

Corporate Services Overview and Scrutiny Committee

11th December 2013

Agenda

The Corporate Services Overview and Scrutiny Committee will meet in **COMMITTEE ROOM 2, SHIRE HALL, WARWICK** on **WEDNESDAY, 11th December** at **2.00 p.m.**

The agenda will be:

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with (Standing Order 42).
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the meeting of the Corporate Services Overview and Scrutiny Committee held on 16th October 2013

2. Public Question Time

Up to 30 minutes of the meeting is available for members of the public to ask questions on any matters relevant to the business of the Overview and Scrutiny Committee. Questioners may ask two questions and can speak for up to three minutes each. To be sure of receiving an answer to an appropriate question, please contact Sally Baxter 5 working days before the meeting. Otherwise, please arrive at least 15 minutes before the start of the meeting and ensure that Council representatives are aware of the matter on which you wish to speak.

3. Questions to the Portfolio Holders

Up to 30 minutes of the meeting is available for the Committee to put questions to the Leader and Portfolio Holders on any matters relevant to the remit of the Overview and Scrutiny Committee.

4. Customer Service Excellence

To consider the update regarding the Customer Service Excellence Standard.

5. Organisational Health Report – 2013/14

To consider the areas of the Organisational Health report relevant to the remit of the Committee.

6. Transformation through Strategic Commissioning Programme

To consider the update report and ask questions in relation to its content and making recommendations, as considered appropriate.

7. The Council's Procurement Procedures

To consider the update report and ask questions in relation to its content and making recommendations, as considered appropriate.

8. Treasury Management Monitoring Report

To consider and comment on the annual Treasury Management outturn report in respect of 2012/13.

9. Work Programme 2013/14

To consider the Committee's proposed Work Programme and future area of scrutiny activity.

10. Urgent Matters

At the discretion of the Chair, items may be raised which are considered urgent (please notify Democratic Services in advance of the meeting).

11. Dates of Next Meeting

The next meeting of the Corporate Service Overview and Scrutiny Committee has been scheduled for 26th February 2014, commencing at 10 a.m.

Jim Graham
Chief Executive
Shire Hall
Warwick

Corporate Services Overview and Scrutiny Committee Membership

Councillors: Nicola Davies, Neil Dirveiks, Martin Heatley (Vice-Chair), Phillip Morris-Jones, Bernard Kirton, Keith Kondakor, Chris Saint, June Tandy (Chair), Alan Webb, Chris Williams

Portfolio Holders:-

Councillor Izzi Seccombe – Leader of the Council

Councillor Alan Cockburn – Deputy Leader

Councillor Colin Hayfield – Customers

Councillor Jeff Clarke – Corporate Business and Environment

For queries regarding this agenda, please contact:

Sally Baxter, Democratic Services Officer

Tel: 01926 412323, e-mail: sallybaxter@warwickshire.gov.uk

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

Present

Members: Councillor Nicola Davies
Councillor Neil Dirveiks
Councillor Martin Heatley (Vice-Chair)
Councillor Phillip Morris-Jones
Councillor Keith Kondakor
Councillor Chris Saint
Councillor June Tandy (Chair)
Councillor Alan Webb
Councillor Chris Williams

Other Councillors: Councillor Richard Chattaway
Councillor Izzi Seccombe – Leader
Councillor Colin Hayfield, Portfolio Holder, Customers
Councillor Jeff Clarke – Portfolio Holder, Corporate
Business and Environment

Officers: Sally Baxter, Democratic Services Team Officer
John Betts, Head of Finance
Tonino Ciuffini, Head of Information Assets
Phil Evans, Head of Service Improvement and Change
Management
Andrew Lovegrove, Head of Corporate Financial Services
Jane Pollard, Corporate Legal Services Manager
Janet Purcell, Democratic Services Manager
Steve Smith, Head of Property

1. General

(1) Apologies

Apologies for absence were received on behalf of Councillor Jeff Clarke who had been delayed due to poor weather conditions. It was anticipated that he would be in attendance later.

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interest

There were no declarations of interest on this occasion.

(3) Minutes of the meeting of the Corporate Services Overview and Scrutiny Committee held on 10th July 2013

The Committee agreed that the minutes of the meeting held on 10th July 2013 be signed by the Chair as a true and accurate record.

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

2. Public Question Time

There were no public questions received or presented at the meeting.

3. Questions to Cabinet and Portfolio Holders

Members considered the Forward Plan of decisions by Cabinet and the Portfolio Holders and concluded that on this occasion, there were no questions.

4. Organisational Health Report – 2013/14

John Betts, Head of Corporate Finance, presented the Committee with an overview of Quarter 1 period of the 2013/14 financial years' report which highlighted the County Council's finance, performance, and risk information for April 2013 to June 2013. He explained the main points of the quarterly report and provided an outline of the County Council's overall financial position, together with specific service-level information including budget variations and headline data.

It was explained to Members that services were now undertaking the final year of a three year plan thus facing the greatest pressure. This would be reflected in Quarter 2 to be reported to Cabinet in November 2013.

Phil Evans, Head of Service Improvement and Change Management, highlighted that at the end of June 2013, 69% of the 54 measures were reported to be on target.

Following questioning from the Committee, the following points were noted:

- 1) Information would be provided for Members about the course of action to be taken in the event of the upcoming Fire Service strike action. The Chairman mentioned that an email had been circulated to all Members regarding strike action with alternative measures including military assistance;
- 2) Due to the number of assets disposed of in this year, it was reported that 2 million capital receipts were expected. Due to the Property Rationalisation Programme and the changing outlook, the current position was difficult to ascertain but a precise figure would be identified;

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

- 3) A concern was raised that the service for Children who are both looked after and subject of a child protection plan, was forecast to miss the target thus further explanative information would be provided to all Members of the Committee.

The Corporate Services Overview and Scrutiny Committee agreed to:

- 1) Request that the existing format and presentation of the quarterly Organisational Health report be reviewed by John Betts, David Carter and Councillor June Tandy, to identify a more effective reporting for analysis.

5. Public Engagement in Overview and Scrutiny

Janet Purcell, Democratic Services Manager, discussed the importance of public engagement and requested Members' thoughts on the Public Engagement in Overview and Scrutiny Tool Kit. It was anticipated that the ToolKit would be adopted at the scoping stage to assist planning and the identification of engagement activity.

Following discussion and questioning from the Committee, the following points were noted:

- 1) Transparency and access to information was important at all levels and stages.
- 2) It would be advantageous to benchmark public engagement in Warwickshire with other authorities. It would establish how well Warwickshire is engaging and would facilitate the sharing of best practices.
- 3) The importance of pre decision scrutiny was noted in particular, the timing of scrutiny in relation to decision making. Successful public engagement is also dependant on public interest in the subject matter.
- 4) The leaflet design to encourage engagement in the Toolkit could be adapted to include all elements including public speaking at Committee meetings. More online services and using social media would also raise awareness. Social media had proven to be effective when engaging on particular areas of interest.
- 5) It was important to manage peoples' expectations and explain the Scrutiny process so that they are aware that decision making does not take place during this process.

The Corporate Services Overview and Scrutiny Committee agreed to:

- 1) Note the main points as prescribed in the Scrutiny Toolkit and;

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

- 2) Reconsider the Toolkit at a future meeting after it had been considered by Group Leaders.

6. Access to Payday Loan Companies websites via the Council's Networks

Tonino Ciuffini, Head of Information Assets, directed the Committee to the report and asked them to consider the content and recommend appropriate action, if any, to be taken by the Council.

A discussion ensued about Council Services and its role when providing information to members of the public. It was conceded that whilst Payday Loan Companies operated in accordance with law, other means of finance such as Credit Unions, were preferential. Council Services could raise the profile of alternative money lending organisations that helped people with debt management not encourage long term debt.

The Committee explored possible options for action which included blocking access to payday loan companies websites from Council property or the use of a pop up containing a warning about using such services. The legal implications and Council obligations of any future action would need to be thoroughly considered.

Following discussion and questioning from the Committee, the following points were noted:

- 1) Questions were raised as to the responsibilities of Council services and whether limiting access to Payday Loan Companies websites via Council network.
- 2) The Council could encourage the companies to raise operating standards.
- 3) Clarification was provided with regards to the reported number of occasions payday loan companies websites were accessed via the Council network. The point was made that the numbers reported was in relation to people accessing the websites. Information as to why they were accessing the information was unknown.
- 4) Careful consideration for the legal implications must be considered for any suggested action, and reasons for actions would need to be carefully considered.
- 5) Further information was required from Legal services and Information Assets and discussion should include all Councillors.
- 6) The Library Service could display material informing people of alternative services such as the Credit Union.

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

The Corporate Services Overview and Scrutiny Committee agreed:

- 1) Note the points contained in the report and;
- 2) Refer the matter to Council for discussion.

7. Transformation through Strategic Commissioning Programme

Phil Evans, Head of Service Improvement and Change Management, distributed a summary sheet of the Transformation through Strategic Commissioning Review Programme. All reviews were progressing in line with expectations whilst being led by Service Heads and receiving support.

He made Members aware that it had been proposed that the programme would be completed by the end of March 2014. Options to manage the closure of the programme were being explored and any decisions would be subject to democratic processes.

The Corporate Services Overview and Scrutiny Committee considered and agreed to note the report.

8. Work Programme 2013/14

The Chairman presented the Committee with the proposed Work Programme for the remainder of 2013/14 and invited members to suggest additional items for consideration at future meetings.

The Corporate Services Overview and Scrutiny Committee agreed:

- 1) The proposed Work Programme 2013/14 and;
- 2) The proposed Action Plan.

9. Treasury Management Outturn Report 2012/13

Andrew Lovegrove, Head of Corporate Services, introduced the Treasury Management Outturn Report for 2012/13 which incorporated the main points of investment and borrowing outturn for 2012/13.

In conclusion, it was explained that the treasury debt management had remained consistently good and the Council's investment policy had remained stable for a number of years.

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

John Betts, Head of Finance, explained the principle of early redemption and the punitive effect this could have with offsetting debts. Safeguarding reserves was also explored by the Committee.

The Corporate Services Overview and Scrutiny Committee agreed to note the annual Treasury Management outturn report in respect of 2012/13.

10. Progress on Property Rationalisation Programme Update Report

Steve Smith, Head of Property, gave an update on the Property Rationalisation Programme with the aim to make a £4.376million contribution to the Council Savings plan by March 2015.

He reported that the rationalisation programme was in year 3 of a 4 year plan and information was provided with regards to the disposal properties, major projects currently being undertaken and achievements to date.

The focus was to adapt how the Council used buildings with the emphasis on modern and flexible working.

Following discussion and questioning from the Committee, the following points were noted:

- 1) The best market value was sought when disposing of assets regardless of the slow property market.
- 2) The adequate provision of car parking remained an issue and it was conceded that with more roles being based in Warwick centre, demand would increase. It was reported that options were being considered some of which would have financial implications attached.
- 3) In addition to car parking capacity, other travel initiatives were in place to encourage staff to use other means of travel.

The Corporate Services Overview and Scrutiny Committee agreed to note the progress update on the Property Rationalisation Programme.

11. Urgent Matters

There were no urgent matters raised for discussion.

**Minutes of the meeting of the
Corporate Services Overview and Scrutiny Committee
held on 16th October 2013**

12. Date of Next Meeting

The Corporate Services Overview and Scrutiny Committee noted that the date of the next meeting had been scheduled for 11th December 2013.

The Committee rose at 3.30 p.m.

.....
Chair

Corporate Services Overview and Scrutiny Committee

11 December 2013

Questions to Cabinet and Portfolio Holders

Recommendations

That the Corporate Services Overview and Scrutiny Committee consider the forthcoming Cabinet and Portfolio Holder decisions relevant to its remit, asking any relevant questions and considering areas for further scrutiny, where appropriate.

1.0 Cabinet and Portfolio Holder Decisions

- 2.1 The decisions relevant to the remit of the Committee are listed below. Members are encouraged to seek updates on decisions and identify topics for pre-decision scrutiny. The responsible Portfolio Holders will be in attendance at the meeting to answer any questions from the Committee.
- 2.2 The list was last updated from the Forward Plan on 2nd December 2013.
(* Key decision)

Decision	Description	Date due	Cabinet / PfH
Draft Consultation Responses for Phase 2 of the HS2 Project	HS2 launched the Phase 2 consultations for Exceptional Hardship Scheme (EHS) and route alignment on 17th July 2012. The report outlines the county Council's initial reaction to the proposed route and recommends a number of amendments should the project proceed. In respect to the EHS the report reiterates a number of points made previously in Phase 1 EHS which are still considered to be valid.	12 th December 2013	Cabinet
(EXEMPT) Kenilworth Station	A decision by the Secretary of State for Transport on the New Stations Fund bid by the County Council for funding towards the costs of the scheme is anticipated by the end of December 2013.	12th December 2013	Cabinet

The Outcome of Consultation on the Matrix of Need Regarding the Integrated Disability Service	This report provides the outcome from the four week consultation exercise undertaken regarding the matrix of need	12th December 2013	Cabinet
Schools Admission Arrangements 2015/16	Warwickshire County Council is reviewing is reviewing its arrangements for 2015/16	12th December 2013	Cabinet
Additions to the Capital Programme Learning and Achievement Capital Programme	This report sets out proposals for the allocation of funding to the Learning and Achievement Capital Programme and identifies how those resources will be spent.	12th December 2013	Cabinet
Special School Nursery Funding	This report recommends a change to the funding formula for nursery provision within Warwickshire's special schools. When the Early Years Single Funding Formula was introduced in 2010, it was agreed that 152 places would be guaranteed. However, these places are not being used on a regular basis and this report recommends that the number of guaranteed places is reduced.	12th December 2013	Cabinet
2014-18 Budget Proposals	The report puts in the public domain all of the information underpinning the 2014-18 budget, including updating the resource forecasts where more up to date information is available.	12th December 2013	Cabinet
Road Traffic Regulation Act 1984 Section 23 Proposed Puffin Crossing, High Street near Swan Street, Warwick	Proposals to install a Puffin Crossing on High Street near to the junction with Swan Street, Warwick. To report the objections received and detail responses and to make a recommendation.	12th December 2013	Cabinet
Warwickshire Local Welfare Scheme	Update on progress with the Warwickshire Local Welfare Scheme	12th December 2013	Cabinet
One Organisational Plan 2014-18 - Feedback on 'Let's Talk' Public Engagement	This report provides Cabinet with details of the feedback received from the 'Let's Talk' conversation with the public	12th December 2013	Cabinet

Rugby Gyrotory Improvement Scheme - Virement of Funding & Addition to Capital Programme	The County Council has recently submitted a Local Pinch Point Funding Bid to the Department for Transport. The bid seeks grant funding to make major highway, walking & cycling improvements to the Warwick Street Gyrotory in Rugby. One of the award criteria for the Pinch Point Fund is that a 30% local contribution is made towards the cost of the scheme. It is proposed that this requirement is met with a virement. Subject to the award of funding, the scheme would be delivered in the 2014/15 financial year.	20 th December 2013	Deputy Leader
Organisational Health Report 2013/14	Quarter 3 2013/14 Organisational Health Report: Finance, Performance & Risk (April – December 2013)	28th January 2014	Cabinet
2014-18 Budget - An Update	To update Cabinet on the available resources to support the 2014-18 budget, to receive the Head of Finance's reserves risk assessment and to recommend the 2014/15 budget to Council for approval.	28th January 2014	Cabinet
Integration Transformation Fund Agreement	This report will set out the proposed agreement between the 3 Warwickshire CCGs and WCC for the spending of the ITF on social care services that benefit health. Cabinet are asked to approve the proposal prior to CCGs submitting their plans to NHs England, and to note the anticipated targets and outcomes of this programme of activity that will be monitored. This agreement will also need the approval of the Health and Well- being board, in terms of its alignment to the JSNa and Health and Well- being strategy	28th January 2014	Cabinet
(Exempt) Declare Surplus and Dispose of Herbert Fowler Junior School, Ansley Lane, Arley	Approval to declare Herbert Fowler Junior School surplus to requirements and to its disposal on the open market on a freehold or leasehold basis on terms acceptable to the Strategic Director of Resources.	28th January 2014	Cabinet
Update on Joint Working with Hereford & Worcester Fire and Rescue Service	A report updating Councillors on progress towards joint working with Hereford and Worcester Fire and Rescue Service	28th January 2014	Cabinet

City Deal	To provide information on the financial and governance aspects of the City Deal bid and its impact on the local economy	28th January 2014	Cabinet
Proposed Changes to School Priority Areas in Warwick	To amend the priority areas for Newburgh Primary School, Westgate Primary School, Woodloes Primary School and Budbrooke Primary School.	28th January 2014	Cabinet
A report into the review of the Section 75 Partnership Agreement between Warwickshire County Council and Coventry and Warwickshire Partnership NHS Trust for delivery of Mental Health Services (Adult Social Care) and a recommendation for its renewal in April 2014	The Final report concerning the review of the Section 75 Partnership Agreement between Warwickshire County Council and The Coventry and Warwickshire Partnership NHS Trust including; a summary of the review report, the improvements delivered since its completion and a request that Cabinet agree the implementation of a revised 3 Year Section 75 Partnership Agreement immediately after current arrangements expire 31 March 2014. The section 75 arrangements have been reviewed, an improvement plan has been implemented and a revised Section 75 Partnership Agreement is being drafted. There will be a formal consultation on the proposed arrangements in November 2013 involving Elected members and all key stake holders. If agreed by cabinet a revised section 75 Partnership agreement will be ready for implementation by 31 March 2014.	28th January 2014	Cabinet
2014/15 Service Estimates	Cabinet approves the detailed 2014/15 Services Estimates for Business Units.	13 th March 2014	Cabinet
School Admission Arrangements 2015/16	That Cabinet approve the admission arrangements for Warwickshire Schools for 2015/16 entry.	13 th March 2014	Cabinet
Relocation of Leamington Fire Station and Control and new training facility	The capital budget resolution from full council on 5th Feb 2013, approved the addition of £11.9M to the capital programme for the relocation of Leamington Fire station and the provision of a new training facility. In accordance with contract standing orders, authority is requested to start procurement process and determine procurement strategy including delegation of contract award.	13 th March 2014	Cabinet
Early Years and Childcare Sufficiency Assessment	To inform elected members of how Local Authority's performance in meeting its duty to secure sufficient childcare and to gain agreement to the related action plan.	10 th April 2014	Cabinet

	Name	Contact details
Report Author	Sally Baxter	sallybaxter@warwickshire.gov.uk
Head of Service	Greta Needham	gretaneedham@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Councillor Clarke Councillor Cockburn Councillor Hayfield Councillor Seccombe	cllrclarke@warwickshire.gov.uk cllrcockburn@warwickshire.gov.uk cllrhayfield@warwickshire.gov.uk cllrmsseccombe@warwickshire.gov.uk

Corporate Services Overview and Scrutiny Committee

11 December 2013

Customer Service Excellence

Recommendations

That the Corporate Services Overview and Scrutiny Committee consider the update regarding the Customer Service Excellence Standard.

1.0 Update

- 1.1.1 At its meeting on 20th December 2012, the Overview and Scrutiny Board received information on the Customer Service Excellence Standard and the ambition to achieve the standard corporately across the Authority.
- 1.2 It is anticipated that all groups will have submitted and been assessed for the standard, February 2014.

Appendices:

Appendix A – Customer Service Excellence Briefing note.

	Name	Contact details
Report Author	Tejay de Kretser	TejaydeKretser@warwickshire.gov.uk
Head of Service	Kushal Birla	Kushalbirla@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Councillor Colin Hayfield	cllrcolinhayfield@warwickshire.gov.uk

BRIEFING NOTE

CUSTOMER SERVICE EXCELLENCE

Introduction:

In December 2012 Warwickshire County Council (WCC) agreed it would aim to achieve the Customer Service Excellence (CSE) standard corporately across the authority.

Customer service is one of the most visible and significant aspects of organisational performance. Meeting customer needs through effective customer service enables service excellence, and high levels of customer satisfaction, which in turn has a beneficial impact on staff morale and motivation. The Customer Service Excellence Framework is a standard which allows WCC to test how it is doing in meeting customers' needs, understand and identify what is being done well and also improvements required to ensure the customer is at the heart of all WCC does.

Progress to date:

Each Group and the Fire and Rescue Service are required to provide a CSE submission against the 57 criteria within the framework alongside a two day on-site assessment. The timetable and outcome where known are as follows:

	Assessment date	Outcome
Resources Group	8 th and 9 th July 2013	Awarded Customer Service Excellence Standard
People Group	4 th and 5 th November 2013	Recommended for Customer Service Excellence Standard, awaiting final endorsement from CSE Board
Communities Group	18 th and 19 th November 2013	Unknown at this point
Fire and Rescue	4 th and 5 th February 2014	Unknown at this point

For WCC to achieve the CSE standard corporately, all four parts of the authority must be awarded the standard and a desk-top corporate assessment undertaken. This corporate assessment is due to take place the week commencing 10th February 2014.

A full report on the outcome of the assessment including good practice and areas for improvement will be presented to Corporate Services Overview and Scrutiny Committee on 26th February 2014.

**Corporate Services
Overview and Scrutiny Committee**

11th December 2013

**Organisational Health Report – Quarter 2 - 2013/14 Finance,
Performance & Risk (April – September 2013)**

Recommendation

That the Corporate Services Overview and Scrutiny Committee considers the report, asking questions in relation to its content and making recommendations if considered appropriate.

1.0 Introduction

- 1.1 A copy of the Quarter 2 - 2013/14 Organisational Health Report – Finance, Performance & Risk (April – September 2013) was considered and approved by Cabinet on 14th November 2013.
- 1.2 A full copy of report to Cabinet is attached to this report. Please note that only those appendices (to the Cabinet report) are attached that are relevant to the remit of this Committee, as follows:
- Customer Service (Appendix G)
 - Finance (Appendix H)
 - Human Resources (Appendix I)
 - Information Assets (Appendix J)
 - Law & Governance (Appendix K)
 - Physical Assets (Appendix L)
 - Service Improvement (Appendix M)
 - Other Services (Appendix S)
 - Performance Summary (Appendix T, Ambition 7)
 - Going for Growth (Appendix U)
- 1.3 These are attached to the agenda as A3 colour copies.

Cabinet

14 November 2013

Quarter 2 - 2013/14 Organisational Health Report: Finance, Performance & Risk (April – September 2013)

Recommendations

It is recommended that Cabinet:

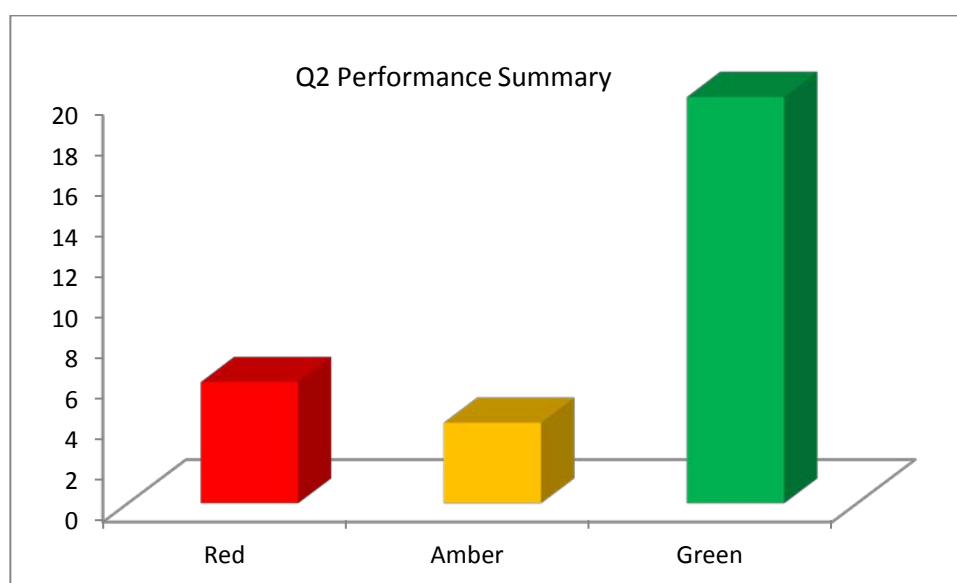
- 1) Review and comment on the Quarter 2 (April – September) 2013/14 performance against targets set. (Appendix T)
- 2) Review and comment on Quarter 2 (April – September) 2013/14 performance against the Going for Growth targets set (Appendix U)
- 3) Note the Quarter 2 (April – September) revenue outturn position, performance against the delivery of the 2013/14 savings plan and the forecast reserves at year-end.
- 4) Approve the net transfer to reserves totalling £1.970 million
- 5) Note the revised capital payments totals and the revised financing of the 2013/14 capital programme as detailed in Table 3 and detailed in Appendices A to S.
- 6) Note the management of significant risks as outlined in Section 7.
- 7) Review and comment on the detailed messages highlighted by Corporate Board in Section 8.
- 8) Note the impact of the 2013/14 forecast financial performance on the delivery of the Medium Term Financial Plans as outlined in Section 10.

1. Key Issues

- 1.1. The following report provides Members with a joint picture of how the organisation has performed in terms of: delivering on our key performance measures; the financial management of our resources and in managing and responding to significant risks (i.e. strategic and business unit risks which still have a residual 'red' rating following mitigation) at the end of Quarter 2 (April-September) 2013/14.

2. Performance – Quarter 2 High Level Summary

- 2.1. The Quarter 2 (April – September) 2013/14 Performance Summary (**Appendix T**) provides Members with a summary of progress against the delivery of our Corporate Ambitions.
- 2.2. As at the end of September, we are able to report progress against 30 of the 54 measures. Of the 54 measures 3 are staff survey indicators, which are not due to be reported against in 2013/14, leaving 21 we are currently unable to report against for Quarter 2. Performance of the 30 measures is as detailed in the graph below with 20 (67%) being forecast to be on target.



2.3. Quarter 2 2013/14 Performance Highlights

The table below presents Quarter 2 performance information by each Ambition in the Corporate Business Plan. Further details about the individual measures under the relevant Ambitions are provided within Section 3 of Appendix T.

Ambition	Red	Amber	Green	Subtotal	NYA	Not collected this year	Grand Total
1: Community & Customers	0	0	1	1	3	0	4
2: Safety & Protection	3	3	5	11	2	0	13
3: Care & Independence	1	0	5	6	4	0	10
4: Enterprise, Transport & Tourism	0	0	4	4	4	0	8
5: Environment & Housing	2	1	0	3	0	0	3
6: Schools & Education	0	0	2	2	3	0	5
7: Organisation	0	0	3	3	5	3	11
Total	6	4	20	30	21	3	54

- 2.4. Six measures are currently being forecast to miss the target set and they are:
- Number of children who are subject of a child protection plan
 - Number of children who are both looked after and subject of a child protection plan
 - Number of fire related injuries per 100,000 population
 - Admissions to residential care homes per 100,000 population
 - The % CO² reductions delivered through Corporate Projects
 - The number of extra care housing units available for use by customers eligible for WCC Adult Social Care

3. Going for Growth

- 3.1. The Quarter 2 (April – September) 2013/14 Going for Growth Summary (**Appendix U**) provides Members with a summary of progress against the delivery of our Going for Growth agenda.

4. Financial Monitoring – High Level Summary

- 4.1. Table 1 provides a one page summary of the financial performance of each service compared to the previously approved plans. At the end of Quarter 2 the projected revenue outturn position for the authority is an underspend of £2.223 million. However, this includes a forecast overspend on Dedicated Schools Grant (DSG) funded services of £3.067 million. There is insufficient funding in DSG reserves to meet this overspend if it materialises at the end of the financial year. Any gap would have to be met from corporate resources. The implications of this are picked up in more detail in Section 10.
- 4.2. The projected outturn position for the authority (where it has direct control over the use and allocation of resources) is an underspend of £5.290 million. Any projected underspends by services form a contribution to their reserves. This money is then available to support spending in future years and to assist in any delays in the delivery of the savings plan. The key messages in relation to the revenue budget are highlighted in Section 5.

Table 1: Summary of the Forecast 2013/14 Outturn Financial Performance as at Quarter 2					
	Col. 2	Col. 3	Col. 4	Col. 5	
	Group/ Service	Revenue (Under)/ Over Spend £'000	Savings Delivered (Above)/ Below Target £'000	Capital Programme	
				2013/14 Variation in Spend £'000	Variation to total capital Programme £'000
	People Group				
	Safeguarding*	974	0	0	0
	Social Care and Support	917	1,997	0	0
	Business Manager* (Decommissioned)	0	0	-	-
	Strategic Commissioning*	(2,882)	59	-	-
	Early Intervention and Family Support*	(112)	436	0	0
	Learning and Achievement*	5,952	876	(900)	(17)
	Resources Group				
	Customer Service	(728)	0	(77)	0
	Finance	(168)	0	-	-
	Human Resources & OD	(1,041)	0	-	-
	Information Assets	(83)	0	0	0
	Law and Governance	(86)	0	-	-
	Physical Assets	0	0	(97)	243
	Service Improvement & Change Management	(51)	0	-	-
	Communities Group				
	Sustainable Communities	(512)	(184)	132	134
	Localities and Community Safety	(1,678)	0	0	0
	Transport and Highways	(765)	0	1,595	6,315
	Public Health	0	-	-	-
	Fire and Rescue	(1,555)	0	(68)	2,891
	Other Services*	(405)	-	-	-
	Total	(2,223)	3,184	585	9,566

Note: * indicates services where the revenue outturn is partly funded by DSG. Column 3 shows the total revenue variation for each service. The breakdown of the corresponding budget is given in Appendices A to S. Column 4 shows the financial variation from the target savings set for 2013/14. This is included in Column 3 too, as part of the overall revenue budgetary performance of the service. Column 5 shows the variation in capital payments in 2013/14 compared to the budget and changes to the total cost of schemes over the life of the programme (again further details are given in Appendices A to S).

4.3. A service-by-service breakdown of the variations compared to the budget including where this is funded from DSG, the reasons for the variations and the management action now being taken as a result, is shown in **Appendices A to S**. These appendices are available electronically on the committee administration system and a paper copy has also been placed in each of the Group rooms.

4.4. The 2013/14 budget included a savings target of £58.215 million as the last year of the current Medium Term Financial Plan. Currently savings of £41.387 million have already been delivered and a further £13.644 million is forecast to be delivered by the end of the financial year. Overall, therefore, there is a forecast £3.184 million under achievement in the delivery of the savings plan by the end of 2013/14. The detail of the delivery of the savings plan on a service by service basis is also shown in Appendices A to S. The impact of any underachievement of savings is highlighted in Section 9 where the impact of the financial information presented in this report on reserves is considered.

- 4.5. At Quarter 1, Council approved £101.734 million of estimated capital payments in 2013/14. The latest forecast for capital payment in 2013/14 is £102.319 million. The difference is due to the re-phasing of project spend from 2013/14 into later years being more than offset by the inclusion of new expenditure on the M40 J12 project that was approved by Council on the 26th September 2013. The key messages in relation to the capital budget and its financing are highlighted in Section 6.

5. Revenue Spending

- 5.1. A number of budget virements between Business Units as well as processing transfers from reserves agreed by Cabinet in June 2013 means the revised budget is £9,887 million higher than that set by Council in February 2013. The effect of these adjustments is shown in Table 2. This increase in the budget relates to one-off issues and does not affect the level of savings to be generated in future years. The remainder of the section highlights the key areas of under/overspending.

Table 2: 2013/14 Revenue Budget – Summary of Agreed and Projected Changes						
Group/ Service	Budget as at 01/07/2013 £'000	Agreed Changes £'000	Revised Budget £'000	Variation		
				£'000	%	
People Group						
Safeguarding	38,535	(22)	38,513	974	2.5	
Social Care & Support	109,315	103	109,418	917	0.8	
Business Manager (Decommissioned)	6,664	(6,664)	0	0	0.0	
Strategic Commissioning	16,446	8,564	25,010	(2,882)	-11.5	
Early Intervention and Family Support	4,037	(3)	4,034	(112)	-2.8	
Learning and Achievement	92,352	546	92,898	5,952	6.4	
Resources Group						
Customer Service	10,110	67	10,177	(728)	-7.2	
Finance	4,793	(119)	4,674	(168)	-3.6	
Human Resources & OD	6,401	(7)	6,394	(1,041)	-16.3	
Information Assets	6,880	54	6,934	(83)	-1.2	
Law and Governance	1,093	(2)	1,091	(86)	-7.9	
Physical Assets	13,297	140	13,437	0	0.0	
Service Improvement and Change Management	2,413	(12)	2,401	(51)	-2.1	
Communities Group						
Sustainable Communities	24,623	(421)	24,202	(512)	-2.1	
Localities and Community Safety	9,854	78	9,932	(1,678)	-16.9	
Transport and Highways	27,952	(164)	27,788	(765)	-2.8	
Public Health	21,838	183	22,021	0	0.0	
Fire and Rescue	21,655	(3)	21,652	(1,555)	-7.2	
Other Services	(197,883)	7,569	(190,314)	(405)	-0.2	
Total	220,375	9,887	230,262	(2,223)	-1.0	

5.2. The most significant areas of variation are in relation:

Safeguarding – This overspend has increased since quarter 1 due to an additional 24 looked after children.

Social Care & Support – This overspend has also increased since quarter 1 due to further pressure on residential and nursing budgets together with higher costs of alternative day care.

Strategic Commissioning – This underspend is a result of savings from decommissioning of the Business Manager Business Unit. In addition there has been some slippage on the use of funds taken from reserves to fund service changes.

Learning and Achievement – The overspend for this Business Unit is mainly attributable to budget pressures within Special Education Needs. The High Needs Task and Finish Group continues to investigate measures to address these budgetary pressures.

Customer Service – The Warwickshire Local Welfare Scheme is predicting to underspend. This is the first year we have run this scheme and work is still required to develop a long term approach to the management and distribution of this grant which is aimed at crisis situations. There are also underspends within the Registration Service due to increased income and delays in customer service projects.

Human Resources & Organisational Development – This underspend relates to funding for apprenticeships now not being required until future years.

Sustainable Communities – A reduction in waste going to landfill and composting sites has led to this underspend together with increased income from Business Centres due to higher occupancy levels.

Localities & Community Safety – There are a range of underspends across the services provided by the Business Unit, most notably unspent funding on Priority Families and Flood Management Schemes, reduced payments to partners who have not met performance on drug and alcohol targets and non-commitment of expenditure to fund future savings plans.

Transport and Highways– Three areas have contributed to this underspend; speed awareness workshops, income from utility companies and fewer bus pass renewals than anticipated.

Public Health – Whilst this Business Unit is predicting to spend to budget, it should be noted that the service is still understanding how the ring-fenced grant aligns with the services transferred as, in some cases, Public Health was only a small part of broader health functions.

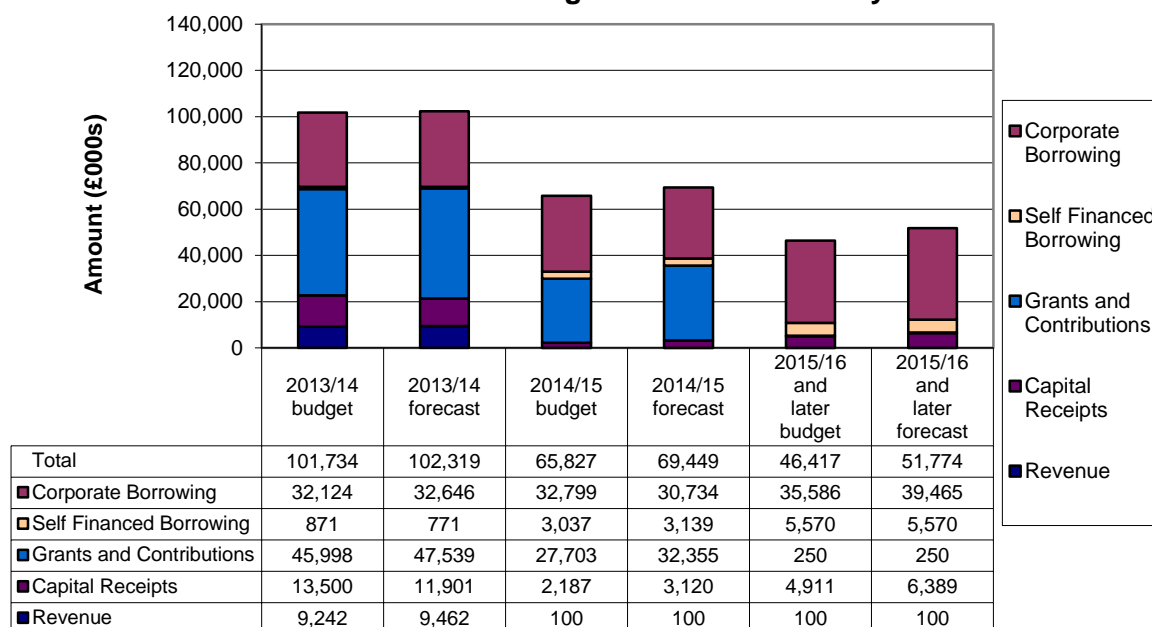
Fire and Rescue – This underspend is due to funding for the Fire Control Project being included in this year's budget whereas expenditure is planned over both this and next financial year.

6. Capital Budget Update

- 6.1. The capital budget provides for spending on assets which have a life of more than a year. At the start of the financial year the approved value of capital payments in 2013/14 was £99.115 million and a further £101.379 million over the medium term. In September 2013 Council approved a number of new schemes. Additionally, prior to Quarter 2 the expenditure relating to the relocation of Leamington fire station and the new training centre was being forecast at a net cost of £9.3 million. This project is now being correctly forecast at its true gross cost of £12.3 million. A corresponding increase in forecasted income from capital receipts of £3 million means that although the Fire and Rescue Service are showing an increase in forecasted capital expenditure of £3 million, this is a technical change only and has no effect of borrowing. These changes result in an increase in capital payments of £9.566 million over the life of the capital programme; however as explained above, only £6.566 of this is a true increase from the quarter 1 position.
- 6.2. The main reasons for the £9.566 million increase are:
- A £3 million increase in the forecasted expenditure for the relocation of Leamington fire station and the new training centre.
 - An additional £5.8 million grant funded expenditure for the M40 J12 project which was approved by Council on the 26th September 2013.
 - A £0.518 million increase in Transport projects to be fully funded from developer contributions
 - An additional £0.250 million relating to a replacement farmhouse at Hopkins Farm, as approved by Cabinet on the 13th December 2012.
- 6.3. Financial Regulations require Cabinet to approve changes to schemes where the figures have a variance of more than 10% or are greater than £25,000 on any individual scheme. These schemes are included in all tables and figures within this report and are identified in the appendices, with reasons for the variations provided.
- 6.4. As well as approving the revised spending in the capital programme, Cabinet must also ensure it has sufficient funding available to meet its capital payments in each financial year.
- 6.5. Table 3 shows how the capital expenditure shown in Appendices A to S is to be financed. These figures include the remaining unallocated borrowing agreed in the February 2013 budget of £13.484 million over the medium term. The effect of the capital spending forecasts shown in this report will result in an overall increase in the capital programme of £9.566 million. This increase is primarily made up of the following movements to financing:
- An increase of £3 million in capital receipts from the sale of the current site of Leamington fire station.
 - A £0.220 million increase in revenue contributions to capital.
 - An increase of £6.194 million in grants and contributions. This increase is caused in the main by £5.8 million grant funded spend on the M40 J12 improvement and additional developer funded Transport projects.

- 6.6. The overall level of borrowing remains within the envelope approved in February. Therefore there is no impact on the MTFP. Any re-phasing of the revenue impact of the capital programme as a result in the changed profile of spending will be picked up as part of the 2014/15 budget process.

Table 3 Estimated Financing to 2015/16 and later years



7. Corporate Risk – High Level Summary

- 7.1. The Council has in place a Corporate Risk Management Strategy which details a corporate approach to risk management including consistent measures for likelihood and impact. It is regularly reviewed to ensure it continues to meet good practice and remains relevant.
- 7.2. Risk management is applied at all levels of service delivery both strategic and operational (business units, contracts and projects).
- 7.3. The corporate strategic risk register details those risks that could have an effect on the successful achievement of our long term strategic ambitions/aims. These risks are reviewed and agreed by Corporate Board and then subsequently taken to Audit and Standards Committee for consideration.
- 7.4. The table below lists the corporate strategic risks. The difference between gross and net risk levels indicates that actions are in place to manage these risks. Net red risks (R) are significant risks that need immediate management action, whilst net amber risks (A), although usually accepted, may need some additional mitigation.

Risk Description	Gross Risk Level	Net Risk Level
Failure to effectively transform WCC to reflect the political and economic environment	12 (R)	8(A)
Failure to deliver the agreed savings targets and balance the Council's budget	9(A)	9(A)
Failure to maintain an efficient regulatory framework	12(R)	8(A)
Ineffective and unsuccessful partnerships across Warwickshire and sub-regionally	9(A)	6(A)
Consequences of the Atherstone Fire tragedy on the organisation	16(R)	8(A)
Fail to meet the needs, demands and expectations of the community	9(A)	4(A)
Children and Young people and vulnerable adults suffer injury or death and questions will be raised as to whether the LA & its partners could have intervened to avoid it happening.	16(R)	12(R)
Market Failure – Commercial or contractual failure of private or independent care providers leads to disruption to care provision and impact on service users and carers	16(R)	9(A)

- 7.5. Excluding one risk that has been escalated to the Strategic Risk Register, there is currently one other net red business unit risk.

Risk Description	Gross Risk Level	Net Risk Level
Children and Young people and vulnerable adults suffer injury or death and questions will be raised as to whether the LA & its partners could have intervened to avoid it happening. <i>(also included on the Corporate Strategic Risk Register)</i>	16(R)	12(R)
Industrial action by operational firefighters, service control staff or support staff	16(R)	12(R)

- 7.6. Net red business unit risks are identified and assessed by Heads of Service as significant risks, which may have a serious financial, reputational and/or service delivery impact on the Council and the achievement of its objectives if not managed. The risks are reported on regularly and actively managed by risk owners named in the appendices who can be contacted for more information. The following paragraphs detail further information, which have been provided by the risk owners.

- 7.7. Children and Young people and vulnerable adults suffer injury or death and questions will be raised as to whether the LA & its partners could have intervened to avoid it happening.

On occasions there are local staffing pressures and periods of extreme demand. The environment is also dependent on the behaviour of third parties whom the Business Unit has little or no influence over and it is not always obvious what action could be taken until after the event. Furthermore, the service is vulnerable to media and public attention with serious cases reported widely at a national level. Controls are in place to reduce the level of risk to WCC including Safeguarding Board business plans, CYPF plan, partnership

arrangements, and a robust multi-agency training plan. The relevant Safeguarding Boards have a duty to review such cases and ensure that the multi-agency learning and consequent action plans are formally reported. The Department for Education has issued new statutory guidance as a consequence of the Munro Review of Child Protection and the Care Bill is going through Parliament. However, the risk of this type of event happening will always remain regardless of any controls in place which are under constant review. This risk has been escalated to the Corporate Strategic Risk Register.

7.8. Industrial action by operational firefighters, service control staff or support staff

The Fire Brigades Union (FBU) held a first period of industrial action on Wednesday 25th September for a period of 4 hours. There were a small number of incidents that the Service responded to and with no loss of life or significant damage to property. The Business Continuity plans were implemented providing 5 fire appliances from strategic locations and further support was augmented by fire appliances crewed by retained duty firefighters. A total of 13 fire appliances and one Small Fires Unit were available.

A second period of industrial action had been announced to begin at 18.30 hours on Saturday 19th October to last for 6 hours. At late notice, this was postponed on 18th October to allow Government and FBU further opportunity for dialogue to resolve the outstanding pension issues. Additional strikes were then subsequently announced for Friday 1st November (from 18:30 to 23:00 hrs.) and Monday 4th November (from 06:00 to 08:00 hrs.).

Detailed plans have been drafted and include the learning and recommendations from the initial period of industrial action include;

- Increase the number of Brigade Commanders available
- Increase the number of Group Commanders involved in the planning process
- Change some of the operational arrangements relating to communication between fire control and fire appliances and small changes to the strategic locations for the additional fire appliances

The Service's ability to cope with increasingly longer periods of industrial action and large or simultaneous incidents is, as yet, untested. However the business continuity response model remains flexible to deliver a sustained level of service to protect communities from fire and other emergencies, albeit on a much reduced scale from normal day to day operations. Public safety messages are being made available through all available communication channels.

8. Commentary from Corporate Board

- 8.1. It was expected that the greatest pressure on budgets would be as we entered the third and final year of the current medium term financial plan. This report largely supports that expectation and is consistent with the forecast position reported in the Quarter 1 report. Overall, the Authority is forecasting to deliver a revenue underspend, which is a positive reflection of the effective financial management of the organisation at a global level. This is reinforced in performance terms by the number of measures where progress is reported as either green or amber. On capital expenditure the overall level of borrowing remains within the envelope approved in February. Corporate strategic risks are also generally being well managed via additional mitigation measures.
- 8.2. However, there remains a red risk in terms of children and young people and vulnerable adults suffering injury or death (see paragraph 7.7) and there is also a large overspend currently being forecast in the Learning & Achievement Business Unit.
- 8.3. Corporate Board, recognising the efforts made to date, continue to stress the need to bring this budget and the delivery of the savings plans back on track. Actions taken include investment in local provision so pupils in expensive out-of-county placements can be brought back in-county and placed in a new EBSD school; investment in Warwickshire's own special school provision so that pupils in expensive out-of-county placements can be educated and looked after to the same standards in-county; and, the introduction of specialist inclusion support group provision to reduce the need for some pupils to be placed out-of-county.
- 8.4. These projects are being, and will continue to be, monitored robustly through a Transformation Board, chaired by the Strategic Director, so that reassurance can be sought on bringing the budget back into line whilst continuing to deliver effective services. Support to the People Group from across the Authority, particularly from the Resources Group, will ensure a collective approach to addressing this issue.
- 8.5. Work to deliver the existing savings plan within Learning & Achievement requires on-going political support. Delays in implementing previously agreed savings targets around Children's Centres and the Integrated Disability Service have generated additional short-term spending pressures resulting in more savings being required to bring this element of the Learning and Achievement budget back into balance this year.

