MDC	DSO		
Waltham Forest LBC	DSO		none
Wandsworth LBC	Executive Cleaning		
Warwick DC	Initial DSO		
Westminster LBC	Electrolux	£1.5m	DSO

Cleaning Contracts awarded during 1989

BUILDING AND SCHOOL CLEANING

‡ withdrew prior to
contract commencing

Cleaning Contracts awarded during 1989

PATTERN OF BIDDING BY BUILDING CLEANING CONTRACTORS

Contractor	Contracts Awarded	Unsuccessful Bids
Academy Cleaning	1. Bournemouth DC	1. Birmingham City 2. Reading DC
CCA Contract Services	1. Gelding DC (£28,000) 2. Surrey CC	
Cleanmaster	1. Surrey CC	
Conquest Cleaning	1. Hertsmere DC (£21,000)	
Coordinated Cleaning	1. Croydon LBC (£0.6m) (since withdrawn)	
Crown Cleaning	1. South Bucks DC	
Daily Office Cleaning	1. Surrey Heath DC	
Electrolux	1. Essex CC (1 contract) 2. Westminster LBC (£1.5m)	
General Contracting	1. East Northants	
Hands Cleaners	1. Derby DC (£42,680)	
Initial	1. Amber Valley (£58,000) 2. Chatham DC 3. Croydon LBC (£126,000) 4. East Hampshire 5. Fareham DC (£20,000) 6. Gloucestershire CC (£0.5m) 7. Isle of Wight (1 out of 6 contracts) 8. Norfolk CC (£1.2m) 9. Rochester upon Medway (£0.25m) 10. Rotherham MDC (£2.8m) 11. Solihull MDC (£147,322) 12. South Bucks DC 13. Suffolk CC (1 out of 5 contracts) 14. Tayside Regional Council (£6.6m) 15. Warwick DC	1. Bournemouth DC 2. Cheshire CC 3. Delyn DC 4. Doncaster MDC 5. Dundee DC 6. Barnsley MDC
ISS Servisystem	1. Basingstoke & Dean DC (£50,000) 2. Lincolnshire CC (£1.5m) 3. Norfolk CC (£0.3m) 4. Solihull MDC (£52,678)	
Lustrebourne	1. Croydon LBC (£53,000)	
Office Cleaning Services	1. Charnwood DC 2. Essex CC (1 contract) 3. Redbridge LBC 4. Surrey CC 5. Delyn DC (£10,149)	1. Dundee DC 2. Gloucestershire CC 3. Hamilton DC 4. South Bucks DC 5. Tayside RC
Quality Clean	1. Derby DC (£10,410)	
Ramoneur	1. Croydon LBC (£198,000) (withdrew)	
SBS City Cleaning	1. Cambridgeshire CC	
Servicemaster	1. Surrey CC	
Southdown Cleaning & Maintenance	1. Strathclyde RC (£4m)	
Strand Cleansing Services	1. Chichester DC	
Superclean	1. Croydon LBC (£83,000)	
Taylorplan Cleaning Services	1. Croydon LBC (£0.59m) 2. Langbaugh DC 3. Suffolk CC (1 contract)	1. Bournemouth DC 2. Norfolk CC 3. Reading DC 4. Surrey CC
Thorpe Industrial Cleaners	1. Broadland DC	
Vantage Cleaners	1. Bromley LBC	

Table 5

Part 7

Grounds Maintenance

Introduction

The maintenance of parks, open spaces and sports fields has a long municipal tradition and is still a source of pride despite spending cuts and the sale of some sports grounds.

Whilst there has been a growing private sector landscape construction industry it has, up to the present at least, very limited experience of the full range of grounds maintenance work. The work which was contracted out in the early 1980s was either grass cutting or firms were engaged for specialist work.

It has also been the sector, together with refuse collection, where contractors have made the most complaints although most of these have proved to be unfounded.

Who won what

Contracts awarded in 1989

	No of Authorities	%	Total %, DSOs/contractors
DSOs	76	79.2	DSOs 86.3%
Other DSOs	3	3.1	
Shared between DSOs and private contractors	6	6.3	Private Contractors 13.7%
Private contractors	11	11.4	
Total	96	100.0	

There were at least eleven local authorities which had no competing private sector bids, another two had bids only from other DSOs, and there were 18 authorities which had only one private sector bid. This sector has the highest level of cross boundary tendering which extends well beyond traditional agency work. Several authorities have sought, or are planning to seek, tender invitations from other authorities without prior agreement either between trade unions and/or authorities.

Analysis by value

An analysis of 42 contracts showed that the average contract won by DSOs is 2.5 times larger than the average won by private contractors.

DSOs: 36 contracts (86%) total value £26.22m

Average contract £728,280

Private Contractors: 6 contracts (14%) total value £1.72m

Average contract £286,300

Geographic and political profile

The seventeen contracts won by private contractors to date are located as follows:

Type of authority:	No of authorities
London Boroughs	7
District Councils	7
County Councils	3
Met Authorities	0
Total	17
Geographic location:	No of authorities
South	13
Midlands	1
North	3
Scotland	0
Wales	0
Total	17

Only four of the authorities contracting out are Labour controlled, the rest are Conservative controlled or hung with the exception of Liberal Democrat controlled Tower Hamlets.

A market study for the ALA by Peat Marwick McLintock in 1988 stated that 'in contrast to other areas examined in the study grounds maintenance companies had a particular aversion to working in London' (*Compulsory Competitive Tendering: Market Appraisal*, 1988). However, this is not borne out either by the level of tender submissions which show no real difference to the rest of the country, nor by the fact that 41% of the contracts won by the private sector to date are in London, although some are only parts of contracts.

Twenty-one per cent of London boroughs have contracted out. Nor do contractors appear to be making a clear distinction between inner or outer London.

Contract packaging

The majority of authorities have put the minimum 20% of grounds maintenance out to tender on a geographic basis requiring a wide range of maintenance work within the area. At least two authorities have put 100% out to tender and several have put between 20%-50%.

There has been a wide range of different sizes of contracts. Some have been single contracts whilst some authorities have split even the 20% tranche into 2-4 separate contracts. The smaller District Councils have often put a larger percentage out to tender, which has meant that there has been both small and medium sized contracts within the smaller authorities.

Several authorities reported having re-organised ground maintenance, for example, bringing work previously in different departments into one central DSO. Most had developed new management structures.

Contract pricing

In general, contractor's tenders have either been close to DSOs or substantially higher. Some have been very high,

two or three times the DSO price. Tenders by the same companies have varied widely from authority to authority. A contractor in one authority undercut the DSO price by over 20%, but after enquiries by council officers to satisfy the authority that the contractor could meet the specification within their pricing, the firm withdrew, stating they had found errors in their tender.

