

Experiences with public-private partnerships for provision of park and road services in Täby Municipality, Sweden

Case report

Research project 'Innovations in the organization of public-private collaboration'

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1 Foreword

The research project '*Innovations in the organization of public-private collaboration in an international perspective*' (Danish acronym: INOPS)¹ has in the time from 2014 to 2016 investigated the use of contracting out for provision of park and road services in Local Governments in Denmark, Sweden, Norway and England.

This case report is a part of a series of case studies in the INOPS project which study experiences with different approaches to contracting out of park and road services in the four countries. The purpose of the case reports is to provide a series of reference cases for comparisons and development across the four countries. The reports has been written with the purpose in mind to allow a reader to get detailed insights in the background for decisions, processes and outcomes when park and road services are contracted out by Local Governments. Together the report series uncover experiences in Local Governments which:

- 1) Display different contracting histories
- 2) Adopt different approaches to contracting out

The following researchers have been involved in delivering the case reports: Andrej Christian Lindholst, Troels Høgfeldt Kjems and Thomas Haase Jensen from Aalborg University, Denmark. Anders Kristofferson, Bengt Persson and Thomas Barfoed Randrup, Swedish Agricultural University, Alnarp. Merethe Dotterud Leiren, Norwegian Centre for Transport Research and Ingjerd Solfjeld, Norwegian University of Life Sciences. Nicola Dempsey and Mel Burton, University of Sheffield. The project has been co-financed by Hedeselskabet Strategi & Innovation and Aalborg University.

Without the contributions from a long list of people and organizations it would not have been possible to carry out the research. The researchers especially thank all employees in park and road departments as well as private contractors that devoted some of their time to participate.

¹ The original Danish title of the research project is: '*Innovationer i organiseringen af det offentlige-private samspil i et internationalt perspektiv med fokus på kommunaltekniske driftsopgaver*' with the abbreviated title '*innovationer i det offentlige private samspil*'. The Danish acronym for the title is: 'INOPS'.

2 Introduction

This case report provides a detailed description of the experience with contracting out park maintenance in Täby municipality, Sweden. In particular, the case study of Täby provides insight into leading experiences with contract management and collaboration in ‘partnership’ types of contracts in Scandinavia.

The ‘case’ of Täby is rather unique in many of its key characteristics if compared to the use of contracting out of park maintenance in other municipalities in Sweden as well as in Denmark and Norway, i.e. in Scandinavia. What makes Täby stand out is the characteristics of the formal contract and the management approach, i.e. a high degree of joint planning and collaboration within a municipal-wide long term contract based on visions, strategies and development objectives, together with a very long record of experience with contracting out. The case-study provides a detailed account of the experience with contracting out in Täby, Sweden during a 10 year period.

The case report is organized in the following parts. The first parts provide a general introduction to Täby Municipality and the organization of the park administration. The second part provides insights into the municipality’s experiences with managing a partnership contract for provision of park maintenance. The third part is focusing on the development of the latest contract based on former experiences.

The materials used as basis for the case report consists of

- Data from a group interview with the park and nature management team in Täby including representatives from the private contractor’s daily management (held in Täby, November 2006)
- Data from four interviews per organization with staff on different levels (from the head of the technical department in Täby and head of division at NCC to the day-to-day management in Täby and NCC) at the Municipality of Täby and with the contractor (held by telephone in February 2014)
- Data from an interview with the park and nature management team in Täby (held in Täby, August 2016)
- Tender documents from the 2004 and 2016 contracts
- Official documents downloaded from Täby website (www.taby.se), including park policies, green development plans as well as general information about the municipality.
- Official statistics on municipal election results (www.val.se)

3 About Täby municipality

Täby municipality is, one out of a total of 290 Swedish municipalities, located in the outer area of the Stockholm County (Län) which forms part of a larger and densely populated metropolitan area of Stockholm. By 2016 about 64,000 residents lived in Täby municipality centered within two main built up areas. Geographically, Täby municipality covers about 66 square kilometers of which 5.4 square kilometers are waters. The municipality has relatively large recreational 'green' areas made up by wilderness, nature areas, forests and waters. Public parks, playgrounds, outdoor sports facilities and similar types of recreational green spaces are located in and around built up areas. Park areas take up about 1 square kilometers of the land in the municipality.