9. Impact on Reserves

At the start of 2013/14 our revised reserves were £114.363 million. These are forecast to decrease to £99.252 million by 31 March 2014. Details are shown in Table 4.

Table 4: Reserves Projection				
Reserve	In-Hand/ (Overdrawn) 1 April 2013 £'000	Previously Approved Changes £'000	Effect of Forecast Outturn £'000	Forecast In-Hand/ (Overdrawn) 31 Mar 2014 £'000
General Reserves	18.832	(2.754)	0.226	16.304
Medium Term Contingency	13.315	-	-	13.315
Insurance Fund	8.015	-	-	8.015
Service Realignment Fund (1)	8.840	0.007	-	8.847
Earmarked – Schools	19.673	-	-	19.673
Earmarked – Non-Schools	16.038	(5.374)	4.316	14.980
Service Savings	29.350	(12.280)	0.748	17.818
Community Infrastructure Levy	0.301	-	-	0.301
Total	114.363	(20.401)	5.290	99.252

Notes:

- (1) The Service Realignment Fund is for meeting the upfront costs of realigning the services of the County Council in response to future resource projections.
The table may not sum due to slight rounding differences.

9.1. Members are asked to agree to the following changes in reserves that have been requested by services based on their current projected position. The net effect being a one-off transfer to reserves of £1.970 million in 2013/14.

9.2. Proposals for transfers to Reserves:

- £0.967 million to the Growing for Growth Apprenticeship Scheme reserve to cover the cost of apprentices recruited in future years.
- £0.550 million to the Priority Families Initiative reserve within Localities & Community Safety to continue the project in future years.
- £0.200 million to a new Flood Management reserve within Localities & Community Safety to use as a contribution to match funding future projects
- £1.500 million from Strategic Commissioning to support One Organisational Plan savings in future years across the whole of the People Group.

9.3. Proposals for transfers from Reserves:

- £0.481 million to support the achievement of the Social Care savings plan in 2013/14.
- £0.133 million from the Resources Group General reserve. £0.120 million is to fund the prepayment of rent on 'The Old Clink' office in the Physical Assets service and £0.013 million to fund the aerial photography project in the Service Improvement & Change Management service.
- £0.633 million from the Resources Group Transformation Fund reserve. Of which £0.127 million is to fund the Warwickshire Education Service Team and £0.229 million for Business Analysts to work on various projects within the Service Improvement & Change Management service. £0.031 million is for schools finance to improve the provision to schools and £0.246 million is for ICT Transformation Projects.

9.4. Reserves are held in accordance with the Council's reserves policy. Overdrawn reserves (except Fire Pensions and the Schools IT loan reserves) are a first call on 2014/15 budgets. Meanwhile, any service reserves that are overdrawn in the current year are effectively a temporary call on General Reserves until they are repaid.

9.5. General reserves are projected to be £16.304 million by the end of the year. This includes £0.741 million committed to fund future years of approved Going for Growth schemes. Any need for additional reserves or if there are any reserves available for use will be considered as part of the 2014/15 budget. This will include the Head of Finance updating the risk assessment of the minimum adequate level of general reserves it is appropriate for the authority to hold.

10. Impact on the Medium Term Financial Plan

10.1. As was reported in 2012/13 it was always expected that as we moved to the end of the current Medium Term Financial Plan the pressure on resources would increase. As can be seen services within the People Group are reporting a shortfall in their savings plans for 2013/14. The other business units are forecasting to be able to achieve their savings plans in total within the year.

10.2. Services are forecasting an overall revenue underspend which is slightly higher than forecast at the same time last year. This is an indication that services are already making savings in order to support the implementation of the One Organisational Plan savings targets in 2014-18. Although it should be noted that these underspends are one-off resources and are not an alternative to the delivery of the agreed savings plan or available to support the overall budget on a permanent basis in future years.

- 10.3. Of more immediate concern is the overspend of £3.067 million on services funded through the centrally managed DSG. Whilst remaining DSG reserves can mitigate some of this, the overspend is a recurring issue across services. Projects and plans already underway to reduce the structural overspend, which is predominantly within high needs services, are being reported and scrutinised by the High Needs Board chaired by Sarah Callaghan. However, if no solution is found the fall-back position is that it will impact on corporate reserves. Any need to use corporate reserves may require these to be refinanced as part of setting the 2014/15 budget thereby increasing the £92 million savings required over the period of the 2014-18 Plan.
- 10.4. As part of the 2014-18 Organisation Plan Members will need to decide whether to reaffirm the clear proposition that we will only provide resources to support schools and pupil related services up to the level of the DSG with no top ups across all aspects of our service / activity.
- 10.5. In summary, the overall position will need to be kept under review more closely than in previous years as the focus on delivering the MTFP needs to remain a priority for the organisation. As has already been highlighted the availability of short term resources cannot be allowed to mask emerging underlying pressures. It is critical the sound finances of the organisation are maintained as we finalise a new MTFP to take the organisation through to 2018.

Authors: Spencer Payne, Ext 73 6319, spencerpayne@warwickshire.gov.uk
Neill Butler, Ext 41 2860, neillbutler@warwickshire.gov.uk
Sandra Beard, Ext 41 2092, sandrabeardss@warwickshire.gov.uk
Stephanie Gardner, Ext 47 6884, stephaniegardner@warwickshire.gov.uk

Heads of Service: Phil Evans, Ext 41 2293, philevans@warwickshire.gov.uk
John Betts, Ext 41 2441, johnbetts@warwickshrie.gov.uk
Greta Needham Ext 41
2319, gretaneedham@warwickshire.gov.uk

Strategic Director: David Carter, Ext 41 2564 davidcarter@warwickshrie.gov.uk

Portfolio Holders: Cllr Alan Cockburn, Cllr Jeff Clarke, Cllr Colin Hayfield

Customer Services - Kushal Birla
Strategic Director - David Carter
Portfolio Holder - Councillor Hayfield (Customers)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Customer Contact and E-services	3,098	49	3,147	2,885	(262)	The Warwickshire Local Welfare Scheme is underspent by £390,000. As the scheme is in its first year of operation it is continuing to be developed - we are using the learning to date to develop a long term approach to the management and distribution of this grant which is aimed at crisis situations.
Marketing & Communications	394	(1)	393	337	(56)	The underspend relates to income generation from the Print Unit and Communications.
One Front Door (Formerly One Stop Shops)	272	22	294	269	(25)	The underspend is due to the restructure of the Library/Registration/One Stop Shop management team and will be used to support the Digital by Default programme.
Registration Services	160	(2)	158	(65)	(223)	The underspend is a result of increased income generation. This underspend will be used to primarily support the Digital by Default programme and redundancy costs.
Other Customer Services	545		545	400	(145)	There have been delays in the implementation of some projects.
Business Development	305		305	323	18	
Library & Information Services	5,078	(1)	5,077	5,042	(35)	Expenditure includes the early repayment of £12,350 Self Financing borrowing.
Customer Relations	258		258	258	0	
Net Service Spending	10,110	67	10,177	9,449	(728)	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Service Savings	491	(491)	728	728		
Total	491	(491)	728	728	0	

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	824	788	788	824	788	788	
CW-CL-01 and 12	Customer Relations	50	50	50	50	50	50	
CW-CC-02	Library Services reconfiguration	471	471	471	621	471	621	
CW-CC-03	Integrated Model for Communications	93	129	129	93	129	129	
	Total	1,438	1,438	1,438	1,588	1,438	1,588	
	Target		1,438	1,438		1,438	1,588	
	Remaining Shortfall/(Over Achievement)		0	0		0	0	

G Customer Service

2013/14 to 2104/15 Capital Programme

Agresso Project Code	Description	Approved Budget					Forecast					Variation		Reasons for Variation and Management Action
		Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Variance in Year £ 000's	Total Variance £ 000's	
10155000	Improve Customer Experience in Council Buildings and DDA Works 2009/10	48	0	453	0	501	48	0	453	0	501	0	0	
10624000	Libraries Radio Frequency Identification	770	85	0	0	855	770	85	0	0	855	0	0	
10627000	Improving The Customer Experience- Libraries	184	5	0	0	189	184	5	0	0	189	0	0	
10631000	Library Modernisation Linked To Best Value	221	79	0	0	300	221	2	20	57	300	(77)	0	
10645000	One-Stop Shops Expansion Programme 2009/10	0	60	120	90	270	0	60	120	90	270	0	0	
11040000	Improving the Customer Experience/One Front Door Improvements	0	80	1,000	1,920	3,000	0	80	1,000	1,920	3,000	0	0	
11077000	Capital Fund for Community Libraries	90	0	0	0	90	90	0	0	0	90	0	0	
		1,313	309	1,572	2,010	5,205	1,313	232	1,592	2,067	5,205	(77)	0	

Performance Information: Quarter 1 April - September 2013

Customer Service: All Measures							Comments
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	
M01000	% Satisfaction level with the quality of services received	62	62.89				• HofS has noted that this is not something that should necessarily be part of the CS Performance Reporting and that it is not measurable but as a Corporate Business Plan measure it has to remain in the reporting framework meantime
M01005	Enquiries by the public resolved at first point of contact - OSS (%)	92	80	98	▲	98	
M01012	Number of visits to libraries	1721544	1730152	1730152	▲	877450	
M01030	No. of complaints responded to within agreed timescales - general		80	80	▲	100	
M01096	No. of complaints responded to within agreed time scales - Adults	35	60	27	▲	27	• The CRT manager is currently closely monitoring performance in adults and childrens services in liaison with the relevant heads of service. Performance is also been monitored through the group management teams
M01097	No. of complaints responded to within agreed time scales - Children	58	80	42	▲	42	• The CRT manager is currently closely monitoring performance in adults and childrens services in liaison with the relevant heads of service. Performance is also been monitored through the group management teams
M01100	No of processes transferred to digital against each identified major customer contact area.		6			0	• Activity has started in progressing a number of projects which are being monitored by the Digital by Default Board chaired by the Strategic Director.

Finance - John Betts
Strategic Director - David Carter
Portfolio Holders - Councillor Cockburn (Deputy Leader and Finance)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Head of Service	141	(101)	40	226	186	The underspends in Corporate Finance & Advice, Communities Finance and People Group Finance is largely the result of vacancies, which are either waiting to be filled or are being held vacant in response to the recently announced spending targets. An element of an on-going legacy savings target is held against the Head of Service line. In addition, the service has generated additional income from its traded activities with schools and with district councils, as well as additional procurement income (from contract rebates) and will be reinvesting this in service improvements to ensure medium term viability. Overall, the service is forecasting a small underspend.
Corporate Finance and Advice	717	(2)	715	672	(43)	
Treasury, Exchequer, Finance Systems, Pensions	488	(4)	484	476	(8)	
Communities Group and Fire & Rescue Local Finance, Procurement	893	101	994	815	(179)	
People Group Local Finance, Financial Benefits & Advice	2,018	(4)	2,014	1,865	(149)	
Resources Local Finance, Schools Strategy & Support, Payroll	536	(109)	427	452	25	
Net Service Spending	4,793	(119)	4,674	4,506	(168)	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Service Savings	1,487	(1,487)	168	168		
Total	1,487	(1,487)	168	168	0	

Resources Group Leadership Team have agreed to draw down £31,000 from the Resources Group Transformation Fund Reserve for Schools Support Finance.

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	1,125	1,125	1,125	1,125	1,125	1,125	
RE-FI-01	Financial process efficiencies	725	725	725	725	725	725	See comments above - on-going savings arising from reduced staffing numbers have delivered the savings, allied with improvements to the County's use of its financial system.
RE-FI-03	Reduction in financial support to both members and mana							
	Sub total	1,850	1,850	1,850	1,850	1,850	1,850	
	Target		1,850	1,850		1,850	1,850	
	Remaining Shortfall/(Over Achievement)		0	0		0	0	

Performance Information: Quarter 1 April - September 2013

Finance: All Measures							
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	Comments
M02000	Budget variance: percentage end year variance from budget		0	0			• Still being collated - fluctuations within Business Units look larger, but overall within target.
M02001	Corporate revenue & capital spending plan & forecasts produced by due date		Yes	Yes		Yes	• Current work with the Budget Working Group is on track and financial information to support the Leader's speech was delivered on time. Work on capital is still on-going.
M02014	Treasury Management strategy produced that supports the MTFP		Yes	Yes		Yes	
M02083	% of milestones within the medium term financial plan that are met		100	100		50	• On track to deliver the medium term financial plan.

Human Resources and Organisational Development - Sue Evans
Strategic Director - David Carter
Portfolio Holder - Councillor Clarke (Corporate Business & Environment)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Advisory Services (including Health & Safety)	1,521	(2)	1,519	1,366	(153)	Delay in recruiting specialists to vacancies and maternity cover.
Equalities and Diversity	219	0	219	262	43	
Human Resources Service Centre	1,336	(5)	1,331	1,448	117	Utilising an underspend within HR service to deliver against the HR Customer Relationship Management Project for service improvement.
Learning & Organisational Development	1,255	0	1,255	1,144	(111)	Commitment of spend against the levy is progressing and the development and implementation of the One Organisational Plan will help to determine priorities and will give rise to the need for additional skills development as services are redesigned. Also an intended programme for development of Group Leadership Teams is progressing.
Business Partners	656	(1)	655	650	(5)	
Human Resources Head of Service	1,414	1	1,415	483	(932)	The budget allocation for the Apprenticeship Scheme will be spread to cover the costs of those apprentices recruited later in the programme, therefore this is not an underspend, but committed spend in future years.
Net Service Spending	6,401	(7)	6,394	5,353	(1,041)	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Service Savings	1,129	(1,129)	74	74		
Apprenticeship Programme	0	0	967	967	967	The budget allocation for the Apprenticeship Scheme will be spread to cover the costs of those apprentices recruited later in the programme, therefore this is not an underspend, but committed spend in future years.
Total	1,129	(1,129)	1,041	1,041	967	

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	500	500	500	500	500	500	
CW-CL-12	Additional income generation in Equality and Diversity	15	15	15	15	15	15	
CW-WS-03	HR Advisory Service	70	70	70	70	70	70	
CW-WS-04	HR Business Partnership	18	18	18	18	18	18	
CW-WS-06	Management restructure in Workforce, Strategy and Development	80	80	80	80	80	80	
	Total	683	683	683	683	683	683	
	Target		683	683		683	683	
	Remaining Shortfall/(Over Achievement)		0	0		0	0	

Performance Information: Quarter 1 April - September 2013

HR & OD: All Measures							
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	Comments
M03000	% WCC staff agreeing that "the county Council is a good employer" as per the Corporate Staff Survey	73	77.5				• No survey in 2013-14
M03001	% staff who are flexible workers						• Agreement needed on which Business Unit owns this indicator.
M03019	% of staff satisfied with the training & development that they receive in their current job	66.6	70				• No survey in 2013-14
M03020	% staff who believe the County Council is an equal opportunities employer	85.1	86				• No survey in 2013-14
M03066	% Delivery against workforce plans (WCC)		100				• Planning still underway
M03067	% Delivery of management workforce reports		100				• Pilot report for Resources Group produced and development of reports for remaining Directorates is in progress. Reports planned to be available for all Groups September 2013.

Information Assets - Tonino Ciuffini
Strategic Director - David Carter
Portfolio Holder - Councillor Clarke (Corporate Business & Environment)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Head of Service	588		588	590	2	
Members Support	99	(1)	98	99	1	
ICT General Unit Charge	(507)		(507)	(507)	0	
Strategy and Programme & Innovation	1,086	(112)	974	974	0	
Corporate ICT Development	1,661		1,661	1,663	2	
R&D Infrastructure Projects	31		31	31	0	
Customer and Supplier Services	420	172	592	576	(16)	
Production Services	1,042	(1)	1,041	1,064	23	
Systems Design & Architecture	1,390	(1)	1,389	1,392	3	
Schools and Network Team	784	(3)	781	682	(99)	This underspend is being accumulated as part of Schools Service need to cover future Corporate Establishment Charges from April 2014.
Information Management	286		286	287	1	
Net Service Spending	6,880	54	6,934	6,851	(83)	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Information Assets - Equipment reserve	171	0	0	171	0	
ICT - Unit Charge Equalisation Account	625	0	0	625	0	
Information Assets	561	(561)	83	83	0	
Total	1,357	(561)	83	879	0	

Resources Group Leadership Team have agreed to draw down £246,000 from the Resources Group Transformation Fund Reserve for ICT Transformation Projects.

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	890	890	890	890	890	890	
RE-IT-01-03	ICT savings via hours reduction, restructuring and general efficiencies	10	10	10	10	10	10	
RE-IT-05	Removing the ICT extended out of hours support cover outside 8:30 to 5:30	100	100	100	100	100	100	
RE-IT-06-10	Reductions in the ICT Development Fund, ICT strategy and research and development and the staff associated with them	275	275	275	275	275	275	
New	Printing Savings	28	28	28	28	28	28	
		1,303	1,303	1,303	1,303	1,303	1,303	
	Target		1,303	1,303		1,303	1,303	
	Remaining Shortfall/(Over Achievement)		0	0		0	0	

2013/14 to 2104/15 Capital Programme

Agresso Project Code	Description	Approved Budget					Forecast					Variation		Reasons for Variation and Management Action
		Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Variance in Year £ 000's	Total Variance £ 000's	
10363000	Property Systems Development	71	129	0	0	200	71	129	0	0	200	0	0	
10966000	Centenary Business Centre Data Centre improvements and relocation	511	69	0	0	580	511	69	0	0	580	0	0	
		582	198	0	0	780	582	198	0	0	780	0	0	

J Information Assets

Performance Information: Quarter 1 April - September 2013

Information Assets: All Measures							
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	Comments
M03001	% staff who are flexible workers						• Agreement needed on which Business Unit owns this indicator.
M04004	% of support calls resolved at the point of contact	38.08	40	40	★	48.04	
M04007	Overall Unavailability of ICT - (i.e. whole network) (SOCITM Level 1 KPI 15)	0	14	0	★	0	
M04013	Overall customer satisfaction (SOCITM Customer Satisfaction Survey)	5.3	5.5				• Not measured until later in the year
M04014	Overall customer satisfaction as measured by ICT Service Desk Survey	94	96	94	●	94	• 2% Under (within 10% tolerance)
M04018	Customer dissatisfaction as reported via complaints (formally recorded via the Corporate Complaints System)	0	0	0	★	0	
M04119	Delivery of ICT solutions to support the Digital by Default Agenda in line with the project plans and deliverables agreed at the Digital by Default Board.		Yes				• Target to be confirmed once ICT Actions Agreed. ICT Reqts not yet defined.
M04143	Implementation of first phase of Broadband Extension as defined in the procurement		Yes	Yes	★	Yes	

Law and Governance - Greta Needham
Strategic Director - David Carter
Portfolio Holder - Councillor Clarke (Corporate Business & Environment)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Final Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Democratic Services	536	0	536	474	(62)	The underspend in Democratic Services reflects unfilled and recently filled vacancies within the new structure following staff departures at the beginning of the financial year, and 2012/13 Police & Crime Panel grant income received.
School Governor Services	54	0	54	54	0	
Insurance, Internal Audit and Risk Management	513	0	513	510	(3)	
Law and Governance Administration	1	0	1	1	0	
Legal Services	(449)	(2)	(451)	(472)	(21)	We continue to take a cautious approach on the Legal Services forecast as the transforming organisation is generating different patterns of legal spend in some areas. Previous experience has shown, however, that the position will stabilise over the year. Recognition also needs to be given to the fact that in its capacity as a traded service, Legal Services needs a surplus in order to meet the cost of the 2013/14 Corporate Establishment Charges.
Legal Core	438	0	438	438	0	
Net Service Spending	1,093	(2)	1,091	1,005	(86)	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Service Savings (non-DSG)	223	(223)	86	86	0	
Total	223	(223)	86	86	0	

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	365	367	367	365	367	367	
CW-CC-05 and LG-02	Transformation of Corporate Governance support	57	55	55	57	55	55	
CW-LG-03	Reduce core legal discretionary services	3	3	3	3	3	3	
	Total	425	425	425	425	425	425	
	Target		425	425		425	425	
	Remaining Shortfall/(Over Achievement)		0	0		0	0	

Performance Information: Quarter 1 April - September 2013

Law & Governance: All Measures							
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	Comments
M05000	The annual governance is accepted without qualification by the Council's external auditors	Yes	Yes	Yes	★	Yes	
M05017	£ contributed to the funding of the L&G Business Unit from external legal income	22	50000	50000	★		• Re-Development supporting on 6 month assessment which will be available for Q3
M05074	% Maintained schools purchasing School Governor Development Services	81	85	85	★	77	• The figure is currently 82% but does not include the 'Buy as you Need' services which will be included in the final quarter and we are therefore very confident that we will exceed the target

Physical Assets - Steve Smith
Strategic Director - David Carter
Portfolio Holder - Councillor Hayfield (Customers)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Physical Assets General	731	0	731	731	0	
Construction Services	2,405	(5)	2,400	2,301	(99)	There is a £169,000 underspend on the Carbon Reduction Commitment budget and the final outturn unspent balance will be returned to Corporate General Reserve. There is also a £119,000 overspend against Salix which we will draw down from earmarked reserves at year end. The other £49,000 underspend is additional income generated from project fees.
Facilities Management	10,007	146	10,153	10,102	(51)	This is an underspend on general day to day running costs of properties.
Estates & Smallholdings	170	(1)	169	192	23	A £32,000 overspend on Surplus Properties is partially offset by an additional £8,000 of income from Smallholdings.
Asset Strategy	294	0	294	278	(16)	Turnover saving.
Programme Management & Special Projects	(310)	0	(310)	(310)	0	
Early Repayment of Self Financed Borrowing	0	0	0	143	143	Any accumulated underspends will be put toward the long term strategy to reduce the interest payments on borrowing for capital projects. This will reduce the burden on the revenue budget.
Net Service Spending	13,297	140	13,437	13,437	0	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Service Savings	0	0	0	0	0	
Salix Energy Management Reserve	404	0	(119)	285	0	
Catering Equalisation Account	302	0	(50)	252	0	
Traded Services Equipment	35	0	0	35	0	
Carbon Reduction Commitment (Final outturn balance will be returned to Corporate General Reserve)	0	0	169	169		
Total	741	0	0	741	0	

Resources Group Leadership Team have agreed to draw down £120,000 from the Resources Group General Reserve for pre-paid rent at 'the Old Clink' Office.

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	2,030	2,030	2,030	2,030	2,030	2,030	
EE-ER-03 and 04	Rural Services : Review of rents and income generation	5	5	5	5	5	5	
RE-PR-02 and 03	Rationalise existing accommodation - There are three aspects to this work - release, disposal and better utilisation - as well as the rationalisation of professional support	1,602	408	1,602	2,536	408	2,536	
	Total	3,637	2,443	3,637	4,571	2,443	4,571	
	Target		3,637	3,637		4,571	4,571	
	Remaining Shortfall/(Over Achievement)		1,194	0		2,128	0	

2013/14 to 2104/15 Capital Programme

Agresso Project Code	Description	Approved Budget					Forecast					Variation		Reasons for Variation and Management Action	
		Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Variance in Year £ 000's	Total Variance £ 000's		
Building & Construction															
10971000	Aylesford Flood Alleviation Scheme Contribution	189	736	0	0	925	189	736	0	0	925	0	0		
10972000	Planning Consent For Europa Way	73	227	0	0	300	73	227	0	0	300	0	0		
11053000	Demolition Works - Sparrowdale Special School	209	0	0	0	209	209	0	0	0	209	0	0		
11122000	Nuneaton Academy(Ald Smith) -Redevelopment	5,862	3,639	177	0	9,677	5,862	3,639	177	0	9,677	0	0		
11131000	Wark St Johns House Museum - Repl Activity Space Bldg	18	62	0	0	80	18	55	0	0	73	(7)	(7)		
11134000	Wark Shire Hall - Refurb Of Old Shire Hall	0	750	0	0	750	0	750	0	0	750	0	0		
11157000	Nton Higham Lane Sch - Repl Modular Classrms (Fire Damage)	0	0	0	0	0	0	0	0	0	0	0	0		
Property Rationalisation Programme															
11041000	Rationalisation Of The Council's Property	396	1,458	0	0	1,854	396	484	0	0	880	(974)	(974)	Budget reduction is due to movement of funds between other PRP projects - £674,000 to 11231000 Hilary Road, £420,000 to 11190000 Shire Hall and £120,000 returned from 11230000 Kings House.	
11041003	Nuneaton Library	53	0	0	0	53	53	0	0	0	53	0	0		
11041004	Warwick- Premises at Montague Road -relocation of County Museum Store	132	349			481	132	349	0	0	481	0	0		
11059000	Warwick Shire Hall - Relocation Of Warwick Library	1,732	0	0	0	1,732	1,732	0	0	0	1,732	0	0		
11078000	Warwick Salfisford Office Park - Alterations to Increase Capacity	556	0	0	0	556	556	0	0	0	556	0	0		
11097000	S/Avon Elizabeth House - Altns Re:Prop Ratnlstn	93	15	0	0	108	93	15	0	0	108	0	0		
11190000	Warwick Shire Hall - refurbishment (Phase 2 onwards)	1,260	1,291	117	0	2,667	1,260	1,711	117	0	3,087	420	420	Scope of works varied to cover WC refurbishments and permanent use of Barrack Street. Increased cost also due to conditions discovered during demolition relating to Asbestos, Walls, Floors and Ceilings requiring additional expenditure to maintain quality of finish.	

Agresso Project Code	Description	Approved Budget					Forecast					Variation		Reasons for Variation and Management Action
		Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Variance in Year £ 000's	Total Variance £ 000's	
11230000	Bedworth Kings House - PRP refurbishment for N & B Local Centre	199	525	0	0	724	199	405	0	0	604	(120)	(120)	
11231000	Nuneaton-Hilary Road Centre - PRP refurbishment for N & B Local Centre	0	0	0	0	0	0	674	0	0	674	674	674	Project approved by Portfolio Holders for Customers on 20/09/2013. Budget estimate now been adjusted based on Contractors cost plan and final works schedule, no change to overall approved budget for Nuneaton & Bedworth Local Centres
Structural Maintenance														
10502000	Fire Precautions - Base Programme 2010/11	33	4	0	0	37	33	4	0	0	37	0	0	
11028000	Non-Schools Capital Asbestos And Safe Water Remedial Works 2011/12	456	12	0	0	468	456	2	0	0	458	(10)	(10)	
11029000	Non-Schools Planned Capital Building, Mechanical And Electrical Backlog Maintenance	2,055	(45)	0	0	2,010	2,055	(67)	0	0	1,988	(23)	(23)	
11029005	Warwick Barrack St Block - Ph 2 Cathodic Protection	165	0	0	0	165	165	0	0	0	165	0	0	
11030000	Schools Capital Asbestos And Safe Water Remedial Works 2011/12	1,140	12	0	0	1,152	1,140	11	0	0	1,151	(1)	(1)	
11031000	Schools Planned Capital Building, Mechanical And Electrical Backlog Maintenance 2011/12	3,183	27	0	0	3,210	3,183	18	0	0	3,201	(10)	(10)	
11031003	Exhall Ash Green Sch - Boiler Repl	136	0	0	0	136	136	0	0	0	136	0	0	
11031042	Southam College - Window Repl (Block 1)	115	0	0	0	115	115	0	0	0	115	0	0	
11032000	Non-Schools Capital Asbestos And Safe Water Remedial Works 2012/13	92	7	0	0	99	92	(39)	0	0	53	(46)	(46)	
11033000	Non-Schools Planned Capital Building, Mechanical And Electrical Backlog Maintenance 2012/13	1,844	80	0	0	1,924	1,844	39	0	0	1,883	(41)	(41)	
11034000	Schools Capital Asbestos And Safe Water Remedial Works 2012/13	1,206	83	0	0	1,289	1,206	82	0	0	1,288	(1)	(1)	
11035000	Schools Planned Capital Building, Mechanical And Electrical Backlog Maintenance 2012/13	5,669	326	0	0	5,995	5,669	278	0	0	5,947	(49)	(49)	
11036000	Non-Schools Capital Asbestos And Safe Water Remedial Works 2013/14	0	294	0	0	294	0	311	0	0	311	17	17	
11037000	Non-Schools Planned Capital Building, Mechanical And Electrical Backlog Maintenance 2013/14	0	2,507	0	0	2,507	0	2,616	0	0	2,616	109	109	Reallocation of Budget from previous allocations across programme block headers 11029000 11033000 and other projects
11038000	Schools Capital Asbestos And Safe Water Remedial Works 2013/14	0	1,211	0	0	1,211	0	1,271	0	0	1,271	60	60	Reallocation of Budget from previous allocations across programme block headers
11039000	Schools Planned Capital Building, Mechanical And Electrical Backlog Maintenance 2013/14	0	5,562	0	0	5,562	0	5,561	0	0	5,561	(1)	(1)	
11042000	Structural Maintenance 2011/12 - Revenue Funded	233	0	0	0	233	233	0	0	0	233	0	0	
11062000	Warwick Shire Hall - Water Hygiene Impvts(Ph 3)	129	(1)	0	0	128	129	(1)	0	0	128	0	0	
11063000	Exhall Cedars Inf Sch - Roof Replacement	139	0	0	0	139	139	0	0	0	139	0	0	
11096000	Wark Barrack St Block - Roof Repl	195	0	0	0	195	195	(0)	0	0	195	0	0	
11107000	Wark Shire Hall - Asb Rem/Repl(Basemt)	341	0	0	0	341	341	(7)	0	0	334	(7)	(7)	
11142000	Non Schools Asb & Safe Water Remedials 2014/15	0	0	317	0	317	0	0	317	0	317	0	0	
11143000	Schools Asbestos & Safe Water Remedials 2014/15	0	0	1,318	0	1,318	0	0	1,318	0	1,318	0	0	
11144000	Non Sch - Planned Bldg, Mech & Elect Backlog 2014/15	0	0	2,574	0	2,574	0	0	2,574	0	2,574	0	0	

Agresso Project Code	Description	Approved Budget					Forecast					Variation		Reasons for Variation and Management Action
		Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Variance in Year £ 000's	Total Variance £ 000's	
11145000	Schools Planned Bldg, Mech & Elect Backlog 2014/15	0	0	5,680	0	5,680	0	0	5,680	0	5,680	0	0	
11160000	Dunchurch Highways Sub-Depot - Maj Ext Struct Reprs	124	0	0	0	124	124	1	0	0	125	1	1	
11161000	Ansley Nursery Hill Prim Sch - Boiler Repl	74	22	0	0	96	74	22	0	0	96	0	0	
11162000	Llandudno Marle Hall Oec - Boiler Repl	214	1	0	0	215	214	1	0	0	215	0	0	
11166000	Rugby Northlands Prim Sch - Boiler Repl & Htg Dist Impvts	176	0	0	0	176	176	0	0	0	176	0	0	
11167000	Atherstone Queen Elizbth Sch - Flat Roof Repl	122	0	0	0	122	122	0	0	0	122	0	0	
11168000	Warwick Shire Hall and Courts - Boiler Replacement	346	40	0	0	386	346	40	0	0	386	0	0	
11169000	Leamington The Fordsfield Centre - Major adaptations and replacement heating mains/pipework	154	0	0	0	154	154	0	0	0	154	0	0	
11224000	Non-Schools Capital Asbestos And Safe Water Remedial Works 2015/16	0	0	0	323	323	0	0	0	323	323	0	0	
11225000	Schools Asbestos & Safe Water Remedials 2015/16	0	0	0	1,344	1,344	0	0	0	1,344	1,344	0	0	
11226000	Non Sch - Planned Bldg, Mech & Elect Backlog 2015/16	0	0	0	2,626	2,626	0	0	0	2,626	2,626	0	0	
11227000	Schools Planned Bldg, Mech & Elect Backlog 2015/16	0	0	0	5,794	5,794	0	0	0	5,794	5,794	0	0	
Facilities														
10581000	Day Services Modernisation Programme 2005/2006	9	0	0	0	9	9	0	0	0	9	0	0	
10592000	Small Scale Reactive / Minor Improvements County-Wide	46	140	72	0	258	46	140	72	0	258	0	0	
Energy														
10400000	Climate Change 2009/10	180	75	153	0	408	180	75	153	0	408	0	0	
10410000	Climate Change 2007/08	276	83	0	0	359	276	83	0	0	359	0	0	
11135000	Various Properties - Reducing Energy	0	100	950	1,200	2,250	0	100	950	1,200	2,250	0	0	
11136000	Various Properties - Renewable Energy	2	500	1,750	3,648	5,900	2	400	1,850	3,648	5,900	(100)	0	
11159000	Wark Satisford Office Park - Pv Micro Genertn Syst	108	0	0	0	108	108	0	0	0	108	0	0	
Smallholdings														
10305000	Rural Estates Dairy Units	22	0	0	0	22	22	0	0	0	22	0	0	
10419000	Nitrate Vulnerable Zone - Farm Waste Regulation	311	0	0	0	311	311	0	0	0	311	0	0	
10466000	Smallholdings Maintenance 2011/12	(18)	0	0	0	(18)	(18)	0	0	0	(18)	0	0	
11024000	Dunkleys Farm, Dunchurch	0	0	0	0	0	0	0	0	0	0	0	0	
11025000	Hurley, Poplars Farm	147	0	0	0	147	147	0	0	0	147	0	0	
11026000	Tysoe, Herberts Farm Cottage - Thatch Roof	26	0	0	0	26	26	0	0	0	26	0	0	
11137000	Smallholdings - Nitrate Vulnerable Zone 2012	264	18	0	0	282	264	72	0	0	336	54	54	Move of Funding from 11140000 Rural Services Smallholdings Capital Maintenance 2013/14
11138000	Smallholdings - Decent Homes Standard 2012	429	79	0	0	508	429	98	0	0	527	19	19	Move of Funding from 11140000 Rural Services Smallholdings Capital Maintenance 2013/14
11139000	Rural Services Capital Maintenance 2012/13	701	98	0	0	799	701	241	0	0	942	143	143	Move of Funding from 11140000 Rural Services Smallholdings Capital Maintenance 2013/14

Agresso Project Code	Description	Approved Budget					Forecast					Variation		Reasons for Variation and Management Action
		Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Earlier Years	2013/14 £ 000's	2014/15 £ 000's	2015/16 and later £'000	Total £ 000's	Variance in Year £ 000's	Total Variance £ 000's	
11139009	Lower Tysoe/Hopkins Farm, New Farm House - Pre Contract Consultants Costs / Enabling Works	4	0	0	0	4	4	7	239	0	250	7	246	Funding from Capital Receipt as agreed in Cabient Report dated 13th December 2012 item 15 sub section 5
11139058	Wolston South Lodge Farm - construction of new parlour, dairy and collecting yard + new stock building	41	0	0	0	41	41	484	0	0	525	484	484	Funding transferred from 11140000 Rural Services Smallholdings Capital Maintenance 2013/14. Original approval from Strategic Director of Resources on 25/4/13 and Portfolio Holder on 8/7/13. Increase in the value of the contract is additional works and fees identified once the contract had been let.
11140000	Rural Services Capital Maintenance 2013/14	0	938	0	0	938	0	242	0	0	242	(696)	(696)	Funding moved to 11137000 Smallholdings - Nitrate Vulnerable Zone, 11138000 Smallholdings - Decent Homes Standard, 11139000 Rural Services Capital Maintenance 2012/13, 11139058 Wolston South Lodge Farm
11141000	Rural Services Capital Maintenance 2014/15	0	0	805	0	805	0	0	805	0	805	0	0	
11158000	Ilmington Wharf Farm - Demolish/Rebuild Bungalow	4	(4)	0	0	(0)	4	(4)	0	0	(0)	0	0	
11228000	Rural Services Capital Maintenance 2015/16	0	0	0	821	821	0	0	0	821	821	0	0	
		31,665	21,219	13,912	15,756	82,552	31,665	21,122	14,252	15,756	82,794	(96)	243	

Performance Information: Quarter 1 April - September 2013

Physical Assets: All Measures							
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	Comments
M06000	% of our retained operational property portfolio having optimum utilisation	90	95	95	★	90	
M06001	% of corporate projects which deliver CO2 reductions	-32	-2.5	13	▲	13	• Total reported CRC emissions as presently recorded in the CRC Registry are: 2010-11 CRC Emissions: 55,541 tCO2 (including street lighting); 2011-12 CRC Emissions: 37,978 tCO2; 2012-13 CRC Emissions: 43,030 tCO2. Emissions of carbon dioxide were reported to EA in time for the end of July deadline. The 43,030 tonnes CO2 for 12/13 is a 13% increase on the 37,978 tonnes CO2 reported in July 2012. The winter of 2012/13 was severe and gas consumption rose by 24%, electricity consumption rose by 1% (even though emissions only rose by 13%). 2010/11 was also a poor winter. Total carbon dioxide emissions were 41,472 tonnes in 10/11 (when street lighting carbon dioxide emissions are excluded) so 12/13 carbon dioxide emissions are 4% higher than 10/11. Further details about which buildings have seen the largest increase in energy consumption can be found in the Annual Building Energy Consumption Review.
M06022	Capital receipts target (£m)	1.34	14.75	14.75	★	7	
M06102	Achieve property rationalisation savings target (£m)		1.6	1602	★	1041.3	• 65% of 1.602 secured
M06103	% achievement against budget on PRP		100	100	★	65	
M06104	% achievement against time targets on PRP		100	100	★	50	

Service Improvement and Change Management - Phil Evans
Strategic Director - David Carter
Portfolio Holder - Councillor Hayfield (Customers)

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Performance & Planning	797	0	797	785	(12)	
Observatory	343	25	368	442	74	Additional salary costs and reduced income, the overall position will be managed within Service.
Service Improvement and Change Management Admin	176	(1)	175	175	0	
Development and Support	745	(34)	711	657	(54)	Managed vacancies and project underspends.
Corporate Programme Management Office	247	0	247	216	(31)	Managed vacancies.
Commercial Enterprise	105	(2)	103	75	(28)	Greater income than expected.
Net Service Spending	2,413	(12)	2,401	2,350	(51)	

2013/14 Reserves Position

Reserve	Opening Balance 01.04.13 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
Service Savings	368	(368)	51	51	0	
Total	368	(368)	51	51	0	

Resources Group Leadership Team have agreed to draw down £356,000 from the Resources Group Transformation Fund Reserve, £127,000 for Warwickshire Education Service Team and £229,000 for Business Analysts to work on multiple projects. The Group Leadership Teams also agreed to draw down £13,000 from Resources General Reserve to fund the aerial photography project.

2013/14 to 2014/15 Savings Plan

Reference	Savings Proposal Title	2013/14			2014/15			Reason for Variation and Management Action
		Target £'000	Actual to Date £'000	Forecast Outturn £'000	Target £'000	Actual to Date £'000	Forecast Outturn £'000	
	Savings delivered in 2011/12 and 2012/13	263	263	263	263	263	263	
CW-CL-14	Reduction in support services	17	17	17	17	17	17	
PPU-02	Generating income through charging for consultation activities	30	30	30	30	30	30	
	Total	310	310	310	310	310	310	
	Target		310	310		310	310	
	Remaining Shortfall/(Over Achievement)		0	0		0	0	

M Service Improvement

Performance Information: Quarter 1 April - September 2013

SICM: All Measures							
Ref	Measure	2012/13 Actual	2013/14 Target	Year End Forecast 30/09/2013	Year End Alert	Period Actual 30/09/2013	Comments
M07041	% Increase in satisfaction with service provision		5	5	★		• Not due Qtr 2
M07042	Number of Service Reviews delivering full business case to schedule		4	12	★	1	<ul style="list-style-type: none"> • 11 Business Cases are on track to be delivered by year end. However, it is not clear whether this is in line with Corporate Board expectations or Organisational Plan requirements. Revisions may be needed. • Please note this indicator measures the number of Reviews delivering Business Cases, not the number of Business Cases delivered.
M07095	% of corporate frameworks scheduled for review completed (March 2014)		100	100	★	38	• The target remains Green even though there has been a reduction in performance quarter on quarter. There is a need to bring the programme back on track.
M07096	% of reviews which have identified deliverable savings in their business cases commensurate with leadership expectations for the delivery of the 2014-18 CSR		100	100	★	100	<ul style="list-style-type: none"> • Business Cases are identifying how required savings and improvements will be delivered. • The remaining service Reviews are on track to deliver Business Cases with savings and improvements commensurate with Corporate Board's expectations. • Again, revisions may be needed in order to align with the Organisational Plan.
M07097	WES reports a quarterly contribution figure which reports < / = 0% gross contribution by Quarter 4 full year 2013/14		100			-2	Contribution is on target.

Other Services - Virginia Rennie
Strategic Director - David Carter

2013/14 Revenue Budget

Service	Agreed Budget £'000	Agreed Changes £'000	Latest Budget £'000	Forecast Outturn £'000	Variation Over/ (Under) £'000	Reason for Variation and Management Action
Government Funding and Business Rates	(184,428)	0	(184,428)	(184,804)	(376)	Relates to receipt of an additional one-off grant from Central Government to offset the lost income resulting from changes to council tax benefit. This grant was announced after the budget was agreed.
Dedicated Schools Grant and other school funding	(267,207)	268	(266,939)	(266,939)	0	
Individual Schools Budget (ISB)	208,877	(849)	208,028	208,028	0	
Capacity Building Fund	615	0	615	615	0	
Provision for Pay and Conditions	1,931	0	1,931	1,931	0	
Capital Financing	39,785	0	39,785	38,927	(858)	A reflection of a reduction in the servicing costs of a smaller Capital Programme and the effects of slippage in the 2012-13 Capital Programme.
Revenue contribution to Capital Financing	0	8,151	8,151	8,151	0	Revenue contributions from 2012-13 underspendings as agreed by Cabinet in July.
Interest on Revenue Balances	(1,808)	0	(1,808)	(1,099)	709	Cash performance on external & internal deposits has fallen as rates being offered reduce further.
Corporate Board	1,200	(1)	1,199	1,232	33	
County Coroner	385	0	385	388	3	
Environment Agency (Flood Defence Levy)	223	0	223	223	0	
External Audit Fees	385	0	385	206	(179)	The audit fee is lower following the abolition of the Audit Commission, with a greater emphasis on charging for any additional work they undertake. The smooth audit of the 2012/13 accounts means these charges were lower than anticipated this year.
County Council Elections	424	0	424	768	344	£576,000 has already been advanced to the districts/borough as 75% of their estimated costs. Forecast assumes the full 100% will be required. The accumulated elections reserve has already been used and is shown as part of the budget of £424,000. Therefore the forecast £344,000 overspend will be a call on General Reserves at the year end.
Members Allowances and Expenses	1,036	0	1,036	1,036	0	Forecast to be reviewed once the impact of the revised Members Allowance scheme, as agreed by September Council is clearer.
Other Administrative Expenses & Income	402	0	402	402	0	
Reorganisation Pensions	64	0	64	63	(1)	
Subscriptions	233	0	233	153	(80)	
Net Service Spending	(197,883)	7,569	(190,314)	(190,719)	(405)	

S Other Services

2013/14 Reserves Position




Reserve	Opening Balance 01.04.13 £'000	Movement in year £'000	Effect of outturn £'000	Closing Balance 31.03.14 £'000	Request for (Use of)/ Transfer to Reserves £'000	Reason for Request
General Reserves	18,832	(2,754)	226	16,304	0	
Medium Term Contingency	13,315	0	0	13,315	0	
Service Realignment Fund	8,840	7	0	8,847	0	
Capital Fund	387	0	0	387	0	
Quadrennial elections	312	(312)	0	0	0	
Capacity Building Fund (former Development/Modernisation Fund)	948	(109)	0	839	0	
Equal Pay Back Pay Account	1,688	0	0	1,688	0	
NHS Grant	2,218	(2,218)	0	0	0	
External Audit	232	0	179	411	0	
Insurance Fund	8,015	0	0	8,015	0	
Community Infrastructure Levy	301	0	0	301	0	
Resources Group General Reserves	1,264	0	0	1,264	(133)	Resources Group Leadership Team have agreed the following amounts will be drawn down for these services: Physical Assets - £120,000 Service Improvement - £13,000
Resources Group Transformation Fund Reserve	1,487	0	0	1,487	(633)	Resources Group Leadership Team have agreed the following amounts will be drawn down for these services: Finance - £31,000 Information Assets - £246,000 Service Improvement - £356,000
Total	55,088	(5,386)	405	50,107	(766)	

Corporate Business Plan: Performance Summary (April 2013 – September 2013)

1. Background

- 1.1. The Performance Summary is the means for us to measure our progress against delivering our Aims and Ambitions as articulated in the Corporate Business Plan (CBP) as approved by Cabinet in January 2012.
- 1.2. Within this report, you will find information on our key performance indicators as set out in the Corporate Business Plan. This report should be read in conjunction with our financial and risk monitoring information.
- 1.3. At the heart of our CBP are 7 Ambitions:
 - Community & Customers
 - Safety & Protection
 - Care & Independence
 - Environment & Housing
 - Enterprise, Transport & Tourism
 - Schools & Education
 - Organisation
- 1.4. This Appendix provides a summary of progress for each of the ambitions, providing Members with a robust view of the progress that the Authority has made over this financial year in working towards delivering the Aims and Ambitions.

- 1.5. For 2013/14, and consistent with 2012/13, progress against all measures and targets is presented against the use of Red / Amber / Green performance alerts. This aligns us with financial performance and risk.