Several authorities reported no savings, only slight reductions in costs, or improved specifications within the same budget. One authority estimated a £50,000-£100,000 (10%-20%) saving.

Impact on jobs, pay and conditions

Six local authorities reported no changes in employment levels although another four did report job losses. At present we have insufficient information to identify the scale of changes. Some authorities have introduced variable working hours - longer in the summer, shorter in the winter. Others have not changed working hour arrangements and been equally successful in winning contracts.

Trade unions in two authorities, aware of private sector pay and conditions on grounds maintenance, wrote independently of the authority to contractors selected to tender to seek assurances on:

- trade union recognition
- agreement to national terms and conditions of service
- a commitment to employ all existing council workers if they won the contract.

In these instances the DSO won the contracts.

The contractors' response

Grounds maintenance is unlike other services where only a proportion of local authorities are tendering at the same time. All the larger districts, Met authorities and London Boroughs are tendering at the same time.

Whilst grounds maintenance is phased in minimum 20% phases this has not fully compensated for the limited capacity of the private sector. It has led to some contractors seeking and obtaining a large number of invitations to tender. However, even these firms have only been able to prepare a limited number of tenders at any one time. Hence the reasons why some firms have submitted tenders in one authority and not the next may be more pragmatic rather than strategic.

The gap between the scale of bidding and the apparent ability of firms to commence contracts assuming they won them is greater in grounds maintenance than any other sector. The pattern of tendering has also been influenced by some firms' inability to cope with the tendering workload which they have set themselves by competing so extensively. This has led to several reports of the late return of questionnaires, and at least four late tenders which were disqualified.

At this stage of enforced tendering of ground maintenance it is dangerous to read too much into regional or national patterns of tendering, or to focus too heavily on the activities of a few firms on the basis that they are representative of the rest of the sector. It must be remembered that whilst other services are well into the second round, many local authorities are still in the process of making first round ground maintenance contract decisions.

Four firms have been tendering on a national basis, CM Brophy Ltd, Tyler Landscaping (AAH Holdings), Contractor Services Group Ltd (Bath management buy-out) and the Dutch firm Krinkels (although they seem to have had a London, North West, Scotland focus).

Other firms are active in particular regions, for example, Dew Group in the North West, John O'Connor in London and the South East, have generally sought contracts within their particular region believing there are sufficient potential contracts and/or did not want to or are unable to expand to a national scale so rapidly.

Brophy's have sought invitations to tender virtually across the country, although there were several authorities where they sought tender invitations but were not invited. They are reported to have submitted over 100 bids. They also have a computerised pricing system.

With so few contractors capable of taking on the larger contracts of Met Districts and London Boroughs, the same few contractors have regularly appeared on tender invitation lists. CM Brophy Ltd was invited to tender in at least twelve London Boroughs.

Grounds maintenance tendering to date has raised some particular issues where contractors have been tendering for contracts well beyond their existing base or 'market':

1. There have been a number of cases where contractors have submitted tenders but have not actually inspected the sites and depots to fully understand the scale, the requirements of the specification and local conditions.
2. Contractor's proposals for local management and supervision of the contract are too vague - they may indicate appointment of a contract manager, but the level and cost of supervision may be unstated and included in tender prices. The conditions of contract should clearly require contractors to indicate their supervision arrangements and qualifications in full and appropriate financial provision. Adequate local supervision and management is essential and is particularly important if the firm has no other local or regional base.
3. A contractor's ability to recruit and retain suitably qualified labour is particularly important if they plan variable staffing levels in different seasons. There is evidence of some authorities not including a requirement in contract conditions to indicate the basis and level at which they would offer employment to existing council staff. A contractor under no such obligation may have difficulty recruiting staff, leading to problems meeting the specification.
4. The ability to undertake the specified work when the contractor may also be awarded several other contracts at the same time. There is an obvious danger of firms over-committing themselves.
5. There have been at least two contractors which having won a grounds maintenance contract have sought to sub-contract the work to another firm. Waterers Landscapes Ltd's proposal to sub-contract the Torbay contract collapsed just ten days before the start of the contract, when the sub-contractor withdrew. Waterers later withdrew themselves (see below). General Contracting Ltd won the ground maintenance contract in East Northants DC as part of a package deal (see refuse collection section) and

planned to sub-contract the work. The sub-contractor never started because of its limited financial resources and requirements for a performance bond.

Authorities should confirm at tender evaluation stage whether contractors plan to subcontract work, the firms involved, and on what basis.

Contractors' complaints

Contractors have made a number of complaints both about the implementation of enforced tendering in grounds maintenance and complaints against specific local authorities over the use of depots, contract conditions etc, many of which were unfounded.

BALI recently carried out a survey of its 450 members, of which 289 offer grounds maintenance services. Whilst the response rate was low (67 replies or 15%) it did reveal that:

- 55% of contractors were discouraged by the tone or method of presentation of the tender documents
- 60% were discouraged by the size or scope of the contracts
- 32% were discouraged by the severe penalty clauses
- 35% were discouraged by the lack of termination clause for the contractor.

BALI also claims that the spread of contracts does not mirror that of contracting capacity. However, this can hardly be described as a requirement of the legislation.

The complaints need to be kept in perspective. In some cases local authorities are being criticised for simply wanting to retain the work in-house. Many grounds maintenance contractors are not used to dealing with detailed tender documentation. Some find the legal requirements at odds with the 'forces beyond our control like the weather' (*Horticulture Week*, 15th July 1989).

Only two authorities in our survey reported complaints. Both concerned the cost of the specification and were judged unfounded. One of the authorities also had a complaint about a £250,000 performance bond which is still pending.

Contractors are also concerned about:

- their ability to recruit skilled workers
- the 'tortuous' procedures for applications to select lists
- the inclusion of jobs which they have not traditionally had to provide, for example, collecting charges for sports facilities, grave digging, patrolling parks
- underpricing by DSOs
- the difficulty of costing some of the work

These points reflect the current structure of the grounds maintenance sector. Local authorities should not reduce services nor stop specifications, documenting contract conditions, or monitoring contracts in order to accommodate the current ability of private contractors.

Contracting in two authorities

One contractor, Turfsoil Ltd, was invited to tender for 100% of Bromley LBC's ground maintenance work for a five year period in December 1988, before the start of enforced tendering. Turfsoil had reportedly approached the local authority suggesting it would be sensible to tender in one go rather than five 20% tranches (*Horticulture Week*, 27th January 1989). Turfsoil was the

only contractor invited to tender. The work remained in-house with a DSO bid of £2.84m compared to Turfsoil's £3.39m. The firm already had a three year £98,000 school grounds maintenance contract with the Borough.