Given its geographical location, Täby municipality offers its residents proximity to the Stockholm metropolitan area as well as recreational outdoor opportunities at the residents' 'front door'. The Stockholm metropolitan area is characterized by economic growth and a steady increase in the population. The population has steadily increased in Täby municipality in the past 20 years and the municipality forecast that by 2030 there will be around 80.000 inhabitants (approximately a 25 percent increase from the 2016 population). The forecasted demographic development requires extensive planning and development. Several large development projects takes place within Täby municipality in terms of developing new transport infrastructure, commercial and housing areas as well as urban green spaces and recreational opportunities. Urban development is deliberately focused in and around already urbanized areas in the municipality in order to preserve large and interconnected green areas as well as ensure a sustainable development of urban areas.

Politically, the city council ('Kommunstyrelsen'), consisting of 61 representatives ('kommunfullmäktige'), has over the years been dominated by two rightwing parties in Sweden: 'Moderaterna' which currently holds 24 seats in the city council for the period 2014-18 and 'Liberalerna' which currently holds 16 seats for the period 2014-18 (Source: www.val.se). Economically, the municipality is relatively well off, with a good tax base and a balanced economy in good shape. Täby is regarded as one of the 'flagship municipalities' of 'Moderaterna' in Sweden due to political ideas which has contributed to the ambitions to procure many municipal services from private contractors (Interview II: 1:05). The average income and education level of the Täby citizens are higher than the average for Sweden as a whole and might influence the public opinion on how to run the maintenance contracts of parks and roads.

3.1 Green space administration

Management of green areas is administratively embedded in a long tradition for green planning in Täby municipality as well as a planning tradition within the greater Stockholm area to develop new urban infrastructure along several interconnected green ‘wedges’ (RUFSS 2010). The tradition in Täby municipality for green planning dates back to at least 1947, where the first formal green planning documents was drafted, and centers upon the importance of larger and accessible green spaces offering recreational, biological and historical values within an increasingly densified urban structure. The tradition has developed and has been supported in consecutive formal planning documents as well as in administrative practices in Täby municipality (source: Grönplan för Täby kommun, Täby Kommun, 2007). Around 2007 the city council in Täby agreed upon a “green plan for Täby municipality” (Grönplan). The plan is described within the park administration as a key ‘political-strategic’ document. The green plan defines overall vision and objectives for the role and development of green spaces in Täby municipality. Overall, the plan states that ‘one half’ of Täby should be green space. The vision defines 11 objectives within four themes. The themes are ‘access’, ‘service and quality’, ‘management’, and ‘physical planning’.

Administrative responsibilities for park and nature areas in Täby municipality are placed in a ‘Park and Nature’ unit which is placed within the technical department. The unit has in 2016 six employees. The unit has responsibilities for planning, design, and maintenance of all green spaces in Täby municipality including, public parks and nature areas. Nearly all activities related to maintenance operations are contracted out to private contractors – between 2004 and June 2016 to NCC and from July 2016 to PEAB. A very small part of maintenance operations are kept in-house. The Park and Nature unit is responsible for managing in-house maintenance operations as well as the contract with PEAB (earlier NCC). The contract also includes street maintenance which is managed by the Streets department. The contract as a whole is signed by the technical department of Täby Municipality. The new contract from 2016 is developed based on the experiences from the first and the differences are described in section 1.6.

4 The history of contracting out in Täby municipality

Täby municipality has contracted out maintenance of parks and roads at least since the Mid1980s. Since June 2004 and onward, Täby municipality has implemented an encompassing collaborative approach to contracting out based on what the municipality has labeled the ‘Täby concept’ (see box

1). The concept was implemented in a new maintenance contract (drift och underhåll) for parks and roads after a public procurement round. Key features in the Täby concept are a focus on functionality and development of green spaces and a long term partnership approach to the contract. The concept also implied that maintenance of parks and roads in Täby municipality is bundled into one contract. In the 2000s, the total annual contract sum was about SEK 50 mill with around SEK 5 mill spend on park maintenance operations.

