



**Committee:** BUDGET AND PERFORMANCE PANEL

**Date:** TUESDAY, 11<sup>TH</sup> NOVEMBER 2014

**Venue:** LANCASTER TOWN HALL

**Time:** 6.10 P.M.

Councillors are reminded that as Members of Overview and Scrutiny they may not be subjected to the party whip, which is prohibited under the Lancaster City Council Constitution.

## A G E N D A

**1. Apologies for Absence**

**2. Minutes**

Minutes of the Meeting held on 9<sup>th</sup> September, 2014 (previously circulated).

**3. Items of Urgent Business authorised by the Chairman**

**4. Declaration of Interests**

To receive declarations by Members of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 10 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

**5. Procurement Strategy Update (Pages 1 - 60)**

Report of Chief Officer (Resources).

**6. Corporate Performance Monitoring 2014/15 (Pages 61 - 89)**

Report of Chief Officer (Resources).

## **7. Work Programme Report (Pages 90 - 94)**

Report of Chief Officer (Governance).

### **ADMINISTRATIVE ARRANGEMENTS**

#### **(i) Membership**

Councillors Tony Anderson (Chairman), Dave Brookes (Vice-Chairman), Chris Coates, Janet Hall, Alycia James, Richard Newman-Thompson, Elizabeth Scott, Keith Sowden and Susan Sykes

#### **(ii) Substitute Membership**

Councillors Mike Greenall, Richard Rollins, Roger Sherlock, Emma Smith and Paul Woodruff

#### **(iii) Queries regarding this Agenda**

Please contact Stephen Metcalfe, Democratic Services - telephone 01524 582073 or email [sjmetcalfe@lancaster.gov.uk](mailto:sjmetcalfe@lancaster.gov.uk).

#### **(iv) Changes to Membership, substitutions or apologies**

Please contact Members' Secretary, telephone 582170, or alternatively email [memberservices@lancaster.gov.uk](mailto:memberservices@lancaster.gov.uk).

MARK CULLINAN,  
CHIEF EXECUTIVE,  
TOWN HALL,  
DALTON SQUARE,  
LANCASTER LA1 1PJ

Published on Monday, 3<sup>rd</sup> November, 2014.

**BUDGET AND PERFORMANCE PANEL****Procurement Strategy Update  
11 November 2014****Report of Chief Officer (Resources)****PURPOSE OF REPORT**

To allow the Panel to consider and scrutinise progress on updating the Council's Procurement Strategy, in light of recent and ongoing national and local issues.

**This report is public.**

**RECOMMENDATIONS**

- (1) That the Panel notes the progress to date and the various issues still to be addressed in completing the Procurement Strategy update.**
- (2) That the Panel provides any feedback as appropriate in light of the associated national and local issues raised in the report.**

**1 Introduction**

- 1.1 As part of its terms of reference, the Panel has responsibility for scrutinising the Council's various arrangements for securing value for money (VFM), and making recommendations as appropriate. The Council's procurement framework is one aspect of such VFM measures.
- 1.2 In recent months it has been well reported that a review of the Council's Procurement Strategy is underway. This report provides an update on progress to date and recent key issues arising. It provides an opportunity for some pre-scrutiny for helping to shape the proposals, ahead of Cabinet's consideration of final draft of the Strategy.
- 1.3 It had been hoped that a full draft of the Strategy could be presented to the Panel by this time, with it then feeding into December Cabinet for final consideration. As evident through this report, however, there have been some significant developments in recent months, and more are still expected.
- 1.4 This means that as yet, the updated draft of the Procurement Strategy has not yet been finalised. Nonetheless, this is a good opportunity to update the Panel on the current position and its complexities.

## 2 Initial Progress on Updating the Strategy

- 2.1 Prior to this year, the Council's procurement strategies were last reviewed in around 2010. The economic, social, technological and legal factors that impact on procurement have moved on significantly since then, however. It makes sense, therefore, to undertake a full re-write to reflect these changes.
- 2.2 Nonetheless, it is clear that the landscape for procurement within the public sector will continue to evolve. In the initial re-drafting of the new strategy, the aim was to allow flexibility to respond to and implement up and coming issues and regulatory requirements, by being high level. The re-drafting drew from other local authorities' strategies and good practice, as considered relevant to this Authority's corporate priorities and ethos. The key elements from the working draft are included at **Appendix A**, but this by no means represents the full final version, as explained in the following section.

## 3 More Recent Developments

- 3.1 Whilst completing the initial re-write, it became evident that Local Government Association (LGA) was soon to launch a new National Procurement Strategy (NPS). Furthermore, new European Union (EU) public procurement directives came into force earlier this year and it was known that these would have impact in the UK.
- 3.2 Not long after initial work was completed on re-drafting the Council's strategy document, the LGA published its national strategy; this is attached in full at **Appendix B**.
- 3.3 Although there are common themes between the Council's working draft and the national one, there are also aspects that need further consideration and this is underway. The current aim is, as far as possible and practical, to incorporate the national strategy themes and district council recommendations into the Council's own strategy. It has not yet been decided whether this will involve any fundamental changes in presentation.
- 3.4 To add more complexities, Government have just consulted on how the latest EU Procurement Directives should be implemented in this country. The LGA's response to this complex consultation is attached at **Appendix C**. Further to the consultation, Government also sent out to all authorities a letter outlining various procurement reforms; this is included at **Appendix D**. There has been some debate nationally on how this letter fits with the consultation exercise.
- 3.5 At a more local level, back in July 2014 Council considered a motion regarding procurement, the living wage and the Public Services (Social Value) Act 2013. Work has been done to inform how best living wage considerations should be reflected in procurement strategy and associated arrangements; the outcome of this is included at **Appendix E**.
- 3.6 Finally, at the October Council meeting Members considered a further motion that had links to procurement and it was resolved.

*“... the Council notes that the Public Services (Social Value) Act 2012 calls for all public sector commissioning to consider how the services*

*they commission and procure might improve the socioeconomic wellbeing of the area.*

*Accordingly, full Council resolves to ask officers to determine how they might set up a self-certification system so that companies tendering for contracts undertake, as a condition of business with the local authority, that they do not enter into tax avoidance schemes which artificially reduce corporation tax payments."*

- 3.7 Although this appears a more operational matter rather than it being a strategic concern, there has not yet been time to consider how (or whether) such a system could be set up lawfully and effectively, or to determine whether it could have bearing at a strategic level.
- 3.8 Given all these recent developments and issues, to help with pre-scrutiny it is suggested that the Panel considers the following questions, to feed into the completion of the Procurement Strategy review:
- *Does the Panel consider that in general terms the National Procurement Strategy should be used as the basis for the Council's own Strategy?*
  - *Are there any particular aspects of the Council's working draft (Appendix A) or the NPS (Appendix B) that the Panel has strong views on (either way)?*
  - *Does the Panel have any points to raise regarding the note on procurement and the living wage, set out at Appendix E?*
  - *Is there any other specific feedback that the Panel wishes to give at this stage?*
  - *Does the Panel wish to have another opportunity for fuller pre-scrutiny, prior to the updated Strategy being presented to Cabinet?*
- 3.9 The timescale for completion of the strategy update is dependent upon other work pressures as well the various legislative and other matters being resolved. It is hoped that a new Procurement Strategy could be adopted by the end of this financial year, but clearly this cannot be guaranteed. As context, the procurement environment is getting more complex, rather than less so.

# **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Any known, anticipated or potential key impacts or associated views are highlighted in the attachments to this report. (As background, impact assessments are undertaken by Government/s in developing new legislation.)

## **LEGAL IMPLICATIONS**

Legal Services have been consulted. As referred to in the report, the final strategy document will need to meet legislative requirements.

## **FINANCIAL IMPLICATIONS**

None directly arising at this time, but once adopted, the Strategy should support the achievement of budgetary savings and help deliver value for money.

## **OTHER RESOURCE IMPLICATIONS**

**Human Resources /Information Services / Property / Open Spaces:**

None arising at this time.

## **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has prepared this report, mainly in her capacity as Chief Officer (Resources).

## **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

## **BACKGROUND PAPERS**

Cabinet Office Consultation Document:  
"UK Transposition of new EU Procurement Directives" September – October 2014

**Contact Officer:** Nadine Muschamp

**Telephone:** 01524 582117

**E-mail:** nmuschamp@lancaster.gov.uk

**Ref:**



## Extracts from Draft Procurement Strategy

(Basis of report to Budget and Performance Panel, 11 November 2014. Ultimately may be re-titled Commissioning and Procurement Strategy)

## Introduction

Getting procurement right is important not only because it helps improve the delivery and cost effectiveness of quality public services to our customers across the district, but also because the choices we make on a contract or partnering agreement signify the type of authority the Council wants to be and how we are perceived by residents, businesses and other stakeholders.