This bid was significant for two reasons. Firstly, it indicated a willingness of a relatively small firm to tender for a large local authority grounds maintenance contract. Secondly, Turfsoil's managing director is John Newton, chairperson of the British Association of Landscape Industries (BALI). The tender led to an editorial in *Horticulture Week* under the title 'How many members of BALI would have liked to tender at Bromley?' (27 January 1989).

Later in 1989 the Council decided to tender 20% of grounds maintenance as required, divided into four contracts. Tenders were received from the DSO, CSG (Bath management buy-out) and Turfsoil for all four areas (although the latter stated it could only take on two areas). Dartford's DSO (Dartforce) submitted one tender, as did CM Brophy Ltd which was nearly nine times the winning DSO price. The Bath and Dartford tenders were three times the DSO and Turfsoil prices.

The existing Turfsoil contract was set to end in July 1989, but a planned extension to December 1989 to fit into the enforced tendering timetable was later reversed, although through an administrative oversight the contractor was not informed and they tendered on the basis of an extension. After adjustments, the DSO was the lowest in all four areas. However, Turfsoil was awarded one area, despite an extra cost to the Council of £3,300 and a further loss of eight jobs on top of the twenty already planned under the DSO bid. The four contracts led to additional costs of £31,900 in 1989/90 and £80,600 in 1990/91. (*Joint Report of Borough Treasurer and Director of Leisure Services to Leisure Services Committee*, 30th August 1989.)

In Tower Hamlets, the Bow neighbourhood committee originally decided to award a grounds maintenance contract to Krinkels, despite it being £200,000 more expensive over a four year period. The district auditor wrote to the authority, indicating that non-acceptance of the DLO tender would put the council in breach of its fiduciary duty, with councillors possibly liable to surcharge. This contract has now been awarded to the DSO, and Kreikels have two small contracts.

Contract performance

Two contracts with a private contractor have already reverted to DSOs. Both contracts started in spring 1989. With most contracts in the first 20% starting in the winter of 1989, the real test will start in spring 1990. Torbay DC awarded Waterers Landscape Ltd, Ascot, a four year £55,733 highway verge grass-cutting contract earlier this year. Waterers bid was substantially lower than the DSOs £103,869 and a higher bid from Devon CC. Waterers originally planned to sub-contract the work, but the firm withdrew ten days before the start of the contract.

'It became clear after the second week that things weren't going well. Whole lengths of verges were ragged, large piles of grass were left lying around and litter wasn't being collected off the grass either', stated Torbay's Group Engineer, Malcolm Webley (*Municipal Journal*, 28th July 1989). Waterers increased their staffing and started a seven-day week to try to catch up, and the Council increased its supervision. By the end of the second cycle of

cutting the Council had issued 113 default notices. The DSO was called in to cut the areas missed by the contractor.

By the end of May it was clear to the Council that the firm would not finish the second round of cutting and was notified it was in breach of contract. Required to complete the second round by the 9th June, the contractor instead withdrew. By June the Council had increased monitoring by 900%. Waterer's admitted to 'seriously underestimating the job'.

The same firm lost a second contract in June 1989 when Basingstoke and Deane BC terminated a one year £55,000 grass cutting contract for open spaces and verges after only four months. A council spokesperson stated that 'the work was not fulfilled to specification as regards both time and standard. There were various complaints from the public and councillors'. (*Horticulture Week*, 14th July 1989.) The work returned to the DSO.

Some of the new firms

The last year has seen three European companies express an interest in local authority grounds maintenance contracts although only one tendered for work to date.

Krinkels Beplantings Maatschappij BV (Continental Landscapes Ltd) This Dutch firm has applied to be on the tender list of about 40 local authorities, but we know of only two submitted but unsuccessful tenders. Turnover reached £10m in 1989 mainly from landscape construction contracts, but it is also involved in ground maintenance, greenhouse, sportsgrounds and forestry projects. It has worked for local authorities in Holland, Belgium and Germany and employs about 480 staff. (The Continental Challenge, European Competition for Local Authority Services, ALA, 1989; and *Horticulture Week*, 22nd September 1989.)

Krinkels has set up a British subsidiary, Continental Landscapes Ltd, based in Oxford, and plans to set up branch offices where they win contracts. They have also indicated they may take over an existing landscape business if the opportunity arises. Krinkels' first contract is a three year £40,000 per annum road grid and ditch maintenance contract with Hampshire CC. It has also won two small contracts in Tower Hamlets.

Another Dutch firm, **Graphorn**, tendered for Wandsworth's Battersea Park grounds maintenance contract in 1989, but was £60,000 higher than the DSO bid. A Dutch nursery, Van den Berk, was recently awarded a contract to supply a quarter of a million trees and shrubs for landscaping the British end of the Channel Tunnel against competition from Wyevalle and Blakedown nurseries.

FOCSA Services (UK) Ltd A new subsidiary of FOCSA, the Spanish construction and services group, which is bidding for refuse collection and street cleansing contracts (see Refuse Collection section). FOCSA recently opened an office in Manchester and has indicated it will be bidding for grounds maintenance work.

Lyonnaise des Eaux The French services conglomerate which owns Sitaclean Technology (see Refuse Collection section) and substantial stakes in water companies, also undertakes grounds maintenance work in France and Spain.

Compagnie Generale des Eaux (CGE) CGE's joint venture in Britain, Cory Onyx (see Refuse Collection section) has not stated an interest in grounds maintenance work to date. However, CGE owns a group of nine companies employing 1300 workers engaged in ground maintenance work in France. CGE is also active in the management of leisure facilities and theme parks.

A number of important points are evident:

- The ground maintenance operations of these European companies are bigger than the largest British counterparts. For example, CM Brophy Ltd employed only 70 staff before they started bidding for contracts under enforced tendering.
- The European companies expanding in Britain already offer a range of services *ie* waste disposal, water services, refuse collection and street cleansing. Tyler Environmental Services are at present the only British company with grounds maintenance operations offering a similar range of services. Whether the European companies focus initially on public/private sector landscape construction contracts will in part depend on whether there is a recession, particularly in the property market. Whilst this may limit the extent to which these firms may compete for local authority work, it may push more British landscape contractors into tendering for local authority maintenance work.