Green	Target has been achieved or exceeded
Amber	Performance is behind target but within acceptable limits (10% tolerance of the target set*)
Red	Performance is significantly behind target and is below an acceptable pre-defined minimum (below the 10% tolerance*)
Direction of Travel arrows to show whether there have been any improvements, any changes or any falls in performance since April 2013.	
	Performance has improved relative to targets set
	Performance has remained static relative to targets set
	Performance has declined relative to targets set

****The 10% tolerance threshold is set automatically by Warwickshire Hub***

- 1.6. The performance information contained within this Appendix provided year end forecasts based on data at the mid-year point (April 2013 – September 2013). Actual period performance, where it is available, can be accessed via the Corporate Business Plan on the Warwickshire Hub (the performance management system used to gather the indicator data). If you would like any more information on the Warwickshire Hub, please contact the Planning, Performance and Business Improvement Team on performance@warwickshire.gov.uk

2. Overall Performance Summary for Quarter 2 (April 2013 – September 2013)

	Qtr. 1	Mid-Year	Qtr. 3	Year End	Direction of Travel
Red	6	6			↔
Amber	4	4			↔
Green	23	20			↓
Subtotal	33	30			
Not Yet Available (NYA)	18	21			
Not collected this year/ not applicable	3	3			
Grand Total	54	54	54	54	


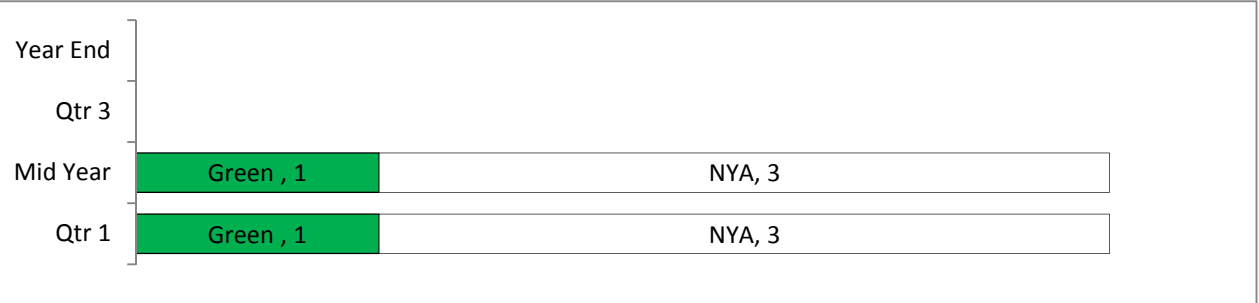
Overall, at the end of quarter 2, we are able to report on 56% of performance measures (30 out of 54) within the Corporate Business Plan, which apply in 2013/14.

We are unable to report progress against 24 measures. This includes 21 measures where the data is not currently available and 3 staff survey measures that we are unable to report against this year, as the survey is not taking place.

The table below presents quarter 2 performance information by each Ambition in the Corporate Business Plan. Further details about the individual measures under the relevant ambitions are provided within this report.

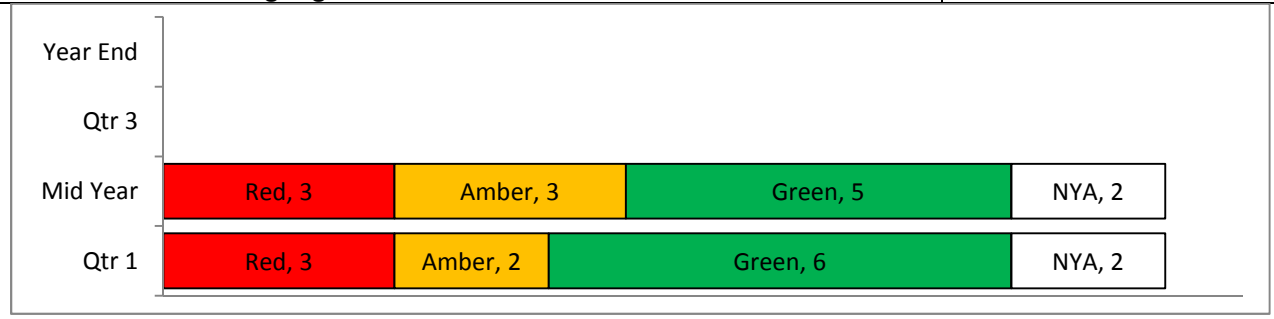
	Ambition 1: Community & Customers	Ambition 2: Safety & Protection	Ambition 3: Care & Independence	Ambition 4: Enterprise, Transport & Tourism	Ambition 5: Environment & Housing	Ambition 6: Schools & Education	Ambition 7: Organisation	Total
Red	0	3	1	0	2	0	0	6
Amber	0	3	0	0	1	0	0	4
Green	1	5	5	4	0	2	3	20
Subtotal	1	11	6	4	3	2	3	30
NYA	3	2	4	4	0	3	5	21
Not collected this year/ not applicable	0	0	0	0	0	0	3	3
Grand Total	4	13	10	8	3	5	11	54

3. Highlights by Ambition

1. Community & Customers				Direction of Travel 		
Outcomes: <ul style="list-style-type: none"> • Work with partners to enhance Community engagement so as to engage with local residents in the context of strategic localisation of council services and teams including engagement with the Police • Enable Communities to help themselves • Encourage volunteering across the County and • Improve resident satisfaction with services and their role in shaping services 						
				Data Notes		
	2012/13 Actual	Target 2013/14	Qtr. 1	Mid-Year	Qtr. 3	Year End
% of people who feel they can influence decisions in their local area	Due to be collected in 2013/14	33.7%	Annual indicators - question included in the 'Living in Warwickshire' survey. Results reported in Q3.			
% satisfaction with local area as a place to live.		62.89%				
% satisfaction level with the quality of services received	62% (G)	86.7%	Annual indicator – question will be included in a commissioned perception survey			
Warwickshire's Contribution to Rural Broadband Development:-						
Implementation of first phase of Broadband Extension as defined in the procurement	New Measures	Yes	Yes (G)	Yes (G)		
Commentary and Key Actions Taken						
Broadband The BDUK Contract to extend the availability of superfast broadband in Rural Warwickshire was signed with BT in June 2013. In quarter 2 we have also received a revised high-level roll-out plan utilising an additional £700,000 funding which means that we should exceed the 90% target for Warwickshire. BT have now also started their survey work.						

2: Safety & Protection Direction of Travel ↔

- Outcomes:**
- Reduce further the number of people killed or seriously injured on Warwickshire's roads
 - Proactively maintain the highways network to a safe standard, working with partners to do so
 - Reduce abuse of children and vulnerable adults through improving the reach of co-ordinated safeguarding interventions
 - Focus on tackling high harm causers and re-offenders
- Work with Police to reduce levels of violent crime, especially domestic violence
 - Reduce the damaging effects on families and communities caused by drugs misuse
 - Work in partnership to reduce the significant consequences of the misuse of alcohol
 - Work with partners to reduce instances of anti-social behaviour
 - Reduce fire related deaths and injuries as well as reducing the economic cost of fire



Data Notes

1. The Q1 and Q2 figures cover the period January to June 2013 and are provisional.
2. Q2 data due in November.
3. This measure is taken from an annual survey which will be conducted in February with results available in May
4. Figures are based on actuals rather than forecasts

Measures	2012/13 Actual	Target 2013/14	Qtr. 1	Mid-Year	Qtr. 3	Year End
No. of people killed or seriously injured on our roads (see data note 1)	299 (A)	288	288 (G)	287 (G)		
Number of children who are subject of a child protection plan (see data note 4)	49 (A)	46 per 10 K	48 (A)	52 (R)		
Number of children who are both looked after and subject of a child protection plan (see data note 4)	65 (R)	48	55 (R)	56 (R)		
Alcohol related admissions for under 18s (rate/100,000)	58.32 (G)	60	NYA	NYA		
Number of repeat safeguarding referrals	13 (G)	11.9	11 (G)	11.9 (G)		
% of people who use services who feel safe is in top quartile of comparator group (see data note 3)	No (R)	Remain in top quartile	NYA	NYA		
Incidents of serious acquisitive crime per 1,000	11.05 (G)	11.04	10.9 (G)	10.84 (G)		
Adult drug users exiting treatment successfully (see data note 2)	10.1 (R)	10	10 (G)	11 (G)		
Incidents of all Anti-social behaviour	20,164 (G)	20,163	19,473 (G)	20371 (A)		
Incidents of serious violent crime per 1,000	4.77 (G)	4.76	5.35 (R)	4.94 (A)		

Measures	2012/13 Actual	Target 2013/14	Qtr. 1	Mid-Year	Qtr. 3	Year End
No. fire related deaths which were preventable per 100,000 population	0 (G)	0	0 (G)	0 (G)		
No. of fire related injuries per 100,000 population	11 (G)	10	20 (R)	18 (R)		
The economic cost of fire for Warwickshire	£11,324,256 (G)	£11,324,255	£11,437,497 (A)	£12,200,000 (A)		

Commentary and Key Actions Taken

No. of children who are subject of a child protection plan per 10,000 population

High numbers of child protection cases can be undesirable as they indicate a high level of abuse and neglect - however they could also be a positive reflection on good identification and assessment processes. Therefore while we are looking for an overall decrease in this rate, this needs to be done in a safe way so that if children do need to have a child protection plan, they are identified as such. While the period actual for Q2 is higher than our year end target we forecast making progress in lowering our numbers safely as our evidence-based projects take effect.

Number of children who are both looked after and subject of a child protection plan

Although this indicator is showing as "red", we only saw a minor increase in numbers from 55 to 56 during the course of Q2. This is still lower than the 65 cases reported at the end of Q4 in 2012/13. There are continuing high numbers of child protection and looked after cases across Warwickshire but these need to be lowered safely as part of our evidence-based projects.

Number of people killed or seriously injured on Warwickshire's roads

The focus on reducing the number of people killed or seriously injured on roads in Warwickshire remains a priority and at quarter 2 the year end forecast is to meet the target. The figures show the lowest number of fatal and serious road casualties recorded in the first half of a year and 12 lower than 2012.

Key areas of work include; a casualty reduction scheme has been completed at the 'old police station' roundabout in Coleshill, which aims to reduce the number of accidents occurring at the roundabout, the annual Road Safety Quiz is being offered to schools online to raise Road Safety knowledge in schools across the County and the team are working with Community Safety and Public Health to launch a campaign for Alcohol Awareness Week in November.

Reducing the instances and impact of crime

Community safety performance is monitored frequently by local Community Safety Partnerships and monthly at a countywide level via a partnership telephone conference call. Emerging trends are identified at these meetings and appropriate actions are identified.

The Community Safety and Substance Misuse Team continue to work with partners to reduce the negative impact of crime in the community. Recent activity includes crime prevention road shows, the provision of advice about staying safe and safe drinking to students and other young people at Fresher's Fair and Your Town Your Choice Event in the south of the County, and the innovative 'Dob em in' project to tackle nuisance motorcycles in the north of the county. Performance of commissioned drug and alcohol treatment service is monitored closely by commissioners and the proportion of adult users successfully exiting treatment continues to improve gradually.

Reducing fire related deaths and injuries

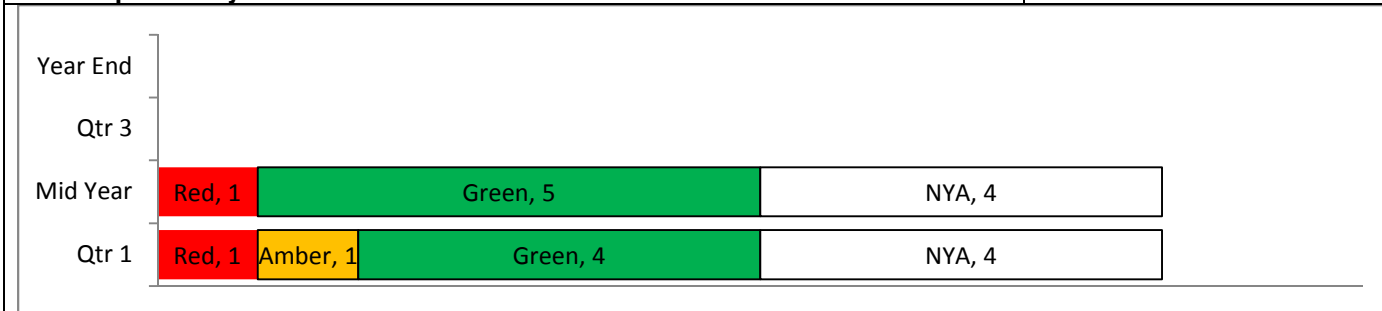
Warwickshire fire and Rescue Service works hard to identify vulnerable people who may have an increased risk of having a fire in the home, we target our fire prevention activity accordingly with 91% of our HFSC's being delivered to such groups. As emerging trends become apparent we adapt our initiatives to

address the issues as quickly as possible. This targeted approach has contributed to the number of preventable fire related deaths across the County being zero at the half year and there hasn't been a preventable death in a home in Warwickshire since January 2011. However, during the first half of the year there have been 10 reported fire related injuries across 8 incidents, this compares to only 3 reported in the same period the previous year. The 10 injuries all occurred in quarter 1 and as a result the situation was closely monitored and localised preventative measures were set in motion to raise awareness of fire safety issues, subsequently there have not been any further fire related injuries occurring in the second quarter.

The estimated economic cost of fire has increased during the first half of the year compared to the same period last year. Reductions in many categories of fire have been achieved during this time period, specifically accidental dwelling fires, fires in commercial premises and fires in other types of buildings. However, the rise in the number of fire related injuries and small fires with no property involved has impacted on the performance of this measure.

3: Care & Independence Direction of Travel

- Outcomes:**
- Fulfil our duty of care to older and vulnerable people
 - Ensure that all those eligible are offered an adult care personal budget
 - Increase the scope of re-ablement services
 - Working with partners to improve number of older people living independently in their own homes
- Embrace the Public Health Service within our responsibilities to improve the health of the County's population
 - The successful transfer of the Public Health Service to the Local Authority
 - Embed the principles of early intervention so that children, young people, parents & carers have the support they need, when they need it.



Data Notes

1. These measures are taken from an annual survey which will be conducted in February 2014 with results available in May 2014
2. The outturn for this indicator uses quarter 3 information and the results are available in quarter 4

Measures	2012/13 Actual	Target 2013/14	Qtr. 1	Mid-Year	Qtr. 3	Year End
The proportion of those using social care who have control over their daily life (see data note 1)	71.6% (A)	75%	NYA	NYA		
The proportion of people who use services & carers who find it easy to find information about support (see data note 1)	66.1% (R)	56%	NYA	NYA		
% of older people (65+) who are still at home after 91 days following discharge from hospital (see data note 2)	82.2 (G)	87%	NYA	NYA		
Delayed transfers of care between social care and health per 100,000 population	13.1 (A)	11	11 (G)	10 (G)		
Admissions to residential care homes per 100,000 population	712.9 (R)	530	700 (R)	714.5 (R)		
% of people using social care who receive self-directed support	70.7% (G)	65	72 (G)	72 (G)		
% of customers not needing on-going social care 91 days after leaving Reablement	62% (A)	63	62 (A)	65 (G)		
% of Reablement customers where one or more agreed outcomes are fully met	81% (G)	85	NYA	NYA		
% Delivery of the County Council's new & continuing duties to improve public health	Not applicable until 2013/14	100%	100% (G)	100% (G)		
% of WCC services committing to deliver the public health agenda through their service priorities where able to do so		100%	100% (G)	100% (G)		

Commentary and Key Actions Taken

Admissions to residential care homes
 There has been a significant upwards trend in residential / nursing care placement rates since the end of the last financial year. The analysis is underway to

determine the reason for this recent change. If this trend continues, it represents a significant financial pressure and we want to improve alternative community based services to reverse the trend.

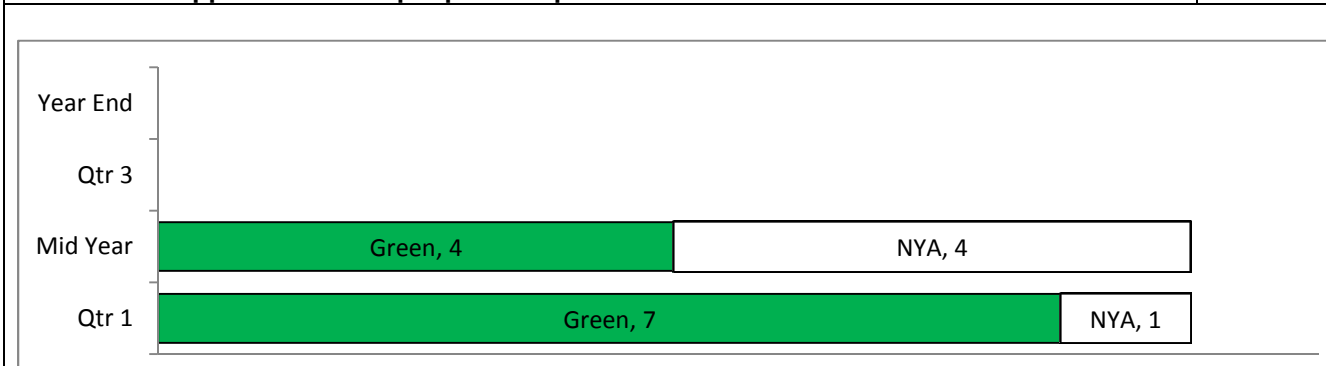
Reablement

The current performance continues to compare well against national comparators, and reflects the challenge of supporting people with higher levels of need

4: Enterprise, Transport & Tourism **Direction of Travel** 

- Outcomes:**
- Support economic growth by improving Warwickshire’s reputation as a good place to do business
 - Improve transport options within Warwickshire
 - Increase opportunities for people to improve their work related skills

- Make Warwickshire a place of destination for tourists and visitors and
- Work to reduce harm on Warwickshire’s businesses caused by any future approval of High Speed 2.



Data Notes

1. Awaiting data, the ONS Business Register and Employment survey is expected mid October.
2. Awaiting actual data, the Coventry & Warwickshire Chamber of Commerce survey is expected at year end.
3. This is an annual indicator and will be reported in April 2014

Measures	2012/13 Actual	Target 2013/14	Qtr. 1	Mid-Year	Qtr. 3	Year End
The number of individuals undertaking Apprenticeships in the sub-region (LEP)	8,490 (G)	6200	6450 (G)	6450 (G)		
The number of individuals undertaking Apprenticeships in Warwickshire	3,800 (G)	3400	3800 (G)	3800 (G)		
The number employed in key target growth sectors of the sub regional economy (LEP) (see data note 1)	140,410 (A)	150,000	150,000 (G)	NYA		
The number employed in key target growth sectors of the Warwickshire economy (see data note 1)	95,395 (A)	100,000	100,000 (G)	NYA		
Businesses reporting skills shortages (LEP) (see data note 2)	NYA	31%	31% (G)	NYA		
WCC cost per passenger journey on WCC supported services	£0.76 (G)	0.75	0.75 (G)	0.75 (G)		
Length of highway network where surface treatment was achieved (kms) (see data note 3)	210.7 kms (R)	250	250 (G)	250 (G)		
Length of highway network where maintenance is needed	TBC	No target set	NYA	NYA		

Commentary and Key Actions Taken

Apprenticeships
 2012/13 targets have been achieved for the number of people undertaking apprenticeships in both Warwickshire and the sub-region. 2013/14 data will be available in April 2014.

The Apprenticeship Hub continues to provide an interface between employers, training providers and the National Apprenticeship Service to encourage and support more small businesses to take on apprentices. The project team have been working with Communications and Marketing team to raise awareness of the schemes internally and externally;

- A number of press releases have been delivered
- Intranet articles have been published
- A number of careers events have been staged around the County
- An advert is being placed in the Chamber of Commerce magazine
- Social media has been utilised including Facebook and Twitter
- Internet “Get an apprentice” page is averaging 100 unique page views per month.

A thriving business community in Warwickshire

This quarter a number of positive economic developments include;

- Agricomp, a renewable energy company has expanded into new premises at Stoneleigh Park with their new headquarters
- A professional service organisation `Freeman' that feeds into the work of our key growth sectors is moving to Ryton and this will create 350 jobs.
- Jaguar Land Rover has announced that they will be putting £50m into the £100m National Automotive Centre at Warwick Manufacturing Group.

Actual results for these indicators are provided by national surveys; ONS Business Register and Employment Survey and the Chamber of Commerce survey, these will be available later this year but at this point it is anticipated that the year end target will be achieved.

5: Environment & Housing

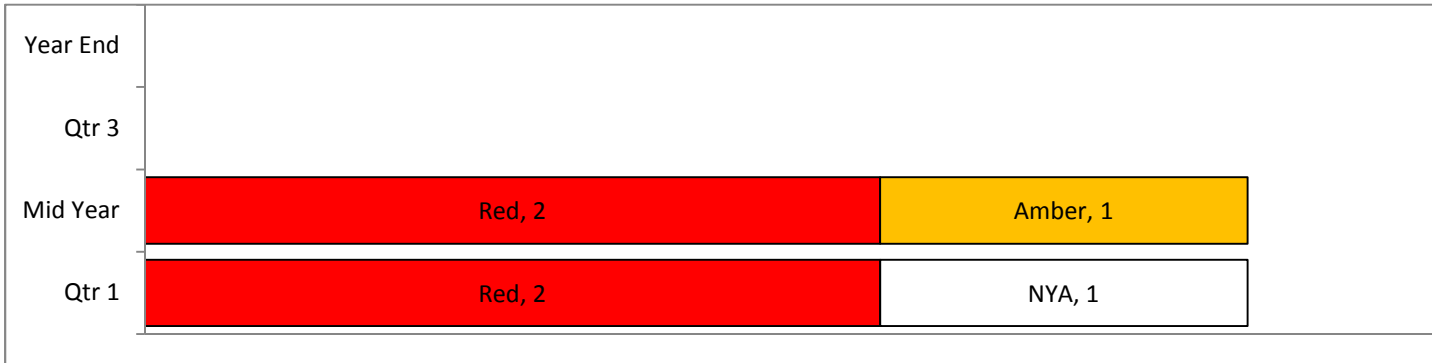
Direction of Travel ⇄

Outcomes:

- Work with Borough & District Councils to improve recycling rates, reduce the amount of waste sent to landfill and keep public spaces clean and well maintained
- Maintain our natural environment and relevant heritage for future generations
- Reduce Co2 emissions in the public sector and support the community to tackle climate change
- Support the provision of affordable homes and development of ‘extra care’ housing.

Data Notes

1. Q2 data is currently being validated by the Environment Agency, so year end forecasts are based on estimates. 2012/13 year end data has been confirmed and updated.



Measures	2012/13 Actual	2013/14 Target	Qtr. 1	Mid-Year	Qtr. 3	Year End
Residual household waste per household is minimised (see data note 1)	500.36kg (A)	473kg	NYA	509 (A)		
The % CO ² reductions delivered through Corporate Projects	32% (G)	2.5% reduction	10% increase (R)	13% increase (R)		
The number of extra care housing units available for use by customers eligible for use by customers eligible for WCC Adult Social Care	119 (R)	396	170 (R)	170 (R)		

Commentary and Key Actions Taken

Household Waste

The 2012/13 data has been validated by the Environment Agency, household waste has reduced by 7.8% in comparison to 2011/12, although the 2012/13 target of 458kg has been marginally missed. Quarter 2 data is currently being validated; however the estimate indicates a 2% reduction in residential waste in comparison to quarter 1.

CO² Reductions

Total reported CRC emissions as presently recorded in the CRC Registry are: 2010-11 CRC Emissions: 55,541 tCO₂ (including street lighting); 2011-12 CRC Emissions: 37,978 tCO₂; 2012-13 CRC Emissions: 43,030 tCO₂. Emissions of carbon dioxide were reported to EA in time for the end of July deadline. The 43,030 tonnes CO₂ for 12/13 is a 13% increase on the 37,978 tonnes CO₂ reported in July 2012. The winter of 2012/13 was severe and gas

consumption rose by 24%, electricity consumption rose by 1% (even though emissions only rose by 13%). 2010/11 was also a poor winter. Total carbon dioxide emissions were 41,472 tonnes in 10/11 (when street lighting carbon dioxide emissions are excluded) so 12/13 carbon dioxide emissions are 4% higher than 10/11. Further details about which buildings have seen the largest increase in energy consumption can be found in the Annual Building Energy Consumption Review.

Extra Care Housing Units

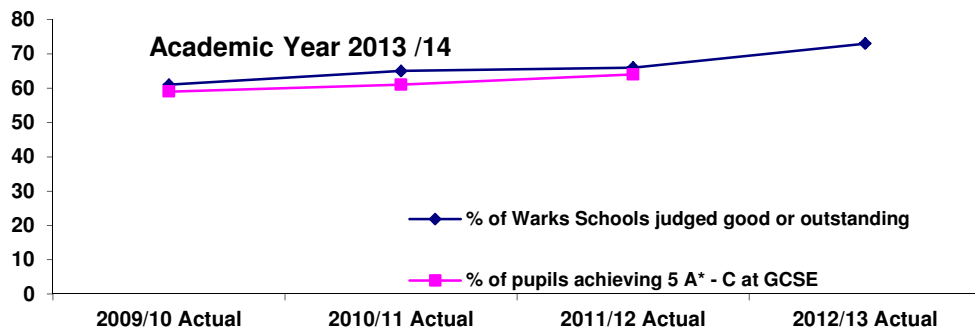
The target was set three years ago at the start of the programme. While 396 units will not be open this year the extra care housing programme is on target. 283 units are either currently under construction or have planning permission and funding in place meaning 453 units will be delivered.

6: Schools & Education

Direction of Travel ↔

Outcomes:

- Support schools and colleges to improve their performance and challenge poor performance and
- Raise the educational aspirations of children and young people and families



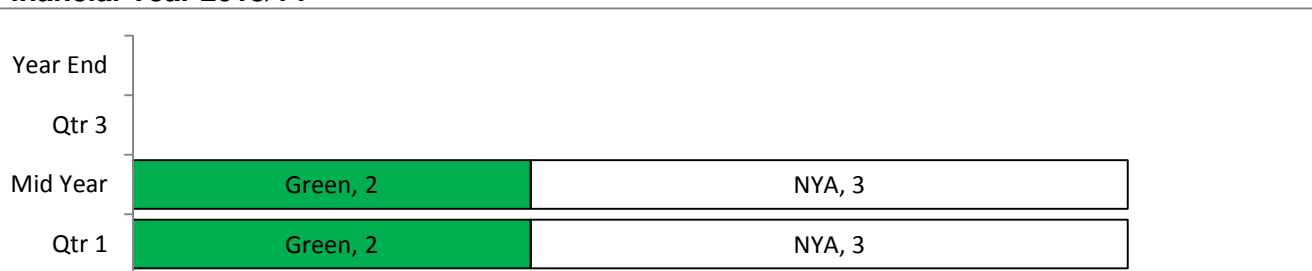
Commentary and Key Actions Taken:

Educational performance measures are based on the academic school year and therefore run from September to August and are published in the Autumn following the end of the school year.

Measures (Academic Year September 2011 – August 2012)	2011/12 Target	2011/12 Actual	2012/13 Target	2012/13 Actual	2013/14 Actual
% of Warwickshire schools judged good or outstanding by Ofsted	66%	66% (G)	68%	73%	2013 data will become available in Q3
% of pupils achieving 5 A* - C at GCSE including English and Maths or equivalent	65%	64% (A)	65%		2013 provisional data is available in October and is finalised in January 2014.

Financial Year 2013/14

Data Notes



1. 2013 data will be available in June 2014.

Measures (Financial Year April 2013 – September 2013)	2012/13 Actual	2013/14 Target	Qtr. 1	Mid-Year	Qtr. 3	Year End
% of 16-18 year olds who are not in education, employment or training (NEET) (see data note 1)	3.6% (G)	3%	NYA	NYA		

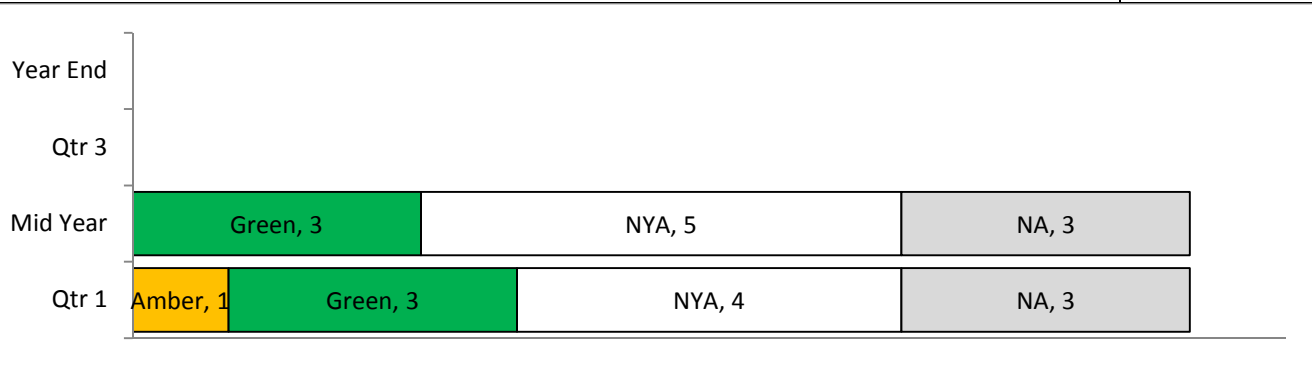
Prevalence of breast feeding at 6 – 8 weeks from birth	44.02% (A)	50%	50% (G)	50% (G)		
% of children in year 6 who are obese	17.38% (R)	17%	17% (G)	17% (G)		
Commentary and Key Actions Taken						

7: Organisation

Direction of Travel 

- Outcomes:**
- a. Ensure that the organisation is focused on delivering agreed outcomes by using commissioning processes to redesign and improve our service provision
 - b. Work with other public sector organisations to integrate services and ensure services remain sustainable and based around need

- c. Ensure WCC continues to be recognised as a good employer
- d. Focus and rationalise local council services through One Front Door project and property rationalisation and
- e. Ensure a light touch management structure that encourages innovations and acts with pace



Data Notes						

Measures	2012/13 Actual	2013/14 Target	Qtr. 1	Mid-Year	Qtr. 3	Year End
% Increase in satisfaction with service provision	NYA	5	NYA	5 (G)		
Number of Service Reviews delivering full business case to schedule (see data note 1)	7 (R)	12	12	NYA		
Complete the JSNA refresh to support commissioning decisions	Yes (G)	Yes	NYA	NYA		
Ensure the development & implementation of a Health & Well-being Strategy for Warwickshire	Yes (G)	Yes	NYA	NYA		
The annual governance is accepted without qualification by the Council's external auditors	Yes (G)	Yes	Yes (G)	Yes (G)		
Net variation to budget	5.1%	+/- 1%	-0.3%	NYA		
% of our retained operational property portfolio having optimum utilisation	90% (G)	95%	91%	95 (G)		
% staff who are flexible workers	NYA		NYA	NYA		
% satisfaction that the Council is a good employer	73.0% (A)	77.5%	These indicators are taken from the staff survey, which is not taking place in 2013/14.			
% of staff satisfied with the training & development they receive in their current job	66.6% (A)					
% of staff who believe the County Council is an equal opportunities employer	85.1% (A)					


Commentary and Key Actions Taken



Going for Growth Performance Reporting Quarter 2 2013/14


Background

In April 2012 Cabinet endorsed Going for Growth as the Council’s County Council’s principal ‘guiding document’ over the medium term; this approach was formally agreed by Council in May. As part of the agenda it was agreed that there would be a limited number of measures and targets to support Going for Growth. Each part of the organisation was asked to provide specific measures and targets which the Council could use to monitor performance against delivering the Going for Growth agenda. Six measures and associated targets were adopted by Cabinet in June 2012 with People Group being responsible for one and Communities responsible for five of the agreed measures.

This report summarises progress to date and direction of travel for each of the six measures at the Mid-year reporting point.

Measure	Target	Progress to Date	DoT
<p>Number of individuals undertaking apprenticeships within the County:</p> <ul style="list-style-type: none"> With WCC (as internal employees) Outside WCC (with external employers) 	<ul style="list-style-type: none"> 40 Apprentices working within WCC, Apprenticeship Hub to have worked with SME businesses to enable 150 additional Apprenticeship vacancies in Warwickshire, 2900 residents of Warwickshire starting an Apprenticeship programme in the year 	<ul style="list-style-type: none"> Within WCC from 1st April 2013 we have: <ul style="list-style-type: none"> 10 in employment from the 12/13 cohort (1 left to go to University). 13/14 Cohort: <ul style="list-style-type: none"> 11 currently in employment (Ranger, Business Support, Pensions, Highways Planning, 2 in HR Service Centre, 2 in Highways Maintenance, 1 Procurement, 2 in HR starting CIPD In September (and will convert to Higher Apprenticeships when available)) <p>There are also 6 vacancies being advertised/Recruited to.</p> <p>16-18 more apprenticeships are being progressed and more under discussion with Business Units</p> <p>Externally</p> <ul style="list-style-type: none"> The project team are actively engaging with the business community to raise the profile of Apprenticeships. There are currently 52 Live leads that are being explored. The project team have been working with Communications and Marketing team to raise awareness of the schemes internally and externally: <ul style="list-style-type: none"> A number of press releases have been delivered Intranet articles have been published A number of careers events have been staged around the County An advert is being placed in the Chamber of Commerce magazine Social media has been utilised including Facebook and Twitter 	

		<ul style="list-style-type: none"> ○ Internet “Get an apprentice” page is averaging 100 unique page views per month. 	
<p>Delivering Phase 1 of NUCKLE which will connect people with job opportunities throughout the north-south corridor including Nuneaton, Bedworth, Coventry and later Kenilworth, Leamington and Warwick</p>	<ul style="list-style-type: none"> ● Design and build tender accepted January 2014 	<ul style="list-style-type: none"> ● Invitations to Tender in respect of the construction contracts were issued in July 2013. Bids have been received and are now being assessed. ● Network Rail will meet in September 2014 to consider formal approval of the less expensive option for turning-back the Murco oil train. It is anticipated that the bids for the construction contracts and the view of Network Rail in respect of the Murco oil train turn-back arrangements will provide a clearer understanding of the outturn costs and the affordability of the scheme. It is proposed to report to the Strategic Board on affordability generally and on these two key issues in October 2013. ● The Warwick Road Crossing remains unresolved. However, there are indications that an application for ERDF funding for a pedestrian subway under Warwick Road will be successful. Discussions with the owners of Central Six continue and this issue is anticipated to be resolved in advance of Financial Close which is envisaged in early 2014. 	
<p>Securing improvements to M40 J12 to unlock up to 2600 jobs at Jaguar Land Rover and Aston Martin (for which planning permission has already been secured). Both companies have further growth aspirations. Since the development of the scheme, the area has been identified as a preferred site for SDC’s Local Plan housing and</p>	<ul style="list-style-type: none"> ● Secure land via an option agreement and submit a planning application both by mid 2013. ● Start construction of the WCC element by mid-2014 and complete construction by mid-2015. (We will urge HA to work to a similar timescale for their element. 	<ul style="list-style-type: none"> ● The project is now fully funded through the Highways Agency, funding from WCC and successful bids to the Regional Growth Fund and the Local Pinch Point Fund. ● A planning application will be submitted in October for determination in January and WCC must obtain planning permission by February 2014. ● WCC are in discussions with the single landowner, option agreement almost agreed. The scheme will also require JLR land, we have an in principle agreement with JLR which will be formalised on completion of ascertaining entrance arrangements. JLR Land will be dedicated. ● WCC are finalising the Construction Framework Contract which needs to be in place before construction begins. ● The Highways Agency are progressing their element of the scheme to include slip road, signalised junctions and an additional lane on the B4451. 	

<p>employment which could result in a further 1900 and 18Ha of employment during the Plan period.</p>			
<p>Deliver Superfast broadband as an aid to economic growth</p>	<ul style="list-style-type: none"> To deliver by March 2015 speeds greater than 24Mbps to at least 90% of homes and businesses in Warwickshire, with basic broadband services of at least 2Mbps available to 100% of properties. 	<ul style="list-style-type: none"> The revised coverage model has been issued to the project team by BT. A summary of the changes are: <ul style="list-style-type: none"> An additional 7,588 premises are upgraded with the additional funding of £750,000, slightly under £100 per premise, which was broadly in line with expectations. As requested in Clarification Questions the subsidy was withdrawn from areas that we had been notified would be included in the commercial rollout by one of the telecoms companies. The number of premises awaiting further funding was reduced by over eight thousand to 22,631 The release, by BT, of the revised Project Model and Implementation Plan for the additional coverage has been delayed due to internal BT governance issues. It is anticipated that these documents will be released week commencing 7th October and the project team have been assured that this will not impact the overall implementation. The coverage model is currently being reviewed by BDUK to ensure that the additional coverage is State Aid compliant but this review cannot be completed without the revised Project Model and Implementation Plan. These will be issued to BDUK as soon as they have been received by the project team. Survey work for Phase 1 cabinet locations is currently being undertaken by BT Openreach together with members of the CSW project team Planning application packs have been submitted for the first 13 cabinets in Phase 1 which are cabinets that were included in the original coverage model BDUK will be briefing Local Authorities in October about their plans for the allocation of the additional £250 million announced as part of the Government's spending review. 	
<p>No of Looked After Children aged 16-19 involved in work</p>	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> In December 2012, the CSWP reported that 94% of looked after children in Warwickshire progressed into positive destinations. In April 2013, 82% of our care 	

<p>based activities, employment, education and training, supported by Tiffin Club activities, Virtual School and Getting Ready for Adult Life team (Care2Work plan).</p>		<p>leavers who remained in contact with us continued to be in education, employment or training.</p> <ul style="list-style-type: none"> • In September 2013, the Virtual School reported that 20% achieved 5 A*-C (inc English & Maths); 23% achieved 5 A*-C; and 74% achieved some qualification (of this cohort 65% have SEN (registered or statement) and 14% are unaccompanied asylum seekers). • The <i>Get Ready for Adult Life Service</i> (Leaving Care) Service has recently reviewed our Care2Work plan (copies are available upon request). We are proud of our achievements over the last year. • The promotion of our guidance and regular briefings (including 2 county wide workshops) has resulted in improved outcomes. We are working well with the Priority Families Initiative, with 29 young people being offered individualised support to overcome barriers to employability. We continue to provide our “Information Playing Cards” to all Looked After Children above 13 years of age, and the Apprenticeship website is the 5th most popular card, with 136 hits, and another 425 hits have occurred on websites related to Education, Employment and Training. • Many of our young people are progressing well in their careers, 13 care leavers are in higher education and 96 in further education. We have 27 undertaking other educational activities, 15 have completed accredited courses around Independent living, and 35 have engaged in group work through WAYC. We have also improved employment opportunities over the last year, with 11 supported in work experiences, 5 in voluntary work, 5 in Apprenticeships and 19 have been supported to overcome barriers and gained employment. We are also supporting 13 young people that require additional support to complete a wide range of EET activities beyond the age of 21. This year we will start reporting to the government about the outcomes of our care leavers’ up to 21 years of age. • We have also identified that there are things that we could do better. We are currently working with the JobCentrePlus to understand their work in supporting young people into employment or education. They attended a workshop and explain the range of opportunities available, including grants. We are also working to improve processes to speed up applications for benefit for our care leavers. • One area that has been difficult to improve upon is developing employment 	
--	--	--	--

		<p>opportunities locally. However, we are beginning to work with an NCAS worker who will engage with local employers to increase opportunities for our care leavers.</p> <ul style="list-style-type: none"> • We have undertaken a democratic process for the election of our Children in Care Council, and this included asking the electorate what were the key issues for them. EET remained in their top 5 priorities. We have also undertaken a questionnaire with our practitioners and a small group of young people to evaluate how we implement the Care Leavers Charter. The young people felt that their workers did particularly well at exploring their identity, having high aspirations, seeing their potential to build a better future for themselves, keeping them on track when they have lost sight of their goals and helping them to feel okay when they change their mind. These are all essential components of career progression. Everyone felt that they needed more time together and we are leading some focus groups to see how this can be achieved efficiently. • The Tiffin Club continues to raise funds to supplementary support for looked after children and care leavers. They continue to offer mentors for our young people and are planning to re-launch their mentoring scheme for LAC and care leavers and develop employability opportunities. 	
--	--	--	--

Corporate Services Overview and Scrutiny Committee

11 December 2013

Transformation through Strategic Commissioning Programme Update Report

Recommendations

That the Corporate Services Overview and Scrutiny Committee scrutinise the delivery of the Programme, including timescales and updates on service reviews

1.0 Update

- 1.1.1 At its meeting on 20th December 2011, the Overview and Scrutiny Board agreed that a verbal report would be presented to each Board meeting, to provide members with an overall progress date on the programme, together with an update on ongoing service reviews.
- 1.2 The Overview and Scrutiny Board has since been disbanded and the Corporate Services Overview and Scrutiny Committee will continue to receive updates regarding programmes and ongoing service reviews.
- 1.3 Phil Evans, Head of Service Improvement and change Management, will be in attendance at the meeting to provide a verbal update to the committee. This will allow for the most up to date information to be shared with members during a period of high activity.

	Name	Contact details
Report Author	Phil Evans	philevans@warwickshre.go.uk Tel: 01926 412293
Head of Service	Phil Evans	philevans@warwickshre.go.uk Tel: 01926 412293
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk Tel: 01926 412045
Portfolio Holder	Councillor Colin Hayfield	cllrcolinhayfield@warwickshire.gov.uk

Corporate Services Overview and Scrutiny Committee

11th December 2013

The Council's Procurement Procedures and how these encourage small businesses to bid for Council Contracts

Recommendation

That the Corporate Overview and Scrutiny Committee consider the report about the continued progress in relation to encouraging small businesses to bid for Council contracts, asking questions in relation to its content and making recommendations if considered appropriate.

1.0 Key Issues

- 1.1 In December 2012, The Overview & Scrutiny Board received a report concerning the Council's Procurement Procedures and how/if these encouraged small businesses to bid for Council contracts.
- 1.2 Although there was clear evidence presented that the Council's procurement procedures supported small businesses in bidding for Council contracts, a series of actions was proposed to further encourage and this report is an update on progress against those proposed activities.
- 1.3 It is worth remembering that although there are benefits to encouraging small businesses, there are similarly good reasons for the Council to work with a mixed economy of providers including large companies. These include: -
 - The Council having access to the full market in order to drive competition and innovation
 - The actual price benefits available from aggregating expenditure,
 - The reduced transaction and contract management costs associated with maintaining fewer suppliers
 - The ability to vary contractual arrangements easily to meet changing needs
 - The scope for Providers to invest financially in bigger contracts for example the purchase of new vehicle fleet, new ICT solutions etc.
- 1.4 According to the Federation of Small Businesses (FSB) report 'Local Procurement – Making the Most of Small Businesses' (referred to in more detail later in this report), 62 per cent of local authorities actively record the amount of spend within their own local authority boundary. On average, local authorities use nearly 35 per cent of their total procurement spend within their

own local authority boundary and this varies from 20 per cent to over 50 per cent depending on geographical location.

In order to determine the Council's performance compared to this benchmark the following extracts show the Council's payment profile over the last 18 months. These figures would suggest that the Council already performs well in this regard.

Period 1/4/12 – 31/3/13

Spend	£'000	No.		£ %
Summary	259,188	51,161	Warks	55%
	21,579	5,049	Cov	5%
	2,456	530	Sol	1%
	184,692	40,007	Other	39%
	<u>467,915</u>	<u>96,747</u>		100%

Period 1/4/13 – 30/9/13

Spend	£'000	No.		£ %
Summary	136,137	25,167	Warks	53%
	10,728	2,329	Cov	4%
	1,727	247	Sol	1%
	106,708	21,473	Other	42%
	<u>255,300</u>	<u>49,216</u>		100%

2.0 Options and Proposal

2.1 The following table summarises the actions identified in December 2012 and the progress made against these. Point 2.2 highlights some further initiatives that have been introduced in support of this agenda.

Issue	Action
Contract Standing Orders review	<p>Simplified Contract Standing Orders were implemented with effect from 1st April 2012 and included: -</p> <ul style="list-style-type: none"> • For contracts with a value less than £10,000 – a single quotation that can be received in electronic format. • For contracts with a value between £10,000 – £50,000, three written Quotations of which one should be local if appropriate. Local means has a place of business in Warwickshire.
The Coventry, Solihull, Warwickshire sub region has	The Council has undertaken direct marketing to businesses registered on the Councils previous E Tendering platform asking them to register on the new platform. A series of face to face registration events are currently being coordinated –

<p>implemented a common E Tendering platform – Coventry Solihull Warwickshire Joint E Tendering System (CSW-JETS) http://www.csw-jets.co.uk/</p>	<p>the first of these will take place on 14th January 2014. Links have been made with the Community teams and infrastructure organisations and we are using their databases to market CSW-JETS.</p> <p>The Councils E Tendering platform CSW-JETS is now fully operational in Warwickshire (and in 7 other authorities). This initiative was recently shortlisted as a finalist in the Society of Procurement Officers (SOPO) annual awards.</p>
<p>Develop the various systems to create a platform for local businesses</p>	<p>Linked to this, a Business to Business (B2B) portal has been developed to enable not only the Council to trade with small businesses but also small businesses to trade with each other. We are now considering the potential of using the portal to allow prime contractors supplying to the Council to identify local businesses to form part of their supply chain and to advertise job and apprenticeship opportunities. The B2B portal is expected to be launched formally early in 2014.</p>
<p>Routinely including SME-friendly contract conditions in contracts</p>	<p>Several schemes are being implemented to increase the number of electronic payments being made to suppliers. Once implemented, this should allow the Council to make various electronic payment options widely available to suppliers. The Council's website is being updated to provide guidance for suppliers on how to get their bills paid on time and this guidance will include a Fair Payment Charter (prime contractors agreeing to pay their supply chains promptly).</p>

2.2 In July 2012, the Federation of Small Businesses (FSB) published a report 'Local Procurement – Making the Most of Small Businesses' (attached as Appendix 1). This report identified 16 characteristics that a model procurement authority should be able to demonstrate – in their words, 'a *best practice procurement model for local authorities*'. Using the 'best practice procurement model' as the template, the Council has developed an action plan designed to deliver of all of the identified characteristics. The Council is managing progress against the action plan on a monthly basis at a meeting between Strategic Procurement, Economic Development and the local FSB. Progress is being made against all 16 characteristics and some of the highlights are detailed below: -

2.2.1 The development of a Small Business Friendly Procurement Charter in conjunction with the local FSB which was formally signed by the Leader of the Council at the FSB 'Small Business Engagement' lunch on 12th July 2013. At the same event, the Council was presented with the Best all round 'Small Business Friendliness' award.