With significantly reduced resources and fewer people to support the work of the Council, procurement plays a key role in supporting its ethos of being an Ensuring Council and securing value for money. This means maximising the investment in the 'local pound', enabling contracts that are fit for purpose and meet Council priorities, adding real value to the residents of the district and ensuring continuous improvement throughout the contract lifecycle.

In order to achieve this, five high level objectives have been identified:

1. **Getting the right product at the right price, through the best means:** supporting strategic and collaborative procurement across the Council.
2. **Being fair and open:** meeting the Council's legislative and regulatory requirements.
3. **Making savings:** driving cost reductions and efficiencies out of procurement through the competitive bid process and supplier relationship management.
4. **Delivering sustainable procurement:** balancing local needs, environmental factors and social equality and inclusion with delivering value for money.
5. **Managing procurement well:** enabling those with procurement responsibilities to undertake them fully, competently and with confidence.

As a Council we have developed our strategy to support these areas.

The procurement strategy will be reviewed each year and this may lead to a formal review to Cabinet. It should be recognised that any targets, recommendations and outcomes linked to this strategy will be delivered as resources allow and many will be ongoing.



# APPENDIX A

## Contents (only key elements are included in this extract)

Executive Summary .....	
Commissioning: what is it?.....	
Procurement: what is it?.....	
Procurement: Operating Environment .....	
Regionally .....	
Nationally .....	
Current Procurement Position .....	
The Council's Procurement Objectives .....	
Getting the right product at the right price, through the best means.....	
Being fair and open .....	
Making savings.....	
Delivering sustainable procurement.....	
Managing procurement wells .....	
Contact Us .....	
Regulatory Documents.....	
Background Papers .....	
National Procurement Strategy Outcomes (and any action plan) .....	TBA

## The Council's Procurement Objectives

In order to further the Council's ambitions the following five objectives have been identified. Of the supporting actions, many are continuing rather than being new initiatives:

### Objective 1

#### Getting the right product at the right price, through the best means: supporting strategic and collaborative procurement across the Council

Whilst the projects needing dedicated procurement support will be driven by service requirements, there are a number of actions that will be undertaken to ensure the effectiveness of the procurement function is maximised:

- a. provide professional support, advice and commercial knowledge to procurement projects to deliver wider Council plans;
- b. increase awareness of the procurement function and engage with Services early within the project lifecycle to maximise the outcomes;
- c. challenge, where appropriate, the need or demand for procuring goods and services;
- d. identify and promote collaborative opportunities that could lead to greater quality provision whilst benefiting from economies of scale;
- e. raise procurement standards within the Council and across partners throughout the contract lifecycle, with specific emphasis on contract management, to ensure the full benefits of procurement are realised.

### Objective 2

#### Being fair and open: meeting the Council's legislative and regulatory requirements

Our customers and suppliers need clear information on controls and standards, allowing a flexible approach to procurement that delivers on outcomes. In the current environment, challenges to tenders are increasing, in part due to the current economic climate and part due to increased awareness. As a Council, we need to make sure we keep up to date with relevant changes and regularly review documentation in order to meet our statutory requirements and make our processes and requirements as fair, open and transparent as possible. The introduction of a supplier portal provides a full audit trail for all tenders and will lessen the risk of challenge.

Procurement will work in collaboration across the Council and with partners, to help improve the supplier experience, and to minimise risks to the Council. All procurement documents will be reviewed at least annually or in a more timely fashion as required by any legislative changes.

To further this objective, officers will:

- a. continue to develop the use the Council's preferred supplier portal, as updated to meet new procurement legislation;
- b. publish all spend and contract data in accordance with the Local Government Transparency Code 2014;
- c. work to meet the requirements of the Payment Services Directives (and any other payment requirements emerging).

**Objective 3****Making savings: driving cost reductions and efficiencies out of procurement through the competitive bid process and supplier relationship management**

Deliver cash and efficiency savings through procurement and support service-led efficiencies:

- a. re-let existing contracts, seeking to collaborate where best value can be achieved and the opportunity exists, and where a collaborative opportunity is not available or suitable, enabling others to join the City Council's contracts;
- b. consolidate 'best deals' where services and/or other authorities buy from the same suppliers but via separate contracts;
- c. consolidate fragmented spend across common categories, where services buy the same categories but via multiple/different suppliers;
- d. support new procurement projects to deliver wider Council efficiencies;
- e. utilise Procurement Networks to share and learn from best practice, in support of the above.

**Objective 4****Delivering sustainable procurement; balancing local needs, environmental factors and social equality and inclusion with delivering value for money**

Procurement will promote opportunities to small and medium size enterprises (SMEs) and local businesses via the Council's preferred on-line supplier portal, and pursue the achievement of other social value benefits as appropriate through the supply chain. This includes:

- a. reviewing the impact of Council's spend within our local communities, to improve economic, environmental and social opportunities for our district, with the aims of stimulating markets and achieving community benefits;
- b. reducing any negative environmental impact of the Council's procured goods and services, through improving specifications and supporting the Council's commitment to carbon reduction;
- c. helping officers to recognise and pursue opportunities, on a case by case basis, to encourage and promote the payment of the Living Wage and the adoption of its principles through procurement, whilst working within the law;
- d. introducing clauses into large service contracts for local job creation, apprenticeships and training opportunities in collaboration with The Construction Industry Training Board.

## APPENDIX A

### The Value of the Local Pound – Supporting Economic Prosperity

Defining 'local' generates a high degree of debate but ultimately, the term 'local supplier' refers to any whose presence in the District provides tangible benefits to the local community, particularly through employment and training opportunities and job creation.

### Objective 5

Managing procurement well: enabling those with procurement responsibilities to undertake them fully, competently and with confidence.

One key objective of this strategy is to improve relations across the internal network to ensure a greater level of consistency in the quality and outcomes from commissioning and procurement activity. Providing those who have procurement responsibilities with the skills to undertake this activity allows for the development of a long term, sustainable procurement function for the Council. Focus is given to:

- a. maximising the potential of our staff by providing leadership, development and by building capacity;
- b. understanding legislative requirements;
- c. delivering ongoing training and awareness sessions to help ensure all staff involved have relevant knowledge, skills and competencies;
- d. establishing well maintained e-Procurement systems and development of new functionality, the preferred regional/corporate online supplier portal and procurement cards;
- e. allowing time for all of the above.

### Contact Us

Officers welcome feedback and input at all levels and have created a single point of contact for any procurement related communications. We can be contacted at: [procurement@lancaster.gov.uk](mailto:procurement@lancaster.gov.uk)