Contracts Awarded and Unsuccessful Bids in 1989

Ground Maintenance

Tyler Landscapes (RB Tyler Group, AAH Holdings)

Contracts awarded

Amber Valley DC
Arun DC
Richmond LBC

Unsuccessful bids

Bradford MBC
Doncaster MBC
East Staffs DC
Wandsworth LBC

CM Brophy Ltd

Contracts awarded

Camden LBC
Redbridge LBC

Unsuccessful bids

Bradford MBC
Bromley LBC
Doncaster MBC
Gateshead MBC
Hammersmith & Fulham LBC
Hartlepool DC
Islington LBC
Knowsley MBC
Middlesbrough
Newcastle upon Tyne MBC
Newham LBC
Rotherham MBC
Bolton MBC
Wandsworth LBC
Wigan MBC

Contractor Services Group (Bath Management buy-out)

Contracts awarded

Bath
Merton LBC (10%)
Northumberland CC

Unsuccessful bids

Bromley LBC
Gloucestershire CC
Hammersmith & Fulham LBS
Newcastle upon Tyne MBC
Reading DC
Tamworth DC

Krinkels

Contracts awarded

Hampshire
Tower Hamlets LBC (two small contracts)

Unsuccessful bids

Hackney LBC
Bexley LBC

Martin Jenkinson



Contracts awarded during 1989

GROUNDS MAINTENANCE

Local Authority (20% unless stated)	Awarded to	Annual Value	Unsuccessful Bids
Amber Valley DC	Tyler Landscape	£117,000	Derbyshire CC
Arun DC	Tyler Landscape	£100,000	
Avon CC	DSO	£1.5m	
Barking LBC	DSO		
Barnet LBC	DSO		One other DSO
Bexley LBC	DSO 15% Dartford DSO 5%		Krinkels
Birmingham	DSO		
Blaenau Gwent	DSO	£233,374	none
Bolsover DC	DSO		none
Bolton	DSO	£700,000	
Bradford MBC	DSO	£500,000	CM Brophy, Tyler Landscape J & W Blackburn
Brent LBC	DSO		other bids
Bromley LBC	DSO Turfsoil	£518,000 £195,100	CM Brophy, CSG Bath Dartforce (Dartford DSO)
Bury MBC	DSO DSO	£687,501 £520,052	Dew Group Ltd
Calderdale	DSO		other bids
Cambridge	DSO		
Camden LBC	CM Brophy		DSO, J O'Connor
City of London	DSO		
Coventry	DSO	£1.4m	One firm
Derby DC	DSO		
Derbyshire CC	DSO	£697,809	none
Doncaster MBC (34%)	DSO	£850,000	Tyler Landscape, CM Brophy
Dudley	DSO		
Durham DC	DSO	none	
East Northants DC	General Contracting		
East Staffs DC (35%)	DSO	£126,139	Tyler Landscape (£165,347)
Erewash	DSO		
Gateshead	DSO		CM Brophy
Gloucestershire	DSO	£116,000	Other bids (£119,000 to £198,000)
Gravesham DC	DSO	£84,000	
Greenwich LBC	DSO		none
Hammersmith & Fulham LBC	DSO		CM Brophy
Hampshire CC	DSOs of District Councils		
Hartlepool DC (27%)	DSO	£150,000	CM Brophy (£270,000)
Haringey LBC	DSO		none
Hillingdon LBC	DSO		other bids
Hounslow LBC	DSO		
Humberside LBC	DSOs District Councils		
Inverclyde	DSO	£1.33m	Economic Forestry Group Central Landscapes
Islington LBC	DSO	£388,000	CM Brophy
Kent CC	Turfsoil 18%		
Kensington & Chelsea LBC	Serco Ltd	£900,000	DSO
Kirklees	DSO		none

Local Authority (20% unless stated)	Awarded to	Annual Value	Unsuccessful Bids
Knowsley MDC	DSO	£680,000	CM Brophy (£1m)
Lancashire CC	DSO	£389,000	6 firms
Leicestershire CC	some DSOs some contractors		
Lewisham LBC	DSO		
Mansfield DC	DSO		
Manchester MBC	DSO	£1.53m	Dew Group (£5.05m)
Mendip DC	DSO		
Merton LBC	DSO 10% CSG Bath 10%		
Middlesborough	DSO	£481,000	CM Brophy (£587,000)
Mid Lothian	DSO	£1.47m	
Motherwell DC	DSO		Mitchell Struthers Ltd
Newcastle-upon-Tyne	DSO	£758,000	CM Brophy (£787,000) CSG Bath (£1.09m)
Newham LBC	DSO		
North East Derbyshire	DSO		none
Northavon DC	Parkfield Landscapes MBO		
Northamptonshire CC	DSO		
Northumberland CC	CSG Bath		DSO
North Warwickshire DC	DSO	£237,330	Lanman Landscapes
Nottingham DC	DSO		Glendale
Nottingham CC	DSO		
Oldham MBC	DSO	£562,065	Dew Group, Roger Wilde Landscaping
Reading	DSO		CSG Bath, Berkshire CC
Richmond LBC (25%)	Tyler Landscape		DSO
Rochdale MBC (100%)	DSO	£2.2m	Dew Group
Rotherham MBC	DSO	£1.0m	CM Brophy
Salford MBC	DSO	£500,000	none
Sandwell	DSO	£1.0m	Lanman (£2.8m)
Sefton (43%)	DSO	£1.5m	CM Brophy, Krinkels
St Helens	DSO		
Sheffield	DSO	£1.5m	none
Southampton	DSO		
South Bucks DC	Wycombe DC	£43,370	
South Somerset	DSO		
South Tyneside	DSO	£650,000	
Stratford-upon-Avon DC	Fosse Group (MBO)		
Suffolk CC	DSO	£150,000	
Sunderland MBC	DSO		
Surrey CC	DSO	£287,600	
Sutton LBC	DSO		4 other bids
Tameside MBC	DSO		none
Three Rivers DC	DSO	£204,328	
Torbay DC	Waterers Landscapes (now DSO)	£55,733	DSO (£103,869)

Contracts awarded during 1989

GROUNDS MAINTENANCE

Contracts awarded during 1989

GROUNDS MAINTENANCE

Local Authority (20% unless stated)	Awarded to	Annual Value	Unsuccessful Bids
Tower Hamlets LBC	DSO Krinkels (2 small contracts)		Krinkels (Holland)
Trafford (25%)	DSO	£750,000	Dew Group
Vale of Glamorgan	DSO		
Wakefield MBC (25%)	DSO	£1.0m	none
Walsall	DSO	£290,000	
Wandsworth LBC	DSO	£290,000	Tyler Environmental Services
Wear Valley DC (40%)	Sloanes	£350,000	DSO
Wellingborough DC	DSO		
Wigan MBC	DSO	£584,000	CM Brophy (£600,000) Dew Group (£900,000)
Wirral	DSO	£800,000	
Wolverhampton	DSO		

Part 8

Leisure Management

The management of local authorities' sports and leisure facilities has been added to the list of defined activities under the Local Government Act 1988. The facilities affected include swimming pools, leisure centres, gyms, tennis, squash and badminton courts, pitches, athletic grounds, golf courses, boating and watersports centres. Premises occupied by educational bodies and some joint-use educational community facilities will be exempt. The £100,000 *de minimus* level also applies.