Box 1. The Täby concept 2004-2014: Key features

- Long ordinary contract duration (10 years) plus 2 years potential extension
- Municipal wide contract (all maintenance operations for parks and roads in the municipality)
- Task descriptions based on visions, visual materials and development objectives
- Standards for horticultural work based on guidelines rather than detailed specification of performance requirements and work instructions.
- Joint planning and collaboration between client and contractor
- Open economy
- Park responsibilities bundled with road responsibilities

4.1 Background for the Täby concept

Sweden has a tradition for using functional descriptions as a key method for describing maintenance requirements in parks, green spaces as well as open spaces. National standards in Sweden, for functional descriptions has been developed and updated over the years at the sector level by key research institutions.. The first national quality standard for maintenance operations in urban green spaces was introduced in 1989 by the publication of the ‘Maintenance manual for outdoor environments’ (Persson, 1989). Based on accumulated experiences, the standard was subsequently developed and revised in the ‘Maintenance manual 98’ (Persson, 1998). The revised standard from 1998 subsequently formed the basis for the development of maintenance standards for different types of green spaces such as those in and around cemeteries (Andersson et al., 2004) and housing areas (Persson et al., 2009). Far from all municipalities use an approach based on functional descriptions for describing maintenance requirements, but it has been widespread and widely known within the park sector over the years as it is included in one of the standard procurement systems in Sweden (the so called AFF-system). In the case of Täby municipality, the available national standard for functional descriptions of park maintenance requirements was used as a key

source of inspiration for specifying maintenance requirements in the Täby concept (Täby tender documents from 2004 and 2016).

‘Collaborative’ or ‘partnership’ approaches to contracting out has no policy guidance from national authorities (as, for example, in the UK). The contractual approach in the Täby concept was inspired by ‘partnering’ principles found in the construction business and in particular by developments in the construction sector in Denmark (Interview I, time: 1:16-). Partnering principles was introduced in the Danish construction sector in the 1990s and adopted for maintenance contracts in the road sector in the early 2000s (Vejdirektoratet, 2003). At the time of the development of the Täby concept, the municipality was furthermore not aware whether other Swedish municipalities had adopted similar ideas (interview: 1:15-).

4.2 The first contract 2004-2016

The first contract for the period 2004-2016 was procured in 2003. The contract encompassed virtual all maintenance of parks and roads in Täby municipality for the period 2004-2014 as well as an option for 2 additional years, i.e. a contract duration of 10+2 years. The procurement was organized as an open call for interested bidders which subsequently were pre-qualified for submitting full bids. A total of three contractors were prequalified and submitted full bids (NCC, Skanska och ‘Vägverket’). NCC won the contract.

4.2.1 Formal contract management

Congruent with key principles in partnering, the contract was based on a ‘partnership’ approach, prompting the partners to work in an ‘honest’, ‘fair’ and ‘open spirit’. The partnership approach was supported by the political level in Täby municipality and was by the park administration team regarded as a ‘political demand’.

The first contract (2004-2016) included a range of formal management activities at different organizational levels and with different agendas/purposes. For joint management of day-to-day operations the contract specified monthly meetings between the park administration team in Täby and the contractor’s operational management team. The minutes/agenda routinely included items related to overall progress/performance and economy/use of resources. The joint management of day-to-day was complemented with quarterly ‘site visit’ meetings which took place at location chosen by the park administration team (Interview I: 38:50). Formally the day-to-day management organization was consisting of ‘district responsables’ (‘områdesansvariga’) from the park administration team and an operational manager from the contractor which again were leading the

operational staff. In addition to meetings, which focused upon day-to-day operations and progress, a development seminar (utvecklingskonferens) was also held one time a year. Each year they set up new goals for the upcoming season (Interview I: 1.12-). At the level of top management the contract specified bi-annual/annual steering group meetings with the purpose of assessing overall status and progress and address eventual issues (Interview I: 31:30). While the contract involved shared planning and management activities between the park administration team and the contractor, the contractor was not directly involved in planning and meeting activities related to citizens/users (interview I: 1:13-).

When the contract was initiated, the two parts (Täby municipality and the contractor) had initial workshops where common objectives were defined for the upcoming partnership. The common objectives related 'economy', 'park services' and 'collaboration' as three key themes. The partners have a continued focus on achievement of the mutual agreed objectives in day-to-day management. Each year, as part of the development seminars, the two parts set up new goals for the upcoming season (interview I: 1.12-). There is also a focus on personal competencies at the different levels in the organization.