Since the development of this Charter by the Council and local FSB it has 'gone viral' with other organisations now making the same commitments including the Eastern Shires Purchasing Organisation (ESPO) which the Council is a part owner of.

- 2.2.2 The Council has made further revisions to its tender documentation in order to simplify its processes. The size of the Pre-Qualification Questionnaire (PQQ) has been reduced by 11 pages and the requirements in relation to financial vetting and Health & Safety assessment have been simplified to reflect a more risk based approach. The new PQQ has been considered and endorsed by the FSB and Warwickshire CAVA and suggestions made to further simplify are currently being considered
- 2.2.3 Changes to systems, data capture and data analysis are being implemented in order that the Council can better understand its supplier profile with the intention that we will be able to categorise our spend with micro, small, medium and large organisations. This process will also provide better information about when potential suppliers drop out of the procurement process which in turn will enable us to tailor our training and support to organisations.
- 2.2.4 The complete suite of procurement guidance for managers has been reviewed and updated and is currently being loaded onto the Intranet.
- 2.2.5 Over the past 12 months work has continued to increase the coverage of the CSW-JETS (sub regional E Tendering portal). It is pleasing to be able to report that Warwick District Council and North Warwickshire Borough Council have now joined the initial 6 organisations using the system and Stratford District Council are due to receive training shortly. This will mean that all authorities within the CSW sub region will be using a single platform for tendering which has obvious benefits for small businesses in being able to access all opportunities across the sub region via a single platform and a single sign on.
- 2.2.6 The Council is developing its website to improve the information and guidance available to potential tenderers. The latest FSB feedback on content is currently being incorporated and further revised guidance will be launched shortly.
- 2.2.7 The Council is trying to maximise the opportunities offered by social media to market its opportunities to small businesses. Links have been made between the Procurement, Economic Development and FSB twitter accounts to ensure maximum exposure to Council business opportunities.
- 2.2.8 The Council now has mechanisms in place to publicise its opportunities or procurement related developments via the FSB communications media, in particular the weekly FSB E-Zine and their bi-monthly publication – VOICE.

3.0 Timescales associated with the decision and next steps

- 3.1 None anticipated

Attached Appendices

Appendix A – 'Local Procurement – Making the Most of Small Businesses'

Background papers

1. The Council's Procurement Procedures and how these encourage small businesses to bid for Council Contracts. Overview and Scrutiny Board 12th December 2012
2. Economic Development Overview and Scrutiny Committee 16th March 2006 - Procurement Policy - Concordat for Local Businesses
3. Cabinet 4th May 2006 - Procurement Policy - Concordat for Local Businesses

	Name	Contact Information
Report Author	Paul White	paulwhite@warwickshire.gov.uk 01926 73(6146)
Head of Service	John Betts	johnbetts@warwickshire.gov.uk 01926 41(2441)
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk 01926 41(2564)
Portfolio Holder	Cllr Alan Cockburn	cllrcockburn@warwickshire.gov.uk



Federation of Small Businesses
The UK's Leading Business Organisation



Local Procurement
***Making the most
of small businesses***



Contents

Foreword	2
View from the Centre for Local Economic Strategies: The importance of procurement	4
Executive Summary	6
Recommendations	8
1 The policy context in the UK	10
2 The small business perspective	16
3 Survey of local authorities	18
4 Barriers to participation	22
5 The solutions	32
6 A 'best practice' procurement model for local authorities	45
7 Myths and misconceptions to dispel	47
Annex A: Local government and procurement survey results report	50
Annex B: FSB member survey panel results	88

Foreword

A recent survey by the Federation of Small Businesses (FSB)¹ of more than 11,000 members found that the time and cost involved with the public sector tendering process remains a major barrier to participation, as does the difficulty in finding and accessing public sector contracts. Too many small businesses are left bruised by the impenetrable wall of bureaucracy and the widespread conviction that big is beautiful. Coupled with strict eligibility criteria, this leaves small businesses unable to compete with larger ones and locked out of public procurement contracts.

To investigate these long-standing problems, the FSB undertook a survey of public sector procurers in local government to supplement the small business view, identify spend and explore the issues and practice from their perspective. We chose local government for a variety of reasons, but most pertinently because it is often the area of government with which small business owners have most contact and to whom they are most likely to provide goods and services.

The FSB is extremely grateful to all those councils that gave up time to answer our survey, providing us with the information that formed the bulk of this work. We intend the survey to become a regular exercise because we believe it can help strengthen the relationship between councils and their local business communities by increasing understanding on both sides.

The key theme of the FSB's long running Keep Trade Local campaign is the belief that money spent with local businesses stays in the local economy, creating positive knock-on effects for jobs and prosperity in those areas. Austerity measures mean that procurers must increasingly become more aware of what they spend and how they spend it, and their impact on the wider economy. Chief among these procurers are local authorities whose democratic mandate and accountability mean that they are acutely aware of

“Money spent with local businesses stays in the local economy, creating positive knock-on effects for jobs and prosperity”

¹ The UK 'Voice of Small Business' member survey (February 2012) FSB

this challenge. Local authorities can take the lead in stimulating sustainable growth in their economies by encouraging a greater proportion of local businesses in their economic development strategy, buying more of their own goods and services locally, and working with prime contractors to encourage greater supplier diversity and best practice – for example, in the case of payment times.

The challenge is to ensure that this economically sustainable approach is embraced across the public sector. Many councils already do excellent work in this area. The FSB wants to encourage them to improve further by identifying trends and communicating the practices that would make things easier for small businesses.

The recommendations in this report take the agenda forward. Most important, in our view, is the need for all councils to gain a better understanding of how their money is spent. This could be achieved through more accurate recording and by ensuring that this information properly informs their strategy and decision making in order to embed an understanding of the links between procurement and local economic development.

No council is likely to be doing everything we recommend, but we would very much like to see as many as possible work with their local small businesses and the FSB to see what can be done to help them with the procurement process. We strongly urge councils to read this report and collaborate with us to see what can be improved.

Mike Cherry



FSB Policy Chairman



View from the Centre for Local Economic Strategies: The importance of procurement

The Centre for Local Economic Strategies (CLES) was delighted when the FSB asked us to develop a survey as part of this innovative research study of small business and procurement. Effective and locally responsible procurement spend should lead to a range of benefits for small business and local economies. It can:

- Create new jobs and sustain existing ones
- Contribute to tackling issues such as worklessness and deprivation
- Support the creation of new businesses
- Boost spending in local shops and on local services
- Support the development of local labour through apprenticeships

For procurement to be more effectively linked to economic development, local authorities should be looking to understand levels of spend with local organisations and small and medium enterprises (SMEs) and embed economic development considerations into the procurement cycle. Evidence is the starting point for a more progressive approach to public procurement. It not only means that local authorities know where their spend is going but also supports a procurement process that reflects the economic challenges – worklessness, low skills and small business sustainability – in their locality.

To enable these local economic benefits to be realised, local authorities should think strategically about procurement and, importantly, should proactively influence how the supply chain responds the income it receives through the procurement process.

Strategically, procurement should be based on cross-departmental relationships, particularly between corporate procurement and economic development, to enable economic considerations to be fed more effectively into the procurement decision. Economic, social and environmental benefit should also be embedded in the Sustainable Procurement Strategy.

Supplier networks, engagement with suppliers in areas of deprivation and gap analysis are methods of passing on economic priorities to suppliers so that they can enable neighbourhood economic change through procurement. These are a means of influencing the extent to which suppliers think about local communities and the unemployed in their recruitment policies, the extent to which they consider SMEs and local firms in their own supply chain and the strength of focus on the environmental costs of purchasing.

This approach to procurement based on place, economic development and influence is working in particular authorities. Indeed, as a result of cross-departmental working and supplier engagement, the spend back into the Manchester economy of Manchester City Council's suppliers has increased from 25p to 42p in every pound. Suppliers are also increasingly working to support long-term unemployed people into employment opportunity through apprenticeships and job brokerage activities.

The response rate to this research signals a commitment from local government to understand procurement spend, support SMEs in accessing opportunities, and enhance local economies through procurement strategy.

There is, however, much to be done and the recommendations presented in this publication highlight a key opportunity for local government to become more effective 'place stewards' when it comes to procurement strategy and purchasing goods and services.

Matthew Jackson

Matthew R. Jackson

Head of Research, Centre for Local Economic Strategies



Executive summary

This report is the product of the Federation of Small Businesses' (FSB) long-standing interest in public procurement. It recognises the important role that local government plays as a local decision maker and as an area of government with which small businesses deal regularly.

The report draws together the views of small businesses and those of local authority procurers before going on to recommend what the FSB would like to see councils do to help improve the experience for small businesses in the future.

It sets out the barriers that FSB members have been highlighting for some time – namely, the bureaucracy involved in the process, the difficulties in identifying opportunities, and the fact that many procurers increasingly set conditions that favour the use of larger contracts and suppliers rather than small businesses. It draws comparisons with the views of local procurers, highlighting that although not universal, there is clear recognition within local government of the issues small businesses face.

The data collected from the survey points to some interesting patterns in terms of how procurers approach procurement and the drivers for their behaviour. It reveals in particular that:

- The procurement spend of many councils is significant and averages £185 million for each local authority responding
- It is common, but by no means universal, for councils to record where and with whom they spend their money. A significant proportion of councils do not record the size or location of the businesses they spend with
- Cost savings are overwhelmingly the biggest driver of procurement policy, outweighing other factors such as quality of goods and services, and economic development
- Although the barriers for small businesses are often acknowledged, there are still a large number of councils that are not aware of them

The report draws on these factors and puts forward an argument for a greater focus by councils on the role that procurement can play in supporting local economies – in particular, small businesses. It puts forward a view that this should be embedded in procurement strategies and in the wider priorities of every council. The FSB believes that the starting point is for councils to gain a more informed view of their local economies and their potential supply chain by actively recording where their procurement spend goes and the impact it has.

The report makes a series of further recommendations designed to promote positive outcomes both for small businesses and for councils. In particular, it calls for immediate work to streamline and standardise approaches such as pre-qualification, utilising 'lots' where possible (because these are more accessible to small business) and putting in place initiatives to help small businesses maximise the potential of the local supply chain. The FSB also calls for the relevant governments in the UK to take an active role in supporting and monitoring councils so they follow best practice.

The report concludes with two short sections. The first puts forward what the FSB believes is a model approach for councils when it come to procurement. The second is a focus on common procurement myths and misconceptions that need to be addressed.

Recommendations

- Councils to adopt a procurement strategy that recognises the significant benefits of procuring from local small businesses when tendering for goods and services.
- Local authority economic development strategies to take account of the needs of the existing local economy and inform procurement strategy based on a comprehensive analysis of spend.
- Councils to consider actively how much of each procurement decision should be assigned to social value considerations.
- All authorities to have mechanisms in place to record and analyse where and with which businesses their money is spent. This should include measuring the size of enterprise – medium, small or micro.
- Councils to make information on spend publicly available and easily accessible, at least annually.
- Councils to monitor and take account of the economic impact of their key spending decisions.
- All authorities to adopt the relevant government-led, streamlined and standardised pre-qualification questionnaires (PQQ), with further effort made to ensure simplified processes are in place for smaller procurements below EU thresholds, including specific approaches for the lowest value contracts.
- All councils in the UK to use the relevant national portal to advertise their procurement opportunities (Contracts Finder, Public Contracts Scotland, Sell2Wales, Esourcing NI).
- Council procurement strategies to set out how they will ensure best practice is followed and how they will monitor that progress.

- **Local authorities to ensure their use of selection requirements is proportionate and based purely on the needs of the contract.**
- **Councils to ensure they have initiatives to support local SMEs with the tender process and to develop the potential of their local small business supplier base.**
- **Councils to provide detailed, specific and timely feedback to all businesses that tender unsuccessfully so they are better placed to bid next time.**
- **Councils to break down contracts into smaller lots wherever possible.**
- **Councils to put in place and monitor specific payment policies for small business suppliers, ideally following the lead of national government pledges to pay within 10 days of receipt.**
- **Councils to use spending power to ensure that prime contractors pass on the council's payments terms to their subcontracted suppliers.**
- **Government to support councils in following good practice, including by issuing clear guidance and taking action to ensure it is followed if necessary.**

1. The policy context in the UK

The changes to procurement policy are taking place in an environment where councils across the UK face increasingly tight budget constraints.

As with all parts of the public sector, local government is in the middle of large cut-backs in funding as well as big reforms across a range of policy areas. The Spending Review of 2010 saw the Chancellor announce that local government in England would take a cut of 25 per cent in revenue funding over a four-year period. At the same time, the funding provided by the UK government to devolved administrations has been cut, with a knock-on effect for the funding they provide to local government. This level of spending reduction has had an inevitable behavioural impact on how councils operate across the spectrum. Reductions in staffing have occurred alongside increased rationalisation of service delivery and back-office functions, including procurement. Many authorities are increasingly looking to enter joint procurement initiatives and in some cases are sharing procurement functions.

This has created an inevitable challenge as councils seek to find ways to reduce service costs while retaining service provision. The FSB does not want to put forward an argument that ignores the current economic reality. Rather, we aim to show how local authorities can best foster relationships with local small businesses and learn from effective practice across local government in a way that benefits small business and the local economy.

There is an argument for saying that the tightening public sector spending environment has helped to focus the minds of decision makers who, faced with smaller budgets, are forced to think more carefully about how that money is spent. As a result there is a growing realisation of the potential of procurement as a lever to growth in the small business sector and of the wider economic, social and environmental benefits that procurement can bring.

The FSB believes that public procurement should be viewed and utilised as a key tool in stimulating business and wider economies. The public sector spends an estimated £240 billion each year on procuring goods and services.² Local authorities account for a significant proportion of this, spending some £68 billion on revenue activities together with a further £20 billion procuring capital projects.³

While the FSB supports the steps that UK and devolved governments are taking to open up the public procurement process, a fundamental change is needed across the whole public sector for action to benefit SMEs. Increasingly, many public procurers are thinking carefully about the decisions they make and the impact they can have. Chief among these are local authorities whose democratic mandate and accountability mean they are often already acutely aware of this challenge. The dynamic between local authorities and their business communities is a vital one. As local entities, councils have an important 'stewardship' role and can use their spending and commissioning decisions as one of the few powers available to shape and influence their area and the services people receive.

There is much excellent work going on within the local government sector, often in conjunction with local business groups including the FSB. However, there is clearly also room for improvement in many areas. As a result, the FSB explored the relationship between small businesses and procurers in local government, carrying out a survey of local authorities to ascertain how they spend their money – in particular with small businesses – and the approach they take to procurement. The intention behind this report is to ensure that a pro-small-business approach to procurement becomes the norm within local authorities. By establishing the barriers and identifying good practice, we can work with local authorities to ensure that small businesses have the best possible opportunities to access local government contracts.

The importance of small businesses

The economy is dominated by small businesses. Across the UK, small firms make up 99.3 per cent of all businesses, contribute 51 per cent of Gross Domestic Product (GDP) and employ 58 per cent of the private sector workforce. There is correctly a commonly accepted wisdom among politicians and decision makers that it is these businesses that will provide the engine for economic growth. The FSB strongly believes that procurement policy has a key role to play and that intelligent and creative use of the SME-friendly portion of the public sector's huge spending power can stimulate and support small business growth and innovation.

² *Public Procurement as a Tool to Stimulate Innovation* (May 2011) House of Lords Science and Technology Committee report, p. 26

³ Public expenditure statistical analyses (2011) HM Treasury, p. 98

“The dynamic between local authorities and their business communities is a vital one”

There are numerous reasons why trading with small businesses can provide advantages and better value. Small businesses:

- Are often based locally, meaning:
 - Money is spent with local businesses and then stays in the local economy
 - There is face-to-face contact and a quicker response
 - Suppliers have a better knowledge of the local area and the needs of the buyer
 - There is a lower 'carbon footprint'
- Give a higher quality of service with a more dedicated and personal approach and easier access to senior management
- Provide innovative and customised solutions to problems, often much more quickly than large companies

SME or small business?

This report mostly uses the term 'small and medium enterprise', as did the questions asked of local authorities, because it is the most commonly used definition in public policy. Nevertheless, most of the businesses in the UK are in fact small (fewer than 50 employees) rather than medium (50–249 employees) in size.

The terms 'SME' and 'small business' are often used interchangeably, particularly within government, but it is important to recognise the difference between them. A small business is an SME but an SME is not necessarily a small business. The barriers for a medium-size enterprise with 200 employees are entirely different from those faced by a small business with 20 employees or a micro firm with just five. It is at the smaller end of the scale that many of the issues characterised as affecting SMEs are most pronounced. If a solution works for a micro business it will almost certainly suit small and medium-size firms too. Although we refer to SMEs in this report, we firmly believe that the future focus of any reforms and measurement of success should primarily impact those businesses that are defined as small or micro.

Devolution

The development and application of public procurement policy in Scotland, Wales and Northern Ireland is a devolved matter. As a result, although the issues faced by small businesses and the structure of local government in those areas are similar, policy has emerged slightly differently and at different speeds over recent years.

Scotland

Scotland put in place a public procurement reform programme in 2006, following John McClelland's *Review of Public Procurement in Scotland*, with the aim of achieving a more professional and efficient approach. The

reform programme has now entered a second phase designed to speed up the delivery of change. One outcome of reform was the development of collaborative buying across the public sector, which has led to the aggregation of contracts. This often makes it harder for small businesses to compete.

However, a number of initiatives have also been introduced to improve public procurement for SMEs, including the launch of Public Contracts Scotland, attempts to standardise the pre-qualification questionnaire (PQQ) process, and the creation of a single point of enquiry (SPoE) to advise suppliers and informally resolve any concerns about specific tender exercises.

There are now proposals to introduce a Sustainable Procurement Bill which will embed community benefit clauses, mandate the use of Public Contracts Scotland and standard PQQs, and introduce obligations on bodies to demonstrate consideration of the economic, social and environmental wellbeing of the area. (A similar focus on an obligation to consider wider 'wellbeing' will occur in England and Wales through the recent Public Service (Social Value) Act.)

Wales

Maximising the economic development potential of procurement spend has been a priority for successive Welsh governments, with a strong focus on enabling the public sector to procure locally and allowing local businesses to bid for contracts. Figures indicate some progress, with Wales-based companies accounting for 52 per cent of expenditure in 2011 compared with 35 per cent in 2003.⁴ Local government is an important sector, accounting for around half the public sector procurement spend in Wales.⁵

As in Scotland, particular focus has been placed on encouraging wider use of Sell2Wales for smaller contracts and simplifying the pre-qualification process. There has also been a drive to create consistency among public sector bodies by moving towards the use of a common set of questions in the Supplier Qualification Information Database (SQulD) and the use of a risk-based approach. Wales has also taken a lead in encouraging the use of community benefit clauses, with the emphasis on introducing contractual obligations to use local supply chains and increase social outcomes.

Following the influential work done by John McClelland, looking at procurement in Scotland, the Welsh Government has now launched the McClelland Review as the next step in advancing Welsh Government procurement objectives.

⁴ Statement: *The Benefits of Public Procurement on the Economy and Local Communities* (21 February 2012) Jane Hutt, Minister for Finance

⁵ Welsh Local Government Association (WLGA) statistics for the 2007/08 budgetary year indicate that local government delivers around 53 per cent of Wales' £4.5 billion public sector procurement spend

Northern Ireland

Northern Ireland has undertaken a number of reviews of procurement policy and practices. Most recently, an Assembly Inquiry in 2009 resulted in a number of FSB's recommendations for improvement being accepted. Implementation of the proposals is slow but ongoing and these reviews and policy changes relate solely to central government and agency procurement. As with the rest of the UK, Northern Ireland councils are bound by EU regulations and guidance, and are expected to adopt best practice and take central government policy and procedure as a model. However, each of the current 26 councils sets its own procurement policy and there is no formal overall guidance for local government procurement.

Under the Northern Ireland Assembly's Review of Public Administration there will be major changes to the structures and powers of local government in Northern Ireland, and a reduction in the number of councils from 26 to 11. The FSB believes this will provide a unique opportunity to ensure that local government procurement is made efficient, fit for purpose and accessible to the micro and small businesses that constitute 99.9 per cent of the private sector in Northern Ireland.

England

The 2008 Glover Review⁶ led to a number of commitments to improve public procurement and make it easier for SMEs to supply to the public sector. Following the change in government in 2010, the Coalition continued and expanded that work, introducing a series of initiatives complemented by a transparency agenda and an overarching 'aspiration' that 25 per cent of government contracts should be awarded to small and medium-size businesses. Measures taken include the launch of the Contracts Finder portal; the launch of an SME Panel and a Mystery Shopper Service to address bad practice; and reforms to the process, including the launch of a standardised PQQ and a drive to eliminate the use of PQQs for procurement under £100,000.

One of the key issues to note is that the focus of reforms by the UK government has so far primarily been on central government departments. The overarching impression regarding procurement in Scotland, Wales and Northern Ireland is that although the relevant governments cannot currently mandate councils to adopt their practices, they take a more hands-on role in trying to influence public procurement policy and practice at a local level. The scale and complexity of local government in England and the prominence of a 'localism' agenda within public policy mean the government's task is more difficult than that of the devolved administrations. However, given the huge scale of public sector spending that sits outside UK central government, further reform of the wider English public sector will be required to realise a substantial change that benefits small businesses. Local authorities themselves have begun to take this challenge on board. Together with groups such as the Local Government Association, there are promising moves to establish and share best practice.

“The focus is on transparency, simplifying the process and increasing the awareness of opportunities”

⁶ *Accelerating the SME Economic Engine: Through Transparent, Simple and Strategic Procurement* (2008) Glover Report. HM Treasury, London: TSO

Common issues

Despite procurement policy being devolved and change emerging with different speeds and approaches, it is clear that the direction of travel is similar across England, Wales, Scotland and Northern Ireland. The focus is on transparency, simplifying the process and increasing the awareness of opportunities. The challenge all procurers face is that they must undertake their procurement within the boundaries of the EU Directives and Treaty Principles and in line with a national policy that is EU compliant. As a result, the context within which councils work is inevitably similar.

It is also clear that the challenges that small businesses face with public procurement endure up and down the UK. As a result, the FSB believes the issues raised and recommendations put forward in this report are applicable to councils wherever they are based and that there is much to be gained in calling for some consistent change.

2. The small business perspective

The issue of small business access to public sector contracts is a long-standing one. The FSB has been pushing for reform for some time and staff and members up and down the UK have been working with government policy makers and public procurers (such as local authorities and government departments) to try to improve the process. Research commissioned with other partners in 2008⁷ demonstrated the substantial barriers to SMEs winning public sector contracts, indicating that:

- 70 per cent of SMEs rarely or never bid for government procurement opportunities
- 76 per cent of SMEs felt that there were barriers that prevent SMEs from being fully aware of public procurement opportunities
- 55 per cent of SMEs felt that the process of bidding for government contracts required more time and effort/cost than their business could allow
- The lack of awareness of opportunities was the single most important reason for an SME not to bid for a public contract

The research also showed that SMEs are generally more successful when bidding to the private sector than the public sector:

- 51 per cent of SMEs reported a success rate of over 40 per cent when bidding for private sector opportunities
- 62 per cent had a success rate of 20 per cent or less when bidding for public sector opportunities

More recently, the FSB has undertaken its own research into the views of small businesses through the full member survey published in February 2012 and a follow-up panel survey in March 2012. This research indicates that the

⁷ *Evaluating SME Experiences of Government Procurement* (2008) Fresh Minds research for the Scorecard Working Party. The Working Party consisted of the British Venture Capital Association (BVCA), the FSB and the Confederation of British Industry (CBI)

same issues continue to arise. Members were asked about public sector procurement in general rather than specifically about local government.

When asked about their perceptions of barriers, 60 per cent of members indicated that there were barriers to small firms in bidding for public sector contracts.⁸ In particular, members indicated the following key problems:

- The tendering process is too long/costly (35%)
- FSB members are not always aware of the public sector contracts available (28%)
- They do not feel able to compete with larger suppliers (28%)
- The relevant eligibility criteria (e.g. level of turnover/relevant standards) tend to exclude them (27%)

These issues are particularly prominent among micro businesses. Micro businesses with fewer than 10 employees are significantly less likely to bid for public sector contracts than small and medium-size businesses. When they do bid, they are less likely to win. In essence, the smaller the business, the less accessible the procurement process appears to be.

The full results of the March 2012 panel survey is contained in the Annex. In summary:

- Over half of members always or almost always request feedback on unsuccessful public sector bids. Views about the quality of feedback are mixed
- The vast majority of members argue that the private sector procurement process is more straightforward than the public process
- The majority of members highlight personal contracts/referrals as the most useful tool to identify public sector opportunities
- The main reason members do not submit public sector bids is lack of awareness of appropriate contracts or suitable opportunities
- The most common suggestions for actions to tackle barriers are to:
 - Simplify the process
 - Proactively encourage use of SMEs
 - Ensure procurers evaluate tenders based on experience and ability rather than size

⁸ The UK 'Voice of Small Business' member survey (February 2012) FSB, p. 36

3. Survey of local authorities

The purpose of the FSB survey of local authorities was to gain a better understanding of the extent to which:

- SMEs are successful in accessing local government procurement opportunities
- Local government monitors levels of procurement business with SMEs
- Local government has strategies and initiatives in place to support SMEs
- Local government recognises the different scale of SMEs and the associated barriers to procurement, particularly for small and micro businesses

The survey was carried out against the backdrop of growing recognition that well-tailored procurement policies can influence economic growth and deliver savings for local government, and the ongoing problems that SMEs face when applying for procurement contracts.

To enable small businesses to take advantage of emerging opportunities in local government procurement, there is a need to develop an evidence base that scopes current levels of local authority spend with SMEs (specifically, small and micro businesses where possible), the means of collecting information about SME delivery of services, and local government processes for supporting SMEs to take advantage of procurement opportunities. The survey of procurement departments therefore sought to question local government along the following lines of enquiry:

- Level of spend on goods and services
- Whether the level of spend with SMEs is recorded and, if so, whether it is broken down by micro, small and medium-size enterprise
- Whether the level of spend in the locality is measured and, if so, the proportion it represents

- Perceptions of the barriers faced by councils and small businesses in the process
- Time taken to process SME invoices
- The priorities and drivers for councils when undertaking procurement
- Whether councils have any initiatives or strategies to improve access to SMEs and identify examples of best practice

Undertaking the survey

The FSB engaged the Centre for Local Economic Strategies (CLES) to help design and pilot the survey. The questionnaire used SurveyMonkey software and was sent electronically to each of the 432 local authorities in England, Scotland, Wales and Northern Ireland, based on a database compiled and updated by CLES. The email with the questionnaire link was sent out directly by CLES on Monday 16 April 2012, closing four weeks later. In order to maximise response rates and minimise gaps in successful contacts with councils, this was supplemented by FSB regional members and staff sending letters to local authorities and following up the survey with procurement teams. The Local Government Association also helped to promote the survey among local government procurement professionals.

From the 432 local authorities asked to participate, 148 completed the questionnaire. This is a response rate of 34 per cent, demonstrating key interest in the project from local authorities. Responses were received from councils in Scotland, Wales, Northern Ireland and all regions in England and from county, district, London borough, metropolitan and unitary authorities (including unitaries in Scotland and Wales and councils in Northern Ireland). Responses that contained insufficiently complete answers were excluded from the results.

The results

The survey yielded a large amount of data that provided a very good insight into the current situation. Annex A presents a full report of these findings and explores variations by geography and by authority type. It also includes the survey questions.

Initial observations

One of the key insights this survey brings is recognition of the hugely important influence of local authority spending decisions. The survey shows an average annual procurement spend for UK councils surveyed of £185 million, meaning there is a significant flow of money from the public to the private, voluntary and community sectors. In an environment where the outsourcing and commissioning of services continues to increase, the importance of local authority decisions about which businesses will deliver their contracts continues to grow.

Much of the overall picture is positive. Councils indicate an average of 49 per cent of total procurement spend with SMEs. To put this in context, UK central government department spend with SMEs is estimated at

13.7 per cent for 2011/12⁹, with an aspiration that eventually 25 per cent of government contracts should be thus awarded.¹⁰ Although not directly comparable because it incorporates wider Scottish public sector spend, figures from the Scottish Government indicate around 46 per cent of its spend went to SMEs in 2011/12.¹¹

Many local authorities also indicated a broad awareness of the various barriers that SMEs face and gave examples of a wide range of actions to help SMEs in the procurement process. However, it is worth highlighting the caveat that those that chose to respond to the survey perhaps have a more positive story to tell than those that did not.

The key headline findings of the survey follow.

Spend

- The average local authority spend on procuring goods and services is £185 million per annum. In total, the local authorities that responded to the survey and provided their spend data spent a combined £26.7 billion per annum procuring goods and services
- On average, local authorities responding to the survey use 26 per cent of their procurement spend on capital activities and 74 per cent on revenue activities
- 34 per cent of local authorities spend less than £50 million annually on procuring goods and services. There are therefore also some very high spenders with well over a quarter of councils spending more than £250 million per annum
- 62 per cent of local authorities actively record the amount of spend within their own local authority boundary
- On average, local authorities use nearly 35 per cent of their total procurement spend within their own local authority boundary. This varies from 20 per cent to over 50 per cent depending on geographical location
- 51 per cent of local authorities actively record the amount of spend with SMEs. Again, this figure is significantly higher in some areas than others, with almost four in five councils in Scotland and the North West of England recording SME spend
- On average, local authorities use 49 per cent of their total procurement spend with SMEs. However, only 49 authorities were willing or able to provide this information. The average spend varies significantly, ranging from less than 10 per cent in some council areas to more than 70 per cent in others

Barriers

- 66 per cent of local authorities feel that SMEs face barriers in accessing procurement opportunities. The biggest spending authorities (in excess of £500 million per annum) are more likely to think that SMEs face barriers (nearly 82% of such authorities)

⁹ *Making Government Business More Accessible to SMEs: One Year On* (March 2012) Progress report on enabling more SMEs to tender for government procurements, Cabinet Office

¹⁰ Coalition Agreement, 2010

¹¹ *Public Sector Spend in Scotland by Size of Business 2010–11* (2012) Scottish Procurement Information Hub, The Scottish Government

- The main barriers that are specific to SMEs were identified as:
 - The capacity and skills of SMEs to bid for and deliver contracts effectively
 - The SME sector's awareness of potential procurement opportunities
 - Lack of understanding or knowledge of the operation of local government
 - Insufficient business maturity, particularly in terms of engagement with 'big' business
- The main barriers that are specific to local authorities were identified as:
 - The bureaucratic nature of local authority procurement practices
 - A lack of awareness and understanding of SMEs, what they offer, and how to engage with them
 - The need for procurers to achieve economies of scale in their procurement practices

“66 per cent of local authorities feel that SMEs face barriers in accessing procurement opportunities”

Engagement

- 94 per cent of local authorities have initiatives to support SMEs in tendering. Of those, 68 per cent believe they adopt best practice. A number of themes were identified:
 - Simplifying procurement processes
 - Using specialist and smarter procurement programmes for SMEs
 - Producing toolkits and guidelines, and using e-procurement
 - Providing regular training and workshops for SMEs
 - Streamlining financial appraisal and adopting a 'lot' approach
 - Simplifying quotation requirements to accommodate SMEs
 - Using partnership working with business networks
 - Taking a cross-department approach to activities
- 74 per cent of local authorities adopt different processes for tenders below EU thresholds. Key approaches include advertising locally, reducing the bureaucracy and speeding up the process
- The vast majority of local authorities use council and regional portals as a means of advertising tender opportunities. However, use of the relevant main government-backed portal in each of England, Scotland, Wales and Northern Ireland varies significantly. Use is universal in Scotland and Wales but much lower in England and Northern Ireland

Economic, social and environmental benefits

- 86 per cent of local authorities feel their procurement strategy links 'well' or 'very well' to wider corporate objectives
- Overwhelmingly, the most important contemporary issue in the procurement process for local authorities is achieving cost savings. By contrast, environmental sustainability and delivering government policy, although significant, were rarely given the highest score for importance

Payment

- 93 per cent of local authorities have policies in place for the payment of suppliers
- 72 per cent of local authorities seek to pay suppliers in 28 days or less (22% in less than 14 days)
- 49 per cent of local authorities ask their main contractors to pass on payment terms to their subcontractors

4. Barriers to participation

The results present a broad insight into the approach and attitudes of local government procurers in the UK. They add new perspectives to the barriers that small businesses already say exist. This section highlights some of the key barriers that the FSB believes cause problems for small businesses in accessing the public procurement process.

Bureaucratic processes

Small business perceptions of bidding for public contracts are of an overly bureaucratic and cumbersome process. The tendering process is too long and costly and this is cited as the number one issue. FSB members also tell us that this is a significant factor in why many small businesses have decided not to bid for contracts at all. The key complaint that the FSB hears from members is about the amount of time and resource required to bid for contracts, which often prohibits them from competing effectively. This perception is particularly significant among micro businesses, which are also less likely to be successful when bidding.

It is not surprising, therefore, that 'simplifying the tendering process' is identified by small businesses as the top action to ensure that SMEs have the best opportunity to compete effectively.

The feedback from members shows quite clearly that, despite significant action on SME procurement policy by successive governments, the same issues and concerns persist and small businesses find accessing public sector contracts challenging and often prohibitive.

When asked for their views on the public sector procurement process compared with that of the private sector, only four per cent of FSB members thought the public sector easier and more straightforward. Significantly, 75 per cent disagreed or strongly disagreed with that view.

Member case study: a construction business in Scotland

“Our biggest issue in dealing with councils is pre-qualification questionnaires – they are extremely onerous and time consuming – they all want the same information – just asked from slightly different viewpoints. Time spent completing different formats with similar information is time lost on winning more business. The additional requirement now as opposed to five years ago means we need double the amount of administrative staff to deal with the same level of turnover. It is driving small business away from the public sector market.”

It was interesting to see that many of the authorities responding to the survey mentioned the burden of the process, raising issues about the complex nature of local authority tender documentation, particularly at PQQ stage, including:

- SMEs not having specialist bid writers for local authority procurement opportunities
- The high costs for SMEs of bidding for local authority procurement opportunities
- The complex nature of local authority tender documentation and requirements, particularly at the pre-qualification stage
- SMEs' lack of understanding of local authority procurement processes and how they operate

A gap in knowledge and understanding

It is undoubtedly true that many small businesses find the process confusing and inaccessible. For many, the additional requirements of doing business with the public sector make it extremely difficult to engage effectively.

The answers given by councils about the types of barriers they believe small businesses face certainly reflect the issues that many small businesses highlight as problematic. However, it is notable that a significant proportion of the barriers local authorities refer to are inherent in SMEs as potential suppliers, not imposed by the procurer. SMEs' lack of skills and knowledge about competing effectively for contracts are recurring themes throughout.

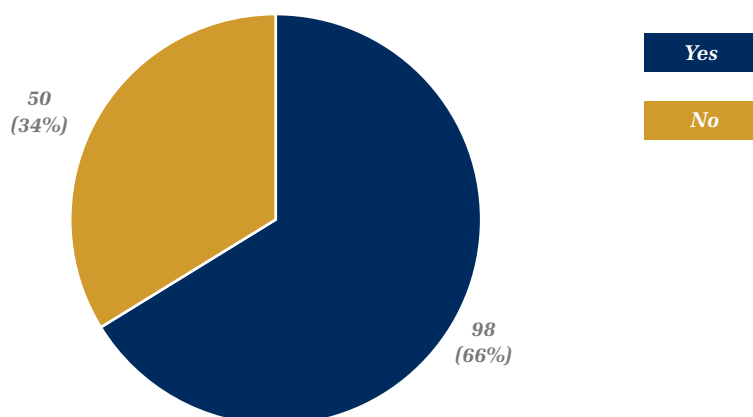
Nevertheless, it is not enough for procurers to say that 'SMEs do not have the knowledge or capacity to engage effectively' because the problem works both ways. Small businesses have long felt that those working in the public sector fail to appreciate the way they work and the challenges they face: 63 per cent of FSB members recently stated that they do not believe their local authority understands the needs of local businesses. The gap in understanding within councils is as relevant in procurement functions as in any other. It is therefore encouraging that some councils responding to the survey highlighted their lack of understanding of small businesses and their awareness of their potential.

This inadequate market intelligence about local SMEs means that councils do not know which SMEs are available, what goods and services they could potentially provide and what capacity they have to engage in the procurement process.

It is clear the knowledge gap on both sides inhibits successful relationships between buyer and supplier. Addressing this could help to maximise opportunities for small businesses and ensure buyers take advantage of the opportunities that a vibrant SME supplier market can provide.

Figure 1 indicates that almost two thirds of councils responding to the survey believe SMEs face barriers in accessing procurement opportunities, showing there is widespread recognition of the problem. However, that still leaves a third of authorities believing there is no problem to address. This presents a significant challenge for those seeking improvements and ensuring that the impact of policies is monitored.

Figure 1: Councils believing that SMEs face barriers in accessing procurement opportunities



Even if local authorities recognise the presence of barriers, it is difficult for them to know whether actions taken to address them are actually effective. As the survey reveals, only 51 per cent of councils responding actively record their spend with SMEs, so the remaining 49 per cent would have no way of measuring the effectiveness of their actions.

Selection requirements

Although there is the beginning of a change in pre-qualification processes, unnecessary barriers are still being put in place, often arbitrarily. One example is the use of disproportionate turnover requirements as a way to evaluate a bidder's financial standing. Rather than taking a genuinely risk-based approach to selection, local authorities sometimes set turnover requirements at a high blanket level. This immediately bars many small

businesses from even entering the process. FSB members consistently raise this issue and the use of financial requirements within the tender process. It was the biggest single issue reported to the Cabinet Office's Supplier Feedback Service in the past year (37% of all complaints received).¹²

Similarly, of the 31 per cent of complaints to the Scottish SPoE that focused on the PQQ process, the main theme was the proportionality of tendering requirements.¹³ The European Commission has identified such requirements as 'frequently a formidable obstacle to access by SMEs'.¹⁴ Instead, the FSB believes a more proportionate assessment is needed of the risk levels and subsequent impact, case-by-case.

This is a perfect example of the procurement process stifling the small business sector's potential to act as a catalyst for growth because it prevents businesses aspiring to something bigger or new. They are unable to bid for a new government contract, and in the process grow their business, because their turnover is currently not high enough. How, then, is a small business that wants to compete in the public sector market expected to push its business forward?

A second, often quoted, barrier is that of disproportionate insurance requirements. Small businesses that regularly compete in the private sector market, with adequate insurance for the type of work they undertake, are suddenly faced with massively increased requirements for cover that are out of proportion to the contract in question.

In some cases, simply not having a track record as a public sector provider can be enough to bar firms from competing. As Cabinet Office Minister Francis Maude has said, "unless you have shown that you have done almost exactly this kind of thing before in the public sector you don't even get on to the bidding list".¹⁵

Some of the local authority procurers responding recognise these issues, as shown in the following list of items identified:

- SMEs do not have sufficient financial capability and resource to deliver procurement contracts
- SMEs do not have a track record in delivering local authority contracts
- The financial requirements placed on SMEs are an issue in terms of the need for certain levels of turnover
- There is a lack of preparedness (on the part of the procurer) to take risks in the procurement process
- There is a greater perceived financial risk in using SMEs to deliver local authority contracts

¹² Annex A SME progress report Making Government Procurement More Accessible to SMEs (March 2012)

¹³ Single Point of Enquiry, report on activity, Scottish Procurement and Commercial Directorate (April 2012)

¹⁴ Proposal for Directive of the European Parliament and of the Council on Public Procurement (December 2011) European Commission, Com(2011) 896 Final, p. 11

¹⁵ House of Lords Science and Technology Committee, 'Public procurement as a tool to stimulate innovation', HL Paper 148, May 2011, p26

What is not clear from the responses is whether procurers view these as issues for SMEs or procurers to address. The FSB accepts that there will undoubtedly be instances where the procurer must protect themselves and the tax payer from undue risk by putting in place requirements that exclude some businesses. Nevertheless, it should be incumbent on those procurers to ensure that this only happens in exceptional circumstances and on a case-by-case basis. Requirements should be strictly proportionate to the needs of the contract and should not limit competition by acting as a barrier.

Member case studies: examples of disproportionate insurance requirements

Business A

“I was required to fill in a form requiring a minimum of £5 million worth of professional indemnity cover for a £25,000 contract for website design. This was in addition to having to face a 12-part, 75-page tender document that would have taken an estimated two days to complete and comply with. It was simply not worth my while.”

Business B

“A council in the north-east issued a PQQ for the architectural design of a unit with a build cost of around £200,000. These types of building are the most basic form or structure you can have. However, the level of professional indemnity insurance the architectural designers were expected to carry was £10 million. This was disproportionate to the contract value and potential risks and at odds with what happens in the normal market.

I queried this with the people issuing the PQQ but they didn't care – their response was ‘if you have not got it you can't tender’. The only architectural practices that carry £10 million personal insurance will be the mega firms. Are these the only companies that they want to tender for the works? They work at a price threshold that is easy for us smaller firms to undercut so you have to question if the tax payer is getting best value.

I looked at a few further PQQs after that and hit similar obstacles and soon decided it wasn't worth it.”

Awareness

FSB members perceive lack of awareness or visibility of the public sector contracts available as the next major barrier (28%). Many businesses would still not choose to bid for contracts even if they were aware of opportunities, but there is a clear imperative for public sector procurers to maximise competition and ensure that potentially innovative and competitive suppliers are at least aware of the opportunities that arise.

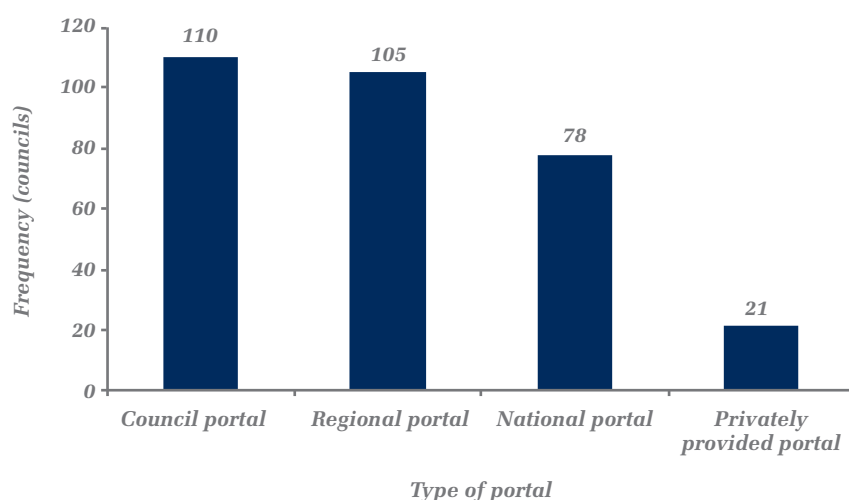
Other than personal contacts and referrals, electronic portals are the primary tools used by FSB members to identify contract opportunities. The way councils advertise their opportunities is therefore of vital importance to small businesses. As Figure 2 shows, the survey of local authorities revealed

a range of different approaches to advertising tender opportunities, with the councils' own website being the most popular route and a further high number also using 'regional' portals.

The FSB strongly believes that simplicity and consistency are the keys to ensuring that small businesses know exactly where to look for public sector opportunities. The FSB has continued to support the idea of a single portal in each of the relevant parts of the UK as 'one-stop shops' for contract opportunities. This has not yet been achieved, most particularly in England where only 53 of the 119 local authorities that responded use the relevant government-backed portal (Contracts Finder). Similarly, only three out of seven councils responding in Northern Ireland use eSourcing Northern Ireland.

By contrast, Public Contracts Scotland and Sell2Wales are well-established portals and all councils responding to the survey indicate that they use them to advertise contract opportunities.

Figure 2: Frequency of use of different types of portal for advertising



The recent survey of the FSB membership shows that awareness of the Contracts Finder portal in England is still relatively low (17%). By contrast, 31 per cent of FSB members in Scotland are aware of Public Contracts Scotland, perhaps because it has been in place for longer and is used more comprehensively by contracting authorities.

Size

The size of many public sector contracts continues to be a challenge for many small businesses. As with the rest of the public sector, councils are increasingly being encouraged to aggregate procurement or procure jointly with other authorities in the belief that this will bring economies and efficiencies of scale.

Many small businesses express concerns that when the value of contracts is increased in this way, it automatically puts them beyond the reach of small businesses which are unable even to compete. The FSB believes this is a very significant issue for small businesses and a major challenge to a policy of increasing access to contract opportunities for SMEs.

Efficiencies must undoubtedly be an important factor in procurement policy. However, centralised and/or joint procurement should mean a more coordinated and efficient approach to getting the best value for any particular service or product, not simply using a large prime contractor to deliver or subcontract all those services.

Research into public procurement paints a clear picture of the impact of contract size on the ability of small businesses to compete for contracts. The value of a public contract has a major influence – arguably, the greatest influence – on the extent to which small businesses can access it.¹⁶ It is inevitable that some contracts require a size and scale that will make it difficult for many small businesses to compete, but a trend towards aggregating smaller contracts will worsen the ability of small businesses to take part.

It is revealing that the UK has one of the largest average contract values. France and Germany both have similar sizes of economy yet have significantly lower average contract values (less than half the UK's, in the case of France) and perform far better than the UK in terms of SME access.¹⁷

A recent report by the Office of Fair Trading (OFT)¹⁸ also identified the problem of joint procurement contracts excluding smaller suppliers. OFT recommend that:

“Joint purchasing projects should therefore review the potential impact on smaller suppliers’ ability and incentives to compete in the procurement exercise. Consideration should be given by commissioners and procurers to dividing these contracts into separate lots to facilitate such entry, or at least weigh this option against potential economies of scale and scope arising from joint purchasing”.