### Regulatory Documents

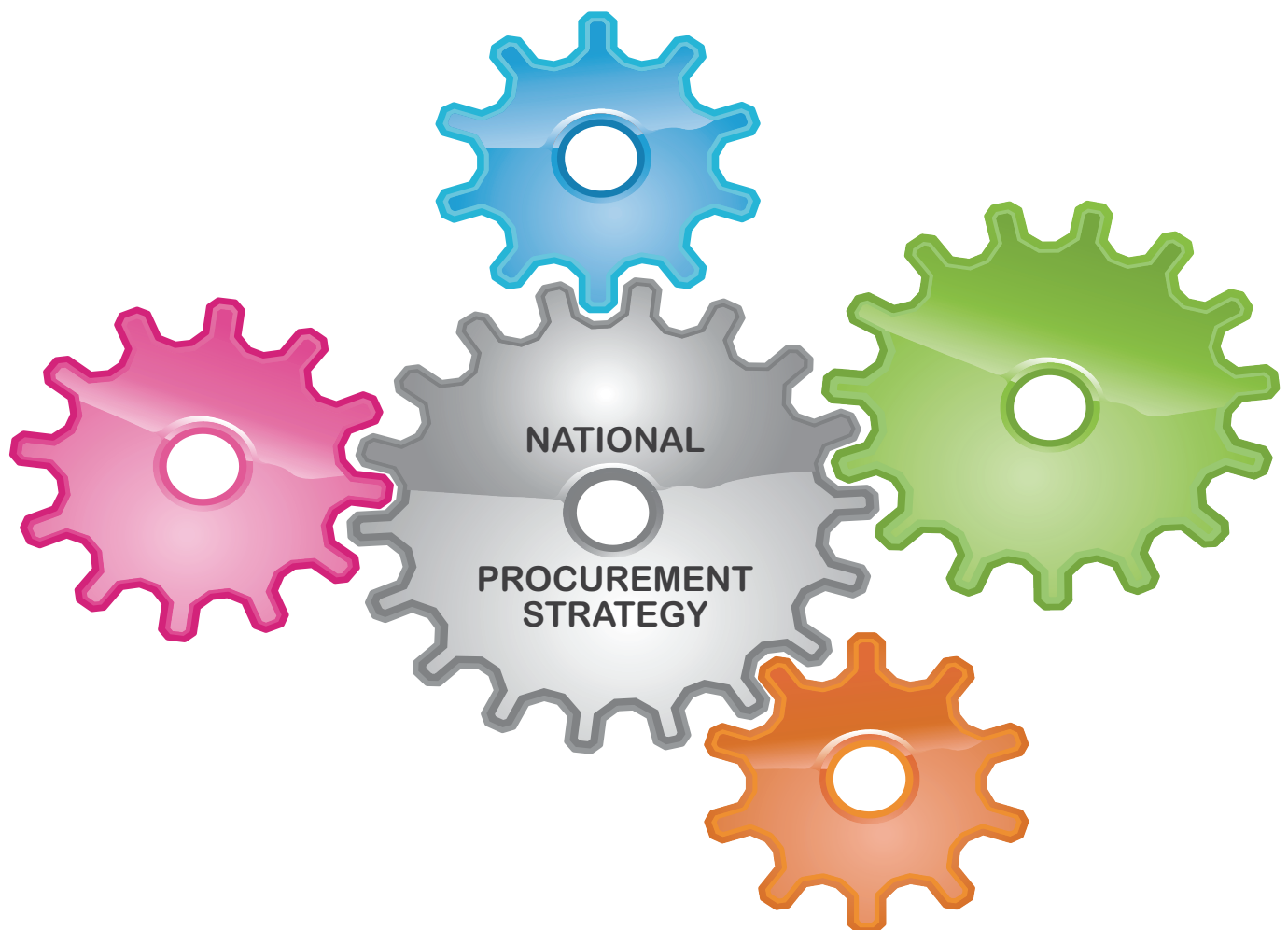
EU Procurement Directives 2006/14  
 Remedies Directives 2009  
 Payment Services Directives 2009  
 Local government Transparency Code 2014  
 Local Government Act 1999  
 Localism Act 2011  
 Public Services (Social Value) Act 2012

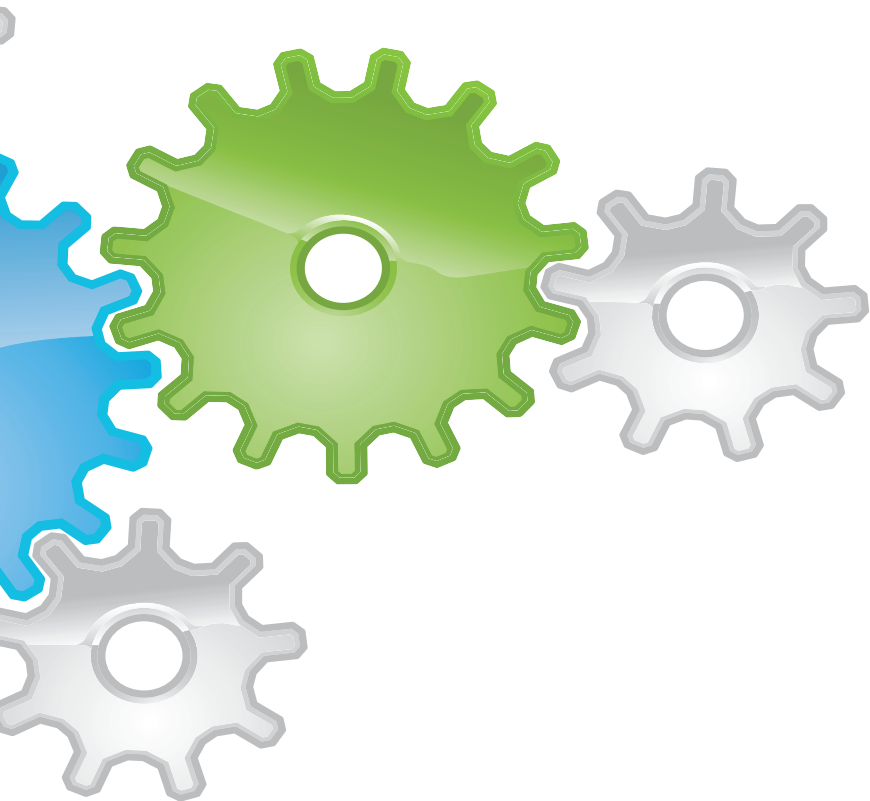
### Background Papers

Growing your Business – Lord Young  
 No Stone Unturned – Lord Heseltine



# National Procurement Strategy for Local Government in England 2014





# Executive summary



This strategy sets out a vision for local government procurement and encourages all councils in England to engage with the delivery of outcomes in four key areas.

## 1 Making Savings

Councils are dealing with significant financial pressures resulting from reductions in government funding and rising demand. They need to make savings. This means using spending power wisely and strategically and setting targets for procurement and contract management by the effective use of:

**Category management** in key areas of spend – like energy, ICT and construction – to make savings by maximising the value of spend. This includes developing and using more standard specifications for appropriate goods and services. Spend and supplier analyses provide a broad understanding of the local government supply market.

**Partnering and collaboration.** By aggregating spend through effective collaboration or by sharing services on common goods and services without compromising the need for social value. Shared procurement services and shared procurement posts should allow all councils to recruit, develop and retain the best procurement resource and avoid unnecessary competition between individual councils for procurement expertise.

A corporate approach to **contract management**. Councils should demonstrate their effectiveness in gaining most value from contracts. They should obtain best value from supply chains through proper relationship management.

Implementing effective **performance monitoring and transparency**. This includes sharing commercial and performance data on common goods and services. Councils should ensure that published data, under the transparency code opens new markets for local business, the voluntary and community sectors, and social enterprises to run services or manage public assets.

Having an appropriate approach to **risk management** that is integral to the council's corporate processes. Identifying and reducing fraudulent procurement practices in pre contract and post contract award and through the supply chain.

Finding alternative ways to meet user needs through **Demand management** Reducing costs and oversupply within the procurement and commissioning cycle.





## 2 Supporting Local Economies

Councils need to maximise the economic, social and environmental benefits to communities from every pound that is spent, and we believe that spend with SMEs and VCSEs can make a very significant contribution to local economic growth. This includes Social Value Act duties. Councils can do more to remove barriers faced by SME's and VCSE's bidding for council contracts such as by:

Inclusion of **economic, environmental and social value criteria in all contracts**. Councils should be reducing waste by making sustainable choices when procuring products and services – helping them to cut costs, and meet their social, economic and environmental objectives.

**Improving access for SME's and VCSE's**. Councils should ensure a wide range of suppliers are encouraged to do business with them through use of portals to advertise tender opportunities. Barriers to doing business with the council removed without compromising due process. SME's and VCSE's are encouraged to identify potential 'partners' with whom to form consortia to bid for council contracts. Councils should identify forward spend wherever possible and use this data to inform pre-market engagement and supplier planning.

## 3 Leadership

To be able to deliver, local government procurement needs to demonstrate leadership to increase its impact and influence across the public sector, councils need to:

Speak clearly with **a single cohesive voice** to ensure Central Government policy takes into account the needs and differences of local government.

Signal **commitment from the top** in each council and recognise the strategic importance of procurement. Procurement should be supported in each authority through the appointment of a councillor champion. Procurement should be seen as a driver to implement council policy.

Seeing procurement as part of a strategic **commissioning** cycle. Delivery of this strategy requires stronger engagement and alignment of procurement with commissioners. Councils should identify strategic outcomes in relation to assessed user needs, and design and secure appropriate services to deliver these outcomes.

Developing a more commercially-focused procurement culture. Councils should build better procurement competencies across the organisation by ensuring staff are equipped with the knowledge, training, and practical skills needed to derive maximum benefit from procurement practices. Councils will then be more influential with suppliers through taking a more commercial approach to procurement.