4.2.2 Economy

At the initiation of the contract, the budget for green-space maintenance was approximately SEK 4.7 million (interview I, time: 40.05-). The contract had fixed unit prices for individual operations which could be regulated within the total budget. The municipality could decide on overall budget levels one time per year and a fixed payment followed for the year. Budgets were index regulated in order to calculate for change in general prices for work and machinery in the sector. In addition to the maintenance budget, the municipality had a separate investment budget which was not included in the contract budget. The economy in the contract was organized as 'open' and all information about costs and resource allocation was shared. The contractor had full discretion about methods for achieving functional requirements and service targets, but the prioritization of resources was made through consultancy with the management team at the monthly meetings. At the monthly meetings, prioritization of resources could be discussed and adjusted (Interview I: 14:10-). The contract also included an incentive scheme. Savings was shared (50/50) if costs were below budgets and the municipality had the full burden for eventual costs above budget (interview I: 1:02-).

4.2.3 Work specification

For the municipality and the contractor, the key document in the contract for managing park maintenance was a “park policy”. The park policy defined a range of functional requirements and development targets for park services. The document also specified a range of advises based on technically defined instruction measures (skötsel) in terms of a classification of requirement levels (behovsnivå) for all types of green-space, e.g. ‘Superior park’ (‘Finpark’) (Interview I: 49:00). For each type of green space the contract defined a vision. It was the aim that a green space should correspond with the vision. I.e. by maintenance, a green space should meet functional requirements and service targets. This could also include ‘development plans’ defining how improvement could be made. No performance and instruction based measures were used at the level of individual elements, e.g. shrubs, (Interview I: 45:30-) and NCC was left with full discretion about maintenance methods. The key documents furthermore had a high degree of visual content in terms of photos and illustrations as key guidance for maintenance operations. A shared database with all registration of all green-spaces was implemented for planning and management (Interview I: 45:20).

In the 2012 interviews it was found that the formal documents were not used to the same extent as earlier in the contract, especially on the level of the personnel performing the work on site. It was still important to refer to when trying to solve problems when the parties had different opinion on the performance. When trying to solve specific problems in detail the functional description often were wished to give more specific guidance on the expected performance. Nevertheless the functional description was still preferred in comparison to a more detailed description prescribing specific frequencies and e.g. grass height in cm.

4.2.4 Perception of the contractual relation

The general perception in the management team of the implementation of the Täby concept was that it was not something fixed and final, but something which was ‘developing’ in the course of implementation (Interview I: 14:05-). The contract and the day-to-day collaboration were seen as something more than the written agreement, something ‘ongoing’, in terms of a ‘practice for working together’ (Interview I: 20:00) as well as the partnership with the contractor was a ‘give and take’ (53:20).

The management team found it a ‘challenge’ to implement the vision, service targets and functional descriptions in day-to-day operations. The management team and the contractor both admitted that it was always a question of ‘interpretation’ (and not a measurement against pre-defined standards). In practice the interpretation took place through site visits, park meetings (‘park

träff”) and continued dialogue. Täby managers expressed that finding a common ground for agreeing on standards in the daily work: *‘is not that easy’*, and *‘it is always an interpretation’* (Interview I: 1:10). The implementation of the contract was also sometimes a mix of prioritization and change in ongoing maintenance routines and new (smaller) investments paid additionally by the municipality (The municipality’s investment budget was not included in the contract budget).

4.2.5 Performance

Responsibility for overall contract performance was perceived as shared. If problems with day to day performance were identified it was handled by immediate dialogue and ad hoc joint site visits (Interview I: 50:00). Site visits could open for ‘horticultural’ discussions such as whether a particular element was not well maintained or whether it was in poor conditions (e.g. older shrubs). (Interview I 54:00).

The management team also discussed challenges and ideas with the contractors’ operational staff at the annual ‘park träff’ held when the season starts, (Interview I: 55:00) e.g. refurbish a flower bed (defined as a maintenance operation and not an investment in the contract). Dialogue with operational staff was also welcomed through daily maintenance (Interview I: 59:00). Likewise the management team could take direct contact to the contractors’ staff.

The management team is generally satisfied with the contract and the performance of the contractor. No money has been deducted from payments due to fault performance (at least for the period 2004-2007). (Interview I: 51:00).