There is a risk that freezing out a pluralistic market may negate any cost saving advantages in the long run. Aggregating contracts and limiting the range of suppliers in a given market increases the advantages for incumbents. The next time the contract comes up for renewal, the balance is heavily in favour of the incumbent supplier and the procurer’s ability to use competition to drive a good bargain and demand innovative solutions has diminished. In short, initial advantages to the public sector from this sort of arrangement may simply result in increased profits for the supplier in the long run.¹⁹

¹⁶ *Evaluation of SMEs’ Access to Public Procurement Markets in the EU* (2010) GHK, commissioned by the European Commission’s Directorate-General Enterprise and Industry, p. 29 (this research focused on above-EU threshold contracts)

¹⁷ *Ibid*, p. 35

¹⁸ *Commissioning and Competition in the Public Sector* (March 2011) Office of Fair Trading, p. 7

¹⁹ *Assessing the Impact of Public Sector Procurement on Competition* (September 2004) Office of Fair Trading, Volume 1, p. 109

The recent OFT report into commissioning identified quite clearly how lower levels of competition in procurement could be associated with both 'inefficiency and a lack of innovation' and 'incumbency advantages limiting the dynamism of service'. The OFT strongly links the latter to the fact that barriers for newer and smaller suppliers increase the risk that 'contracts will always be awarded to the same few suppliers, who in turn will not face sufficient competitive constraints and incentives to improve their offerings'.²⁰

Local authorities are alert to the challenges of size and identify the following as potential barriers:

- The increased use of long-term frameworks for major procurements, particularly in construction
- The sometimes large size and scale of procurement opportunities that SMEs are unable to bid for and deliver
- The increasing aggregation of contracts and sub-regional and regional expectations in relation to delivery

The counter to some of these concerns is, of course, that there will still be small businesses involved in the process as subcontractors. It is already well established that subcontracted SMEs can often find their margins are squeezed and the flexible and innovative approaches they offer are ignored. Additionally, they are forced to accept unfavourable terms and conditions and disproportionate delays in payment.²¹ The FSB fully accepts that a prime contractor model is necessary for some goods and services. However, if local authorities always prefer to contract directly with primes, this brings its own problems and challenges, particularly in the absence of strong and active contract management. More creative procurement would work directly with SMEs, getting them to deliver a better value service.

Instead, there is a risk of moving to a situation where large contractors are essentially procuring contracts on behalf of the buyer, but without any of the usual transparency and scrutiny. It then becomes increasingly difficult to see how much value the prime contractor is securing through the supply chain and how much of that is being passed back to the public sector or used to generate excessive profits for the prime contractor.

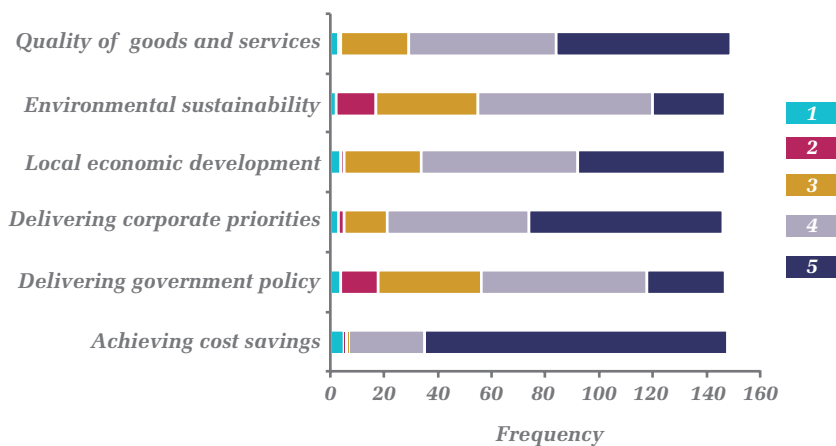
The importance of cost efficiencies

With the imperative of tight budgets, cost efficiencies are currently the primary driver for the vast majority of councils in the UK (Figure 3), with virtually all councils scoring it as a 4 or 5 in terms of importance (5 being high importance). The problem comes when this pressure overrides other important long-term considerations such as economic development and the quality of goods and services.

²⁰ *Commissioning and Competition in the Public Sector* (March 2011) Office of Fair Trading, p. 29

²¹ *Accelerating the SME Economic Engine: Through Transparent, Simple and Strategic Procurement* (2008) Glover Report. HM Treasury, London: TSO, p. 34

Figure 3: Extent to which issue is important in procurement process



Authorities were asked to score issues on a scale of 1 (low importance) to 5 (high importance)

The FSB believes a more balanced approach needs to be adopted to the issues that drive procurement policy. Cost savings were scored as of high importance by 76 per cent of councils, while only 37 per cent rated economic development as of high importance and 44 per cent scored the quality of goods and services as such. Despite recognition of the wider context in which procurement decisions should be made, the drive towards savings is inevitably placing pressure on the balance of this relationship.

Despite the pressure on councils' budgets, however, local economic development remains of significant importance within many authorities. For example, all councils in the North West of England scored cost savings as of high importance but 13 of those 14 also scored local economic development considerations highly.

It is interesting that in Scotland, where there is already a strong policy push to consider the wider benefits of procurement, cost savings and economic development were roughly equally balanced. Some councils – especially the smaller ones with limited resources – do not think this balance is particularly important, but it is vital it is encouraged and that councils remain mindful of the impact of their spending decisions. Policy makers must consider what support can be given to ensure councils are able to deliver both efficiency savings and a positive procurement policy in a way that is beneficial to residents and the business community.

Local authorities can take the lead in stimulating sustainable growth in their economies by engaging with and encouraging development of local businesses in their economic development strategy, buying more of their own goods and services locally, and working with prime contractors to encourage greater supplier diversity. The FSB's long-running Keep Trade Local campaign has always had at its heart the recognition that money

“Local councils have a huge scope to use their spending power in a positive way to support local economies”

spent with local businesses stays in the local economy, creating what the New Economics Foundation has termed a positive 'multiplier effect'.²²

By contrast, a large proportion of the money spent with large, often multinational, businesses flows onto the balance sheets but can then ebb out of the area. For example, a study by CLES for Manchester City Council²³ demonstrated that suppliers based in the Manchester and Greater Manchester area respend significantly more of every £1 invested by the council through procurement than those based nationally.

As one of the biggest spenders in any locality, local councils have a huge scope to use their spending power in a positive way to support local economies. Economic and social return can come in the form of:

- Economic growth through increasing small business delivery of services and thus output
- Addressing unemployment and worklessness through job creation
- Encouraging innovation and business start-up
- Reducing environmental emissions

The challenge is to turn this rhetoric into a sustainable and progressive reality at local level, effectively changing the culture of procurement departments. The FSB wants to work with the sector to identify the sorts of approaches which can be promoted to councils across the country.

²² *The Money Trail: Measuring your Impact on the Local Economy Using LM3* (2002) New Economics Foundation

²³ *The Power of Procurement, Towards Progressive Procurement: The Policy and Practice of Manchester City Council* (2010), Centre for Local Economic Strategies

5. *The solutions*

The FSB believes that councils need a clear vision of what they want to achieve before they can establish an effective procurement strategy. From that point, it becomes easier to decide on the action plan that will put the strategy in place. The FSB believes that a key goal should be to support small business and reap the benefits in terms of a strong supplier base and support for the local economy.

This section draws on some of the key information from the local authority survey, together with the issues FSB members themselves have identified, to recommend how local authorities should best approach their procurement policies.

Place economic development at the heart of procurement strategy and practice

The FSB believes economic development needs to be embedded within every council's approach to procurement, not just as a tool to drive efficiency but also recognising the benefits it can bring. For this to happen, there needs to be a detailed understanding of the council's spending, a commitment from the top to a holistic procurement policy, and strong links between procurement and other departments. Procurement departments alone cannot achieve the balance required.

It is heartening to see the extent to which local authority procurement professionals believe their procurement strategy links well to the council's wider corporate objectives (86% believing it linked 'well' or 'very well'). If this is correct, the goal should be to ensure that the wider corporate objectives recognise the important role of council spending in supporting economic development, and to ensure that such an approach is properly implemented.

There is also a need for council procurement strategies to recognise the important role of social value, bringing in wider considerations than cost. Procurement can provide councils with a secondary route to address worklessness, youth unemployment and skills development by giving potential suppliers the opportunity to demonstrate how they could contribute to these issues if awarded a contract. Social value should already be a consideration for procurers, but the Public Service (Social Value) Act and a potential Sustainable Procurement Bill in Scotland should mean that procurers are increasingly focusing on this dynamic.

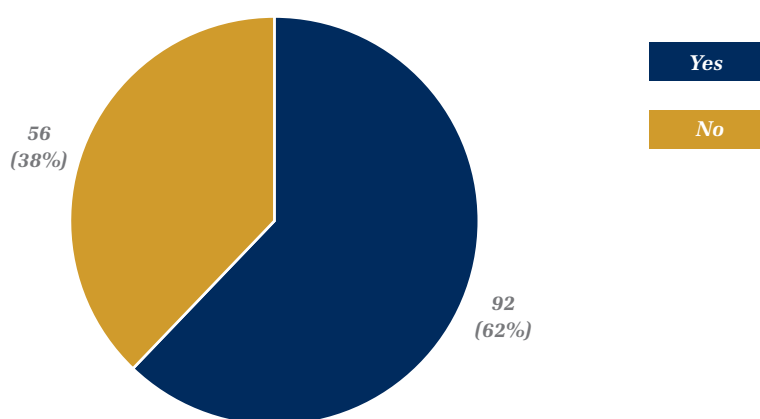
- **Councils to adopt a procurement strategy that recognises the significant benefits of procuring from local small businesses when tendering for goods and services.**
- **Local authority economic development strategies to take account of the needs of the existing local economy and inform procurement strategy based on a comprehensive analysis of spend.**
- **Councils to consider actively how much of each procurement decision should be assigned to social value considerations.**



Record and publish relevant spend data

The FSB believes local authorities' responses on measurement of spend reveal one of the key issues to address in local government procurement.

Figure 4: Proportion of authorities recording local spend (within authority boundary)



It was positive to see that 62 per cent of councils can account for where their money is spent geographically (Figure 4). As set out earlier, the FSB believes there are huge benefits in procuring locally where possible

and being able to measure the level of spend must be a vital aspect of a council's procurement strategy. There is widely available software to analyse spend based on postcode information and the vast majority of councils in Scotland and Wales, the North West and North East of England are able to make this assessment. It is therefore disappointing that the remaining 38 per cent of responding councils are not able to gauge their local spend – half of the London boroughs and more than half of the English district councils responding do not actively record this information.

This is not to say a high proportion of local spend alone should be taken as a measure of success. It is not unexpected that London borough councils, for example, have a significantly lower than average local spend within their boundaries (20%). Their large overall spend combined with a relatively small geographic area makes it likely they see London itself as their natural local market and they procure less from within their immediate boundaries. Nevertheless if, as the FSB believes, procurement policy should tie closely with local economic development policy, councils should have a sophisticated understanding of where their spend is being directed. As argued in this report, there are significant advantages to directing spend within the local business community wherever possible.

There is also a need for councils to understand the size of business that they procure with and it is therefore disappointing that nearly half (49%) of councils responding do not know the amount of their procurement spend with SMEs (Figure 5). As with geographic spend, a substantial majority of councils in Scotland and Wales, and parts of England such as the North West, record their spend with SMEs. The FSB hopes more councils can be encouraged to make the effort to record this information, particularly given that a good proportion of those councils who do record it indicate that over half their spend goes to SMEs (Figure 6).

Figure 5: Proportion of authorities recording SME spend

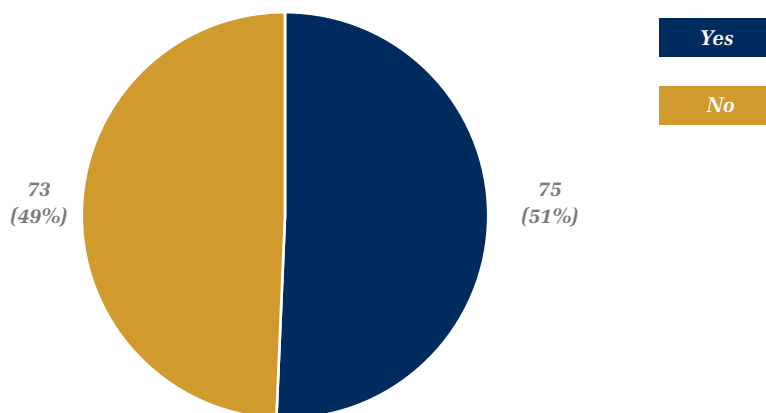
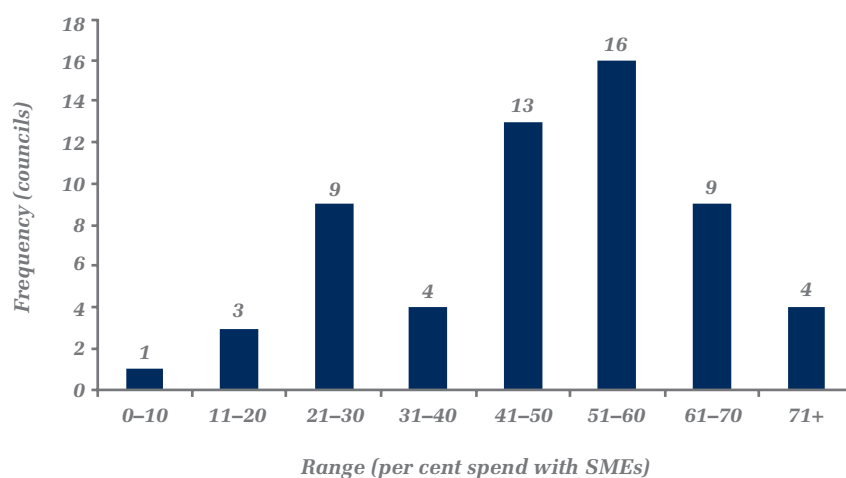


Figure 6: Proportion of spend with SMEs

Also concerning is the extremely small number of councils that break down the SME category further. The term 'SME' is a broad one, covering anything from businesses with 250 employees to sole traders. The survey results reveal that only 22 (29%) councils which record spend with SMEs break this down further: only 14 provided data for their spend with micro businesses and 18 for their spend with small businesses. Given that small businesses make up 99.3 per cent of all business in the UK and employ half the private sector workforce, this needs to be addressed. The FSB would like to see procurers gain a more sophisticated understanding by recording how much they spend with each of the categories within it – medium, small and micro business – because a more detailed picture will be better able to drive improvements.

The FSB believes it is absolutely paramount that local authorities are willing and able to analyse where they spend their money. In particular, the survey results show:

- Authorities which record their level of spend with SMEs are more likely to indicate that local economic development is important (scoring it as a 4 or 5) than those that do not
- Authorities with a more negative view of how well their procurement strategy links to wider corporate priorities were also more likely not to record level of spend with SMEs
- Authorities with a payment schedule of less than 14 days are more likely to record levels of spend with SMEs
- Authorities that actively record levels of spend with SMEs are more likely to ask their main contractors to pass on payments policies

Transparency is another important issue. The FSB not only believes all authorities should be able to understand where and how their money is spent, but also believes this information should be publicly available and

easily accessible. Of the 75 authorities that said they record SME spend, only 59 went on to provide the data – meaning only 40 per cent of all the councils that responded were able or prepared to provide data. Similarly, not all the councils which record spend within their boundary actually provided the data (83 out of 92).

Although the FSB is grateful to the authorities that shared their data, it believes this sort of information should be routinely recorded and publicly available. Some councils publish data but they are in the minority. The FSB believes that transparency of spend will help to focus the minds of public procurers and drive policy change.

Finally, there is scope for councils that can already analyse their spend to collect and monitor further information about its knock-on or ‘multiplier’ impact on local economies – for example, by exploring the extent to which key suppliers subcontract and recruit locally.

- **All authorities to have mechanisms in place to record and analyse where and with which businesses their money is spent. This should include recording the size of enterprise – medium, small or micro.**
- **Councils to make information on spend publicly available and easily accessible, at least annually.**
- **Councils to monitor and take account of the economic impact of their key spending decisions.**



Simplify the process

One of the key ways to ensure the procurement process is accessible for small businesses is to make it as straightforward as possible and councils outlined a number of steps they are taking to achieve this.

Some councils provide clear and easily accessible information on how best suppliers can identify opportunities and most effectively engage with the process.

The most important action must be to address the pre-qualification process. Councils mentioned a number of ways that they are tackling this issue, including:

- Standardising and simplifying PQQs and invitations to tender (ITTs)
- Providing examples and case studies of completed PQQs
- Streamlining financial assessment criteria
- Removing PQQ requirements

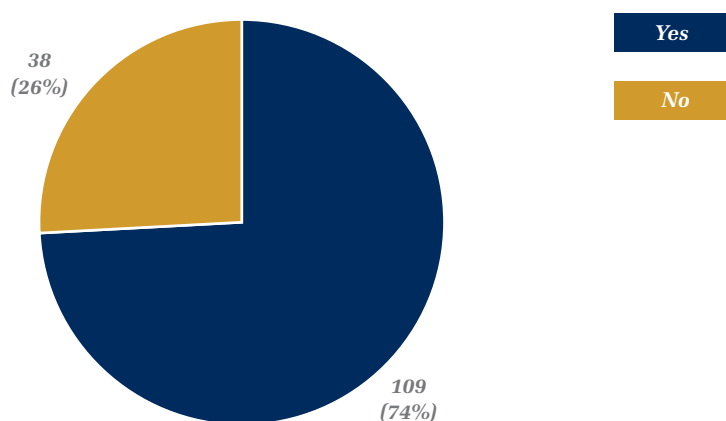
The FSB fully endorses these approaches and would like to see every council ensure it has made an active push to examine and improve its own processes as a matter of priority. We would particularly like to see all councils in the UK move towards standardised procurement documentation. This can best be achieved by the relevant UK governments rolling out standard PQQs and mandating them for use across the wider public sector, including local authorities.

In addition, the process underway in Wales to develop a SQulD will combine a standardised question set with a database so that suppliers can store their PQQ answers and reuse them later. A similar approach to standardisation is also favoured in Scotland. The FSB believes that this 'record it once' approach has considerable merit as a way of reducing the burden and would like to see work undertaken to ascertain whether it can be implemented more widely for councils in the UK.

Angus Council: small opportunities

Angus Council has changed how it advertises lower value contract opportunities to improve access for locally based SMEs. For contracts below £10,000 for supplies and services, and £20,000 for construction works the council seeks at least two quotes from locally-based suppliers and one from a national/non-local supplier where available. Since the introduction of the new policy SME spend has increased, in the past four years, by almost 12 per cent. All contracts above those thresholds are advertised on the Public Contracts Scotland portal.

Figure 7: Proportion of authorities using different processes for tenders below EU thresholds



It is surprising to see that over a quarter of councils say they do not alter their process for tenders that are below EU thresholds (Figure 7), given that there is then significantly greater leeway to reduce bureaucracy. All

councils should be seeking to make procurement for smaller contracts more straightforward, particularly where the detailed provisions of the EU rules do not apply. The FSB would also like to see councils implement specific, simple, straightforward processes for their very low value contracts.

- **All authorities to adopt the relevant government-led, streamlined and standardised PQQ, with further effort made to ensure simplified processes are in place for smaller procurements below EU thresholds, including specific approaches for the lowest value contracts.**



Make it easier to identify suitable contract opportunities

In order to increase simplicity and reduce confusion, the FSB believes there is significant merit in providing small businesses across the UK with access to every relevant public sector contract opportunity free of charge through one of the four national portals.

Local authorities can achieve this by advertising their contract opportunities directly on the portal or by linking to it from their existing portals. This need not exclude other methods and routes for advertising procurement opportunities.

- **All councils in the UK to use the relevant national portal to advertise their procurement opportunities (Contracts Finder, Public Contracts Scotland, Sell2Wales, Esourcing NI).**



Address poor practice and myths

Urgent action is needed to address the prevalence of unnecessary selection practices such as disproportionate turnover and insurance requirements. Procurers also need to be familiar with what is and is not permissible within the procurement procedure.

Some unnecessary approaches seem to become permanently embedded in the procurement process, resulting in myths and misconceptions about what is permissible. What starts out as guidance has in some cases become ingrained so that it is treated as a public procurement rule that cannot be diverted from. This situation is compounded by the fact that many SMEs also believe these 'rules' and therefore do not participate in the process.

There are number of issues that the FSB believes need to be addressed and these are set out in more detail in Section 7, 'Myths and misconceptions to dispel'.

- **Council procurement strategies to set out how they will ensure best practice is followed and how they will monitor that progress.**
- **Local authorities to ensure their use of selection requirements is proportionate and based purely on the needs of the contract.**



Help to support small businesses and maximise their potential

The capacity of small businesses to engage with the procurement process was identified as a barrier to competing effectively for contracts. The FSB believes that procurers themselves have a competitive imperative to address these gaps within their local business community.

The most basic solution is to ensure that unsuccessful bidders are offered swift and constructive feedback so they are able to react appropriately in the future. However, there is more that can be done. A number of councils identified ways in which they try to help small businesses be more effective during the procurement process. These included:

- 'Selling to the council' websites and guides
- Support with developing a consortium
- Pre-procurement working groups with SMEs
- Clear and transparent feedback processes for unsuccessful bidders
- Providing SMEs with support and training in building capacity, including:
 - Training related to procurement processes
 - One-to-one tendering support

Work to support small businesses and enhance their effectiveness in bidding is particularly welcome.

In order to understand their local business community and potential supplier market better, local authorities should also see what they can do to support more effective engagement by SMEs.

As has already identified, small businesses have a lot to offer procurers. However, as some authorities themselves have identified, councils' understanding of this and of the demands small businesses face is not as high as it could be. The FSB believes that better engagement between procurers and their local business community can help. Local authorities put forward a number of initiatives which the FSB would like to see adopted more widely:

- Market testing with SMEs
- Pre-procurement working groups with SMEs
- Engagement through business forums and networks such as the FSB and local Chambers of Commerce
- 'Meet the buyer' events

Cookstown District Council (Northern Ireland): one-to-one tendering support for SMEs

In direct response to the procurement issues raised by the local SME sector, Cookstown District Council's Local Economic Development Department was successful in 2010 in accessing 50 per cent match funding to deliver a two-year pilot programme of bespoke one-to-one tendering support for SMEs. This resulted from an application to the Department of Enterprise, Trade and Investment (DETI) for funding from the EU Sustainable Competitiveness Programme.

The Multi-Sectoral Tendering Programme pilot aimed to build the capacity of up to 80 SMEs from the construction, engineering, manufacturing and business services (excluding retail) sectors to identify tender opportunities in the public and private sector, and prepare and submit professional tender bids. Forty businesses have completed the first year of the programme and an additional 40 have begun it.

The key outcome is that 20 businesses have been assisted to submit tender bids, and 10 of these have successfully accessed new work valued at £5.33 million. This has also contributed to the creation of 25 new jobs. The Tendering Programme was awarded Best European Funded Project in the Local Government Awards Northern Ireland (2011).

North East Procurement Organisation (England): supplier training programme

The North East Procurement Organisation (NEPO) and the North East's 12 local authorities have developed a supplier training programme with the Business Enterprise Group to deliver training to the region's SMEs, including third sector organisations. The programme comprises a linked series of four activities:

- Get fit to compete – Module 1: Raise awareness of the opportunities to supply the region's public sector (1,500 SMEs)
- Get fit to compete – Module 2: Provide expertise and practical hands-on support on how to develop tenders, and prepare and present proposals (625 SMEs)
- Get fit to compete – Module 3: Detailed master classes and one-to-one mentoring (300 SMEs)
- Ready to compete – Module 4: Introduction to procurement professionals and the chance to pitch for real opportunities via 'meet the buyer' events (800 SMEs)

The programme is designed so that all eligible SMEs can participate in Module 1 to ensure there is a good understanding of the fundamentals. At this stage they can undergo a self-assessment, which results in a bespoke programme of support being agreed to enable them to continue on the programme at the module level most relevant to their needs.

The FSB believes this type of engagement can help not just to increase the understanding of small business but also to understand the benefits they can bring. It should be complemented by councils beginning to monitor local and small business spend, as set out above.

- **Councils to ensure they have initiatives to support local SMEs with the tender process and to develop the potential of their local small business supplier base.**
- **Councils to provide detailed, specific and timely feedback to all businesses that tender unsuccessfully so that they are better placed to bid next time.**



See our 'best practice' procurement model for local authorities in Section 6.

Greater use of lots

Rather than greater aggregation, the FSB would like to see more consideration of how contracts can be broken up into lots or made available to consortia of suppliers. Research indicates a clear correlation between the greater use of lots and the success rate for SMEs. As an EU commissioned report states, 'The mere fact of breaking down a contract into lots, irrespective of the final value of the single contract, supports SMEs'.²⁴

This issue has been identified by the European Commission which is proposing changes to the European Procurement Directives that would mean contracting authorities are invited to divide public contracts into lots to make them more accessible for SMEs. Where they decide not to do so, they would be required to provide an explanation. The FSB supports these proposals but would like to see an immediate change of direction in domestic procurement policy to take account of this issue. Size alone increasingly prevents SMEs from competing for procurement opportunities and any division of the contract often creates lots that are far too large to make the contract more accessible.

- **Councils to break down contracts into smaller lots wherever possible.**



²⁴ *Evaluation of SMEs' Access to Public Procurement Markets in the EU* (2010) GHK, commissioned by the European Commission's Directorate – General Enterprise and Industry, p. 39

The FSB would like to see councils commit to reviewing every major contract that comes up for tender to ensure they have identified maximum opportunity for use of lots. Where SME-friendly lots are not used for a substantial proportion of the contract, this should be explicitly justified within the tender documentation.

There is also potential for small businesses to deliver services collectively through consortia as a way to combat the issue of contract scale. We would like to see councils explore this option quickly, in conjunction with local businesses, and see them support any solutions that emerge.

Develop a clear policy on payment and actively influence prime contractors

Problems relating to late payment can be particularly significant for small businesses. The biggest business impacts are reduced profitability and delayed payment of suppliers, especially where small businesses have tight margins and cash-flow.

A survey of FSB members in May 2011²⁵ showed a quarter of members experienced late payment and spent three or more hours each week chasing overdue invoices. Over the previous 12 months, two thirds of members had written off invoices and a fifth had written off £5,000 or more. It was interesting to note that more than one in five councils have policies in place to pay small businesses in less than 14 days. The FSB would like to see all councils examine how they can establish specific SME-focused prompt payment policies, as has been actively encouraged in Scotland.

The huge value in many public sector contracts should give the procuring authority significant leverage with many prime contractors. The FSB would like to see protections built in as requirements for all council prime contractors – for example, passing on payment terms to subcontracts – and actively monitored as part of the contract management. Similarly, unfair practices in prime contractors' treatment of smaller suppliers, or breaches of undertakings, must be dealt with swiftly and robustly when reported to procurers.

- **Councils to put in place and monitor specific payment policies for small business suppliers, ideally following the lead of national government pledges to pay within 10 days of receipt.**
- **Councils to use spending power to ensure that prime contractors pass on the council's payments terms to their subcontracted suppliers.**



See our 'best practice' procurement model for local authorities in Section 6.

25 <http://www.fsb.org.uk/policy/assets/march%20procurement%20survey%202012%20for%20web.pdf>

Nuneaton and Bedworth Borough Council (England): support for SMEs

Nuneaton and Bedworth Borough Council has signed up to the FSB Accord to support SMEs and local business within the constraints of the EU Procurement regulation. In 2010, the Council implemented a 10-day payment policy for SMEs, which accounts for over 400 current suppliers benefiting from improved cash-flow.

In addition to the action on payment, the Council has taken a range of other approaches. Its Corporate Plan contains four priorities, one of which is to create a 'healthy, diverse and robust economy that provides employment opportunities for local people'. The Procurement Strategy supports this priority through its strategic aims, one of which is to achieve sustainable procurement through the local economy and SMEs, with a focus on environmental considerations.

Delivery of the strategy depends on the Procurement Plan which defines the actions necessary to achieve the aims. Following the FSB's plan, the Council has put in place the following actions:

- 10-day payment terms for all its SMEs, which total about 400 suppliers and 46 per cent of the spend value (2010/11)
- Adoption of a data analysis tool to analyse SME expenditure, transactions and relevant categories. Through this it can influence the spend profile and maintain a healthy balance between SMEs and large contractors
- A review of insurance requirements which resulted in differential levels for different projects, thereby enabling SMEs to quote when there is no need for high insurance
- Consideration given to SMEs in redrafting the Council's Contract Procedure Rules (Standing Orders). This has reduced the need for PQQs for smaller contracts by raising the thresholds for simpler procurement processes to £100,000

A role for national governments

Although the recommendations in this report are primarily aimed at councils themselves, the FSB believes there is a clear role for the relevant governments within the UK. Many of the issues outlined result from low procurement skill levels in the public sector and this leads to a risk-averse approach to procurement arrangements. There is scope for the Government to take a stronger role in setting best practice and raising standards within public sector procurement. The following actions would improve the procurement process:

- Require the use of a simplified PQQ standard practice across all bodies undertaking public procurement
- Require all councils to use the relevant government-backed portals to advertise contracts
- Encourage all councils to record and publish their spend by locality and business size

- Issue clear guidance on the disproportionate use of blanket policies such as turnover and insurance requirements which often prevent small businesses from bidding
- Establish minimum standards for providing feedback to unsuccessful bidders
- Take an active role in raising the standards of procurement professionals across the public sector by encouraging training, backed with a set of universal standards

- **Government to support councils in following good practice, including issuing clear guidance and taking action to ensure it is followed if necessary.**



6. A ‘best practice’ procurement model for local authorities



The FSB believes that a model procurement authority:

- Has an SME Procurement Policy with clear and identified links to wider corporate objectives
- Has in place a mature supplier database that breaks suppliers down by:
 - Number of employees (not just by SME but by micro, small and medium)
 - Location (primary and secondary postcode)
 - Revenue or capital spend
 - Type of service/good delivered
- Has a close working relationship between procurement and economic development, with economic development providing market intelligence on local suppliers and SMEs
- Has a mechanism for regular monitoring and mapping of procurement spend and the outcomes achieved through that spend
- Has an effective understanding of the barriers facing certain organisations in the procurement process and a menu of appropriate initiatives with which to respond
- Has clear advice and guidance available for SMEs on how to supply to the council

- Has a range of means of advertising and promoting contract opportunities according to the scale of the contract and the types of good and service on offer, including:
 - A clearly accessible dedicated procurement section of the council website
 - Consistent use of online mechanisms for bidders to register their organisation's information and interest in contract opportunities
 - Use of the relevant national portal in addition to any other methods to publicise opportunities
- Has effective cross-departmental relations and partnership working with local business forums and networks
- Has transparent mechanisms and a policy for the prompt payment of suppliers
- Has standardised and simplified PQQs
- Has a means of engaging with SMEs from market testing through to contract award
- Provides a host of tender support activities, including training and workshops
- Actively promotes supplier engagement policies with core contractors
- Provides training for procurement staff in economic, social and environmental benefits
- Provides timely and detailed feedback to unsuccessful bidders
- Has a clear and simplified process for undertaking procurements below the EU threshold
- Has put in place steps to ensure future procurements will comply with the relevant national government legislation and guidance

7. Myths and misconceptions to dispel

The FSB regularly hears tales of unnecessary rules causing problems or EU Directives preventing SME-friendly procurement. It is often not the law itself that creates barriers to procuring from SMEs, but the way that it is put into practice. In particular, both procurers and small businesses may believe commonly accepted assertions that are in fact wrong. Some examples follow.

- **Procurers should use standard minimum turnover and insurance requirements, which all businesses must meet**

Such tests are permitted but not required by law. There are no regulatory rules on the minimum 'economic and financial standing': these standards are actually set by the contracting authority and are often tested by unnecessarily high turnover rules that exclude small companies.

Contracting authorities should avoid using a mechanistic approach, such as applying arbitrary minimum turnover levels. Any essential insurance requirements should be a condition of winning rather than of competing for a contract. EU rules actually require that any 'minimum standard' must be necessary and proportionate in each case, not set at the same threshold for each procurement.

Meeting such tests is no guarantee of future results. Many businesses that cannot meet the given criteria or demonstrate a lengthy financial track record do not represent a risk. The risk depends on the nature of the contract, the type of service/good being procured and the ease with which it could be procured from an alternative supplier. Tenders should be undertaken on this basis.

- **Procurers cannot divide contracts into smaller parts to make them more accessible to small businesses**

There is nothing in law that stops contracts being divided into smaller lots, so long as contracting authorities are not doing this deliberately to avoid procurement legislation. In fact, the European Code of Best Practices (EU guidance) specifically mentions subdivision into lots as a way of opening access to small firms. The current proposals for change to the Directives are looking to strengthen this to make sure it occurs more often.

- **Aggregating contracts and reducing the supplier base is the best way to achieve savings**

Not necessarily. While it may be perceived as administratively easier, forcing suppliers to move down the supply chain to work through a prime contractor may actually increase costs (including the prime's margin). This approach can also risk reducing competition, increasing reliance on a small number of suppliers and forcing out other innovative and useful businesses.

- **Procurers must fully adhere to the EU rules in all their procurements to make sure they are not in breach of any regulations**

Contracting authorities must adhere to EU Treaty principles when conducting their procurements. However, there are a number of instances where the detailed provisions of the EU procurement rules do not apply, such as for contracts below the threshold value and those for Part B services. In such instances, following the detailed procedures set out in the EU procurement Directives is unnecessary and off-putting for many potential suppliers, and may simply serve to lock out smaller providers.

Procurers should carefully consider what processes are really necessary in order to achieve their commercial objectives. This will benefit both suppliers and the procurer by saving unnecessary resources and avoiding overly bureaucratic procurement processes.

- **Procurers cannot speak to potential suppliers prior to a procurement process**

The rules do not prevent pre-procurement market engagement. Procurement teams are encouraged to consult freely with the market place before starting the procurement process to help them select what to buy and how best to buy it.

Pre-procurement discussions are not about showing favour to a particular bidder, but rather exploring market capability. Events such as 'supplier days' are an excellent way to meet small businesses as potential suppliers and see what they have to offer. It is important that all suppliers are treated equally and no one bidder is given an unfair advantage. For example, specifications must not be drawn up in such a way as to favour a particular solution.

- **Procurers are under a duty to find the cheapest price for their contracts**

Public contracts should be awarded on the basis of value for money, not lowest price. Putting too much emphasis on price opens up the procurer to a range of potential problems, not least the risk that contracts are awarded to a supplier who has deliberately bid too low or is unable to deliver the contract with sufficient quality. Procurements should be approached with a sensible balance of quality and cost.

- **Procurers cannot lawfully incorporate social value such as sustainability into procurement**

If social or other sustainability requirements are relevant to the subject matter or performance of the contract, they can be taken into account during the tendering process. If written into the contract specifications such considerations must be proportionate and represent value for money. Provided a sufficient number of potential suppliers are capable of delivering that requirement, the procurement can still be competitive. Bidders can then be asked to put forward proposals such as around employment creation and supply chain engagement for consideration by the contracting authority when it decides which tender is the 'most economically advantageous'.

Once implemented, the Public Services (Social Value) Act will mean that all public bodies in England and Wales are required to consider how their services procurement might improve the economic, social and environmental wellbeing of the area.

Annex A
***Local government and
procurement survey
results report***



June 2012

PROCUREMENT AND SMALL BUSINESS SURVEY - RESULTS

Report prepared by

CLES Consulting

Presented to

Federation of Small Businesses

CONTENTS	PAGE NO.
EXECUTIVE SUMMARY	3
1 INTRODUCTION	3
1.1 Methodology	3
1.2 Response rate	3
1.3 Report structure	4
2 SPEND	5
2.1 Total spend	5
2.2 Local spend	6
2.3 SME spend	9
3 BARRIERS	14
3.1 Quantitative analysis	14
3.2 Qualitative analysis	15
3.2.1 SME specific barriers	15
3.2.2 Local authority specific barriers	16
4 ENGAGEMENT	18
4.1 Initiatives	18
4.1.1 Types of initiative	18
4.1.2 Best practice initiatives	19
4.2 Below EU threshold practices	21
4.3 Advertising and portals	22
5 ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	23
5.1 Strategic linkages	23
5.2 Issue importance	23
5.3 Use of purchasing frameworks	25
6 PAYMENT	27
6.1 Payment policies and schedules	27
7 CONCLUDING THOUGHTS	29
7.1 English Districts and Northern Ireland Councils	29
7.2 Scottish and Welsh Unitaries	29
7.3 Counties	29
7.4 English Unitaries and Metropolitans	29
7.5 London Boroughs	30

FIGURES

Figure 1: Number of responses by geographical area	3
Figure 2: Number of responses by authority type	4
Figure 3: Annual spend on procuring goods and services	5
Figure 4: Average total spend by geographical area	5
Figure 5: Average total spend by authority type	6
Figure 6: Proportion of authorities recording local spend	6
Figure 7: Proportion of authorities recording local spend by geographical area	7
Figure 8: Proportion of authorities recording local spend by authority type	7
Figure 9: Proportion of spend with local suppliers	8
Figure 10: Average local spend by geographical area	8
Figure 11: Average local spend by authority type	9
Figure 12: Proportion of authorities recording SME spend	9
Figure 13: Proportion of authorities recording SME spend by geographical area	10
Figure 14: Proportion of authorities recording SME spend by authority type	10

Figure 15: Proportion of spend with SMEs	11
Figure 16: Average SME spend by geographical area	11
Figure 17: Average SME spend by authority type	12
Figure 18: Proportion of authorities recording micro, small and medium business spend	12
Figure 19: Proportion of spend with micro business	13
Figure 20: Frequency of amount spent with small and medium business	13
Figure 21: Barriers for SMEs	14
Figure 22: Barriers for SMEs by geographical area	14
Figure 23: Barriers for SMEs by authority type	15
Figure 24: Proportion of authorities with initiatives to support SMEs in tendering	18
Figure 25: Proportion of authorities using different processes for below EU threshold tenders	21
Figure 26: Proportion of authorities using different processes for below EU threshold tenders by authority type	21
Figure 27: Frequency of use of different types of portal for advertising	22
Figure 28: Extent to which procurement strategy links to wider corporate objectives	23
Figure 29: Extent to which issue is important in procurement process	24
Figure 30: Cost saving importance by geographical area	24
Figure 31: Government policy importance by authority type	25
Figure 32: Use of buying/purchasing frameworks	26
Figure 33: Use of payment policies for suppliers	27
Figure 34: Payment schedule of authorities	27
Figure 35: Proportion of authorities asking main contractors to pass on payment policy	28

APPENDIX

1. Copy of survey questions

1 INTRODUCTION

1.1 Methodology

To gather the evidence around the relationship between local authority procurement processes and SMEs, CLES designed a survey in collaboration with the FSB. A number of methodological stages were utilised before identifying the final questions:

- ❑ the FSB originally had nine lines of inquiry for the survey work; CLES took these and linked them to contemporary policy.
- ❑ once the lines of inquiry had been formalised, CLES developed draft questions which were linked to the associated lines of inquiry;
- ❑ the lines of inquiry and draft questions were then discussed at a workshop with FSB Officers and Development Managers on 8 March 2012;
- ❑ following redrafting, the questions were piloted with a small sample of local authorities to identify whether there were any key challenges with the questions;
- ❑ the questions were then finalised and ready for sending out.

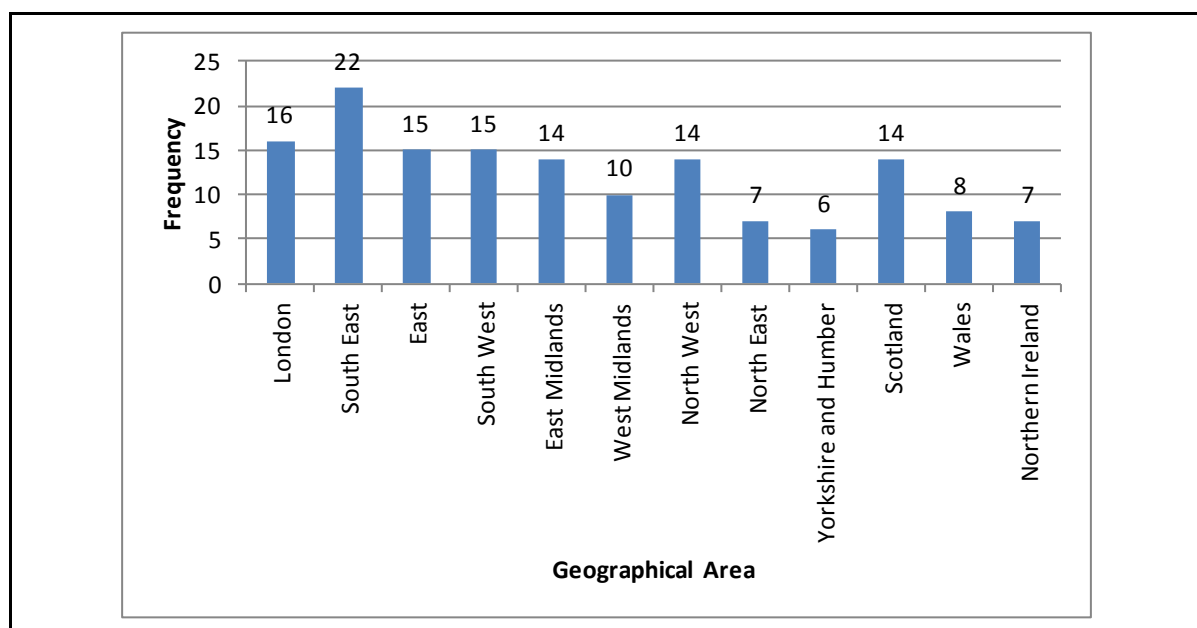
The questionnaire was designed using SurveyMonkey software and was sent electronically to each of the 432 local authorities in England, Scotland, Wales and Northern Ireland. The email with the questionnaire enclosed was sent out directly by CLES on Monday 16 April 2012, with a three week deadline provided for completion. The deadline was subsequently extended for a further week and officially closed on Friday 11 May 2012. FSB Regional staff supported the survey by sending letters to local authority Chief Executives and following up the survey with procurement teams.

A copy of the final survey is detailed in the Appendix.

1.2 Response rate

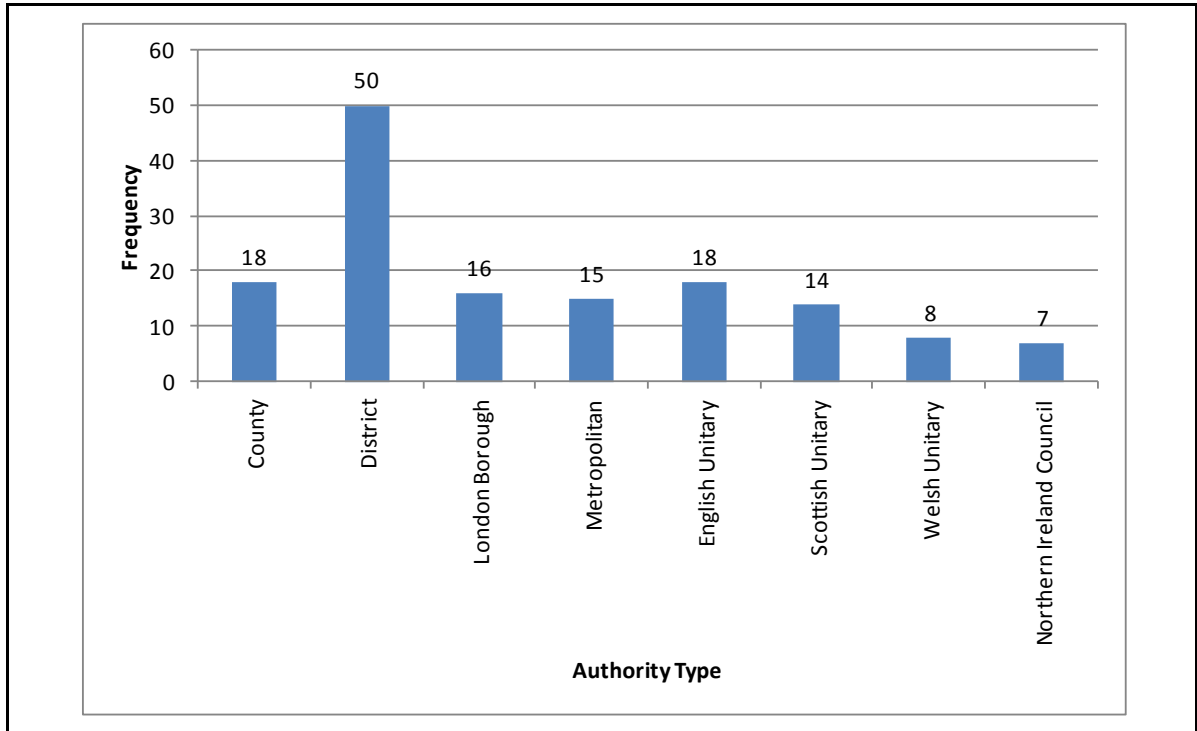
From the 432 local authorities which were asked to participate in the survey, a total of 148 completed the questionnaire, a response rate of 34%; this is a good response rate and demonstrates key interest in the project from local authorities. Throughout the report we refer to responses and analysis by English region, Scotland, Wales and Northern Ireland coined in the term 'geographical area'.

Figure 1: Number of responses by geographical area



In terms of these frequencies expressed as a proportion of the total number of local authorities in the geographical area, the greatest response rate came from the North East where 58.3% of authorities in the geographical area responded; this was followed by London at 50%. The lowest proportion of responses came from Yorkshire and Humber, with 27.3% of authorities responding. Figure 2 highlights the number of responses by local authority type, with 50 being from District Councils; this was followed by County and English Unitary, each with 18 responses.