## 4 Modernising Procurement

**To rise to the challenge local government procurement needs to modernise in terms of scope, use of technology and practices and procedures by ensuring that:**

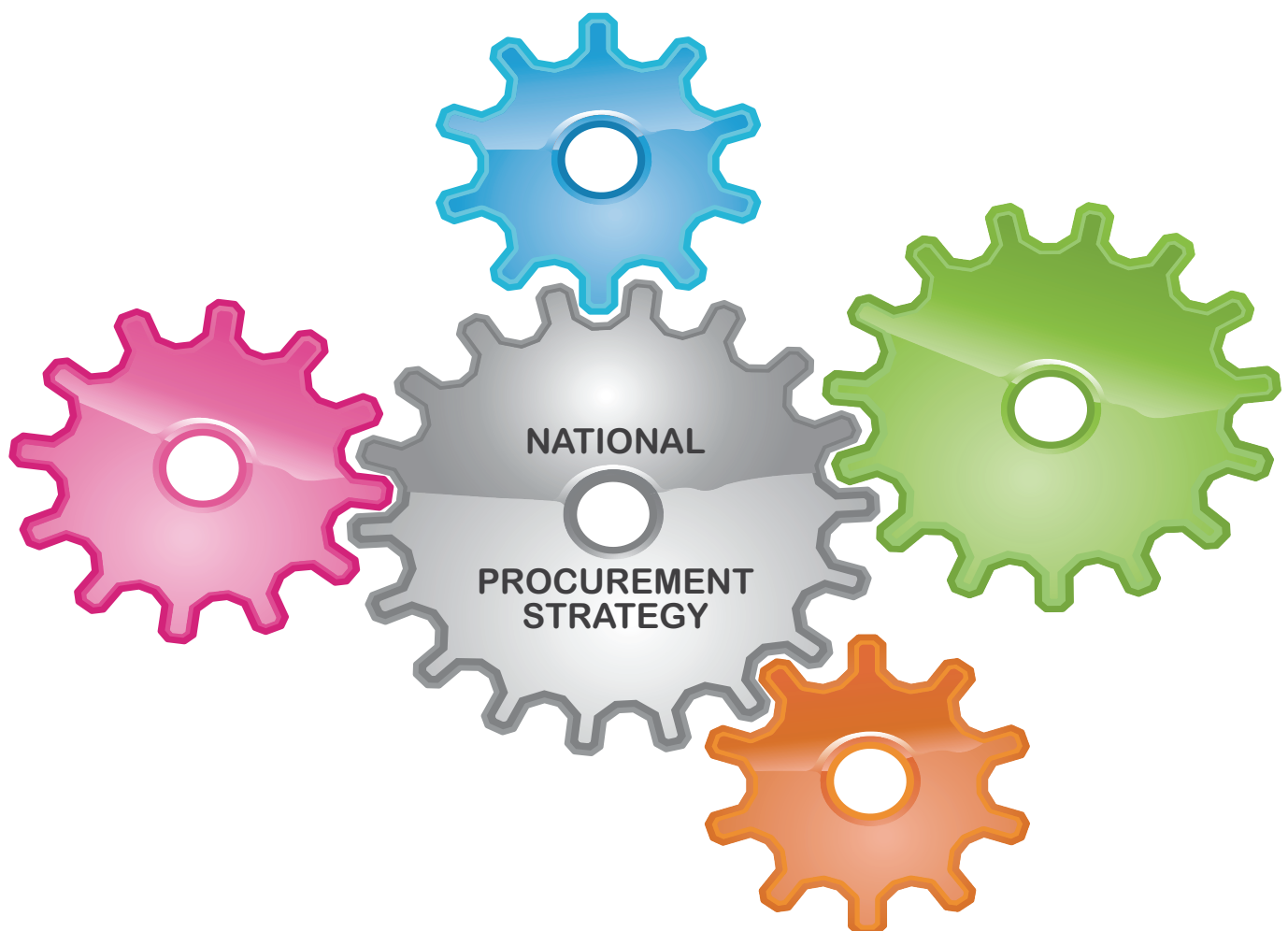
Procurement helps councils respond to financial pressures through **commercialisation and income generation**. Councils' procurement staff are more commercially minded, and understand and realise benefits from all funding streams including how contracts can be developed to generate income.

Using outcome specifications and other methods to encourage **supplier innovation** to meet new challenges, including encouraging suppliers to demonstrate innovation through all stages of the procurement cycle.

Adopting **e-procurement** to increase efficiency and productivity and realise full benefits through the use of appropriate **e-procurement** solutions in procurement processes. In particular councils should consider how e-invoicing will help them and their suppliers to streamline administrative processes and improve supplier liquidity.

Taking advantage of the opportunities presented by the **new EU directives** which will allow council procurement processes to be quicker, simpler and less costly to run.

Section 2 of this strategy contains detailed recommendations for district councils, single tier and county councils and for professional buying organisations (PBO's) to enable the outcomes to be achieved.



# Contents

Preface	7
Foreword	8
Section 1: Introduction and background	10
Our vision	10
The story so far	11
The new policy context	12
How national and regional bodies will support delivery	13
Section 2: Outcomes and recommendations	15
Making savings	16
Supporting local economies	22
Leadership	26
Modernisation	31

# Preface

Procurement in Local Government has never been more important than it is today. Our sector will have experienced a 42% cut in central government funding by the time this Parliament ends.

If we are going to manage our way through a further period of budget reductions and put life back into local economies, we must get better value from the £38 billion of revenue funding we spend each year with our suppliers.

Let's be clear, we are not talking here about getting a better deal on paperclips. We are talking about how we commission major public services that affect the lives of millions of local people and how we commercially manage the suppliers with whom we contract.

In the past, there has been a poor perception across the whole public sector of the value that strategic procurement can bring, but now is the time for councils to recognise this and lead the drive to realise those benefits. It is time for councils to use procurement and commissioning to work together with a focus on developing strategic improvements that will help reduce costs and improve community benefits for our localities.

In short, if you want to make savings and garner benefits for your community this strategy is for you. I commend it to you.

I encourage you strongly to signal your council's support for this strategy. Naturally, given the diversity of the local government community, you will not subscribe to every dot and comma. But your signature means you commit to the broad approach and are willing to play your part.



**Councillor Shirley Flint**  
**Deputy Chair, Improvement and Innovation Board (2013-14)**

Local Government Association  
July 2014

# Foreword

Local government is the best performing part of the public sector when it comes to procurement: we pay our prime suppliers on time; we place almost half of our business with local SME's; and we use procurement to consider how it can improve the economic, social and environmental well-being of our communities. We remain committed to improving that performance, to get better value from our biggest suppliers, and to further streamline our processes for SME's.

This is an essential element in our ambition to thoroughly 'rewire' local public services to benefit local people and save money for taxpayers. However, we are doing this in the context of unprecedented financial pressures, which will last until at least 2018-19, and amidst the pressing need to promote local growth in order to repair the damage done to local economies by the recession.

Clearly local government's spending with suppliers has a pivotal role to play. It is a very significant amount of money. In revenue terms the sector spends around £38 billion a year (based on figures for 2012/13). Capital expenditure amounted to a further £18.9 billion in the same period.

This National Procurement Strategy (NPS) for Local Government sets out a number of ideas and recommendations that form a challenge to ourselves and Government. I see the following challenges as being key to improving procurement in local government:

1. Being more effective at commercial and contract management. Even before we let new contracts we need to ensure we're getting the best out of the ones we've already entered into; we need to be more commercially minded in our dealings with suppliers - training our procurement staff will be key, and you will see our proposals later in this document.
2. Having a more strategic relationship with the professional buying organisations. And they in turn need to be more specialised, developing leading-edge practice in a specified field. We can learn a lot from the US Communities model, a procurement co-operative that asks suppliers to commit to (amongst other things) providing the lowest available pricing to councils.
3. Ensuring our prime contractors commit to prompt payment throughout the supply chain, we should no longer tolerate our SME's having to wait longer for invoices to be paid than has been agreed for prime contractors.
4. Getting to grips with e-invoicing. There is legislation due on this in 2016, but there is no good reason to wait until then to implement e-invoicing. We need to push our suppliers towards this new technology now.
5. Sending a clear message about increasing the threshold for OJEU procurement to something more sensible around €5m. There is no evidence of significant cross border tendering to justify the imposition of such an onerous bureaucratic regime on local government procurement. Raising the threshold would really help us to simplifying procurement process and help us to drive economic growth.

To meet the challenges before us we need a more strategic and commercial approach to the largest areas of spend, energy, construction and ICT and better contract management of key suppliers once we've let those contracts. This means engaging early with both markets and stakeholders in the major public services.

As part of this, of course, we need to balance the demand for savings with the necessity to promote local economic growth.

All of the key participants in the local government sector have come together to speak with a single voice in this strategy and to support its delivery. It is also very encouraging that we have received input from private sector and VCSE umbrella organisations including the Federation of Small Businesses (FSB), National Federation of Builders (NFB), Confederation of British Industry (CBI), Federation of Master Builders (FMB), National Council for Voluntary Organisations (NCVO), National Association for Voluntary and Community Action (NAVCA) and Social Enterprise UK (SEUK).

As procurement champion my role is to promote the strategy, oversee its implementation and challenge colleagues on progress. I expect colleagues to challenge me in return.

I will also ensure that local government increases its influence at the 'top table' nationally, when procurement decisions are being made that affect us all.