The timetable for tendering is in three phases:

35% by 1st January 1992

70% by 1st August 1992

100% by 1st January 1993

Contract periods must be between four and six years.

Tendering to date

Some smaller local authorities have been putting the management and operation of certain leisure facilities out to tender for several years. Volume 1 of the Contractors' Audit identified thirteen local authorities who had contracted out between 1985-87. Many more had contracted out catering in leisure centres. Volume 1 includes a detailed sector analysis of leisure management, identifying the main trends and developments.

This sector is particularly vulnerable to management buy-outs and to local authorities' officers leaving to set up their own companies or join already established firms. Westminster (City Centre Leisure) and Rochford (Circa Leisure) are two examples of management buy-outs. Both have been bidding for leisure management contracts in other authorities (see *Public Service Action* No 40).

Contracts awarded

Two large leisure management contracts were put out to tender in 1988/89 by the London Boroughs of Westminster and Wandsworth. Three firms tendered against an in-house bid in Westminster: Civic Leisure, City Centre Leisure (management buy-out), and Recreation Management & Development (a new company formed by ex-London Borough leisure managers). Tenders ranged from the in-house at £7.02m to Civic Leisure's £12.97m over five years. At the conclusion of post-tender negotiations there was a complete reversal in prices with the in-house now the most expensive at £7.46m.

The Council then decided to split the work into two contracts, eventually awarding Civic Leisure a £3.97m contract and City Centre Leisure one worth £2.59m, with claimed savings of £1.8m over five years (*Report to Competitive Tendering Committee*, 14th July 1988, Westminster City Council: *Public Service Action*, No 39).

Wandsworth LBC put its leisure management out to tender in 1989. City Centre Leisure, Civic Leisure and Circa Leisure expressed interest but did not tender. A rival

company set up by senior managers in the borough bid against the DSO. The DSO bid £1.2m, some £420,000 below the company's bid. The difference almost exactly reflects the differing annual income projections of the two bids, with the DSO estimating £2.2m and the company £1.7m.

The DSO was awarded the contract which was based on:

- 14 redundancies from 152 staff (9% reduction)
- 40 hour working week
- reduced overtime rates
- all manual staff go onto a monthly pay basis (APT&C grades) receiving an £8 per week pay increase. The sting in the tail is that employees are liable to contribute up to 10% of their pay for any defaults for poor performance. A profit-sharing scheme has also been introduced.

Part 9

The Costs of Tendering

To many local authorities enforced tendering is a totally new function. The only experience for many is the contracting out of building work, which is affected by different legislation. Given their lack of experience and the detailed legal requirements of the Local Government Act 1988, the resources allocated to carrying out the tendering process have in many local authorities been very high in proportion to the cost of the tender itself.

Some councils have even questioned whether there are any true savings from competition.

- Manchester City Council claims work on enforced competition during the first year cost £121,500 a month, or £1.4m over a year. This figure includes the salaries of all those people diverted to work on CCT, training costs, support costs including computer resources, preparation of tender documentation and specifications for various services, and the separation of client and contractor functions.

- Leicester City Council has spent £300,000 on a new computer system for its DSO and more than £30,000 refurbishing a building so that its client and contractor teams could be separated.

- North Tyneside MBC spent £100,000 on preparatory work for its vehicle maintenance contract. (*Local Government Chronicle*, 4th August 1989). Three contractors were invited to tender but none submitted a bid.

- One London Borough responding to the Audit survey estimated that putting out its refuse collection service to tender cost £163,000 in total. This represented 10.18% of the tender value. The authority broke down its approximate costs as follows: £70,000 for three new staff, £5,000 on training, £12,000 for computer equipment, £10,000 for computer staff, £15,000 for refurbishment, £6,000 legal advice and £45,000 in officer time.

Costs of tendering by service

	No of Contracts	Total Tender Value	Total Costs	Average %
Refuse and street Cleaning	13	£14,408,000	£1,087,500	7.5%
Building Cleaning	6	£13,367,325	£1,033,362	7.73%
Vehicle Maintenance	3	£903,479	£46,000	5.1%
Grounds Maintenance	4	£2,784,009	£155,000	5.6%
Other Catering	4	£4,000,000	£196,000	4.9%

The cost of tendering school meals and welfare catering is estimated to be 4% of the contract price.

The table illustrates the level of costs as a proportion of tender value by service. The figures are based on a sample of questionnaire returns but give an indication of the high costs of tendering as a proportion of the tender value.

Many of the survey returns did not include the cost figures as they had not been calculated or even estimated. This is understandable given the additional time and resources required to work out costings.

However, it is nevertheless important to assess costs, even if they are only estimated, of

- the cost of preparing service profiles, specifications, contract documentation
- the cost of preparing in-house tender
- the cost of processing tenders, adverts and tender evaluation
- the cost of joint working arrangements
- the cost of the separation of client and contractor functions
- the cost of management consultants and other advisers

The total cost of tendering 448 contracts, based on the table above, is calculated at £41m. This is an annual cost to local authorities, as they will continue to put work out to tender as required by the enforced tendering timetable. It excludes the cost of management consultants which, assuming 140 authorities engaged consultants (one firm alone has worked in over 50 authorities, and some councils have employed more than one firm) at an average cost of £30,000, is an additional £4m. This gives a total of £45m.

Financial savings

The Government are clearly hoping that enforced tendering will mean increased efficiency and will produce savings. A Department of the Environment survey, circulated in October 1989, is primarily aimed at collecting financial information.

Savings figures can readily be massaged by comparing contract prices with budget estimates rather than current costs. Research has shown that claims of substantial savings often turn out to be much lower in reality (for example *Taken to the Cleaners*, NUPE/NALGO, 1988). It is also difficult to differentiate between possible savings from planned re-organisation of services, from enforced tendering and those forced on local authorities as a result of financial constraints and the poll tax.