Figure 2: Number of responses by authority type



1.3 Report structure

The following sections of the report highlight the headline findings of the survey and also a series of cross-tabulations. Analysis closely follows the lines of inquiry for the survey:

Section 2	Spend
Section 3	Barriers
Section 4	Engagement
Section 5	Economic, social and environmental benefits
Section 6	Payment
Section 7	Concluding thoughts

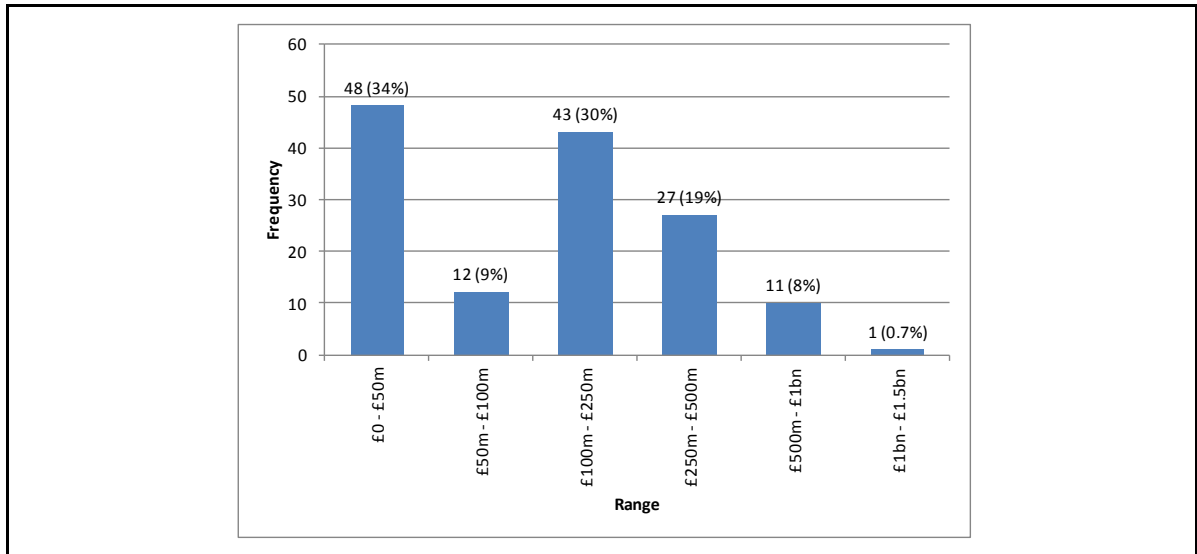
2 SPEND

Local authorities were asked how much they spend on an annual basis upon procuring goods and services, and whether they recorded spend in their local authority boundary and with SMEs.

2.1 Total spend

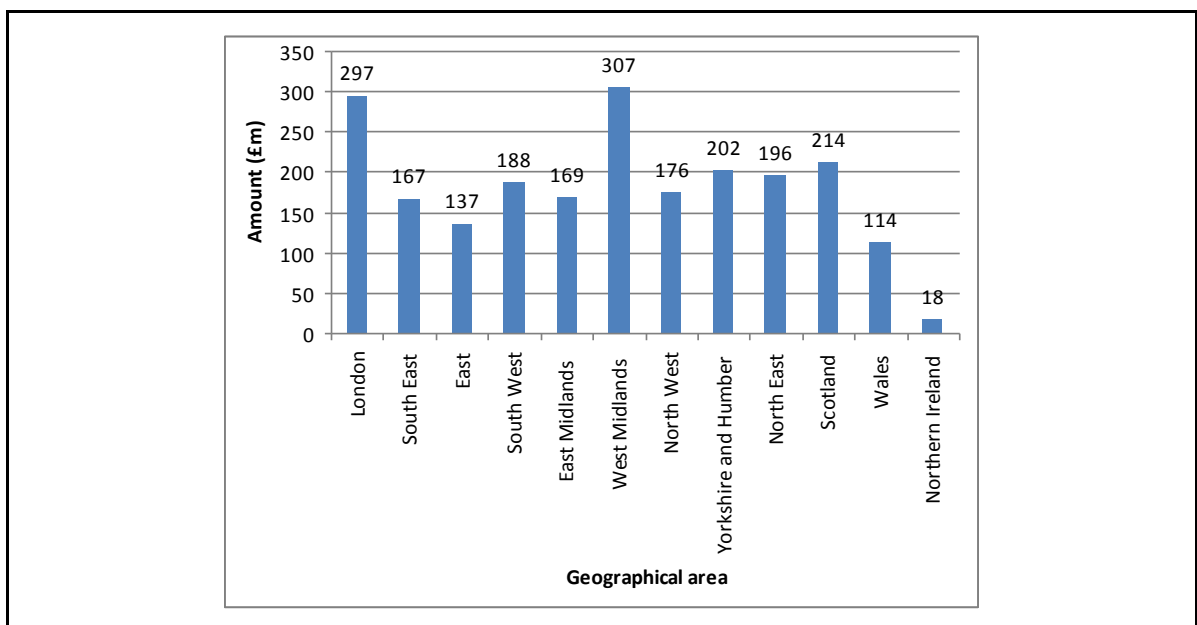
Figure 3 details the ranges which local authority spend upon procuring goods and services fell within. The ranges identified were deemed to be the best fit, given the relatively high number of authorities which spend less than £50 million. In total, the local authorities responding to the survey providing data spend a combined £26.7 billion upon procuring goods and services. The average annual total spend of authorities was £185 million.

Figure 3: Annual spend on procuring goods and services



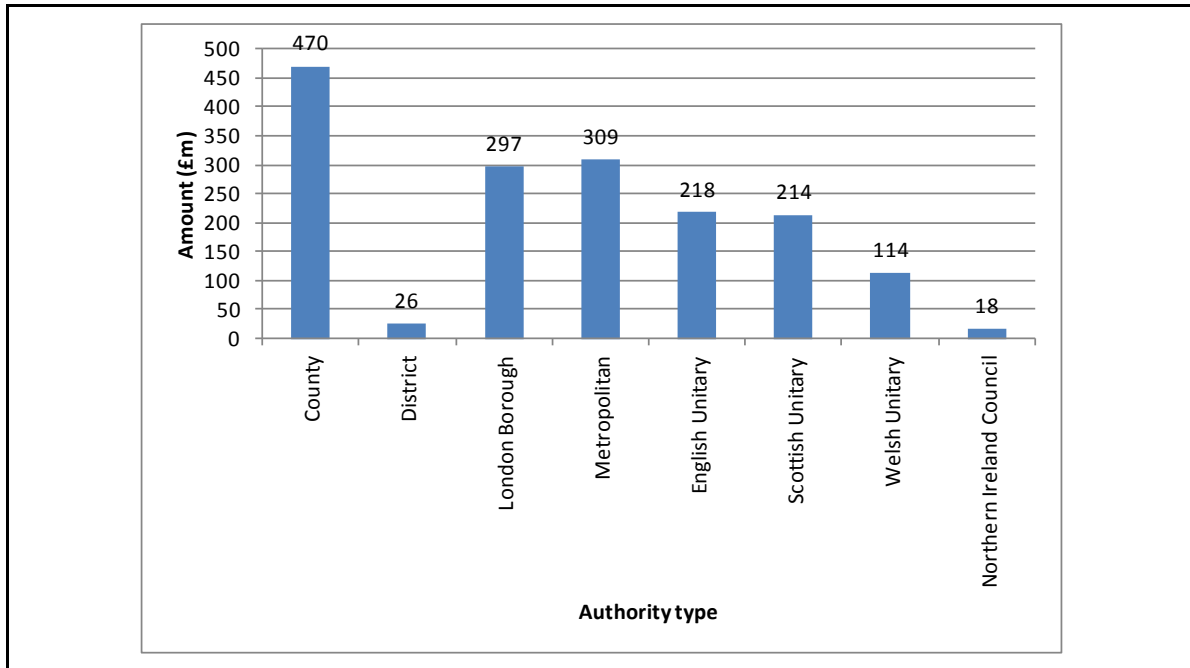
Average spend by geographical area is demonstrated in Figure 4. Authorities in the West Midlands spend an average of £307 million upon procuring goods and services, with authorities in London spending an average of £297 million. The lowest spend is in Northern Ireland where authorities spend an annual average of £18 million.

Figure 4: Average total spend by geographical area



Variations in average spend by authority type are demonstrated in Figure 5. County authorities spend an average of £470 million upon procuring goods and services, with Metropolitan authorities spending an average of £309 million. District Councils spend an average of £26 million.

Figure 5: Average total spend by authority type

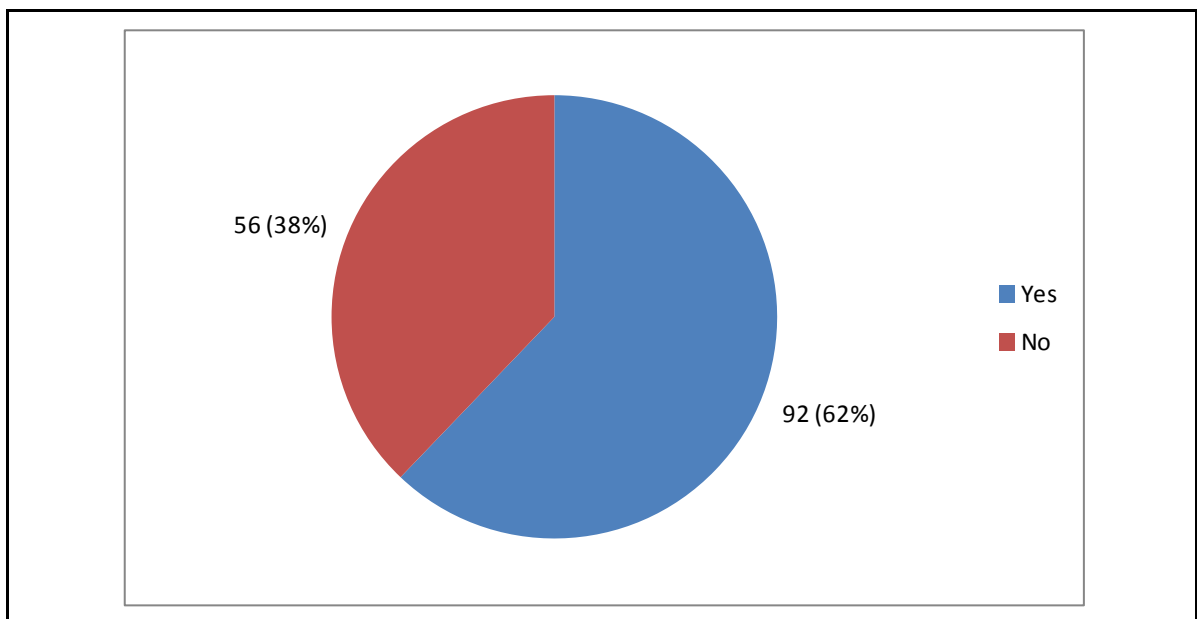


On average, local authorities responding to the survey spent 26% of their procurement spend upon capital activities with 74% on revenue activities.

2.2 Local spend

Figure 6 details the proportion of local authorities that actively record the amount of annual procurement spend within their own local authority boundary; 62% of authorities record the amount spent in their local authority boundary.

Figure 6: Proportion of authorities recording local spend



There are variations in the recording of local spend by geographical areas. Figure 7 highlights the proportion of respondents to the survey in each of the geographical areas which actively record the amount of procurement spend within their own local authority boundary; over 85% of authorities responding in each of the North East, North West, Scotland and Wales record the amount they spend in their local authority boundary; 5 authorities (71.4% of responding authorities) in Northern Ireland do not record local spend.

Figure 7: Proportion of authorities recording local spend by geographical area

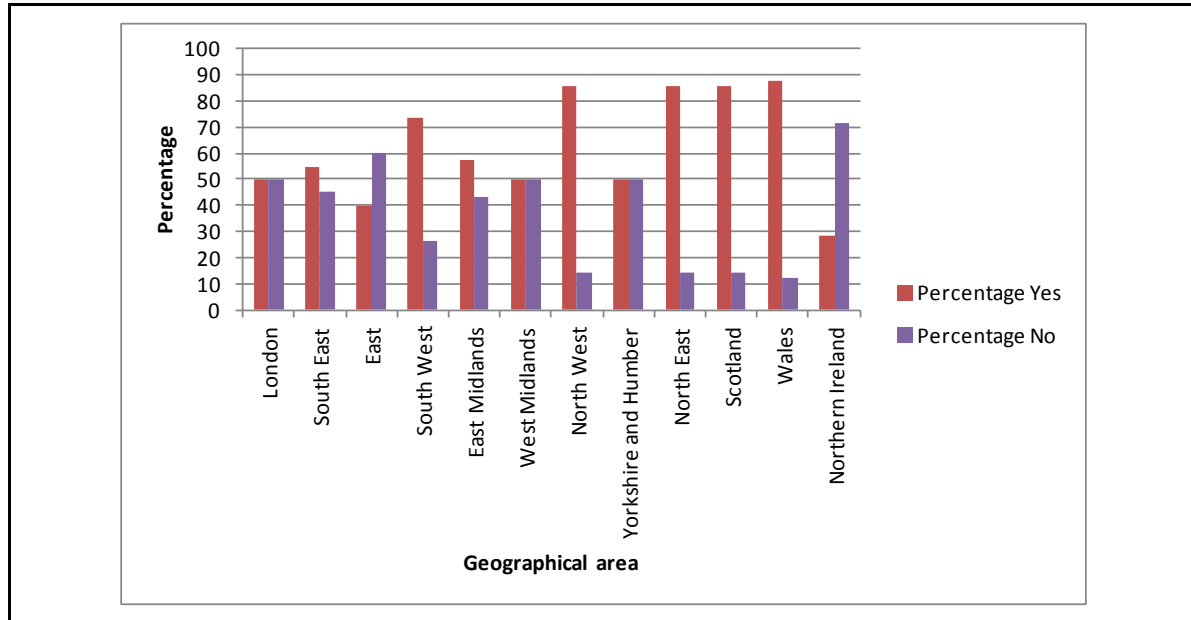
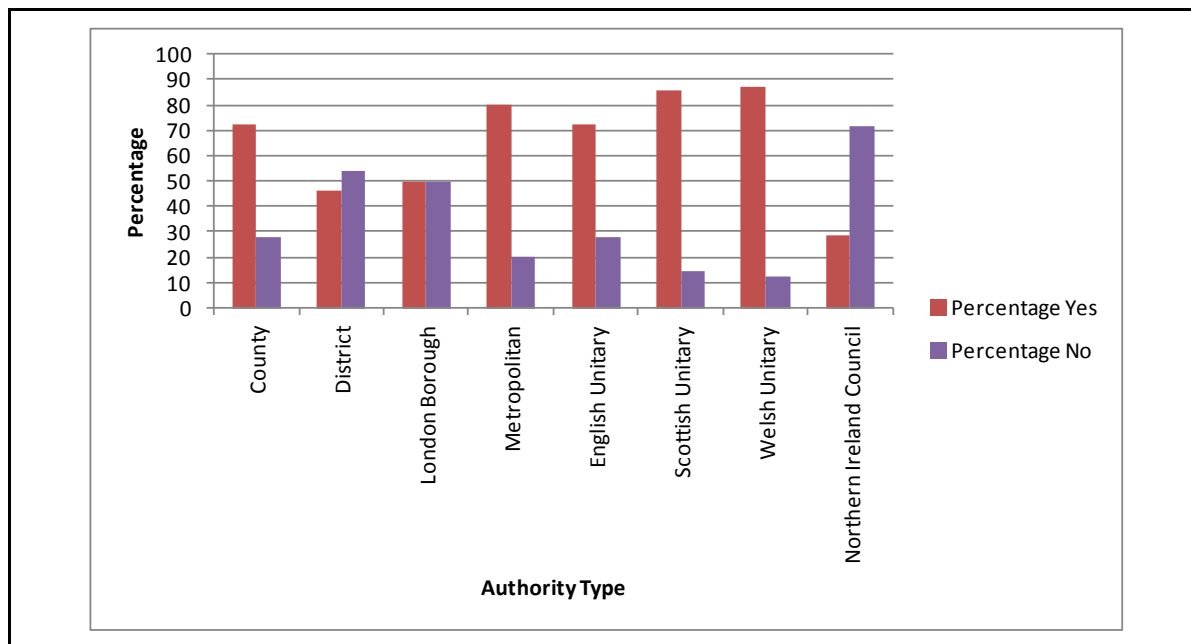


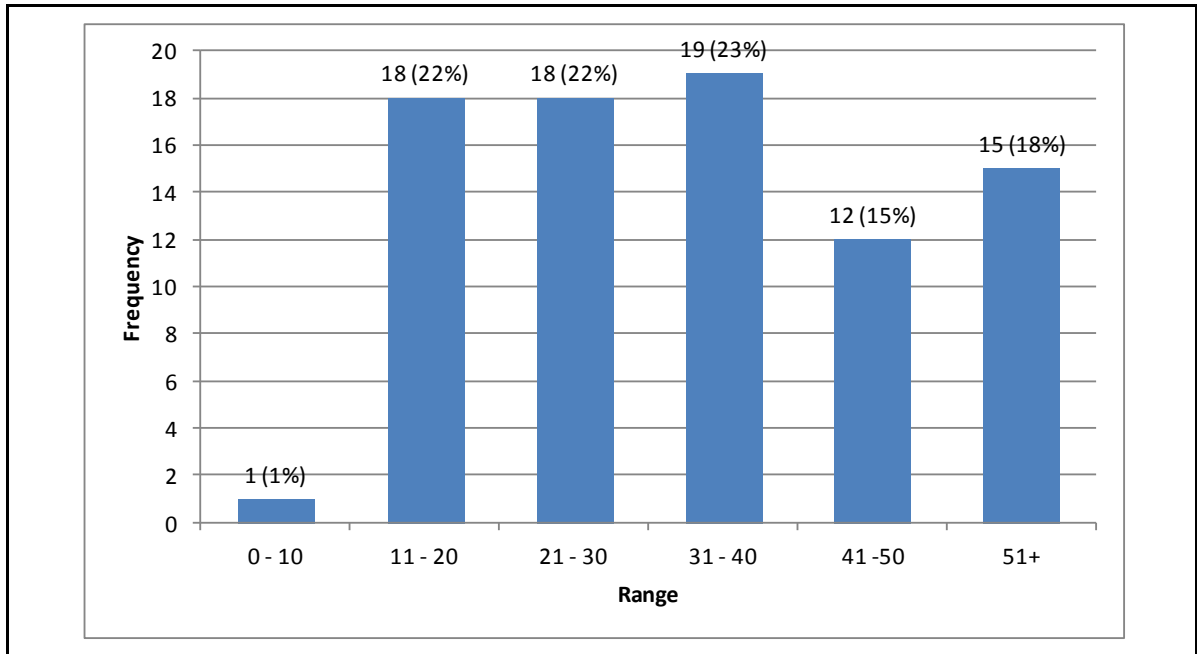
Figure 8 highlights the proportion of respondents to the survey by authority type which actively record the amount of procurement spend within their own local authority boundary; Welsh Unitary (87.5%), Scottish Unitary (85.7%) and Metropolitan (80%) authorities are more likely to record amounts of spend within their local authority boundary; 5 Northern Ireland Councils (71.4% of responding authorities) do not record local spend; and only 23 District authorities in England (46% of responding authorities) actively record local spend.

Figure 8: Proportion of authorities recording local spend by authority type



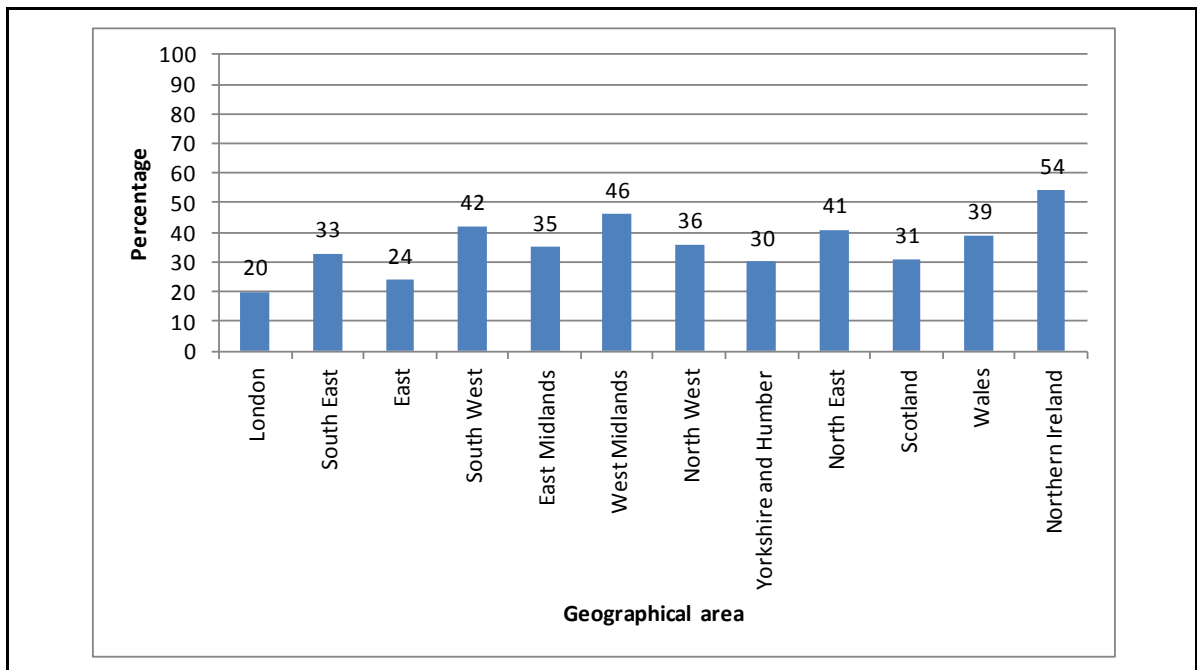
Of the 92 authorities that suggested they record local spend, 83 provided data for the proportion of their total procurement spend within their local authority boundary. Figure 9 highlights the ranges within which the proportion of local spend fell within.

Figure 9: Proportion of spend with local suppliers



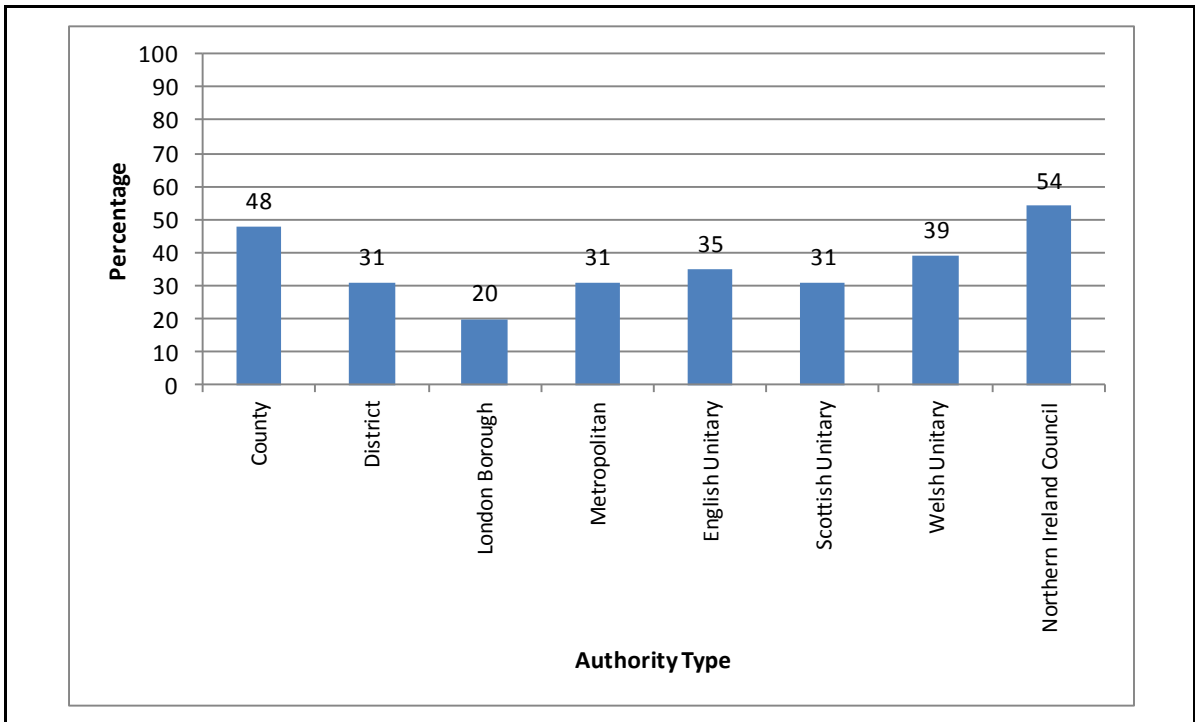
There are variations in average levels of local spend by geographical area, as demonstrated in Figure 10. On average, authorities spent 34.8% of their total procurement spend in their own local authority area.

Figure 10: Average local spend by geographical area



There are also variations in average levels of local spend by authority type, as demonstrated in Figure 11.

Figure 11: Average local spend by authority type



2.3 SME spend

Figure 12 details the proportion of local authorities which actively record the amount of their procurement spend with SMEs; 51% of authorities record the amount spent with SMEs.

Figure 12: Proportion of authorities recording SME spend

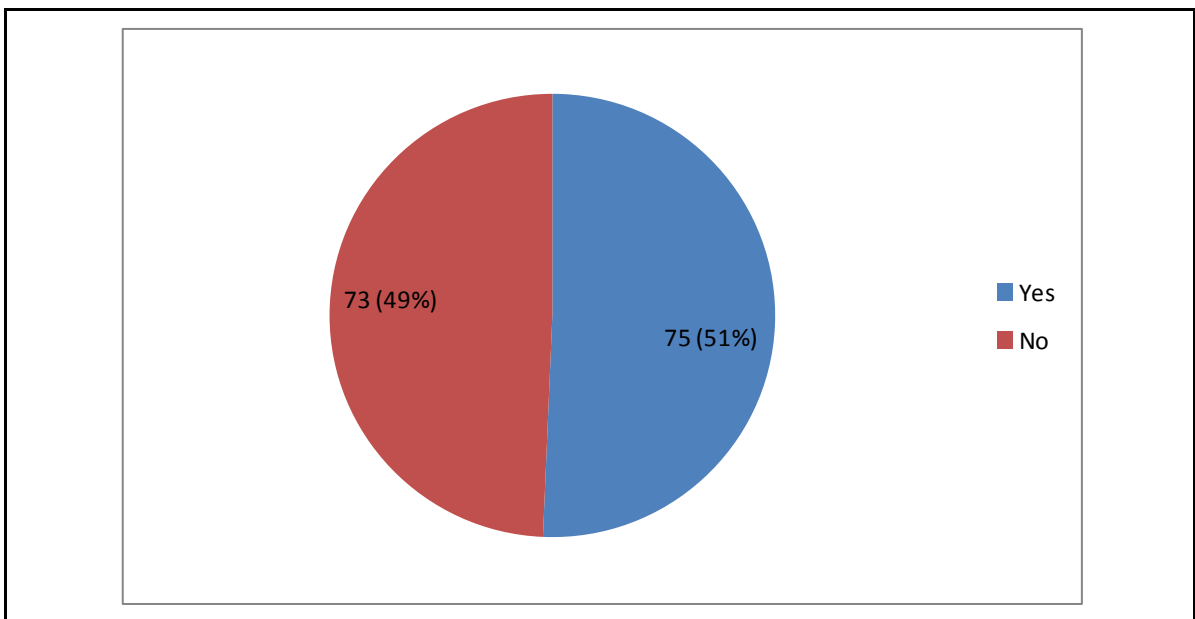


Figure 13 highlights the proportion of respondents to the survey in each of the geographical areas which actively record the amount of procurement spend with SMEs; 11 authorities in each of the North West and Scotland (78.6% of responding authorities in each geographical area) actively record levels of spend with SMEs; 10 authorities (71.4% of responding authorities in the East Midlands) and 5 authorities (71.4% of responding authorities) in Northern Ireland do not record SME spend.

Figure 13: Proportion of authorities recording SME spend by geographical area

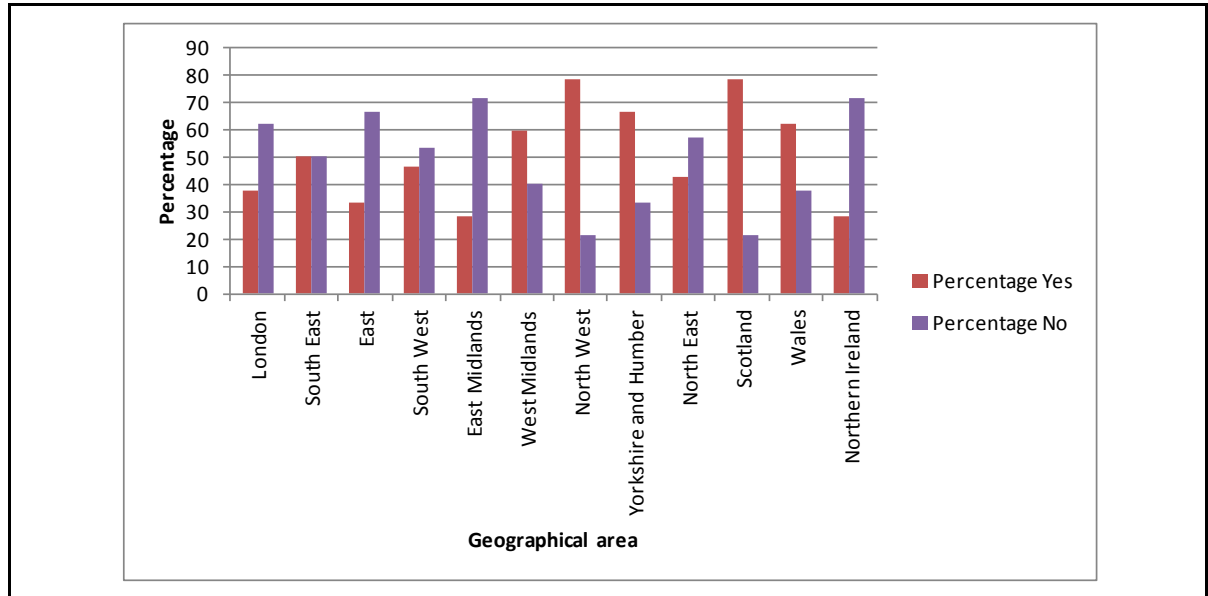
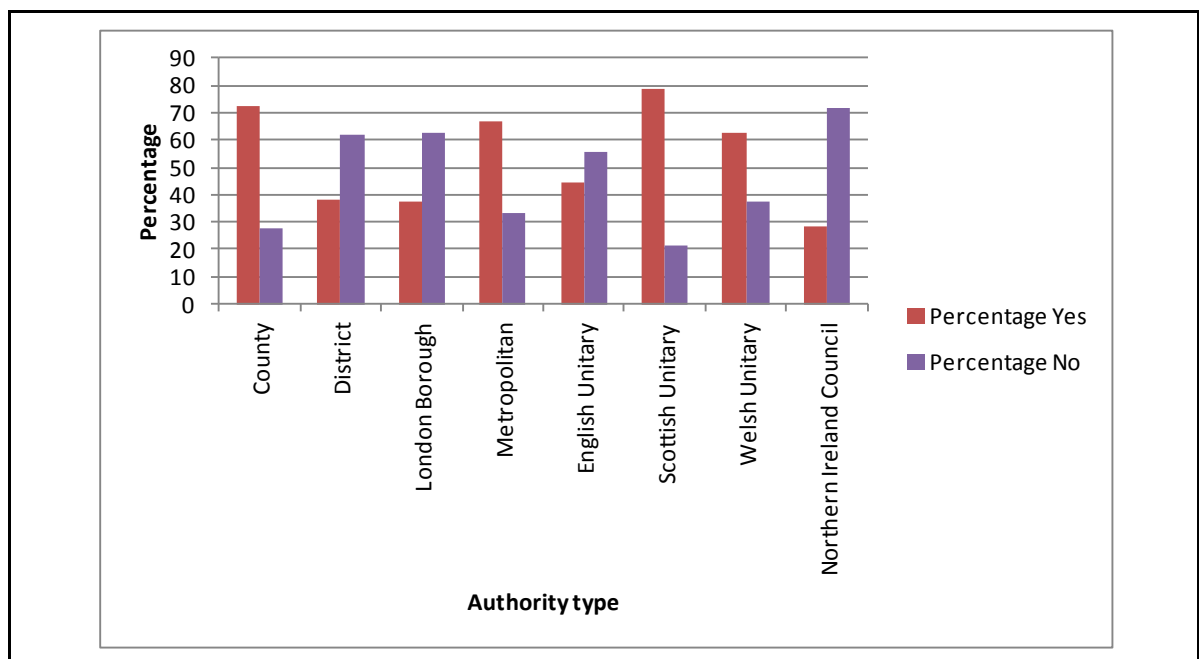


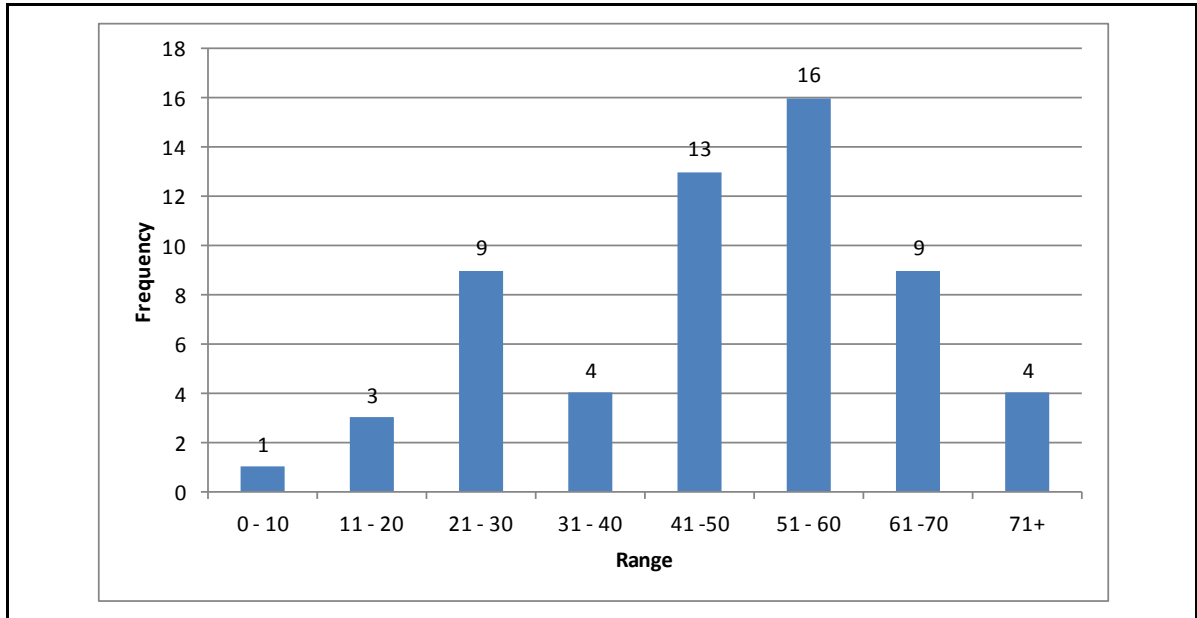
Figure 14 highlights the proportion of respondents to the survey by authority type which actively record the amount of procurement spend with SMEs; 11 Scottish Unitary authorities (78.6% of such responding authorities) actively record levels of spend with SMEs; 5 Northern Ireland Councils (71.4% of responding authorities) do not record SME spend; and over 60% of English Districts and London Boroughs do not record SME spend.

Figure 14: Proportion of authorities recording SME spend by authority type



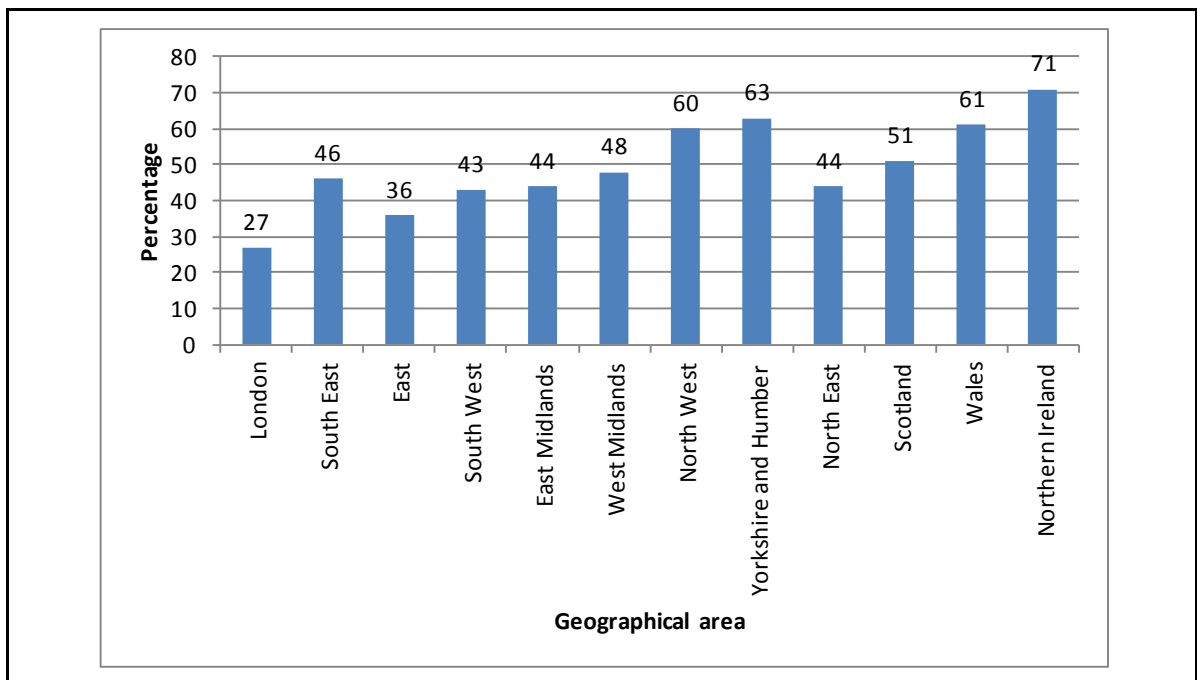
Of the 75 authorities that suggested they recorded SME spend, 59 provided data for the proportion of their total procurement spend with SMEs; this means that 40% of authorities responding to the survey provided real data for levels of spend with SMEs. Figure 15 highlights the ranges within which the proportion of SME spend fell within; 16 authorities (27%) spent between 51-60% of their total procurement spend with SMEs, followed by 13 authorities (15%) which spent between 41-50% with SMEs. On average, authorities spent 49% of their total annual procurement spend with SMEs.

Figure 15: Proportion of spend with SMEs



Average levels of SME spend by geographical area are as demonstrated in Figure 16.

Figure 16: Average SME spend by geographical area



Variations in average levels of SME spend by authority type are demonstrated in Figure 17. Northern Ireland Councils and Metropolitan authorities spend greater proportions of their total procurement spend with SMEs, at 71% and 54% respectively. The lowest proportion of SME spend was in London Boroughs where authorities spent on average 27% with SMEs.

Figure 17: Average SME spend by authority type

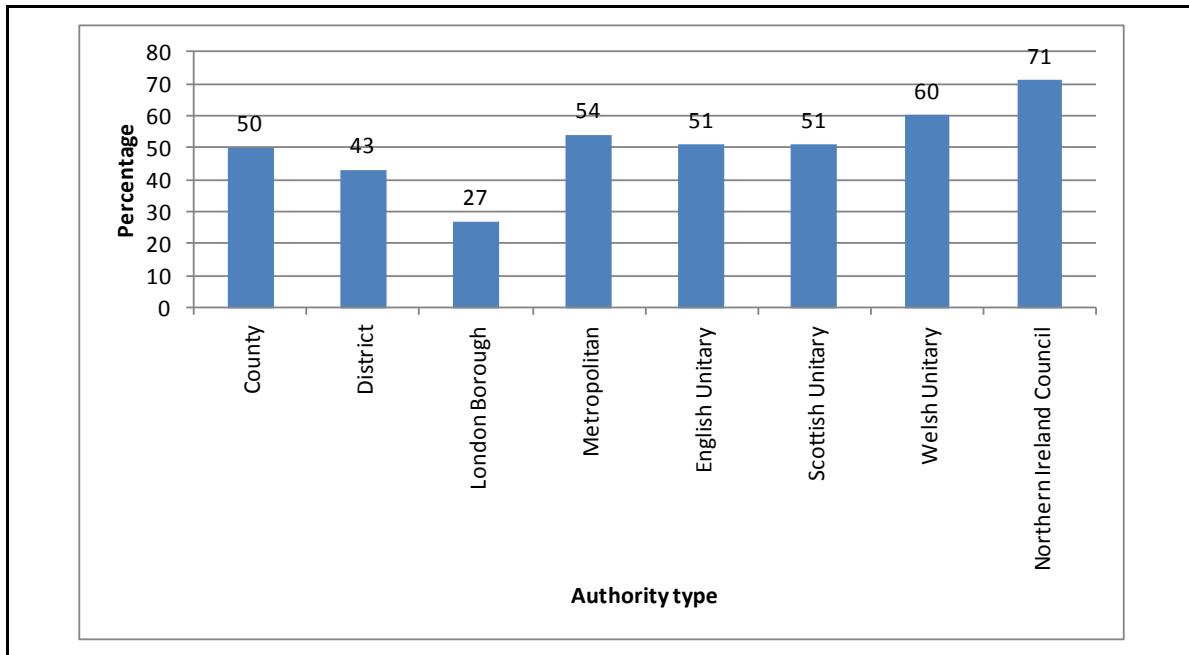
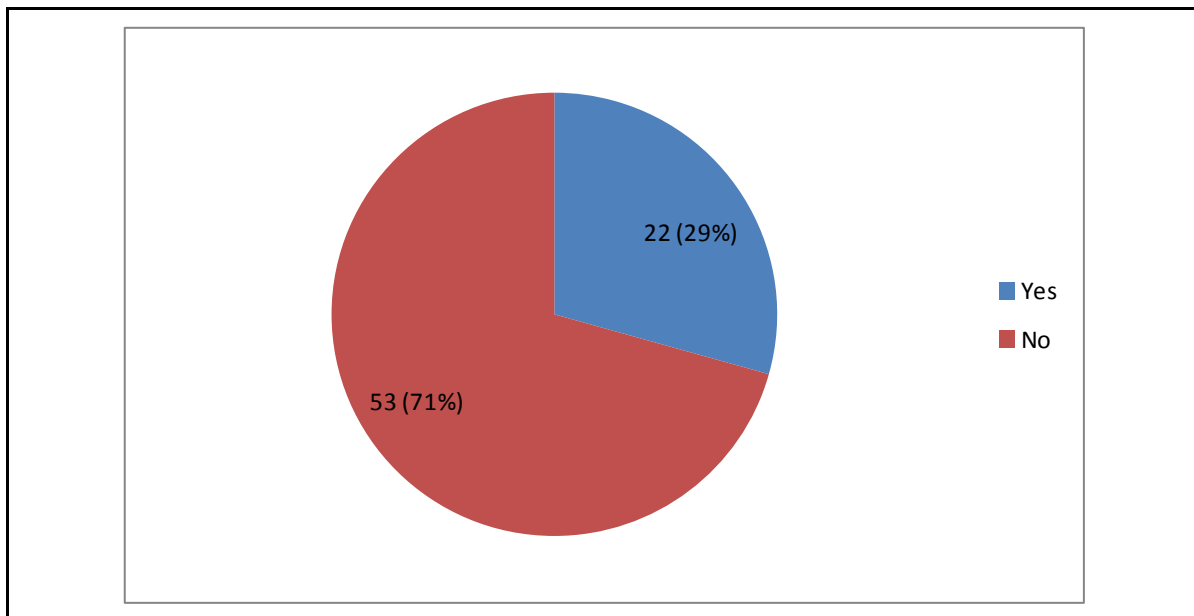


Figure 18 details the proportion of local authorities which actively record the amount of their procurement spend with SMEs, broken down by micro, small and medium business. Of the 75 authorities which stated that they recorded spend with SMEs, 22 (29%) broke this spend down further by the constituent elements of SME.

Figure 18: Proportion of authorities recording micro, small and medium business spend



Of the 22 authorities which actively recorded levels of spend with the breakdown of SME, 14 provided data for the extent to which this spend was broken down into micro business, with 18 providing data for the breakdown by small and medium business; this means that only 9% of authorities responding to the survey provided data for spend with micro business, with 12% providing data for spend with small and medium business. Figure 19 highlights the ranges within which the proportion of micro business spend fell within; 6 authorities (36%) spent between 6-10% of their total procurement spend with micro business. The average spend with micro business by responding authorities was 9%.