Councils cannot work in isolation. We need to collaborate on procurement and wider commercial activities and to gain maximum benefit we need to work with partners from right across the public sector. Collaboration will be a major theme for me as procurement champion.



Martin Reeves

**Martin Reeves**  
**Chief Executive, Coventry City Council**

National Procurement Champion  
July 2014

# Section 1: Introduction and background

## Our vision

Local communities and taxpayers depend on councils to commission essential public services and to commercially manage suppliers. Procurement's role is 'strategic' but it is not always recognised as such either from within or outside our own organisations.

Our strategic vision for local government procurement is:

- Commitment from the top in each council (from both the executive and senior managers)
- more efficient use of the sector's procurement resources
- speaking with a single cohesive voice nationally and
- exerting influence right across the public sector

Suppliers are also central to the vision. At their best they can help us solve problems, harness innovation and unlock savings. So a better, more strategic relationship with our suppliers and their trade or umbrella bodies is a further key tool for achieving our vision.

The National Advisory Group for Local Government Procurement (NAG) is the catalyst for turning this vision into a reality. It includes stakeholders from all the English regions and works closely with the Society of Procurement Officers (SOPO). The sector's Professional Buying Organisations (PBOs) are crucial delivery partners, they will provide tactical delivery of framework contracts, advice and support to councils.

Through NAG and wider local government networks we have developed a strategy to bring the vision alive. Section 1 describes the background and policy context. Section 2 sets out the strategy in detail under four major themes. A new microsite, [www.lgprocurement.org](http://www.lgprocurement.org) launched with this strategy, will bring together guidance documents, case study examples of good practice and a host of other resources to enable local government to share with and learn from each other as well as check their progress against this strategy.

Our objectives are that from 2014 all councils should be:

## 1 Making Savings

Councils are dealing with significant financial pressures resulting from reductions in government funding and rising demand. They need to make savings. This means using spending power wisely and strategically and setting targets for procurement and contract management.

## 2 Supporting Local Economies

Councils need to maximise the economic, social and environmental benefits to communities from every pound that is spent, and we believe that spend with SMEs and VCSEs can make a very significant contribution to local economic growth. This includes Social Value Act duties. Councils can do more to remove barriers faced by SME's and VCSE's bidding for council contracts.

## 3 Demonstrating Leadership

To be able to deliver, local government procurement needs to demonstrate leadership to increase its impact and influence across the public sector.

## 4 Modernisation

To rise to the challenge local government procurement needs to modernise in terms of scope, use of technology and practices and procedures.

The strategy includes a number of recommendations and councils are strongly encouraged to commit their support for considering and implementing these recommendations if they have not done so already, and sharing good practice through the LGProcurement microsite. They are there simply to focus collective effort.

Councils are called upon to start 'raising the bar' for their own organisations. But help is at hand. National and regional bodies and networks and PBOs have committed to play their part in supporting the delivery of the strategy.

We will gauge progress across local government in periodic update reports and revise commitments and actions as appropriate in consultation with the sector.

## The story so far

Over the years a great deal has been achieved in local government procurement.

The roots of today's strategy can be traced back to the development of purchasing consortia in the 1970s (today's PBOs) and the establishment of the Society of Purchasing Officers.

Through the first National Procurement Strategy (2003-06), to the establishment of Regional Centres of Excellence/Regional Improvement and Efficiency Partnerships and on to the current configuration of national and regional bodies and networks, the sector has sought to respond to the procurement challenges of service improvement and the efficiency agenda.

The economic crisis and public sector budget cuts provided the impetus for a yet more ambitious programme, and a new chapter was opened when the LGA published the Local Government Procurement Pledge followed by consultation on a new strategy Rising to the Challenge (March 2013).



Over the past year LGA has, through NAG and with support of councils, been working on the three national categories of spend in ICT, Construction and Energy, a National ICT Commercial Category Strategy for Local Government and was launched in April. The ICT strategy aims to support councils procure the necessary technology systems and tools more cost effectively. Category strategies for construction and energy will follow.

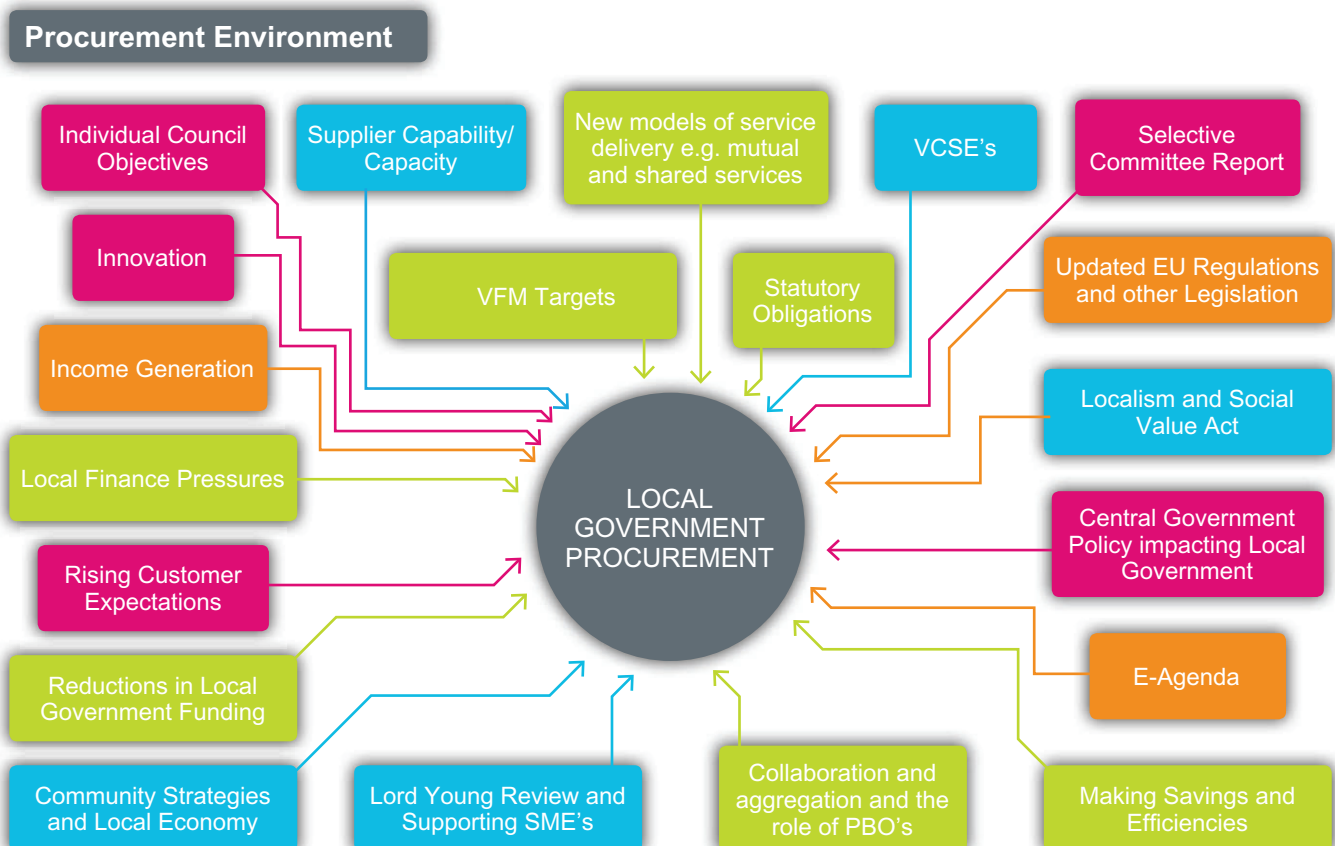
In parallel, LGA has worked with the Audit Commission on a guide to Making Savings from Contract Management, that was launched in November 2013 and updated and published the Councillor Guide to Procurement. LGA also initiated and funded a programme to encourage councils to develop innovative and replicable category management procurement initiatives, their stories were published as a set of case studies as Procurement Category Management Projects, the story so far in October 2013.

LGA continues to engage with Government on national issues such as the Lord Young reforms and the new EU procurement directives and is working closely with the Cabinet Office and Crown Commercial Service in the development and delivery of the Commissioning Academy.

Through broad-based consultation it became clear that there is support for a more strategic approach to procurement and supplier management in the major categories of local government expenditure (strategic category management), alongside a desire to speak with a single, cohesive voice on these matters and exert more influence 'at the top table'. These are among the major themes addressed in the present strategy.

## The new policy context

The procurement policy landscape in 2014 is represented in the graphics below. This illustrates the major policy-related developments which form the context into which this new strategy is being launched.



## How national and regional bodies will support delivery

This strategy is endorsed by the LGA's Improvement and Innovation Board. Martin Reeves, Chief Executive of Coventry City Council, is its senior most champion and represents the sector's interests in relation to procurement issues at the top table nationally.