Ten years ago the standard was very low in the municipality. More resources/investments were allocated due to political awareness of green-space benefits and the level has improved substantially to present (Interview I 1:05-).

A specific interest in the 2012 interviews was whether the level of performance was equally distributed all over the municipality and despite the intention to reach an even quality most interviewees were aware that they did not always manage to deliver the same quality all over Täby. This was regarded hard to avoid according to specific conditions and often depending on the ambition among the staff performing the maintenance in a specific part of Täby. Another question of the performance concerned when NCC took over the maintenance from other contractors who had constructed and maintained new areas during the guarantee period (normally two years). The new shrubs were then supposed to be maintained as established, which seldom was the case, meaning that NCC had to perform a higher degree of weed control exceeding the agreed cost for shrubs in the contract. This was taken into account when updating the functional description for the

second contract 2016 by adding a couple of new categories with the name ‘under establishment’ with a higher price to compensate for the extra recourses needed.

4.3 The second contract 2016-2021

The following is based on an interview which took place in the end of August 2016 only two months after the contract start. This implies that many routines were not yet established, and as such the relations to the new contract are expressing expectations more than practical experiences.

Based on the experiences made in the first contract Täby municipality was interested in a general update of the contract and in getting more contractors into the maintenance contract (Interview II: 14:30). In 2015, a working group with politicians representing all parties in Täby was established to discuss the overall principles for the new contract lay-out. Important aspects concerned how to increase competition and include more contractors. The discussion was very open minded regarding new ways of organizing the contract and in the beginning the working group even discussed ideas to split the contract in very small pieces across the municipality to attract small companies.

The process of preparing the new contract lasted 1.5 years and included an open hearing with potential contractors. When preparing the old contract the main ambition was to find the economically most beneficial contract trying to include as much as possible to achieve synergy effects and minimize the municipality’s contract administration. It was agreed at an early stage that the new contract should continue to be some form of partnering as well as a focus on attracting more bidders than earlier to increase competition. The contract was finally divided into four parts: i) Streets and greenspace management, ii) paving, iii) bridges and structures and iv) removing graffiti. The chosen contract duration was five years with three optional years and thus shorter than the first contract (Interview II: 8:30).

4.3.1 Formal contract management

The basic principles, like adherence to a fair and honest spirit and meeting structures, of the first contract was kept in the second contract. Meetings for steering the contract are held on two levels (a) the monthly ‘construction meeting’ and (b) the ‘cooperation meeting’ every fourth month. According to the staff there are also weekly meetings between the parties where they often meet on site to discuss specific questions about maintenance operations and daily performance. A new part in the second contract was an incentive model with a yearly sum of 1 mill SEK – a limited amount compared to the total yearly sum of the contract. The municipality has great expectations on the innovative and relatively complex incentive model consisting of 10 focus areas with different

demands (e.g. time and delivery performance, quality and economy) all in all 15 demands each to be graded in five levels. It should be performed four times a year and the yearly incentive should be set after a function inspection in June (Interview II: 22:05). The greenspace managers have not yet planned how to apply the model in detail but they are curious on how to manage all the judgments that has to be performed. Another difference is that formally there are less specifications on which reports the contractor are supposed to deliver as a basis for the different meetings. This will have to be developed throughout the contract period, and there is an electronic platform for reporting diary, changes in the contract etc. (Interview II: 35:00). The first contract had a formal demand for a yearly conference between the parties but that is not included in the new contract (Interview II: 1:37).

4.3.2 Economy

The total yearly estimated budget for greenspace and streets maintenance is 25-35 mill SEK (depending on the municipal budget), estimated complementing works 15-25 mill SEK and adjustment with fixed unit prices. The same principles are applied in the second contract regarding open books (accounting), yearly adjustments of the total contract sum due to the municipal budget and an annual index regulation. As mentioned, the incentive model was new and the contractor should choose the size of the incentive between 1 and 3 mill SEK, a sum that also was contributing to the ‘comparative sum’ when evaluating the bid. All bidding contractors chose 1 mill SEK. Another inventive part when calculating the ‘comparative sum’ was the intention to reward a presentation of a detailed cost estimation for management costs due to the level of open details. Compared to the old contract the first one had more focus on rewarding the intentions of how to cooperate during the contract.