Figure 19: Proportion of spend with micro business

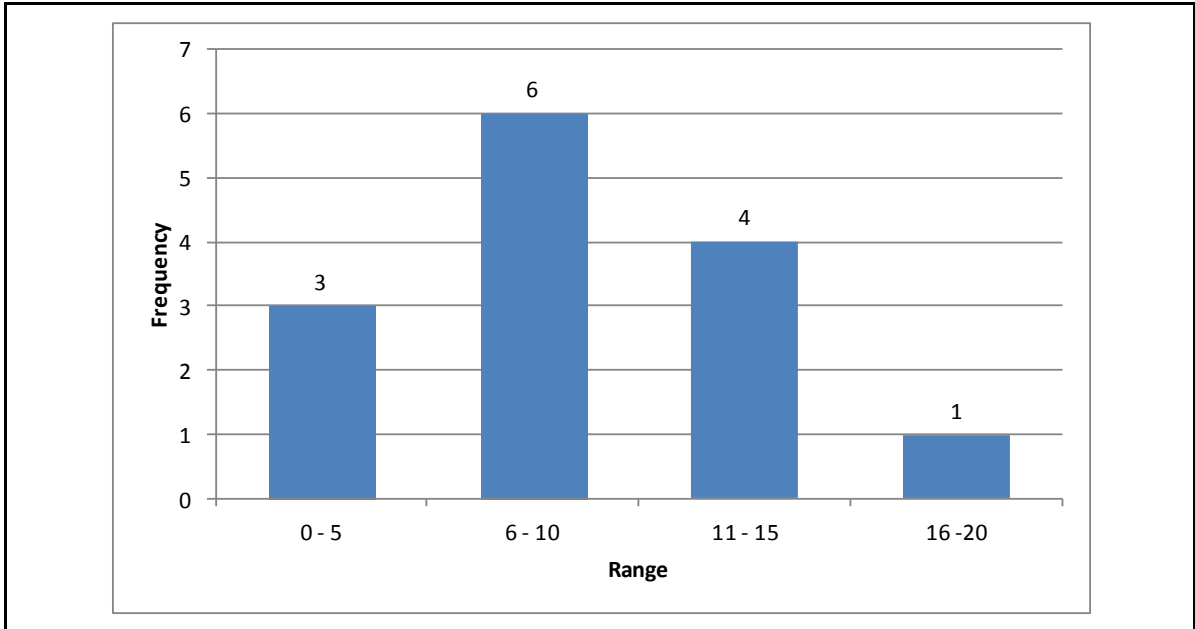
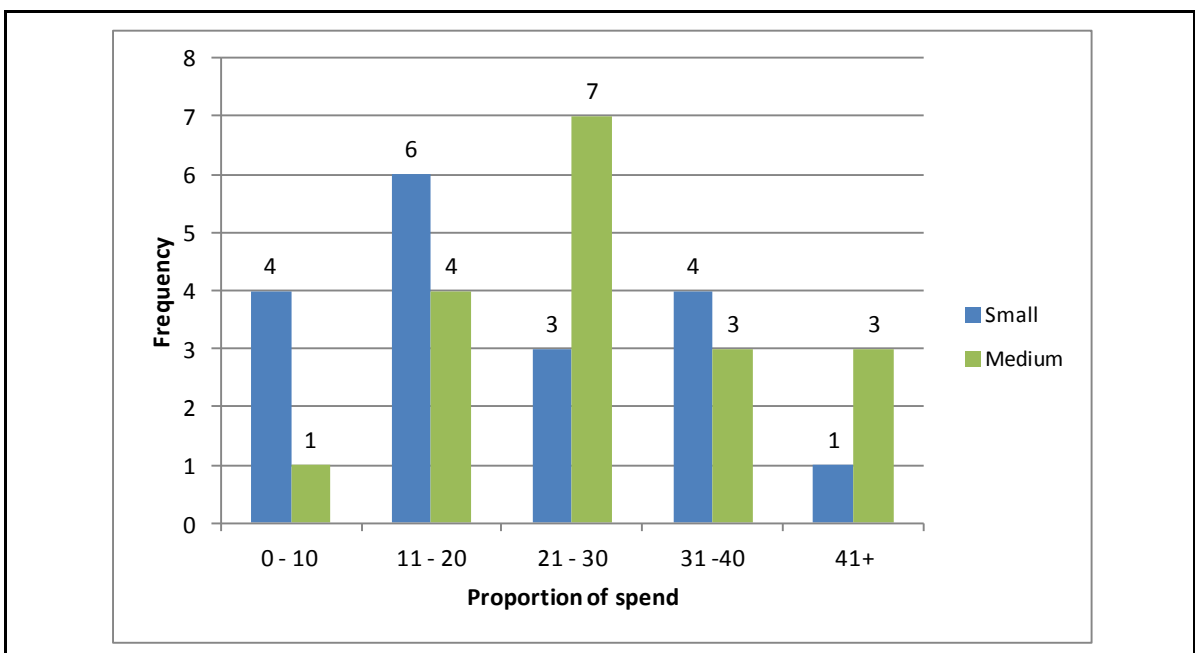


Figure 20 highlights the ranges within which the proportion of small and medium business spend fell within; 6 authorities (33%) spent between 11-20% of their total procurement spend with small business; and 7 authorities (39%) spent between 21-30% of their total procurement spend with medium business. The average spend with small business was 22% and the average spend with medium business was 28%.

Figure 20: Frequency of amount spent with small and medium business



3 BARRIERS

Local authorities were asked whether they felt there were barriers for SMEs in accessing procurement opportunities, and subsequently what they felt those core barriers were.

3.1 Quantitative analysis

Figure 21 details the proportion of local authorities which felt there were barriers for SMEs in accessing procurement opportunities; 98 authorities (66%) stated that SMEs did face barriers in accessing procurement opportunities.

Figure 21: Barriers for SMEs

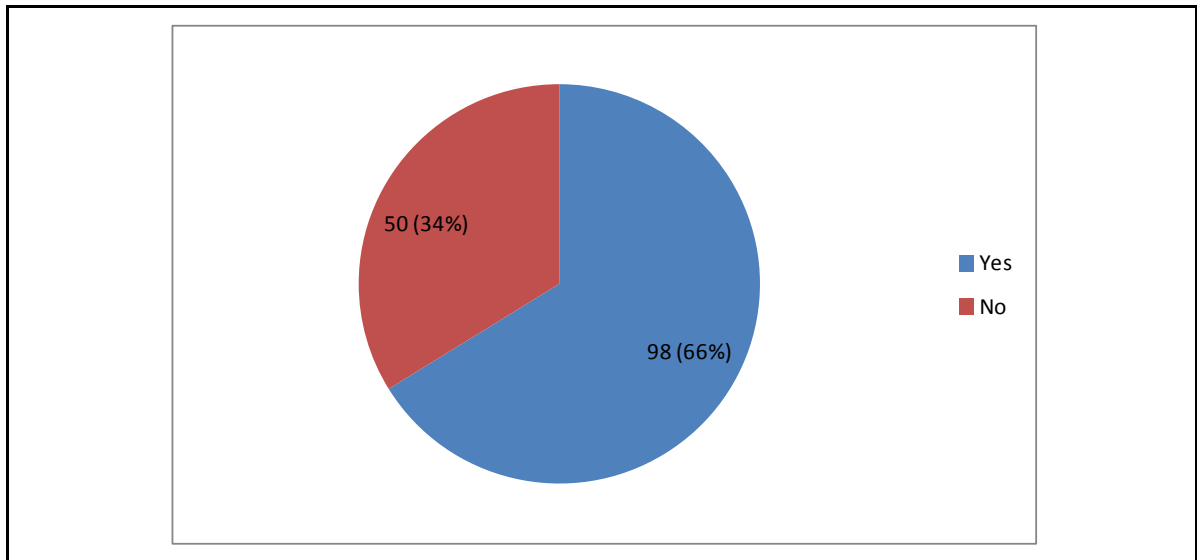


Figure 22 highlights the proportion of respondents to the survey in each of the geographical areas which felt SMEs face barriers. All 7 of the authorities responding from Northern Ireland felt that SMEs faced barriers; 5 authorities (83.3% of responding authorities) from Yorkshire and Humber felt SMEs faced barriers; and 4 authorities (50% of responding authorities) from Wales felt SMEs faced barriers in accessing procurement opportunities.

Figure 22: Barriers for SMEs by geographical area

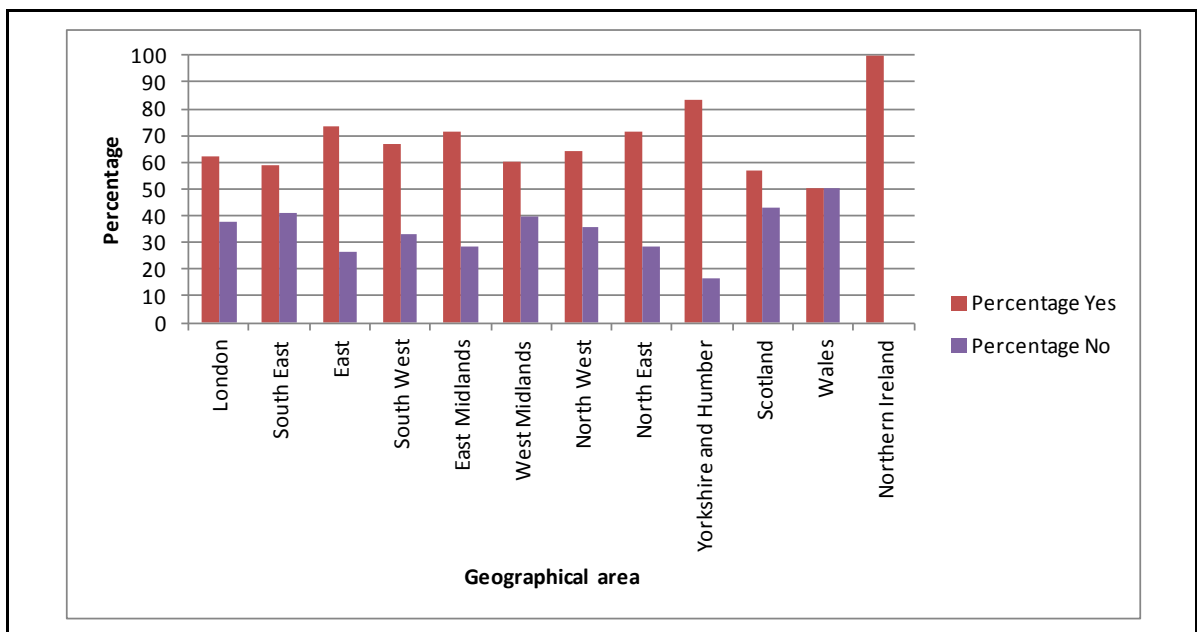
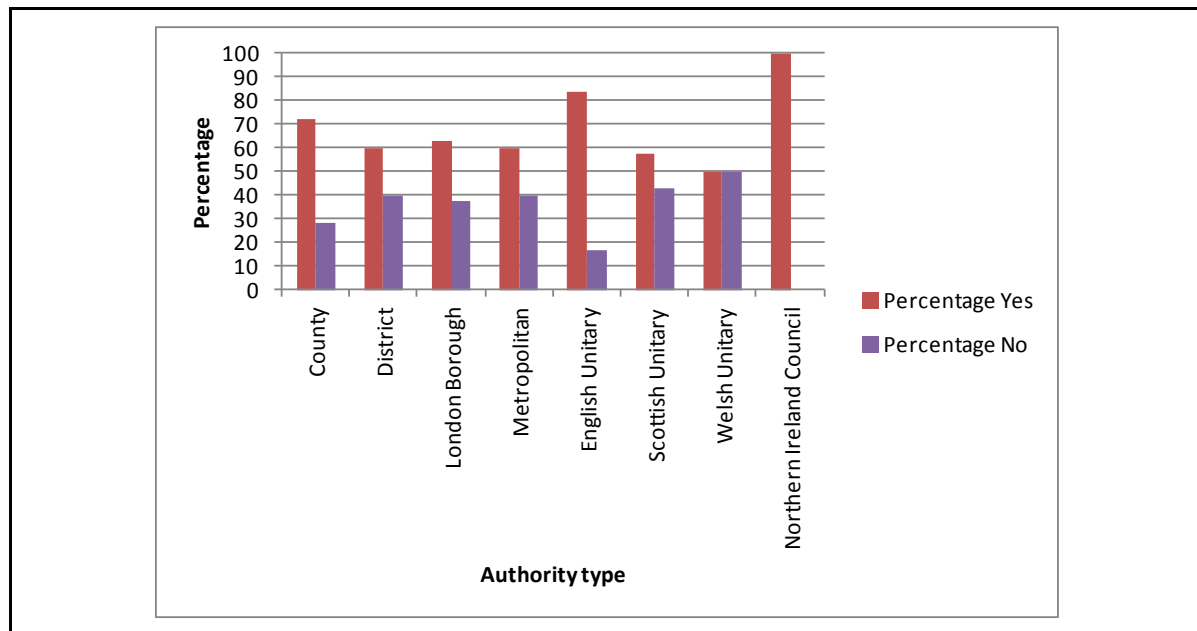


Figure 23 highlights the proportion of respondents to the survey by authority type which felt SMEs do face barriers. All 7 of the Northern Ireland Councils responding felt that SMEs faced barriers; and 15 English Unitary authorities (83.3% of responding authorities) felt SMEs faced barriers.

Figure 23: Barriers for SMEs by authority type



Spend and SME barriers

Those spending more on procuring goods and services (£500 million to £1 billion) are more likely to think SMEs face barriers. Indeed, 9 of the authorities (81.8%) spending this amount felt SMEs faced barriers. In comparison, 32 of the authorities (66.7%) spending less than £50 million felt SMEs faced barriers in accessing procurement opportunities.

3.2 Qualitative analysis

The barriers identified by authorities can be split down into two themes: barriers on the part of the SME; and barriers on the part of the local authority.

3.2.1 SME specific barriers

The SME specific barriers identified by local authorities can be split into the following themes:

Capacity and skills

Authorities identified a number of barriers in relation to the capacity and skills of SMEs to bid for procurement opportunities in the first instance, and subsequently deliver those goods and services. These barriers included:

- SMEs not having the time and capacity to bid for procurement opportunities and lacking the required skills in tendering;
- SMEs not having sufficient financial capability and resource to deliver procurement contracts;
- SMEs not having specialist bid writers for local authority procurement opportunities;
- the high cost for SMEs of bidding for local authority procurement opportunities;
- SMEs not having a track record in delivering local authority contracts.

Awareness of opportunities

Authorities identified a number of barriers in relation to the SME sector's awareness of potential procurement opportunities. These barriers included:

- ❑ SMEs not being able to identify tender opportunities that are relevant to their core areas of business;
- ❑ SMEs having a lack of awareness of potential procurement opportunities;
- ❑ SMEs not sufficiently demonstrating business offers to procurers.

Knowledge of local government

Authorities identified a number of barriers in relation to the SME sector's knowledge of the operation of local government. These barriers included:

- ❑ SMEs having a lack of understanding of local authority procurement processes and how they operate;
- ❑ SMEs having a lack of knowledge of local authority service departments and the types of goods and services they are looking to procure;
- ❑ SMEs having negative perceptions of the bureaucratic nature of the procurement process.

Business maturity

Authorities identified a number of barriers in relation to the SME sector's maturity when it came to collaboration and engagement with 'big' business. These barriers included:

- ❑ SMEs being unwilling to collaborate with similar SMEs to bid jointly for procurement opportunities;
- ❑ SMEs not having an understanding of the scale of the competition in the procurement process, particularly from 'big' business;
- ❑ SMEs not having the required technological skills to participate in e-tendering.

3.2.2 Local authority specific barriers

The local authority specific barriers can be split down into the following themes:

Bureaucracy

Authorities identified a number of barriers in relation to the bureaucratic nature of local authority procurement practices. These barriers included:

- ❑ the need for local authorities to adhere to EU procurement law and thus not favour suppliers on the basis of locality or whether they are small business;
- ❑ the complex nature of local authority tender documentation and requirements, particularly at the pre-qualification questionnaire stage;
- ❑ the financial requirements placed upon SMEs in terms of the need for certain levels of turnover;
- ❑ a lack of preparedness to take risks in the procurement process and a negative attitude about social benefit in procurement.

Awareness

Authorities identified a number of barriers in relation to their awareness of SMEs. These barriers included:

- ❑ a lack of market understanding of SMEs and what types of activities they deliver;
- ❑ a lack of awareness on the part of the local authority of the potential of SMEs to deliver procurement opportunities;
- ❑ a lack of communication between buyers in local government and potential suppliers in the SME sector;
- ❑ a lack of registrations of SMEs on procurement portals;

- ❑ a lack of process of making SMEs aware of potential sub-contracting opportunities.

Economies of scale

Authorities identified a number of barriers in relation to the need for them to achieve economies of scale and efficiencies in the procurement process. These barriers included:

- ❑ the increased use of long term frameworks for major procurements, particularly around construction;
- ❑ the sometimes large size and scale of procurement opportunities which SMEs are unable to bid for and deliver;
- ❑ the increasing aggregation of contracts and sub-regional and regional expectations around delivery;
- ❑ a greater perceived financial risk in using SMEs to deliver local authority contracts;
- ❑ increasing constraints on local authority spending caused by recession and cuts in public expenditure.

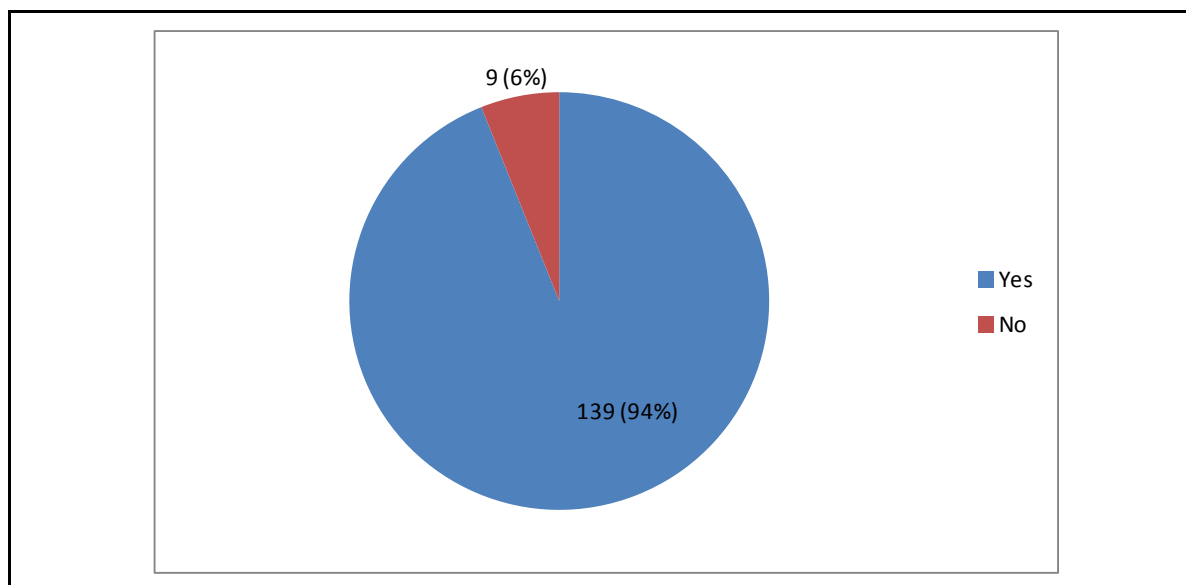
4 ENGAGEMENT

Local authorities were asked to identify the various activities they had in place to support SMEs in the procurement process, and subsequently whether these were felt to be best practice. They were also asked about their practices in relation to below EU threshold tenders and advertising.

4.1 Initiatives

Figure 24 details the proportion of local authorities which had initiatives in place to support SMEs in the tendering process and in delivering services; 139 authorities (94%) stated that they had initiatives in place.

Figure 24: Proportion of authorities with initiatives to support SMEs in tendering



Of the 9 authorities which did not have initiatives in place, 5 were English District authorities, 2 were English Unitaries, and 2 were Northern Ireland Councils.

Spend and initiatives to support SMEs

The authorities which did not have initiatives in place also tended to spend less upon procuring goods and services. 7 of the 9 not having initiatives in place spent less than £50 million upon procuring goods and services.

4.1.1 Types of initiative

The types of initiatives utilised by local authorities can be broken down by stage of the procurement process and a number of associated themes of support activities.

Procurement strategy

Authorities identified a number of initiatives which they were utilising in their procurement planning and strategy making, designed to support SMEs in tendering processes. These initiatives included:

- ❑ the development of internal governance arrangements, including:
 - cross-departmental priorities to engage SMEs;
 - cross-departmental working with SMEs;
 - development of sustainable procurement strategy;
- ❑ the development of online tools and support, including:
 - selling to the Council websites and guides;
 - e-tendering platforms;
 - contract portals;
 - advertising through social media;

- ❑ the development of more SME friendly procurement packages and pre-tendering support, including:
 - SME friendly contract lots;
 - market testing with SMEs;
 - support around consortium development;
 - pre-procurement working groups with SMEs;
 - quotation requirements around local suppliers;
- ❑ reducing some of the bureaucracy associated with the procurement process for SMEs, including:
 - standardised PQQs and ITTs;
 - sample and case study PQQ completion examples;
 - simplified PQQs and ITTs;
 - streamlining of financial assessment criteria;
 - removing PQQ requirements.

Pre-tender initiatives

Authorities identified a number of initiatives which they were utilising during the pre-tender stage of the procurement process to support SMEs to bid. These initiatives included:

- ❑ providing capacity building support and training for SMEs, including:
 - training around procurement processes;
 - one-to-one tendering support;
- ❑ developing partnership approaches to engagement with SMEs, including:
 - engagement through business forums and networks (e.g. Chambers and FSB);
- ❑ engagement with potential suppliers, including:
 - meet the buyer events.

Delivery initiatives

Authorities identified a number of initiatives which they were utilising during the delivery stage of the procurement process to offer continued support to SMEs. These initiatives included:

- ❑ initiatives that support the quicker payment of suppliers, including:
 - preferred payment schemes for SMEs;
- ❑ initiatives that keep suppliers informed during delivery and which seek to maximise benefit, including:
 - supplier newsletters;
 - supplier and buyer forums and networks;
 - supplier development programmes;
 - clear and transparent feedback processes.
- ❑ activities which encourage main contractors to engage with SMEs, including:
 - influencing sub-contracting decisions in support of SMEs;
- ❑ activities which monitor the effectiveness and impact of procurement spend, including:
 - measuring spend with SMEs and adopting practices accordingly.

4.1.2 Best practice initiatives

Local authorities were also asked to identify the components of SME support initiatives which they felt were best practice; 95 authorities suggested that their SME support initiatives were best practice (68% of all authorities with initiatives in place). Upon reflection, these initiatives are more likely to be 'good practice' as opposed to 'best practice'.

The following were identified as key themes of best practice initiatives.

Simplified procurement processes

Authorities identified that one of the key barriers to SME participation in the procurement process was around the bureaucracy and complexity associated with pre-qualification questionnaires and invitation to tender documentation; therefore best practice was identified amongst those authorities which have sought to streamline, simplify and in some cases remove PQQ documents.

Specialist and smarter procurement programmes for SMEs

As already identified in this research, SMEs experience a range of barriers in the procurement process, whether that be tendering or delivering opportunities. One of the ways in which authorities have responded to this has been to introduce specialist and smarter support programmes for SMEs. Those which have been multi-sectoral, covering the entirety of the public sector and not just the local authority, are deemed as best practice.

Toolkits, guidelines and e-procurement

A number of authorities identified that they had developed online tools and guides to support SMEs in the procurement process. Those deemed as best practice were the ones which had involved engagement of the SME sector in their development, and enabled ease of access to opportunities; e-procurement and web portals were also identified as effective means of supporting and engaging SMEs.

Regular training and workshops for SMEs

Authorities responding to the survey suggested that best practice approaches to SME training were those which offered a rounded focus covering the various stages of the tender process, from identification of need through to delivery. They also felt that any training had to be applicable to potential tender opportunities within that locality.

Streamlining financial appraisal and adopting a lot approach

A number of authorities have sought to support SMEs in accessing procurement opportunities by making contracts more financially accessible; this means introducing contracts of smaller financial value or splitting contracts down into lots and reducing some of the financial requirements placed on SMEs.

Quotation requirements around small business

Authorities highlighted that best practice support initiatives for SMEs were the ones that were prepared to take risks and challenge EU procurement law. A number of authorities have sought to introduce minimum quotations from SMEs for certain tender opportunities; this however needs to be linked to market testing and training to ensure that SMEs have the best possible opportunity to win the work.

Partnership working with business networks

Best practice initiatives for supporting SMEs in the procurement process come when local authorities work in partnership with business networks such as Chambers of Commerce or FSB Regional Offices to provide collaborative capacity building and training. The business networks have the knowledge of the small business sector, with the local authority having the knowledge of their tendering requirements.

Cross-departmental activities

Procurement processes are deemed more effective when they are a cross-authority function as opposed to just being delivered by procurement departments. Cross-departmental working enables market intelligence to be utilised in the procurement process, knowledge of SMEs, and ensures wider corporate priorities are embedded.

4.2 Below EU threshold practices

Figure 25 details the proportion of local authorities which adopt different procurement practices for opportunities below the EU thresholds; 109 authorities (74%) stated that they adopt different practices.

Figure 25: Proportion of authorities using different processes for below EU threshold tenders

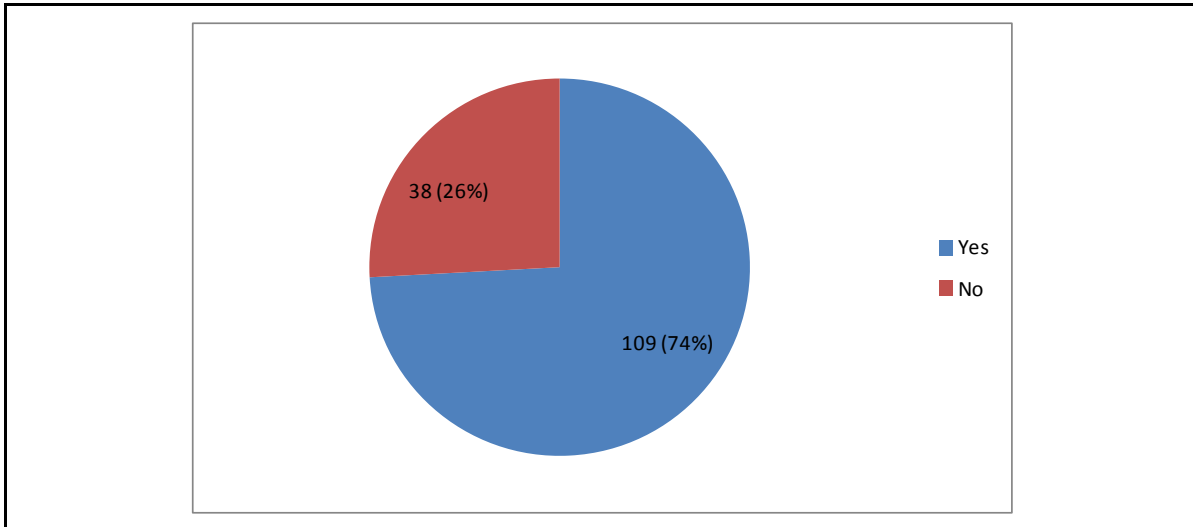
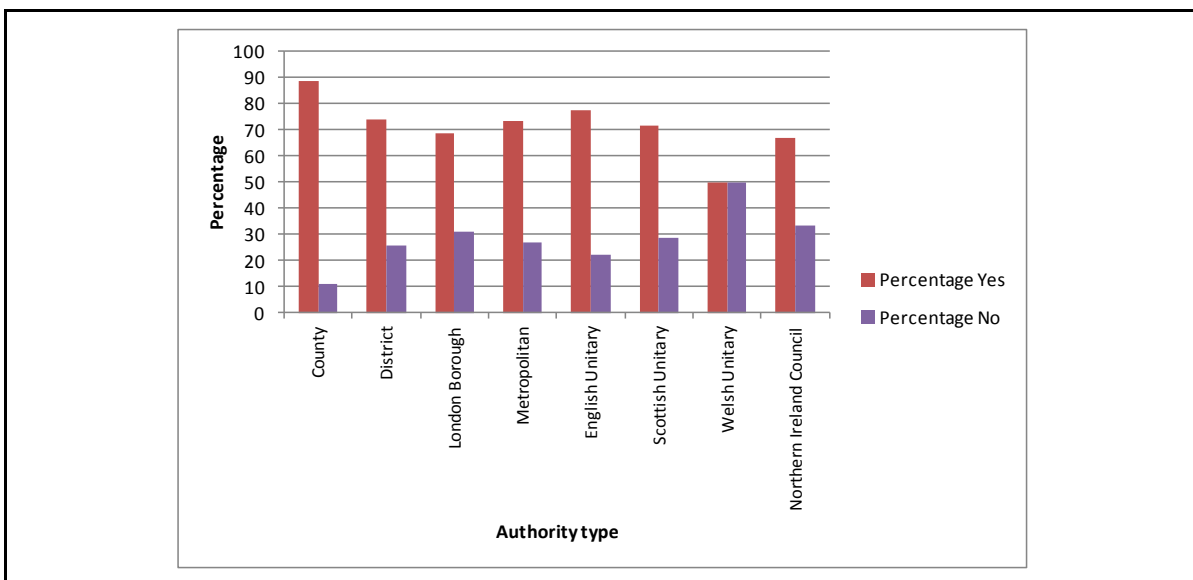


Figure 26 highlights the proportion of respondents to the survey by authority type which had different processes for below EU threshold tenders; 16 County authorities (88.9% of responding authorities) deployed different processes; and only 4 Welsh Unitary authorities (50% of responding authorities) deployed different processes.

Figure 26: Proportion of authorities using different processes for below EU threshold tenders by authority type



The different processes adopted by local authorities for below EU threshold opportunities can be themed as follows:

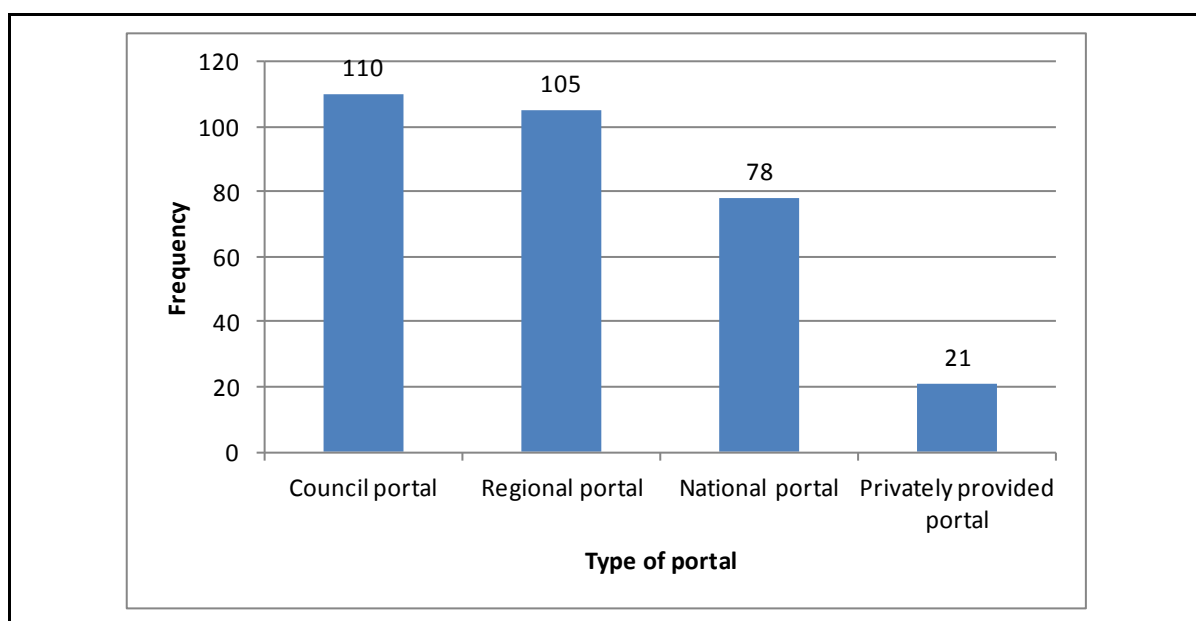
- ❑ advertising through more localised means than the Official Journal of the European Union, including:
 - advertising opportunities through a local or regional portal only;
 - advertising through local press;
- ❑ reducing the bureaucracy of the process of procurement, including:
 - not requiring a PQQ on below threshold contracts;

- less complex documents and procedures, and greater flexibility;
 - shorter timeframes;
- locally specific practices, including:
- approach dependent upon nature of opportunity;
 - adopting quotation requirements, such as minimum of three quotes, with one from a local organisation;
 - identifying and selecting companies to bid.

4.3 Advertising and portals

Figure 27 highlights the extent to which local authorities utilise various types of portals as a means of advertising tender opportunities; 110 of the authorities responding to the survey use their own local authority website or locally specific portal as a means of advertising opportunities; 105 authorities use regional portals, such as the CHEST in the North West; and 78 authorities utilise government backed national portals, such as Contracts Finder and Sell2Wales.

Figure 27: Frequency of use of different types of portal for advertising



The likelihood of utilising different types of portal varies by geographical area. All of the 14 local authorities in Scotland responding to the survey utilised a national portal (Public Contracts Scotland) and all 8 authorities responding from Wales used Sell2Wales; only 3 of the responding 7 authorities from Northern Ireland used eSourcing Northern Ireland. Accordingly, authorities in Scotland and Wales were less likely to use their own local authority specific portals, with only 9 in Scotland and 3 in Wales doing so. Authorities in England are therefore much more likely to utilise local authority and regional portals to advertise tender opportunities. Indeed, only 53 of 119 authorities in England responding to the survey utilised a national portal such as Contracts Finder.

Authorities were also asked to identify other ways in which they advertise tender opportunities. Other means identified included:

- through local and regional press;
- through business and voluntary and community sector forums;
- through social media such as Twitter;
- through mail shots from Economic Development and Regeneration Teams.

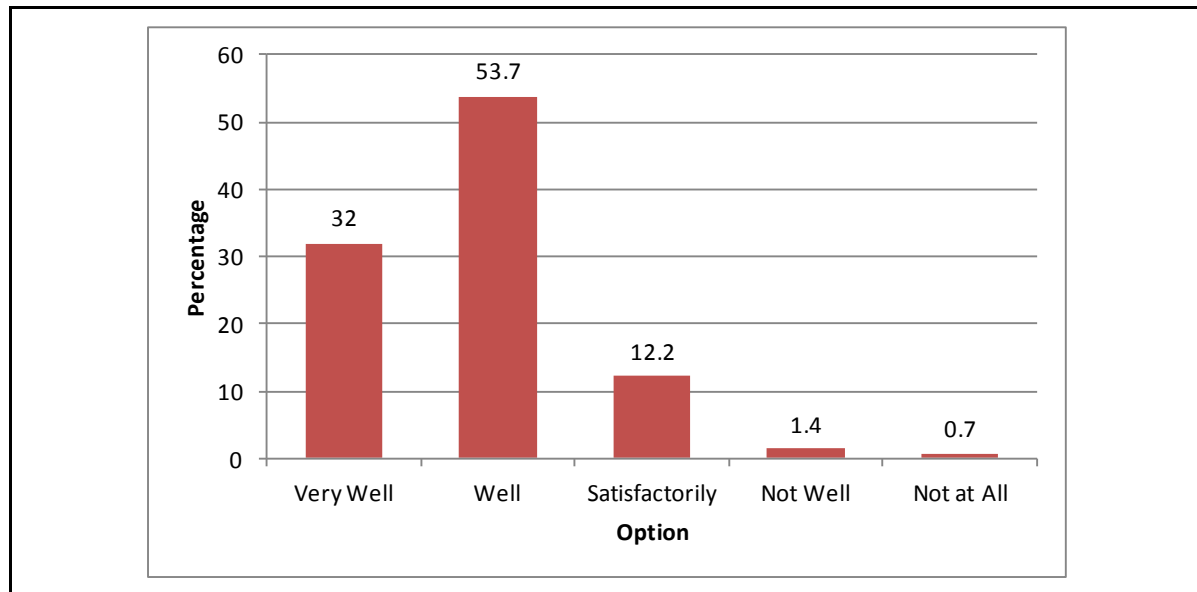
5 ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

Local authorities were asked to identify the extent to which economic, social and environmental benefits were considered in the procurement process. This included thoughts upon how procurement strategy linked to wider corporate priorities, and the extent to which issues such as cost saving and economic development were important in the procurement process.

5.1 Strategic linkages

Figure 28 highlights the extent to which local authorities felt their procurement strategy and processes contributed to wider corporate priorities; 126 authorities (86%) felt their procurement strategy linked 'well' or 'very well' to wider corporate objectives.

Figure 28: Extent to which procurement strategy links to wider corporate objectives



Of the 18 authorities which stated that their procurement strategy linked 'satisfactorily' to wider corporate priorities, 4 were from the South East and 3 were from each of the East of England and Northern Ireland. All of the authorities in Wales, the West Midlands, and Yorkshire and Humber felt that their procurement strategy linked 'very well' or 'well' to wider corporate priorities.

Strategic linkages

Those with only satisfactory a linkages also tended to spend less upon procuring goods and services. Indeed, 12 of the 18 spent less than £50 million annually.

There is a correlation between not recording SME spend and having satisfactory or less than satisfactory strategic linkages; 14 of the 18 authorities which suggested the link between their procurement strategy and wider corporate priorities as 'satisfactory', 'not well' or 'not at all' did not record levels of spend with SMEs.

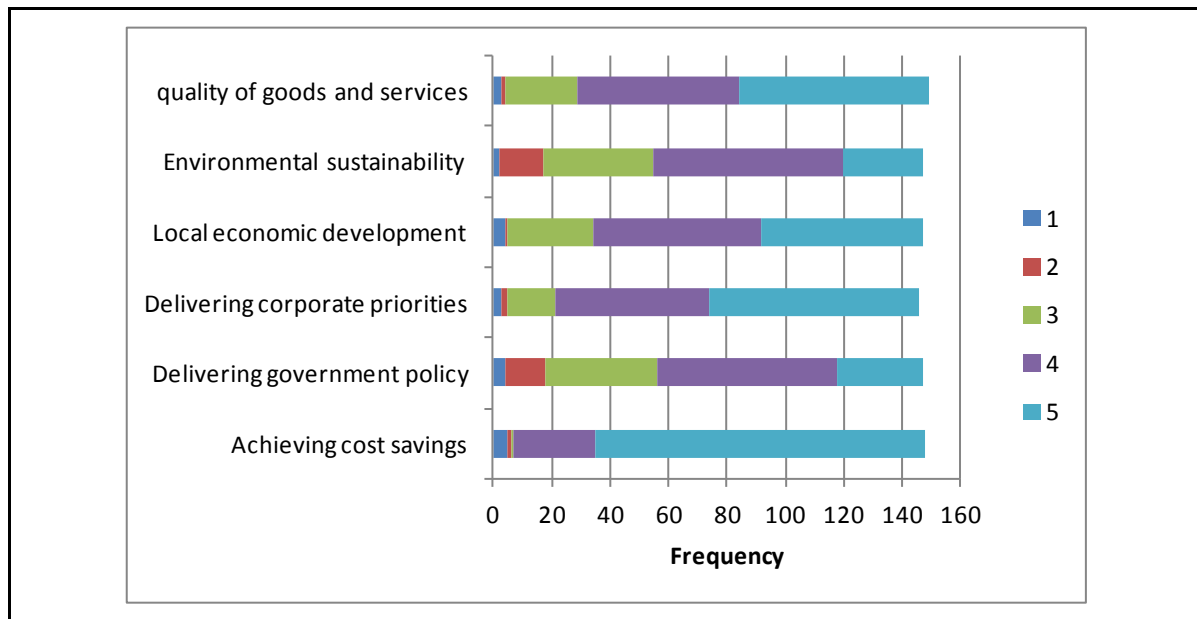
There is also a correlation between believing SMEs face barriers in the procurement process and having satisfactory or less than satisfactory strategic linkages; 16 of the 18 authorities which suggested the link between their procurement strategy and wider corporate priorities as 'satisfactory', 'not well' or 'not at all' felt that SMEs faced barriers in accessing procurement opportunities.

5.2 Issue importance

Figure 29 highlights the extent to which particular issues are important for local authorities in the procurement process. Authorities were asked to score issues on a scale of 1 (low importance) to 5 (high importance); 113 local authorities suggested that achieving cost savings was of high

importance (scored 5); 72 authorities suggested that delivering corporate priorities was of high importance (scored 5). The issues of delivering government policy and environmental sustainability were deemed less important, with 56 and 55 authorities respectively scoring these issues as 1, 2 or 3 on the importance scale.

Figure 29: Extent to which issue is important in procurement process



There are variations in the importance of particular issues by geographical area. All 14 of the authorities responding to the survey from the North West, and all six responding authorities from Yorkshire and Humber, scored achieving cost savings as 5, as demonstrated in Figure 30. Only 50% of authorities in Scotland scored achieving cost savings as 5; the second lowest was in the South East, with 68.2% of authorities scoring it as 5.

Figure 30: Cost saving importance by geographical area



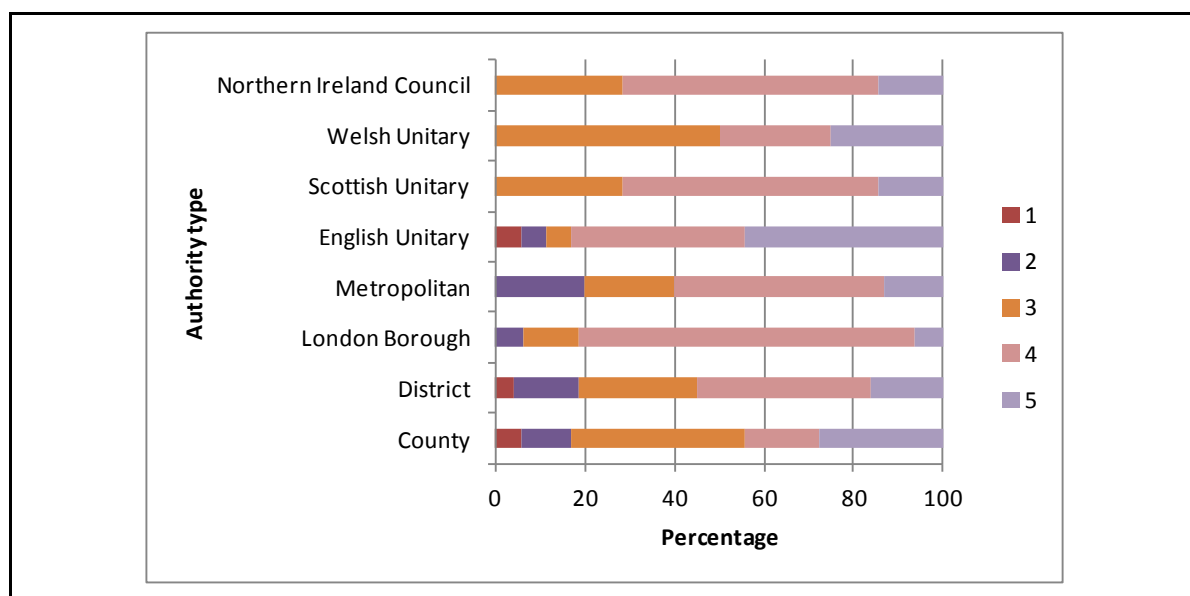
Delivering the councils wider corporate priorities was also of high importance for authorities in Yorkshire and Humber, with all six scoring it as 5. Local economic development considerations were deemed particularly important in the geographical areas of the North West (thirteen out of fourteen scoring 4 or 5), Scotland (thirteen out of fourteen scoring 4 or 5), Wales (seven out of eight scoring 4 or 5), and Yorkshire and Humber (all six scoring 4 or 5). Improving the quality of goods and

services was also important for North West authorities, with 10 out of 14 scoring it 5 on the importance scale.

It is also possible to cross-tabulate the importance of particular issues by authority type; 88.9%, 86.7% and 87.5% of County, London Borough and Metropolitan authorities respectively deemed achieving cost savings to be of high importance (scored 5). Only 50% of Scottish authorities scored this issue of high importance (scored 5); 79.8% of English local authorities deemed achieving cost savings as of high importance. Local economic development considerations were much more likely to be deemed of high importance in English Unitaries (66.7% scoring it as 5) and Metropolitan authorities (53.3% scoring it as 5) than other types of authorities, particularly English Districts (16.3% scoring it as 5).

Figure 31 highlights the importance of delivering government policy through procurement by authority type. It is clear that London Boroughs and English Unitaries view it as of high importance, with 81.3% and 83.8% respectively scoring it as a 4 or 5. Delivering government policy through procurement is of less importance in County authorities with 55.6% scoring it as a 1, 2 or 3; 50% of Welsh Unitaries scored delivering government policy as a 3.

Figure 31: Government policy importance by authority type



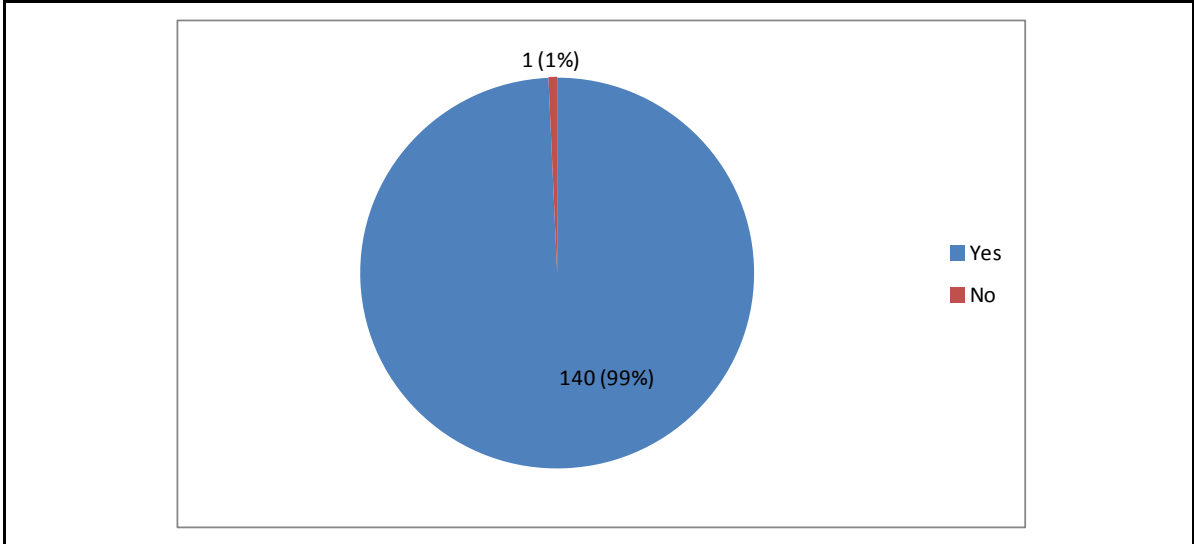
Record SME spend and priorities

Those authorities which record levels of spend with SMEs are more likely to score local economic development as 4 or 5, in terms of the importance of it as a priority; 65 of the 74 authorities which recorded SME spend also scored local economic development considerations as a 4 or 5 on the priorities list. This compares to 48 of the 73 authorities which did not record SME spend who score the priority of local economic development as a 4 or 5.

5.3 Use of purchasing frameworks

Figure 32 highlights the extent to which local authorities use buying and purchasing frameworks in the procurement process; 140 authorities (99%) utilise such frameworks.