On a day-to-day basis NAG owns the strategy and is responsible for overseeing its implementation including the preparation of periodic update reports.

NAG will work with SOPO to promote the approaches and good practice set out in the strategy and will provide peer help and support where appropriate.

The LGA has developed a microsite for the strategy and publication of good practice resources to support implementation. LGA will also tailor existing programmes to align with the commitments in the strategy (including the Leadership Academy, Productivity Experts and Peer Challenge).

As a sector-led strategy a major role will fall to regional head of procurement networks which will take a sector-led approach to supporting each other including developing programmes of support tailored to the needs of councils in the region including regional conversations

Further, more detailed, outcomes and recommendations are set out in Section 2 of this strategy.

## Notes:

[illegible]

## Section 2: Outcomes and Recommendations

Councils and groups of councils should be setting their own time frames and outcomes within the context of the overall outcomes set out in this strategy.

A number of formal and informal groups exist within the local government procurement landscape, throughout the consultation phase of this strategy we engaged inter alia with the following:

- North East - NEPO acts as a procurement service for all 12 councils in the North East. NEPO are also referred to as a Professional Buying Organisation
- North West - AGMA and Connected Procurement
- Yorkshire and Humber – YORProcure
- West Midlands – West Midlands Heads of Procurement Group
- East Midlands – East Midlands Heads of Procurement Group
- East of England – EELGA Procurement Group
- London Councils – London Procurement Strategy Board
- South East - SE7 group of Heads of Procurement
- South West – Devon Procurement Partnership, South West Procurement Board
- Professional Buying Organisations, YPO, ESPO and CBC.

All of the groups were keen to continue their engagement with implementation of the strategy and signalled their commitment to continue group discussions, self help and support and to highlight to NAG any areas where national support, signposting and lobbying would be helpful.

Councils are strongly encouraged to commit to consider the recommendations, but it is recognised that given the complexity of the sector one strategy does not fit all, and a localist approach is encouraged. Whilst the recommendations for district and single tier level councils are sometimes different, all councils are encouraged to meet the higher recommendation where they can. It is expected that councils will incorporate the recommendations in their own procurement strategies.

Councils should also commit to sharing information and good practice in order that local government can improve through a sector-led approach



## Theme A: Making Savings

### Overview

Councils are dealing with significant reductions to finances and increasing demand. They recognise the need to use their spending power wisely and strategically and are therefore setting spend targets for procurement and contract management.

In order to demonstrate leadership of key spend categories to address financial pressures, drive market management and to develop new models of service delivery through procurement, councils are increasingly adopting a '**category management**' approach as a starting point to identify key spend areas.

Category Management in procurement can help to reduce the cost of buying goods and services, reduce risk in the supply chain, increase overall value from the supply base and gain access to more innovation from suppliers. It is a strategic approach that focuses on the vast majority of organisational spend on both services and supplies and if applied effectively seeks to reduce demand, simplify the way we buy and aggregate spend across the entire organisation or multiple organisations. The results can be significantly greater than traditional transactional based purchasing.

As part of the work underpinning this approach NAG is exploring a category management approach in three main categories of spend, Energy, ICT and Construction all of which will have their own category strategies underpinning this national procurement strategy.

Councils have been encouraged to establish **partnering and collaboration** arrangements for at least a decade and many have been doing just so for much longer. Much has been done already, including a move to more joint and integrated commissioning but the increasing issues relating to financial pressures and the need to demonstrate the impact that improved efficient procurement can have on outcomes for communities makes this even more important going forward. We can learn from the many councils that have already entered into shared service relationships.

Working with the wider public sector is becoming more and more normal practice, councils need to consider integration of their demand and supply chains with their colleagues in fire, health, police and other wider public sector organisations to appropriately aggregate spend, use wider experience and greater expertise and to reduce duplication of work.

Councils spend significant and increasing amounts via contracts with suppliers, often as part of their transformation to meet financial challenges. Councils need to be more effective in **contract and supplier management** to ensure they maximise both the opportunities for additional income generation and the potential savings these bring. Contract management is more than ensuring suppliers meet their contractual obligations, it can also help councils to identify and manage their own and their suppliers' risks, and achieve savings and continuous improvement throughout the life of the contract.

Councils should be engaging more with each other to **manage performance and transparency** of suppliers as long as this is proportionate to the budget and level risk in the contract. Councils should actively manage major/common suppliers and build higher volume of orders to reduce supplier prices. Councils should proactively discourage the use of long or inflexible contracts and single supplier arrangements.

In order to reduce additional costs through the procurement cycle, councils need to understand and develop a proportionate **Risk management** approach. They need to maintain reliable, up to date information about risk, put in place a monitoring and decision making process and decide the most appropriate person to deal with the risk. This does not mean that councils should be risk averse, they should take a balanced approach, thinking about the likelihood of the risk happening against the impact and the cost of action.

Councils need to better understand, manage and reduce demand, addressing several outcomes through provision of services that better targets scarce resources and shifts away from 'universal' services approach including reducing the levels of services provided. Demand management changes the roles and relationships between service provider and customer. Procurement and commissioning teams should understand and find alternative ways of meeting customer needs.

**Demand management** practices often involve changing the respective roles of provider and customer and the relationship between them, such as by promoting independence, facilitating peer to peer support and by empowering customers to decide how budgets are spent.

### What should LGA and NAG be doing?

- Setting out the rationale for a strategic approach for the top three spend areas (Energy, Construction and ICT) including sharing of good practice and agreeing further spend areas
- Commissioning and using a national, high level spend analysis to inform strategic discussions with local government's major suppliers
- Engaging with PBO's to facilitate strategy development through acting as an 'intelligent client'
- Providing advice and assistance on procurement of major projects, for example PF2
- Setting out standard clauses for councils and PBO's to use in contracts which allows for data to be shared
- Making further guidance available on how to mitigate against procurement risks and fraud
- Considering how greater transparency in contracts can be achieved.

### What should regional groups be doing?

- Encouraging the use of local and regional spend analysis tools to improve visibility and potential for savings
- Helping councils and groups of councils to compare performance and costs with each other and making available national performance data
- Signposting to good practice and potential sources of help with procurement expertise

## Outcomes and Recommendations

### 1. Category Management

#### Outcomes

- Category management helps councils to make savings by maximising value from areas of spend
- Councils achieve savings through developing and using more standard specifications for appropriate goods and services
- A broad understanding of the local government supply market is gained through appropriate spend and supplier analyses

## Recommendations

### For district councils

- Recognise the benefits and tap into category management plans of other public sector organisations and through PBO's
- Review existing framework arrangements at early stages of procurement to reduce duplicated effort
- Recognise the benefits from engaging with a national approach and ensure timely publication of data to ensure a robust analysis can take place

### For single tier and county councils

- Set out the rationale for a category management approach in the corporate procurement strategy
- Invest in category managers or, as a minimum, commit to the outputs from the national or regional strategies where appropriate
- Identify the main spend categories in their council and have a clear category management strategy in place to ensure value for money (VFM) for these categories of spend
- Review existing framework arrangements at early stages of procurement to reduce duplicated effort
- Recognise the benefits from engaging with a national approach and ensure timely publication of data to ensure a robust analysis can take place

### For PBO's

- Highlight good practice examples through case studies
- Engage with NAG to develop category management approaches and be integral to the approach
- Develop outline business cases for a category approach
- Develop outcome based specifications through early engagement with councils and the market
- Analyse spend through frameworks and publish data on spend

## 2. Partnering and Collaboration

### Outcomes

- Councils make savings by aggregating spend through effective collaboration or via a shared service on common goods and services without compromising the need for social value and providing opportunities for local businesses
- Shared procurement services and shared procurement posts allow all councils to recruit, develop and retain the best procurement resource and avoid unnecessary competition between individual councils for procurement expertise

## Recommendations

### For district councils

- Set out the approach to partnering and collaboration in the corporate procurement strategy
- Explore opportunities to procure through existing routes to market, in particular harnessing existing shared service or PBO resources
- Explore the options relating to sharing services or posts with appropriate partners

### For single tier and county councils

- Set out the approach to partnering and collaboration in the corporate procurement strategy
- Explore opportunities to procure through existing routes to market and each key procurement is objectively justified

- Set targets for savings or income generation from collaborative spend
- Consider the business case for new models of delivering procurement services
- Maximise the use of all available procurement resources including across council boundaries.