All prices in the second contract decreased compared to the first. An interesting fact is that all contractors asked the municipality for the prices of the competing contractors. The municipality classified the prices as secrets due to business causes and all bidders actually was a little embarrassed when realizing they all did the same (Interview II: 0:45).

4.3.3 Work specification

The work specification is based on the same principles as in the first contract as it was regarded to work out well with functional descriptions and it was also regarded to demand less effort in monitoring the contract (Interview II: 22:05). It was supplemented with a few new functions and updated pictures better representing the different functions. The whole database with classification

of the different areas was updated as well as the park policy including the overall goals and intentions for different parks, recreation areas etc. (Interview II: 25:00). The management emphasized that the policy is only a help to understand the intentions – also among citizens – and only the functional descriptions is part of the contractual law. Despite the effort to improve the functional descriptions it was accentuated that there will still be important calibration to do on a day-to-day bases when the management meets on site.

4.3.4 Perception of contractual relation

As the second contract only recently started, the relations have just started to establish. There had been a start-up meeting held with both parties to try to establish a common perception on what cooperation means, the core reason for doing the job (serving the citizens) and how to make the communication work (Interview II: 1:35). Regarding the links and experiences between the first and second contract it has to be concluded that there will be a loss of experience as most central personnel in Täby and all personnel at the contractor have changed. This means a possibility for a fresh start but also loss in local knowledge and experience build during the first contract period. (Interview II: 1:40).

4.3.5 Performance

The performance in the second contract was performed in the same way as in the first – meaning lots of communication on site on a daily basis between managers from both parties. Added to the second contract was the new incentive model which includes measures related to performance such as quality, inspections and risk management. These new inspections have not yet been performed but it is hoped by the managers that this will add value to the second contract.

4.4 Summary of experiences

The initial contract model in Täby (the ‘Täby concept’) implemented in 2004 had strong resemblance with ‘partnering’ principles found prevalent in the road sector in Denmark. The contract model also adopted the Swedish tradition for visual and functional description of requirements for green space maintenance. The case-study shows also that the adoption of partnering principles for the contract model was initiated and supported by the political level in Täby. The winning contractor of the first contract (NCC) was furthermore represented within markets for construction, road maintenance and public works in both countries. Overall, the contract model seems unique in terms of the mix of ideas found in Denmark with ideas found in Sweden.

The partnership and the contract's embedment in a park policy was furthermore a part of a larger municipal strategy to become an attractive place to live in within the overall metropolitan area in Stockholm. This strategy was also supported by allocation of additional municipal Investment funds for green space development. The overall strategy together with the Täby concept resulted in a significant improvement in green space standards in the municipality from the 1990s until the mid-2000s. The case-study shows that the initial objectives of the contract was not to provide cost savings but to provide an arrangement for service delivery capable of contributing to the realization of the overall municipal strategy in Täby. The contract still involved concerns for overall economic efficiency in terms of technical and in particular allocative efficiency. Concerns for economic efficiency were ensured in the initial competitive tendering of the contract (which involved three qualified bidders), continuous prioritization of resource use within an open economy, as well as contractual incentives for seeking efficiency gains in maintenance operations.

The experiences from the first contract motivated some new initiatives when the procurement of the second contract started. Based on strategic thinking and reflections on the historic perspective the overall goal to add value to Täby by delivering an attractive outdoor environment is still crucial, but having improved the overall greenspace quality that issue is not as important as in the first contract. The important concerns are on keeping up the quality and increasing the competition and in trying to achieve that the contract is split up in different parts, the contract time is shortened to five plus three years and a more comprehensive incentive scheme is created. As the early contracts before 2004 included even more parts, water and sewers and the municipal building with its outdoor environment, the long term trend appearing is to keep the basic ideas of contracting out important municipal services but making them smaller to increase competition and trying to find better incentives to improve the contract delivery over time. The new procurement resulted in a new contractor, lower prices and the new comprehensive incentive program. The first step to achieve a competitive price in a fair procurement process is reached and the effect of the incentive programme on the long term quality will be interesting to evaluate in the future. Using a contract based on functional descriptions and new personnel on both sides (Täby and PEAB) in the second contract there will be a lot of work to do in finding new forms for cooperation and the agreed levels of performance in the contract. The experiences from the first contract show that reaching collaboration and agreements on service standards and performance requires active and continued efforts on behalf of both parties.

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