Figure 32: Use of buying/purchasing frameworks



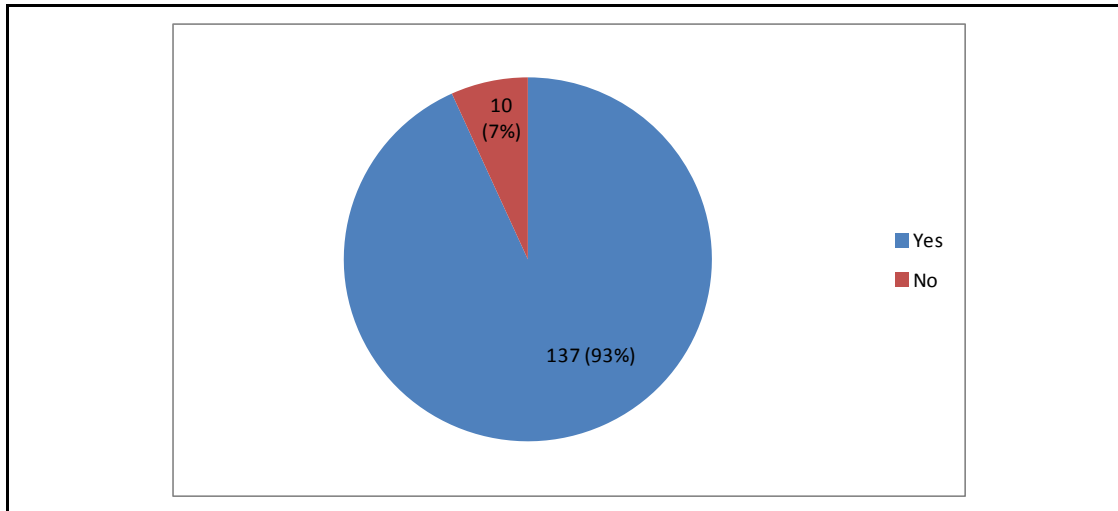
6 PAYMENT

Local authorities were asked to detail their policies and schedules around the payment of suppliers.

6.1 Payment policies and schedules

Figure 33 highlights the extent to which local authorities have in place policies for the payment of suppliers; 137 authorities (93%) have in place such a policy.

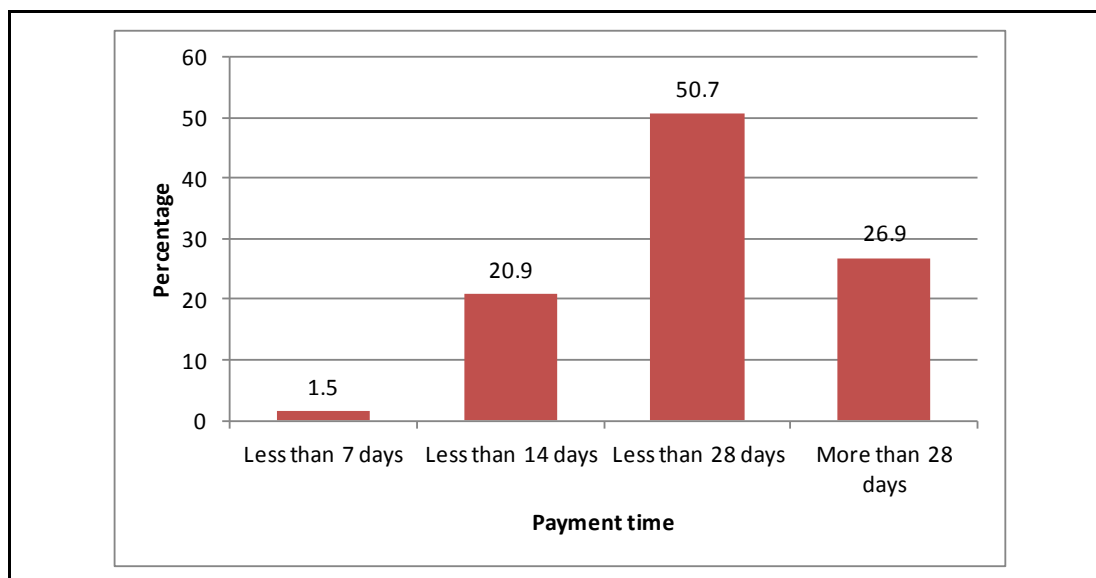
Figure 33: Use of payment policies for suppliers



Of the 10 authorities which did not have payment policies, 4 were English Districts. Additionally, 5 had lower values of procurement spend (less than £50 million).

134 of the 137 authorities which suggested that they had in place policies for the payment of suppliers provided data for the length of time it took to make payment to suppliers. As detailed in Figure 34, 68 authorities (51%) suggested that they made payment in less than 28 days; this was followed by 36 authorities (27%) which suggested that they made payment in more than 28 days. (**Note:** some authorities indicated they had a policy of payment in 30 rather than 28 days.)

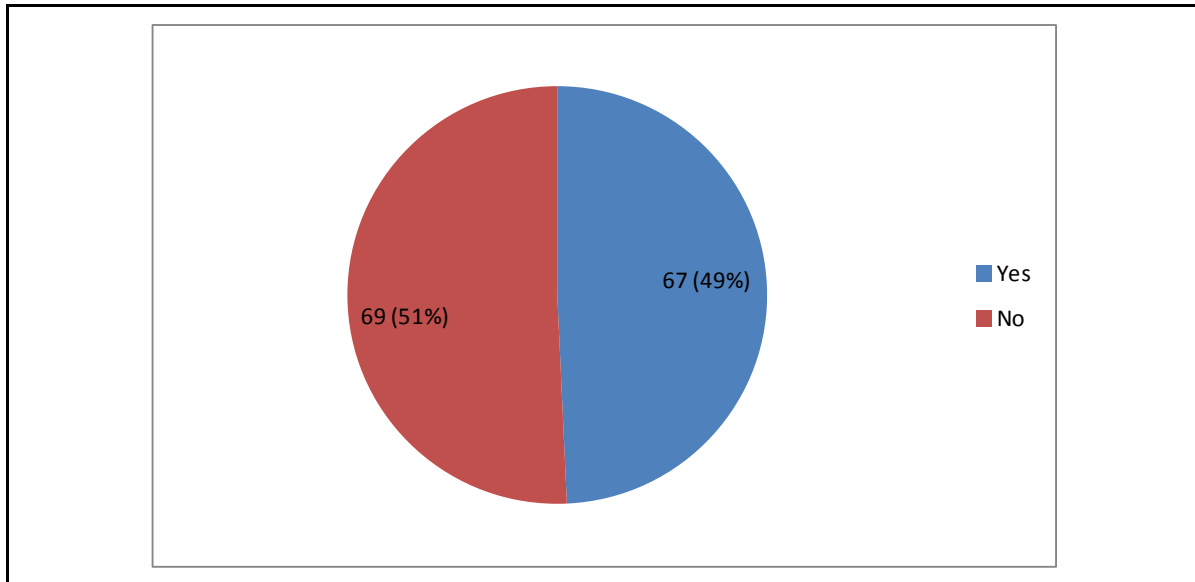
Figure 34: Payment schedule of authorities



136 of the 137 authorities which suggested they had in place policies for the payment of suppliers provided an answer for the question of whether they passed their payment policies onto their main contractors. As detailed in Figure 35, 67 authorities (49%) suggested that they expected their main contractors to follow the authority's code of payment.

Record SME spend and payment schedule

Of the 28 authorities which suggested they had a payment schedule of less than 14 days, 19 (67.9%) were authorities which actively record levels of spend with SMEs; this suggests that those recording SME spend are more likely to pay suppliers quicker than those which do not.

Figure 35: Proportion of authorities asking main contractors to pass on payment policy

There are variations in the passing on of payment policies by authority type; 12 of the responding County authorities (70.6%) actively sought to pass on payment policies to main contractors; only 4 London Boroughs (28.6%) actively passed on payment policies to the supply chain.

Record SME spend and pass on payment policy

Authorities which actively record levels of spend with SMEs are more likely to pass on payment policies to main contractors. Indeed, 43 of the 73 authorities which record SME spend (58.9%) pass on payment policies to main contractors; this compares to the figure for all authorities of 49%.

7 CONCLUDING THOUGHTS

As a way of concluding the findings of the survey, the following section sets out some of the core findings and patterns by authority type. Patterns can be grouped as follows:

7.1 English Districts and Northern Ireland Councils

These authorities will:

- have lower levels of spend upon procuring goods and services;
- be less likely to record local spend;
- be less likely to record SME spend;
- be more likely to think SMEs face barriers in the procurement process;
- be less likely to think there are effective links between procurement strategy and council priorities;
- be less likely to have policies in place for the payment of suppliers.

7.2 Scottish and Welsh Unitaries

These authorities will:

- be more likely to record local spend;
- have greater levels of spend in their local authority boundary (Welsh Unitaries);
- be more likely to record SME spend;
- be less likely to think SMEs face barriers in accessing procurement opportunities;
- be less likely to use different processes for below EU threshold tenders;
- be more likely to use national portals for advertising tender opportunities;
- be less likely to think achieving cost savings is an issue of high importance.

7.3 Counties

These authorities will:

- have higher levels of spend upon procuring goods and services;
- be more likely to record local spend;
- have greater levels of spend in their local authority boundary;
- be more likely to record SME spend;
- be more likely to think SMEs face barriers in accessing procurement opportunities;
- be more likely to use different processes for below EU threshold tenders;
- be more likely to think achieving cost savings is an issue of high importance;
- be less likely to think delivering government policy is an issue of high importance;
- be more likely to pass on payment policies to main contractors.

7.4 English Unitaries and Metropolitans

These authorities will:

- have higher levels of spend upon procuring goods and services;
- be more likely to record local spend;
- be more likely to record SME spend (Metropolitans);
- have greater levels of spend with SMEs.

7.5 London Boroughs

These authorities will:

- have higher levels of spend upon procuring goods and services;
- be less likely to record local spend;
- have lower levels of spend in their local authority boundary;
- be less likely to record SME spend;
- have lower levels of spend with SMEs;
- be more likely to think SMEs face barriers in accessing procurement opportunities;
- be less likely to use different processes for below EU threshold tenders;
- be more likely to think achieving cost savings is an issue of high importance;
- be less likely to pass on payment policies to main contractors.

APPENDIX 1
Copy of survey

COPY OF SURVEY

Introduction

The Federation of Small Businesses (FSB) is currently working on a project with the Centre for Local Economic Strategies (CLES) exploring the relationship between small business and procurers in local government. Through this survey we are interested in understanding the extent to which small and medium sized enterprises (SMEs) are successful in accessing local government procurement opportunities; the extent to which local government monitors levels of procurement business with SMEs; and the extent to which it has strategies and initiatives in place to support this. We will also explore the extent to which local government recognises the different scale of SMEs and associated barriers to procurement, particularly for small and micro businesses.

About your local authority

1 What is the name of your local authority?

Procurement spend

2 Approximately how much (£) did the local authority spend in the last financial year (for which data is available) procuring goods and services?

3 Approximately what proportion (%) of procurement spend in the last financial year (for which data is available) was the following?

Capital expenditure	
Revenue expenditure	

Local spend

4 Do you record the amount that you spend with suppliers based within your local authority boundary?

- Yes
- No

5 If yes, approximately what proportion (%) of your total procurement spend in the last financial year (for which data is available) was with local suppliers (suppliers based within your local authority boundary)?

SME spend

6 Do you know which of your suppliers are small and medium sized enterprises (SMEs)?

- Yes
- No

- 7 If yes, approximately what proportion (%) of your total procurement spend in the last financial year (for which data is available) was with SMEs?**

--

- 8 Do you know which of your suppliers are micro businesses (0-9 employees), small businesses (10-49 employees), and medium businesses (50-249 employees)?**

- Yes
- No

- 9 If yes, approximately what proportion (%) of your total procurement spend in the last financial year (for which data is available) was with the following:**

Micro business	
Small business	
Medium business	

Barriers

- 10 Do you think SMEs face barriers in accessing procurement opportunities?**

- Yes
- No

- 11 If yes, what are the main barriers?**

--

Engagement

- 12 Do you have any processes and initiatives in place to support SMEs in tendering?**

- Yes
- No

- 13 If yes, please provide examples of these processes and initiatives.**

--

14 Do you think any of your procurement processes and initiatives are best practice?

Yes

No

If yes, please specify:

15 Do you utilise a different approach to tenders below the EU threshold?

Yes

No

If yes, please specify:

16 Do you use any of the following for advertising tender opportunities?

Council's own website/portal

Regional portals (collaboration between neighbouring authorities)

Government backed national portals (Contracts Finder, Public Contracts Scotland, Sell2Wales, eSourcing Northern Ireland)

Other privately provided portals

Other ways of advertising (please specify below)

Economic, social and environmental benefits

17 To what extent do you think your procurement strategy contributes to wider corporate objectives in your local authority?

- Very well
- Well
- Satisfactory
- Not well
- Not at all

18 To what extent are the following currently important in your procurement practices? (1 being low importance and 5 being high importance)

	1	2	3	4	5
Achieving cost savings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delivering government policy through procurement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delivering the Council's wider corporate objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local economic development considerations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Environmental sustainability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving quality of goods/services provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19 Do you use joint buying/purchasing organisation frameworks for any elements of your procurement activity?

- Yes
- No

Payment

20 Do you have a policy stating the number of days it takes to pay suppliers?

- Yes
- No

21 If yes, which of the following does your payment schedule for suppliers fit within?

- Less than 7 days
- Less than 14 days
- Less than 28 days
- More than 28 days

22 Do you actively request that the main contractors pass these terms onto their sub-contractors?

- Yes
- No

Annex B
FSB member survey
panel results

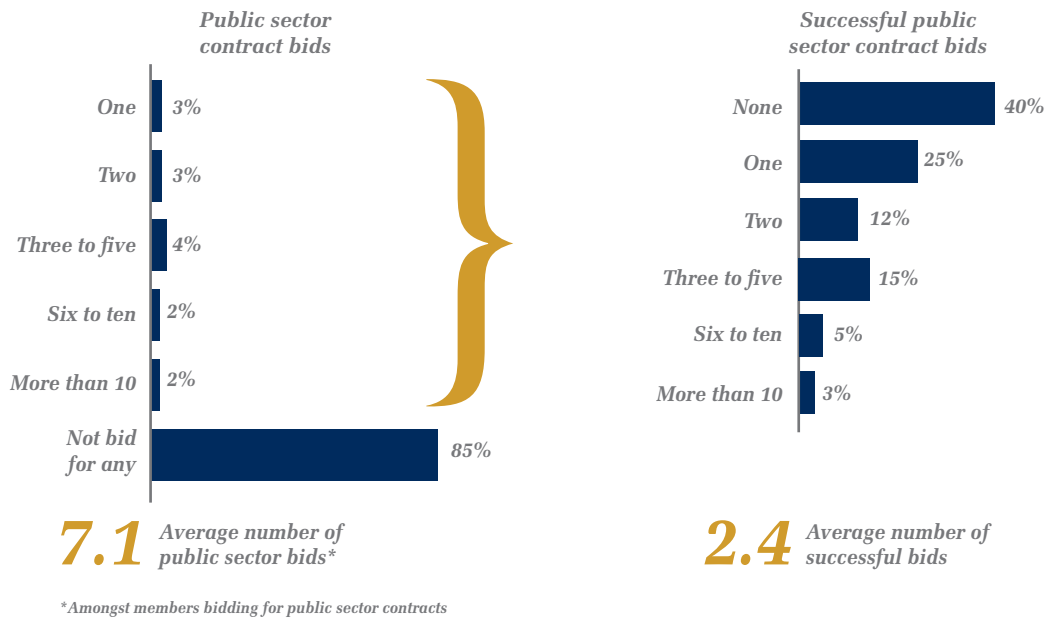
FSB ‘Voice of Small Business’ Survey Panel

Prepared by Research by Design

Methodology

- Research findings are based on a survey made available to the FSB ‘Voice of Small Business’ Panel during March 2012.
- All panel members (7,534) were invited to take part in an online survey designed and hosted by Research by Design. The survey questions covered a range of issues including local government, LEPS public procurement, waste and recycling services
- Fieldwork took place between Monday 5 and Friday 16 March 2012.
- Two reminder emails were sent to non-respondents.
- 2,754 responses were received; a 37 per cent response rate.
- National data has been weighted to the membership profile.

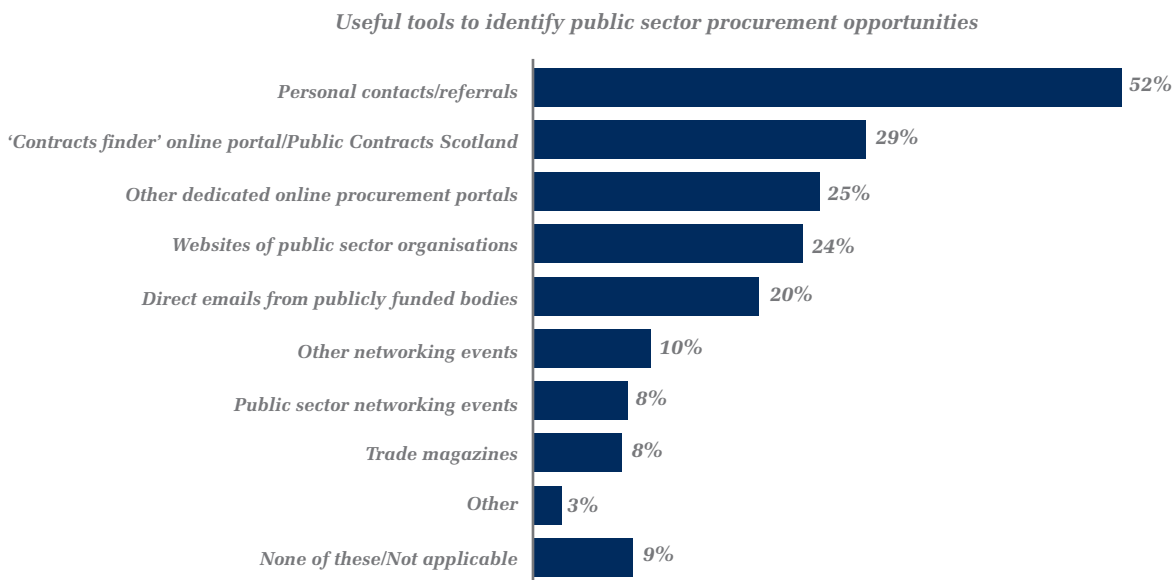
How many public sector contracts have you bid for in the last 12 months, if any? Base: 2740
 How many of your public sector bids have been successful over the past 12 months? Base: 353 (bidding for public sector contracts)



Just 15 per cent of members have bid for public sector contracts in the past 12 months, among these, the average number of contracts is 7.1 (among all members, the average is 1.1).

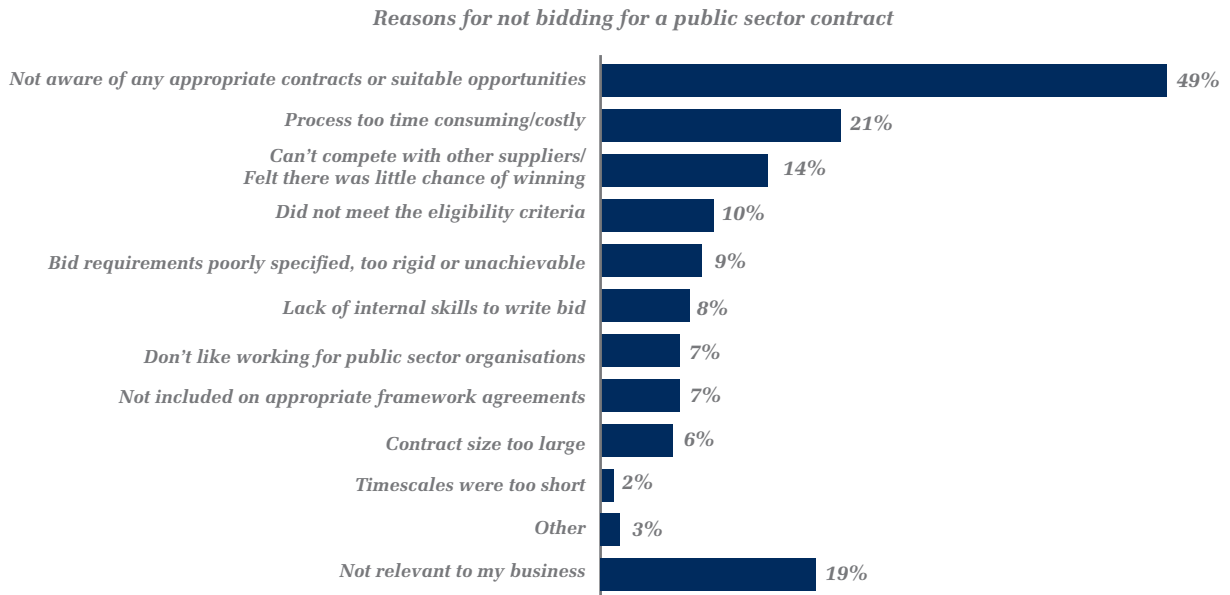
Four in ten members bidding have been unsuccessful. On average, members secure 2.4 contracts.

Which of the following do you find useful in identifying public sector procurement opportunities? Base: 396 (bidding for public sector contracts)



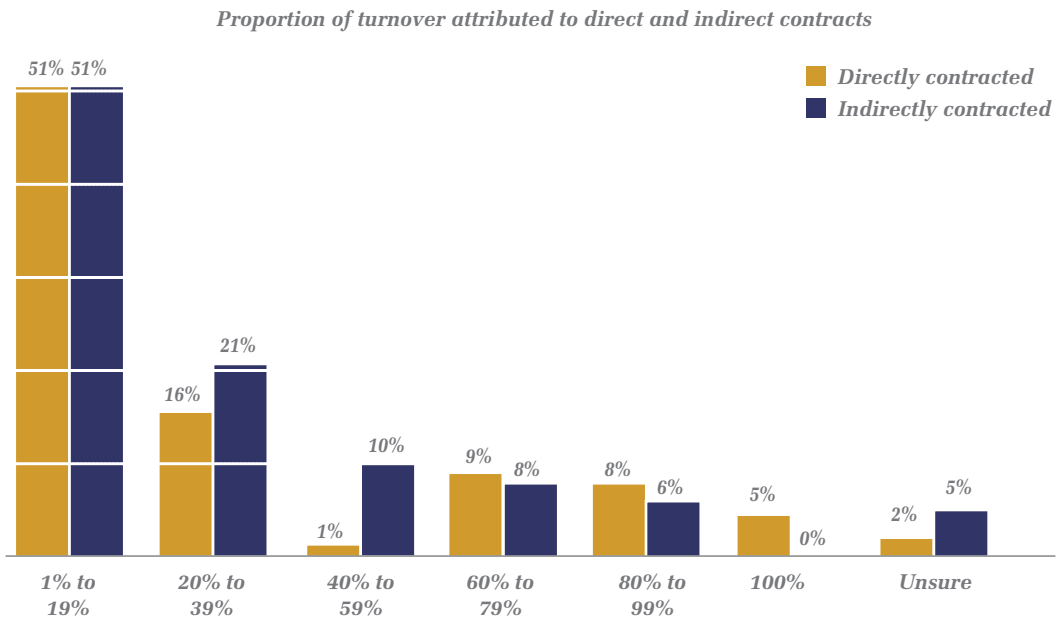
The majority of members highlight personal contacts/referrals as the most useful tool to identify public sector opportunities. Less than three in ten claim dedicated portals and websites as useful.

For what reasons, if any, has your business decided not to submit a bid for a public procurement opportunity in the past 12 months? Base: 2259 (not bidding for a public sector contract)



Lack of awareness of any appropriate contracts or suitable opportunities is the main reason members have not submitted a public sector bid; around half state this.

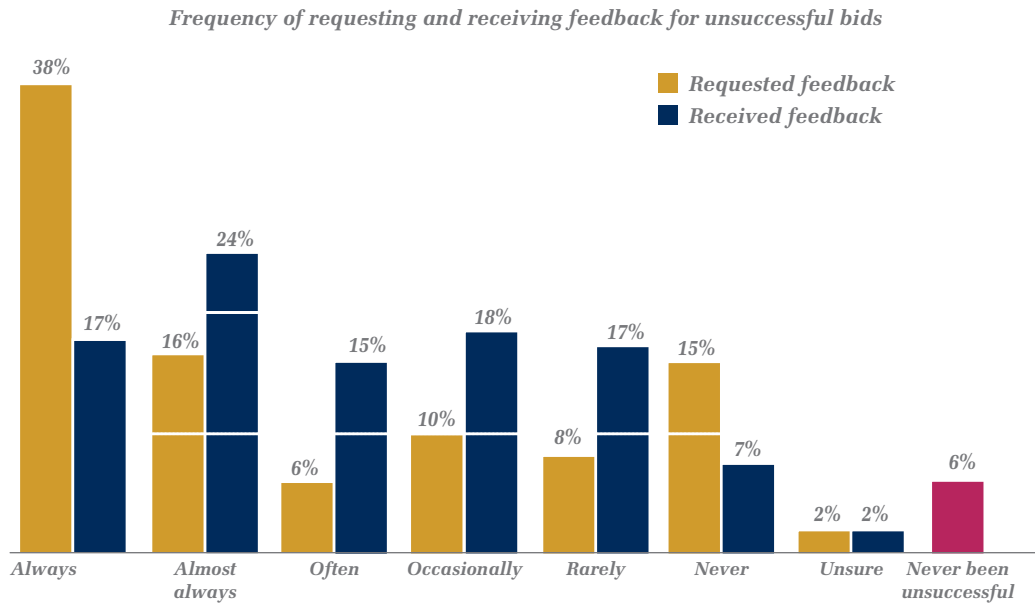
Over the past 12 months, what proportion of your business turnover has been generated from work (a) directly contracted by publically funded bodies (b) indirectly contracted by publically funded bodies? Base: 130-196 (won a public sector contract)



The majority of members securing public sector contracts attribute up to 20 per cent of their turnover towards them.

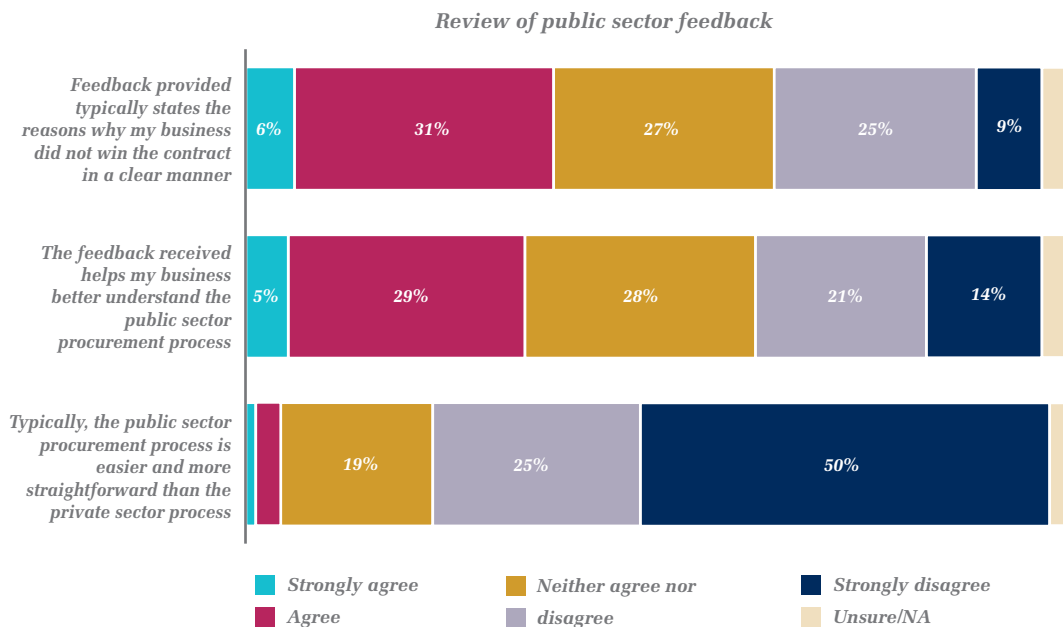
How frequently do you ask for feedback on public sector bids that you have not successfully won?
 Base: 398 (bidding for public sector contract)

When you ask for feedback on unsuccessful public sector bids how frequently do you receive it? Base: 306
 (ask for feedback)



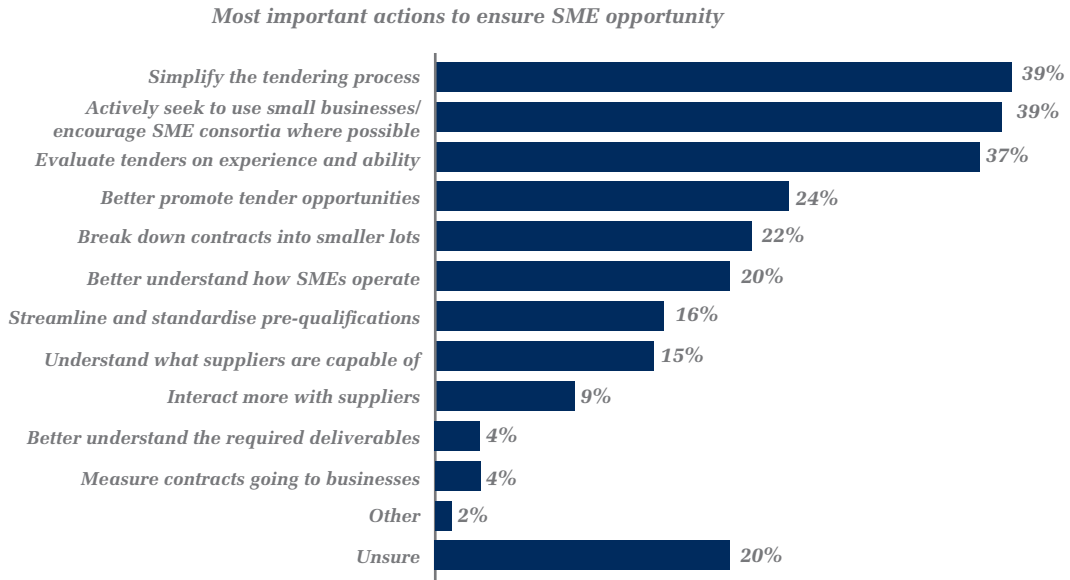
Over half of members always or almost always request feedback on unsuccessful public sector bids. Of these around three quarters receive it.

To what extent do you agree or disagree with the following? Base: 268–377 (received feedback)



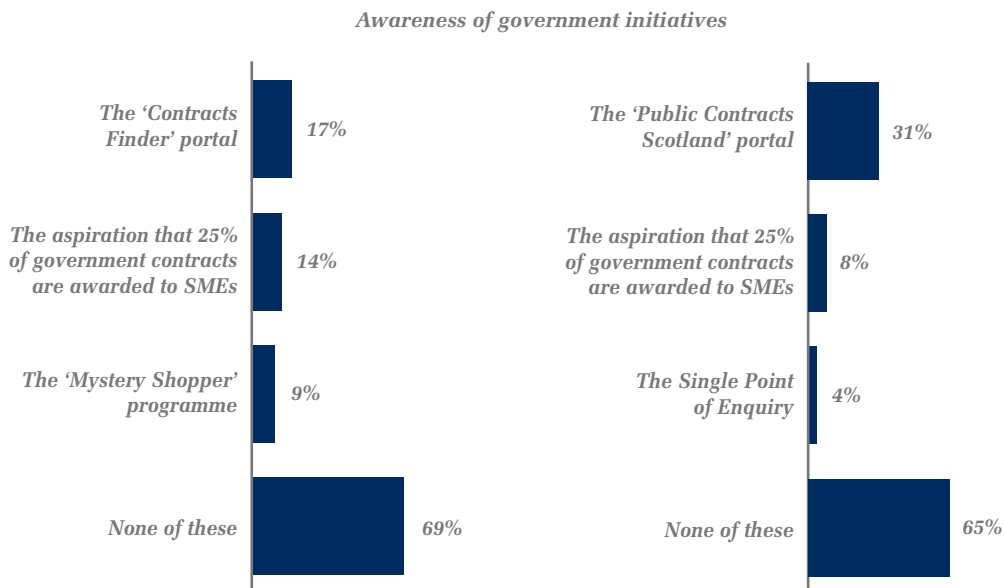
While members' views are mixed concerning the usefulness of the public sector feedback they receive, there is clarity regarding the public process when compared to the private sector process; the vast majority argue the private process is more straightforward.

What are the three most important actions public procurement teams need to take to ensure SMEs have the best opportunity to compete effectively? Base: 2613



Simplifying the tendering process, actively seeking to use small businesses and evaluating tenders on experience and ability are the most important actions public procurement teams need to take to ensure SME's have the best opportunity to compete effectively.

**And which of the following government initiatives are you aware of? Base: 2263 (England, Wales, Northern Ireland)
And which of the following government initiatives are you aware of? Base: 255 (Scotland)**



Lack of awareness of any appropriate contracts or suitable opportunities is the main reason members have not submitted a public sector bid; around half state this.



Federation of Small Businesses
The UK's Leading Business Organisation

© Federation of Small Businesses 2012

Telephone: 020 7592 8100
Facsimile: 020 7233 7899
email: london.policy@fsb.org.uk
website: www.fsb.org.uk

This report can be downloaded from the FSB website at <http://www.fsb.org.uk/policy/>

If you require this document in an alternative format please email
accessability@fsb.org.uk

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of the Federation of Small Businesses (FSB). While every effort has been made to ensure the accuracy of the facts and data contained in this publication, no responsibility can be accepted by the FSB for errors or omissions or their consequences. Articles that appear in the report are written in general terms only. They are not intended to be a comprehensive statement of the issues raised and should not be relied upon for any specific purposes. Readers should seek appropriate professional advice regarding the application to their specific circumstances of the issues raised in any article.

Published July 2012.

Corporate Services Overview and Scrutiny Committee

11 December 2013

Treasury Management Monitoring Report

Recommendation

That the Corporate Services Overview and Scrutiny Committee considers and comments on Treasury Management in respect of 2013/14 to date.

1 Introduction

1.1 Warwickshire County Council fully complies with the requirements of The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice (COP) on Treasury Management 2009. The primary requirements of the Code are the:

- creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- receipt by the Cabinet of an Annual Treasury Management Strategy Report for the year ahead, a midyear review report (as a minimum) and an annual review report of the previous year.
- delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices, and for the execution and administration of treasury management decisions.

1.2 Under the CIPFA Code, the Cabinet is required to receive a report on the outturn of the annual treasury management activity for the authority. Monitoring reports regarding treasury management are an agenda item for the Corporate Services Overview and Scrutiny Committee throughout the year.

1.3 Treasury management in the context of this report is defined as:

“The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.” (*CIPFA Code of Practice*).

2 Investments

2.1 The Council has an investment portfolio consisting of reserves and cash arising from daily receipts being in excess of payments on a short term basis. This cash is invested partly by an in house treasury function and partly by an external cash manager, approximately on a 70/30 basis. Such investments earn investment income.

2.2 The Council’s investment portfolio at the end of the first six months of 2013/14 to 30 September 2013 was as follows:

Table 1: Investment Position at 30 September 2013

	Invested at 30 September 2013 £m
In-house fixed term deposits	184.6
RBS	10.0
Total In-house	194.6
Aviva Investors	47.2
CCLA Public Sector Fund	10.0
Total All Investments	251.8

2.3 The council is currently investing according to a low risk, high quality lending list in line with the policy approved in the Treasury Management Strategy.

2.4 All counterparties (banks and other institutions to which we lend) have a time limit of one year.

2.6 Performance of the Council’s investments versus the benchmark is:

Table 2: Investment Performance to 30 September 2013

	Average Interest rate year to date	Target rate: 7 day LIBID (+10% for the externally managed Aviva portfolio)	Variance
	%	%	%
In house	0.28	0.36	-0.08
RBS	0.80	0.36	0.44
Total In house (weighted)	0.30	0.36	-0.06
Aviva Investors	0.59	0.40	0.19
CCLA Public Sector Fund	0.32	0.36	-0.04

Total All Investments	0.35	0.36	-0.01
------------------------------	-------------	-------------	--------------

2.6 The in-house operation under performed slightly, however, following a review of investment policy, counterparty group limits have been increased and work is underway to appoint a second segregated cash manager.

Table 3: Interest Earned to September 2013

	Year to date
	£000
In house	296
RBS	38
Total In house	334
Aviva Investors	138
CCLA Public Sector Fund	9
Total All Investments	481

2.8 The table below details our consultant's view on interest rates. Based on this opinion, the money market will continue to be at current levels until late 2016 when rates are predicted to rise.

Table 4: Interest Rate Forecast

	Present - Jun 2016	Sep 2016	Dec 2016	Mar 2017
	%	%	%	%
Interest Rate Forecast	0.50	0.75	1.00	1.25

Source: Sector Treasury Services

3 Borrowing

3.1 The borrowing undertaken by the County with The Public Works Loans Board (PWLB) was £ 389.1m at 31 March 2013 and remains unchanged.

4 Compliance with Treasury Limits and Prudential Indicators

4.1 During the first two quarters of 2013/14 to 30 September 2013, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Treasury Management Strategy. Full details of the Prudential Indicators set for 2013/14 are shown in **Appendix A**. Explanations of the terminology employed is set out in **Appendix B**.

Report Author: Mathew Dawson, Treasury and Pension Fund Manager

Head of Service: John Betts, Head of Finance

Strategic Director: David Carter, Strategic Director, Resources Group

Appendix A

PRUDENTIAL INDICATOR	2012/13	2013/14	2014/15	2015/16
(1). AFFORDABILITY PRUDENTIAL INDICATORS	Actual	estimate	estimate	estimate
Capital Expenditure	£'000 72,315	£'000 102,319	£'000 69,448	£'000 51,774
Ratio of financing costs to net revenue stream	% 10.60	% 9.96	% 10.13	% 10.27
Gross borrowing requirement	£'000	£'000	£'000	£'000
Gross Debt	399,096	396,041	393,483	388,422
Capital Financing Requirement as at 31 March	337,653	354,103	370,187	396,628
Under/(Over) Borrowing	(61,443)	(41,938)	(23,296)	8,206
In year Capital Financing Requirement	£'000 (17,860)	£'000 16,450	£'000 16,084	£'000 26,441
Capital Financing Requirement as at 31 March	£'000 337,653	£'000 354,103	£'000 370,187	£'000 396,628
Affordable Borrowing Limit	£	£	£	£
Position as agreed at March 2013 Council				
Increase per council tax payer	-3.30	-2.23	8.95	5.95
Updated position of Current Capital Programme				
Increase per council tax payer	-2.19	-6.44	3.02	3.13
PRUDENTIAL INDICATOR	2012/13	2013/14	2014/15	2015/16
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	approved	approved	estimate	estimate
Authorised limit for external debt -	£'000	£'000	£'000	£'000
Borrowing	490,097	505,536	485,619	497,983
other long term liabilities	12,000	12,000	12,000	12,000
TOTAL	502,097	517,536	497,619	509,983
Operational boundary for external debt -	£'000	£'000	£'000	£'000
Borrowing	408,415	421,280	404,683	414,985
other long term liabilities	10,000	10,000	10,000	10,000
TOTAL	418,415	431,280	414,683	424,985
Upper limit for fixed interest rate exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper limit for variable rate exposure				
Net principal re variable rate borrowing / investments	25%	25%	25%	25%
Upper limit for total principal sums invested for over 364 days	£	£	£	£
(per maturity date)	£0	£0	£0	£0
Maturity structure of new fixed rate borrowing during 2012/13	lower limit			
under 12 months	0%			
12 months and within 24 months	0%			
24 months and within 5 years	0%			
5 years and within 10 years	0%			
10 years and above	0%			

PRUDENTIAL INDICATORS

Ratio of financing costs to net revenue stream

The ratio of financing costs to net revenue stream shows the estimated annual revenue costs of borrowing, less net interest receivable on investments, plus repayments of capital, as a proportion of annual income from council taxpayers and central government. The estimates of financing costs include current and future commitments based on the capital programme.

Net Borrowing

Net borrowing refers to the Authority's total external borrowing.

Actual and Estimated Capital Expenditure

Actual and estimates of capital expenditure for the current and future years.

Capital Financing Requirement

The Capital Financing Requirement (CFR) represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. The CFR measures the Authority's underlying need to borrow externally for a capital purpose. The Authority has a treasury management strategy which accords with the CIPFA Code of Practice for Treasury Management in the Public Services.

Authorised Limit

In respect of its external debt, the Authority approves authorised limits for its total external debt gross of investments. These limits separately identify borrowing from other long-term liabilities such as finance leases. Authorised limits are consistent with the Authority's current commitments, service plans, proposals for capital expenditure and associated financing, cashflow and accord with the approved treasury management policy statement and practices. The Authorised limit is based on the estimate of most likely prudent, but not necessarily the worst-case scenario and provides sufficient additional headroom over and above the Operational Boundary.

Operational Boundary

The operational boundary for external debt is based on the same estimates as the authorised limit but reflects the Head of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for

unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

Limits on Interest Rate Exposures

This means that the Authority will manage fixed interest rate exposures within the ranges and variable interest rate exposures within the ranges. This provides flexibility to take advantage of any favourable movements in interest rates.

**Corporate Services
Overview and Scrutiny Committee**

11th December 2013

Work Programme 2013/14

Recommendations

That the Corporate Services Overview and Scrutiny Committee:

- 1) Agrees the proposed 2013/14 Work Programme and makes any additional or changes, as required;
- 2) Considers the use of an Action Plan to update the Committee on any actions or recommendations agreed by the Committee; and
- 3) Notes the scheduled future meeting dates.

1.0 Work Programme

- 1.1 The proposed Committee Work Programme for 2013/14 is attached at Appendix A.

2.0 Committee Action Plan

- 2.1 An Action Plan for the Committee has been created to track any recommendations and actions that are agreed by members at meetings of the Committee.

3.0 Briefing Notes

- 3.1 No Briefing Notes have been circulated recently to the Committee.

4.0 Dates of Future Meetings

- 4.1 Future meetings of the Committee have been scheduled for 10a.m. and 2p.m. respectively, on the following dates:
 - 26th February 2014
 - 7th May 2014

Appendices:

Appendix A – Work Programme 2013/14

	Name	Contact details
Report Author	Sally Baxter	sallybaxter@warwickshire.gov.uk
Head of Service	Greta Needham	gretaneedham@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Councillor Jeff Clarke	cllrclarke@warwickshire.gov.uk

**Corporate Services Overview and Scrutiny Committee
Work Programme 2013/14**

Item	Report detail	Date of last report	Date of next report
Questions to the Portfolio Holders / Forward Plan decisions	Report which includes Forward Plan decisions relevant to the remit of the Committee. (Sally Baxter)	N/a	* Standing item for every meeting
Organisational Health Report 2013/14	Quarterly report to scrutinise the financial aspects of the report, with the appendices relevant to the remit of the Committee. (John Betts). The Committee will consider the most recent version.	N/a	* Standing item for every meeting?
Property Rationalisation Programme and Modern and Flexible Working	<p>Steve Smith will provide an update on the Programme. Members may wish to consider the following areas:</p> <ul style="list-style-type: none"> • how far has the Council progressed and what more can be achieved? • what has been the impact on the community? This to focus on both internal and external customers • what has been the impact on staff, in terms of their ability to deliver the service? • where have services improved as a result of the programme? • what are the service delivery outcomes? 	3 rd October 2012	16 th October 2013
Transformation through Strategic Commissioning Programme	<ul style="list-style-type: none"> • To scrutinise the delivery of the Programme, including timescales and updates on service reviews – this will be a verbal update • Final Business Cases to be presented at the discretion of the Chair – additional Board meetings may need to be arranged. (Phil Evans) 	N/a	16 th October 2013

**Corporate Services Overview and Scrutiny Committee
Work Programme 2013/14**

Item	Report detail	Date of last report	Date of next report
Public Engagement in Overview and Scrutiny	<p>To consider and approve a methodology for public engagement in Overview and Scrutiny, which will include:</p> <ul style="list-style-type: none"> • How public issues are raised • Different methods of engagement to use • How to identify if engagement in scrutiny activity is required • Who should be engaged and how 	20 th February 2013	16 th October 2013
WCC Network to Payday Loan Companies	To consider the Council's options with regard to blocking access via the WCC network to payday loan companies. This was agreed at Council on 9 th July to be forwarded to the OSC to consider and submit recommendations if required. (Tonino Ciuffini)	N/a	16 th October 2013
Treasury Management Outturn Report 2012/13	The Committee to consider the report. (Mathew Dawson)	20 th February 2013	16 th October 2013
Customer Service Excellence Project	There is an on-going project to achieve the Customer Service Excellence (CSE) standard, which would address the level of community access to services. The Committee to consider the outcome of the assessment. (Tejay De Krester)	12 th December 2012	11 th December 2013
The Council's Procurement Procedures	To receive a progress report on how the Council's procurement procedures encourage small businesses to bid for Council contracts. (Paul White)	12 th December 2012	11 th December 2013

**Corporate Services Overview and Scrutiny Committee
Work Programme 2013/14**

Item	Report detail	Date of last report	Date of next report
Strategic Projects	To consider on update on the WCC approach to managing Strategic Projects (Colin Gordon).	N/a	11 th December 2013
Review of Small-holdings	To consider the outcome of the review. (Geoff Taylor)	N/a	19 th February 2014
Community Infrastructure Levy	<p>To consider an outline of CIL and its impact on the County Council. Possible joint scrutiny with the Communities OSC. (Ciaran Power / Louise Wall)</p> <p>This to be followed at a later date with a discussion with representatives from the District/Borough Councils regarding the changes and implications arising from CIL.</p>	N/a	TBC
Traded Services to Schools	TBC	N/a	TBC
Workforce Planning	To consider the impact of budget cuts on staff resources and the changing role of the workforce to achieve the County Council's priorities, together with an overview of staffing for 2014-18 in line with the One Organisational Plan. (Sue Evans)	N/a	March / April 2014
BDUK Project	To receive an overview of the project. (Tonino Ciuffini / Leigh Hunt)	N/a	TBC
Appointment of Chair and Vice-Chair	To formally appoint the Chair and Vice-Chair for 2014/15.	N/a	May/June 2014

Corporate Services Overview and Scrutiny Committee
Work Programme 2013/14

Briefing Notes

Item	Briefing Note detail	Date requested	Date circulated