### **For PBO's**

- Engage with councils to develop strategies for common goods and services
- Work together at a national level
- Simplify the issues relating to finding suitable framework agreements
- Act as the 'glue' between framework users and providers, ensuring best value is achieved from collaboration on contracts and evidence of this is available and transparent
- Actively engage with councils and national bodies to build into partnering and collaboration strategies

## **3 Contract and supplier management**

### **Outcomes**

- A corporate approach to contract management means councils can demonstrate their effectiveness in gaining most value from contracts
- Local authorities obtain best value from supply chains through proper relationship management

### **Recommendations**

#### **For district councils**

- Measure contract outputs and key performance indicators to ensure competitiveness over the life of the contract
- Ensure visibility of supply chains
- Expect main contractors to act fairly with supply chains and mandate timely payment to subcontractors through contract clauses

#### **For single tier and county councils**

- Contract management is part of the responsibilities of the councillor champion
- Integrate contract management within the council's procurement and commissioning models
- Invest resources in developing and sustaining a capacity for good contract management
- Demonstrate efficiency savings through better contract management
- Scrutinise strategic contracts post award and ensure benefits are achieved
- Monitor and enforce internal compliance to 'on contract spend'
- Understand key suppliers and develop and implement performance indicators that are aligned with business outcomes
- Identify second tier spend and activity for high value/high risk contracts
- Develop and agree exit strategies within all major contracts
- Expect main contractors to act fairly with supply chains and mandate timely payment to subcontractors through contract clauses



## **For PBO's**

- Undertake proactive management of framework contracts with and on behalf of framework users
- Expect main contractors to act fairly with supply chains and mandate timely payments to subcontractors through contract clauses
- In consultation with NAG, take a lead on appropriate key strategic relationships across the sector

## **4 Performance and Transparency**

### **Outcomes**

- Supplier performance on contracts increases, and costs decrease across the whole sector through effective performance monitoring and transparency
- Innovation and transparency is improved because councils share commercial and performance data on common goods and services
- Published data, under the transparency code opens new markets for local business, the voluntary and community sectors, and social enterprises to run services or manage public assets.

### **Recommendations**

#### **For district councils**

- Baseline contract spending and outcomes internally over time and with other councils and use this information to inform their contingency planning and re-competition strategies
- Join together with other councils and partners to share information that makes prices and performance more open and transparent
- Publish data in relation to contracted-out services in accordance with the Transparency Code
- Ensure the rights to the data created as a result of a service being contracted out remains with the council

#### **For single tier and county councils**

- Put systems in place to map contracts, measure spend, collect feedback and measure the benefits achieved
- Engage with regional or national information and data sharing
- Insist on transparency throughout the supply chain
- Set savings targets that are performance managed.
- Publish data in relation to contracted-out services in accordance with the Transparency Code
- Ensure the rights to the data created as a result of a service being contracted out remains with the council
- Extend the requirement to publish information on performance and costs to contractors

#### **For PBO's**

- Make performance data on major PBO framework contracts available
- Make pricing models and rebates transparent and available
- Share framework tender documents and user guides with framework customers in order to properly inform mini-competitions
- Provide framework contract data to councils in a format that can be published

## 5 Risk and Fraud Management

### Outcomes

- Risks are identified and managed through an approach to risk management that is integral to the council's corporate processes
- Fraudulent procurement practices are identified and reduced in both the supply chain and post contract award.

### Recommendations

#### For district councils

- Where no dedicated procurement resource exists, risks and the implications of poor procurement is identified through corporate risk processes
- Proactively audit contracts to check for fraud
- Include whistleblowing policies as part of contract conditions

#### For single tier and county councils

- Risk management should be integrated into Procurement processes. It is considered early, discussed with suppliers and regularly monitored
- Identify strategically important (high value and/or high risk) contracts on the risk register and regularly monitor both by officers and members
- Proactively audit contracts to check for fraud
- Include whistleblowing policies as part of contract conditions
- Require main contractors to mirror these policies in their subcontracting arrangements

#### For PBO's

- Demonstrate how risk can be minimised for councils whilst still providing best commercial outcomes

## 6 Demand Management

### Outcomes

- Costs and oversupply are reduced through implementation of demand management techniques within the procurement and commissioning cycle.

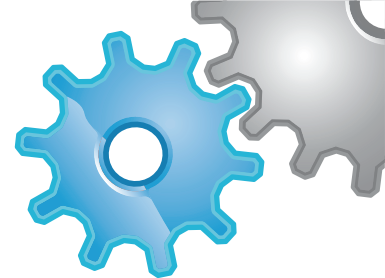
### Recommendations

#### For district councils

- Councils build in a demand management approach before procurement begins
- Councils seek alternative mechanisms to procure customer needs

#### For single tier and county councils

- Councils build in a demand management approach before procurement begins
- Ensure procurement and commissioning strategies and processes take account of demand management techniques
- Involve procurement teams at an early stage in developing alternative ways to meet demand



## Theme B: Supporting Local Economies

### Overview

Councils must focus on providing the maximum benefit into their communities from every taxpayer pound that is spent and with their economic development role, take responsibility for generating **economic, environmental and social** growth in local communities. The Public Services (Social Value) Act of 2012 requires councils to consider social value in all services contracts with a value above the EU threshold. Social Value can mean many different things, for example the inclusion of targeted recruitment and training opportunities in public contracts that can make a contribution to addressing the issue of poverty and reduced social mobility.

The private and the voluntary sector organisations that are so important to local and regional economies need to view council contracts in a positive way and want to do business with their local authorities. Councils need to continue to make better use of their purchasing power to create opportunities; for jobs and training, for regeneration and to maximise value for money.

Through the arrangements they make for procurement councils can develop essential local infrastructure. They enjoy wide powers in this area including the power to promote 'community wellbeing' and through the Localism Act 2011 have a 'general power of competence'. Through the Localism Act, councils - often working together and through Local Economic Partnerships - are able to take on new functions that help them in this task.

In order to encourage a mixed range of suppliers to deliver value for money services councils need to encourage suppliers to bid for new or emerging requirements, to be innovative and to work collaboratively with other providers in the economy.

Councils can help to remove barriers to effective working by **improving access** to council tendering opportunities, being open and transparent about what we have already procured and as far as possible by identifying and publishing future requirements.

#### What should LGA and NAG be doing?

- Ensuring PBO's support the needs of local government
- Capturing and disseminating best practice
- Developing a locality based approach of sustainable procurement across the sector
- Engaging with national portal providers to reduce duplication and improve understanding of best practice
- Working at a national level with trade organisations such as FMB, FSB, and VCSE umbrella bodies such as NCVO, NAVCA, SEUK to agree how to disseminate best practice to councils and to providers, including helping groups of providers to form consortia
- Highlighting issues relating to lateness of Government funding that create barriers to allowing councils to identify forward spend
- Setting out standard clauses for councils to use in relation to fair payments to sub-contractors

#### What should regional groups be doing?

- Helping to identify the right balance between those goods and services that should be procured regionally or nationally to obtain aggregation and those that are best provided locally to support local sustainability and business development.

## Outcomes and Recommendations

### 1 Economic, Environmental and Social Value

#### Outcomes

- Councils gain maximum value from procurement through inclusion of economic, environmental and social value criteria in contracts for goods/services and works
- Councils reduce waste by making sustainable choices when procuring products and services - helping them to cut costs, and meet their social, economic and environmental objectives.

#### Recommendations

##### For district councils

- Consideration is given as to how to obtain social value in all contracts over the EU threshold
- Sustainability is considered at the 'identify need' stage of the procurement cycle

##### For single tier and county councils

- An officer social value champion is appointed and provides leadership on issues relating to social value.
- Social value opportunities are assessed in all tenders, including those below the EU thresholds and for goods where appropriate
- Bidders are requested to demonstrate community benefits through the whole supply chain
- Consider and describe how the economic, social and environmental well-being of communities can be improved
- Ensure that social value requirements do not cause unintended consequences (eg apprentices being unable to complete their apprenticeships as contracts always require 'new' apprentice places to be created).
- Take account of the powers in the EU regulations that encourage use of mutuals, social enterprises and supported factories
- Build in sustainability into the whole procurement cycle
- Social, Economic, Environmental assessments are undertaken for each procurement project
- Consider ethical issues, including fair pay, zero hours contracts, child labour and animal testing throughout the supply chain

##### For PBO's

- Ensure framework contracts allow for social value evaluation criteria to be included in mini-competitions based on differing council needs
- Encourage delivery of best possible services by mutual dialogue that focusses on reducing duplication, increasing efficiency and achieving community benefits
- Make framework contracts more accessible to smaller suppliers and VCSE's
- Make more use of area based lots in framework contracts
- Build in sustainability into framework contracts

## 2 Improving access for SME's and VCSE's

### Outcomes

- A wide range of suppliers are encouraged to do business with councils through use of portals to advertise tender opportunities
- Barriers to doing business with the council are removed without compromising due process
- SME's and VCSE's are able to identify potential 'partners' with whom to form consortia to bid for council contracts
- Councils identify forward spend wherever possible and use this data to inform pre-market engagement and supplier planning