The pattern of changes in the cost of services has been very marked. The Audit reveals that savings in building cleaning were an average 25.3%, and refuse collection/street cleansing at 20.2%. However, we found no evidence of similar levels of savings in the other services. The average change in the cost of vehicle maintenance is a reduction of about 10%, followed by ground maintenance at 5%, and school meals, welfare and civic catering at 2.5%. Based on these figures the total annual reduction in the cost of services in 448 contracts is £94m. The true figure is half this amount because of the £45m cost of tendering. The sector analyses also reveal the extent of changes in the level and quality of employment.

Part 10

Commercialisation of Local Government

Research for the Contractors Audit has identified a number of trends which, when viewed as a whole, are leading to the increasing commercialisation of local government. Whilst some of these trends were clearly evident before CCT it is clear that enforced tendering has accelerated their implementation and led to new areas in which commercialisation is being adopted. This section examines these trends and their likely impact on local authorities.

Commercialisation is taking a number of forms. Each of the following does not necessarily lead to commercialisation, but the way in which they are implemented and their cumulative effect is leading to commercialisation.

- the use and adoption of business and commercial forms of organisation for local government services, for example, stand alone/arms length DSOs.
- the dominant use of efficiency and financial criteria in preparing in-house tenders
- the adoption of business planning as a basis for service planning by both client and contractor.
- the encouragement of management buy-outs
- copying commercial and business practices and developing a commercial culture both in attitudes and language
- use of management consultants to develop an enforced tendering strategy, re-organisation of services and tender evaluation
- recruitment of private sector managers without adequate training and induction into public sector practice.
- cross boundary tendering without prior agreement.

It is important to distinguish between reorganising and restructuring to make local authority services more effective, efficient, economical and equitable, in contrast to adopting measures which are primarily centred on competing with private firms. Irrespective of the commitment to retain services in-house, the means by which this is achieved and the 'price' which is paid in terms of jobs, wages, conditions and quality of services is crucial.

Commercialisation will lead to:

- a focus solely on economy, leading to further cuts in jobs, wages and conditions, particularly for manual and clerical workers
- the quality of services will deteriorate as commercial

interests dominate user needs and standards of service

- increased privatisation as commercialised DSOs cannot fully compete with the private sector. This is likely to lead to more management buy-outs and the transfer or sale of DSOs to the private sector
- fragmented industrial relations and trade union organisation
- reduced accountability and democratic control over service delivery.

Structural differences

The strategy being adopted by some local authorities raises fundamental questions about the difference between public and private sectors. Can local authorities adopt business practice without fundamentally affecting the principles and functions of local government and the provision of services? And can local authorities fully 'compete' on an equal basis with the private sector, ranging from local firms to transnational companies?

Important differences remain and condition the extent to which local authorities can 'compete':

1. local authorities cannot submit loss leader bids due to their fiduciary duties
2. they are limited in law from tendering for work in the private sector, which imposes constraints on their ability to cross subsidise different contracts, ie those creating a surplus offsetting losses elsewhere, and to expand to obtain economies of scale and reduce unit costs.

These two points can give the private sector substantial competitive and commercial advantage over local authorities. Even if local authorities implement other commercial practices more effectively than the private sector, they will not compensate for these fundamental differences.

Commercial reorganisation

Most local authorities have had to re-organise and restructure services in response to enforced tendering, in particular, the client/contractor relationship. The need for change is not questioned, in most cases it was essential. But the form of change has led to an increasing number of local authorities mirroring commercial organisation, commercial planning and commercial attitudes to services and staff.

Many authorities have engaged management consultants such as Coopers & Lybrand (they claim to have worked in over 50 authorities in recent months), Peat

Marwick McLintock and Price Waterhouse to carry out re-organisation studies, make recommendations and, in some cases, assist with their implementation. In some cases, consultants have been involved in developing CCT strategy and assessing the private market. The emphasis has amongst other things been placed on:

- commercial type organisations with complete separation of client/contractor roles, and in some cases with company status. Such complete separation is not always necessary nor desirable.
 - the adoption of business planning from the private sector.
- It is vital that planning should be based on the specific and different needs and duties of public services. There has been little, if any, attempt to develop a particular methodology for public service planning in local authorities. The adoption of business planning merely helps to re-inforce commercialisation.
- the establishment of cost and profit centres with sections or parts of services becoming self-managing units with their own budgets and managerial control - Quasi Trading Units as they are usually termed. Precise financial information about the cost of services is imperative and has been a major problem in most local authorities. However, setting up units with the purpose of managers having full control over their own budgets, staffing levels, wages and conditions, freedom to contract out, will inevitably lead to further commercialisation and privatisation of local government services unless they are set up within strict public service guidelines and control.
 - copying commercial and business practices, focusing on economy measures.

It can be dangerous to determine local authority practice by simply trying to follow private contractors unit costs, productivity, staffing levels, wage rates and conditions of service. Some DSOs have won contracts by such measures but at great cost to jobs, wages and conditions. Some DSOs are now having difficulty meeting specifications because of the size of these cuts. DSOs are encouraged, partly by the business language of the consultants reports, to foster a commercial culture and attitudes within the organisation.

Bradford City Council provides a clear example of a commercial approach to enforced tendering which is committed to speeding up the CCT timetable, including other services, and establishing a DSO company. The Council engaged Coopers & Lybrand in July 1989 to help develop and implement their strategy. Their report recommends setting up a wholly-owned company, Bradford Commercial Services Ltd. It will be the vehicle for 'commercial activity and provides for the early establishment of commercial standards of service delivery'.

The report also claims that 'private sector firms prepare tender submissions . . . through an objective business planning process' which is used to justify 'similar business planning techniques' for the local authority. (*Competitive Tendering and Related Activities — Development Strategy*, Coopers & Lybrand, October 1989).

Management Consultants

Some local authorities have embraced management buy-

outs enthusiastically and have used management consultants. Milton Keynes DC agreed 'that any section where a majority of people wanted to 'go private' should be invited to put a proposal forward with help and advice where requested' (*Council Services Bulletin No 1*, May 1989, Milton Keynes DC). Management consultants PE Inbucon, engaged by the council to advise on restructuring and CCT strategy in December 1988, were retained to examine individual proposals for 'Management Start-Ups' - MBOs by another name.

Bradford City Council also has a policy of encouraging management buy-outs, although this has since been modified following the Coopers & Lybrand study. The council were advised to suspend negotiations on the two planned buy-outs until after the wholly owned company Bradford Commercial Services is set up.

Coopers & Lybrand have advised Bradford to go through the tendering for each service, submitting an in-house tender. If the in-house bid wins then give management the opportunity of a buy-out. This raises a number of key issues. Firstly, there will inevitably be conflicts of interest between on the one hand the preparation of specifications, contract conditions, monitoring/default procedures and an in-house tender in the interests of the local authority, users and staff, and on the other hand the personal longer-term pecuniary interests of managers and officers. It is not the managers and officers at risk for they are rarely made redundant if an in-house bid fails.

Secondly, being committed to an in-house bid winning, and then immediately reversing this decision to contract out to a buy-out firm raises important questions and a potential conflict between public and private interests. It requires public officials to be committed to public service one minute and the private sector the next. Local authorities can hardly expect the full involvement and commitment of trade unions and the workforce in enforced tendering in such circumstances.

Thirdly, it introduces the possibility of a second round of job losses and/or cuts in wages and conditions as the buy-out negotiates how it will deliver additional financial 'savings' to the authority.

Management Buy-outs

The last year has seen a spate of management buy-outs in local government.

There were over 300 mainly private sector buy-outs valued at £4.8 billion in Britain last year. Several recent large buy-outs have run into financial difficulties.

New research by the Warwick Business School reveals that buy-out companies perform better than non-buy-out companies for the first three years, but then perform worse than average. This is partly due to firms exhausting the opportunities to cut costs in the period immediately after the buy-out is established. (Review of the Performance of Management Buy-outs in the Longer Term, Touche Ross Corporate Finance, reviewed in *Financial Times*, 4 November 1989).

Recent Management buy-outs in Local Government

Local Authority	Services	Contract £m	No. of staff	MBO Company
Bath DC	Building maintenance, cleaning, grounds maintenance, highways, vehicle maintenance		200	Contractor Services Group Ltd
Mid Sussex DC	Refuse/street cleansing, vehicle maintenance, grounds maintenance		175	Prime Contractors Ltd
Milton Keynes DC	Refuse/street cleansing			Municipal Cleansing Services Ltd
	Building cleaning	£0.16m		
Northavon DC	Ground Maintenance			Parkfield Landscapes Ltd
Rochford DC	Leisure centre management/catering, Castle Point DC and Maldon DC leisure contracts			Circa Leisure Ltd
Stratford upon Avon	Cleaning, refuse/street cleansing, grounds maintenance, leisure services	£3.0m	240	The Fosse Group
	Cotswold DC refuse and street cleansing	£0.41m		
Westminster LBC	Refuse/street cleansing	£12.1m	800	MRS Environmental Services Ltd
Westminster LBC	Leisure centre management	£2.6m	65	City Centre Leisure Ltd
West Wiltshire DC	Legal Services Information Technology			West Wiltshire Information Systems

Other local authorities considering management buy-outs include Woodspring DC (DSO with £8m expenditure and 400 staff), Bradford City Council (separate school meals/catering and refuse/street cleansing buy-outs under discussion), Eastbourne (DSO) and Salisbury (DSO).

Management buy-outs are part of commercialisation because:

- they involve the transfer of council staff, experience and resources lock, stock and barrel to the private sector, and this is another form of privatisation
- the local authority usually loses the capacity to prepare an in-house tender or at least reduces the chances of its success
- some services may be included in buy-outs well ahead of their CCT timetable and more may be contracted out than might otherwise be the case
- they support the 'enabling' council model in which local authorities are not direct providers of services but simply employers of contractors.

Mid Sussex DC now has virtually no manual workers following the buy-out of the DSO. 'Certainly as far as the provision of direct services is concerned we are now a purely enabling council. We look to others to provide them. Our role is contract management and ensuring the contractor performs to specification.' (John

Adams, Deputy Chief Executive, Mid Sussex DC, *Municipal Journal*, 4th August 1989.)

- they set an example which may encourage other managers to follow suit, encouraging individual opportunism motivated by personal gain rather than public service.

Buy-outs create a deal of uncertainty. There has been no attempt to itemise the full public cost in those local authorities where buy-outs have occurred. The valuation and sale of public assets and the costing and apportionment of officer time and consultants costs between local authorities and buy-out firms pose difficult problems and a report from the National Audit Office may be useful.

The Audit Commission has already advised local authorities that they 'should be aware that senior managers involved in buy-outs are likely to spend significant amounts of time seeking commercial and financial advice at the expense of their local authority duties'. (*Competition: Advice to Auditors*, Audit Commission, 1988). The Audit Commission has also advised against allowing a buy-out without first putting the work out to tender.

Where a buy-out is bidding, the authority should ensure an in-house tender is also submitted. Buy-outs do not

always submit competitive tenders. A planned leisure management buy-out in Wandsworth submitted a tender some £400,000 higher than the in-house bid. A tender from a planned buy-out in Kensington & Chelsea for the refuse/street cleansing contract was highest of six tenders.

Management buy-outs are no different from other private contractors. They are also vulnerable to takeovers from other firms. It may not be long before a buy-out makes an offer to takeover another authority's DSO.

Management buy-outs are often presented as the 'only viable option'. However, this more often than not reflects a failure to adopt the strategy, outlined earlier in this report, in full. The viability argument is more of a justification for including all the DSO services in the buy-out rather than any real test of viability in so far as the local authority is concerned.

Nor can it be claimed to be a strategy which 'saves' more jobs than the enforced tendering strategy noted above. Jobs in all services included in a buy-out are transferred to the private sector anyway, and there is no evidence that buy-out employers are any different in the longer term than other private companies. Buy-outs are often based on the fear of losing contracts in the future rather than the immediate realities of tendering.

Many local authorities are opposed to management buy-outs for their services. The evidence of the first year of enforced tendering suggests that where buy-outs are initiated they need to be rigorously tested against the following criteria:

1. what other options are available *ie* improving the local authority's enforced tendering strategy?
2. what will be the longer term impact on the quality, flexibility and stability of service provision?
3. how can the buy-out offer equal or better service than the same in-house team, and can these advantages be secured through changes within the local authority?
4. there must be no additional costs to the authority over and above those which would otherwise have been incurred by retaining services in-house. This should include the cost of management consultants, officer time, and the longer term impact of the sale or lease of buildings, plant and equipment.
5. the impact for the local authority and its services if/when the buy-out obtains additional contracts elsewhere.
6. the impact of the buy-out on the local authority's client functions and staffing.
7. the proposed level of employment, wages and conditions in the buy-outs and their ability to recruit and retain labour. This is particularly important for local authorities already experiencing labour/skill shortages in the local economy. Any cuts in wages and conditions would only increase problems of maintaining service delivery.

Management buy-outs incorporating an element of democratic employee control can be an alternative where other strategies have been tried and tested.

Trade pressure

Some trade organisations such as the Contract Cleaning & Maintenance Association (CCMA) and the British Association of Landscape Industries (BALI) have been

keen to represent their members' interests to the Government, acting as 'agents' to pass on complaints concerning tender documents and procedures.

The Government has responded to these complaints by writing to each local authority concerned seeking clarification. Despite a large number of these complaints being unfounded, it has had the effect of pushing local authorities beyond the commercial criteria upon which enforced tendering is based to take the needs, problems and expectations of private firms into account in tender packaging, specifications *etc.*

Local government has a long track record of assisting businesses through economic development initiatives and the supply of goods and services to local authority departments. But evidence from the first year of the implementation of enforced tendering indicates that local authorities are needlessly taking business interests into account in excess of the requirements of the legislation.

The policing role adopted by the Audit Commission at the Government's request, coupled with some local authorities' unprecedented consultation with District Auditors on matters of policy as well as finance, has also helped to set the financial and commercial agenda in many local authorities.

Commercial considerations should never take primacy over local government's fiduciary and democratic duties and service requirements.

Cross boundary tendering and commercialisation

Evidence of cross boundary tendering by local authorities, although small at present, is growing. More significantly, our research has highlighted a number of authorities who are submitting predatory bids. Local authorities have traditionally carried out agency work for neighbouring authorities, and this continues where this work is *de minimis*. Where it is not, tenders have to be submitted.

Some local authorities are seeking to expand their DSOs by competing for work in other local authorities. Predatory bids may help to strengthen the DSO of the bidding authority, but will endanger jobs in the DSO where the work is being tendered.

Where a local authority refuses to allow its own in-house bid, cross boundary tendering may be justified, although having taken this decision it is unlikely they will invite tenders from another DSO. Local authorities are not compelled, under the Local Government Act 1988, to invite other local authorities to tender irrespective of the number of contractors which express an interest in tendering.

Cross Boundary Tendering: No. of tenders

Service	Successful	Unsuccessful	Total
Grounds Maintenance	6	17	23
Refuse/street cleansing	2	4	6
Catering	1	1	2
Building Cleaning	1	0	1
<i>Total</i>	10 (31%)	22 (69%)	32 (100%)

Eight of the 32 tenders were from County Councils and the remainder from District and Borough Councils. None were London Boroughs or Metropolitan Authorities.

We do not have sufficient information to classify these into agreed or predatory bids, although there was no agreed basis in several cases. There are at least three other County Councils which have sought grounds maintenance contracts which resulted in no invitation to tender or a decision not to tender. These were all predatory bids.

The more that DSOs operate as private companies the more difficult it will be to sustain their continued ownership by local authorities. It will also encourage more managers to opt for management buy-outs.

Management buy-outs will compete for additional work within the host authority and other local authorities. For example, CSO (Bath) is seeking grounds maintenance contracts in other parts of Britain and recently won contracts in Northumberland and London.

It also means that if a local authority awards a contract to another council's DSO, which in turn becomes the subject of a management buy-out, this contract will effectively end up being contracted out. Stratford-upon-Avon, having won the Cotswold DC refuse and street cleansing contract, later sub-contracted the work to the management buy-out.

The National Co-ordinating Committee on Competitive Tendering which includes the AMA, ALA, ADLO, LGIU and the four main local government trade unions, have produced guidelines for cross boundary tendering by local authorities and health authorities. They stress the need for negotiation and agreement as the basis for cross boundary tendering.

1. Any tendering outside an authority's boundaries shall only be undertaken subject to the agreement of the authority's trade unions.
2. Where the work being tendered for is being undertaken through in-house provision, the agreement of the trade unions of the authority whose work is being tendered for will be required, prior to tenders being submitted. Where the agreement of the trade unions of the authority whose work is being tendered for is withheld, no tender shall be submitted by another authority.
3. Where the work of another authority being tendered for is being undertaken by a contractor, then a tender may be submitted, unless that authority is itself submitting a tender to provide the work on an in-house basis. In the case of an in-house tender being submitted then no tender shall be submitted by another authority.'

There is an alternative practice

Fortunately, not all local authorities are adopting commercial and business practices. There is an alternative strategy and there is an alternative public service practice, building on the best practice adopted by local authorities over the years. The three volumes of the Contractors' Audit have provided the evidence that this alternative strategy is not only more effective in safeguarding the quality of services and jobs but strengthens the retention of service-delivery by DSOs.

This practice must be based on the principle of public service:

- the provision of services to meet public needs and demands
- democratic accountability

- the use of public money to maximise effectiveness, efficiency, economy and equity
- maintaining flexibility of response
- achieving equal opportunities in access to and in service delivery and employment
- planning of services, based on user needs and quality of employment.

Part 11

Trends and Developments

Given the success of DSOs in winning over 80% of contracts in 1989, it would be all too easy for complacency to set in. In authorities which have received no competing bids or where private sector bids have been much higher than the DSOs, councillors, officers and the workforce may think that subsequent rounds of tendering will be very similar. This is unlikely to be the case for a number of reasons:

- most contractors are still 'testing the market'. In some sectors such as vehicle maintenance and grounds maintenance there is limited private sector experience in delivering public services. Contractors have been very selective. But this may change if companies decide to increase their market share through seeking public sector contracts.
- if the economy goes into recession this is likely to affect the scale of private sector investment and development. In these circumstances contractors may be forced to turn to the public sector to maintain workloads and market share.
- the approach of the single European market is likely to lead to further take-overs and mergers and European firms establishing joint ventures or new subsidiaries in Britain. Hence, many of the firms competing for public sector contracts in the future may have more experience of local authority services than many of those currently competing for contracts.
- companies will continue to diversify by offering a wider range of services, as we noted in Volume 1. The larger firms are likely to seek site services contracts, offering local authorities further potential savings by combining a range of services such as cleaning, building maintenance, ground maintenance and security in one contract, but for particular areas or facilities rather than local authority-wide contracts. Companies will attempt to maximise economies of scale and flexibility of labour.
- the potential fragmentation of local government as a result of commercialisation may give contractors new opportunities to target particular services and authorities.
- further services, particularly white collar central services, are likely to be added to the list of defined activities. Leisure management has just been added and more are likely to follow.
- pressure on local authorities to contract out services affected by the new White Paper — *Caring for People: Community Care in the Next Decade and Beyond*. This will lead to companies and some voluntary groups seeking social services contracts.

In these circumstances the early 1990s will not be a time for complacency or retrenchment. It will be increasingly important for local authorities and trade unions to develop and improve their enforced tendering strategy and organisation.

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