### Recommendations

#### For district councils

- Identify all procurement opportunities over £5,000 through regional portals
- Ensure websites make it clear which portals are being used to advertise tender opportunities and how suppliers can register.
- Measure the amount of local spend as a way of identifying and reducing the barriers for smaller organisations in bidding for council contracts
- Develop or update and publish the 'selling to the council' guide
- Mandate payment by suppliers to their subcontractors be no greater than those in the primary contract, through contract clauses.
- Engage with single, simplified PQQ's such as PAS91 for construction
- Learn from and engage with the supply base and other councils on a regional basis through market days
- Ensure that lotting strategies do not create unwanted barriers for smaller businesses
- Link into existing framework contracts which outline how consortia can be encouraged

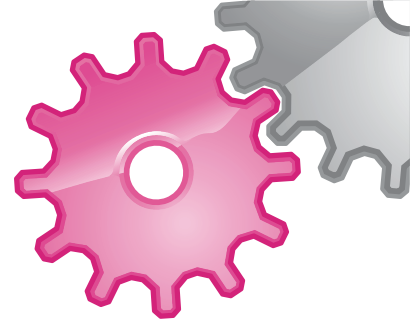
#### For single tier and county councils

- Identify all procurement opportunities through local or regional portals and national portals where appropriate
- Encourage suppliers to sign up to regional and national portals as appropriate
- Ensure websites make it clear which portals are being used to advertise tender opportunities and how suppliers can register.
- Measure the amount of local spend as a way of identifying and reducing the barriers for smaller organisations in bidding for council contracts
- Engage with local umbrella bodies such as FSB to ensure that procurement and engagement strategies will not inadvertently discourage suppliers
- Ensure procurement processes are not overly-rigid, cut off from day to day service provision or contain disproportionate requirements (eg insurance levels)
- Require prime contractors to report any failure to comply with payment terms and mandate payment by suppliers to their subcontractors be no greater than those in the primary contract, through contract clauses.
- Engage with single, simplified PQQ's such as PAS91 for construction

- Learn from and engage with the supply base and other councils on a regional basis through hosting market days for future projects
- Ensure that lotting strategies do not create unwanted barriers for smaller businesses
- Engage in proactive pre-market engagement with the supplier base and through the commissioning process with users and advocates
- Allow sufficient time in the procurement process for suppliers to form consortia
- Make suppliers aware of trading opportunities and secure their input and expertise

### **For PBO's**

- Advertise procurement frameworks through appropriate portals
- Develop portals in conjunction with councils
- Ensure procurement processes help smaller organisations win business
- Engage in market days
- Mandate timely payment to subcontractors through contract clauses
- Ensure lotting strategies are locally focussed where appropriate
- Encourage consortia through market days.



## Theme C: Leadership

### Overview

Councils have led the way in the public sector, demonstrating initiative and resourcefulness to rise to the social, economic and environmental challenges that our communities are facing. It is this willingness to think about doing things differently, then actually take action, that has made local government the most efficient part of the public sector.

In order to pursue the sector's interest nationally and act as a national intelligent client, the sector should speak with a **single cohesive voice** through the National Advisory Group for Local Government Procurement.

There should be a **commitment from the top** at each council to procurement excellence. Councils should recognise the strategic importance of procurement and how it can help in improving the delivery of public services. Chief executives, elected members and senior officers should oversee and support a strategic approach to procurement. Procurement professionals themselves must demonstrate a corporate contribution and be seen as a corporate resource but procurement should not be viewed as something only procurement professionals do, councils should ensure that all staff involved in the procurement and commissioning cycles strive for procurement excellence

Councils are increasingly using a **strategic commissioning** approach to the delivery of services for their communities. There has been a lot of debate on definitions of and distinctions between 'commissioning' and 'procurement', this strategy recognises that procurement is a core part of a commissioning cycle.

- Commissioning is the process of ensuring that outcomes identified in the council's needs analysis, are delivered through the right service, and the right models of delivery (whether public, private or other sectors through voluntary service sector, or through social enterprises)
- Procurement is the process of acquiring goods, works and services. It includes acquisition from third parties and also from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a service contract or the end of a useful life of an asset. It involves early stakeholder engagement, assessing the impact on relationships and linkages with services internally and externally, options appraisal and the critical 'make or buy' decision and determining the appropriate procurement strategy and route to market.

In order to make the most of our influencing role, there needs to be early and stronger engagement with markets, and in particular with commissioners of services, to decide on whether a procurement route is the best option for the service being commissioned. Procurement staff should use their understanding of existing markets to help commissioners make a value for money decision and, if necessary, to help consultation with the market to appraise the potential delivery models, within the fairness and transparency rules.

Councils should be engaging with the development and delivery of commercially-focused **training**. This might include professional training eg through CIPS, as well as more technical skills-focused training. Councils should also be considering succession planning. Some councils and PBO's have worked hard at encouraging their staff to become professionally qualified and are committed to continuing with this. A number of councils and PBO's also have apprenticeship programmes which encourage entry into the profession. Local government could take advantage of the relatively untapped wealth of skills, for example by helping non-procurement staff engage with PBO's, for example by sharing academic dissertations or by hosting work experience events for apprentices.

### **What should LGA and NAG be doing?**

- Providing a focal point for 'one cohesive voice' through the National Advisory Group, taking the lead in highlighting the role of procurement is not just about cash savings, but using procurement to deliver on economic growth and other council objectives
- Providing national leadership and direction on procurement matters and highlighting the importance of a strategic approach through the NAG national sponsor
- Building alliances with other national organisations, trade bodies and umbrella bodies to jointly lobby on issues that impact on procurement/commissioning processes
- Showcasing and sharing good practice, through promotions of this national strategy to influence Government and the wider public sector
- Helping councils to better understand new models of service delivery, eg mutuals, trading, outsourcing
- Updating and disseminating guidance and hosting events and leadership development for councillors in relation to procurement
- Continuing to support and encourage engagement with the Commissioning Academy that supports greater collaborative/place based commissioning
- Developing, in partnership with CIPS and others, a syndicated 'Corporate Award' for formal procurement training
- Developing template training materials for suppliers on the new EU directives

### **What should regional bodies be doing?**

- Providing peer help and support to procurement officers through the Society of Procurement Officers in Local Government
- Joining together as groups of councils commission technical focused training such as negotiation skills, contract law

## **Outcomes and Recommendations**

### **1 Single Cohesive voice**

#### **Outcomes**

- Central Government policy takes into account the needs and differences of local government because local government procurement speak clearly with one cohesive voice

#### **Recommendations**

##### **For district councils**

- Engage with procurement networks to ensure visibility of and input into policy
- Join with PBO's to showcase and share good practice and to influence Government and the wider public sector

##### **For single tier and county councils**

- Engage with networks to encourage discussion and input into NAG as a national voice
- Join with PBO's to showcase and share good practice to influence Government and the wider public sector



## **For PBO's**

- Engage with NAG as a stakeholder on behalf of councils
- Co-ordinate forums for policy voices
- Join with NAG and councils to showcase and share good practice to influence Government and the wider public sector

## **2 Commitment from the top**

### **Outcomes**

- Procurement is recognised as strategically important by chief executives, members and senior officers within local authorities
- Procurement is supported in each authority through the appointment of a councillor champion
- Best overall value has been considered in all council's addressable third party spend
- Procurement is a driver to implement council policy

### **Recommendations**

#### **For district councils**

- Provide periodic updates senior managers and elected members on implementation of good practice (set out in this NPS) and its relevance to the organisation
- Encourage an elected member champion for procurement
- A senior level director takes overall strategic responsibility for procurement and ensures full value is extracted from all procurement decisions
- Link the procurement strategy to the corporate strategy

#### **For single tier and county councils**

- Overall strategic responsibility for procurement rests at Director level and councils are committed to a strategic approach to procurement and delivering outcomes from this NPS
- Ensure there is a strategic alignment of procurement with Finance Director/s151 Officer or Director of Business Transformation
- Provide periodic updates to senior managers and elected members on implementation of good practice (set out in this NPS) and its relevance to organisation
- An elected member champion from the executive has procurement, commissioning and contract management as a substantial part of their portfolio
- Procurement professionals influence all third party spend
- Procurement professionals work closely with their commissioning colleagues to ensure best possible outcomes are achieved
- The procurement strategy underpins the corporate strategy and a commitment to achieving the wider corporate objectives of the council is demonstrated

#### **For PBO's**

- Highlight good practice and provide evidence of the impact of good collaborative procurement.
- Where elected members are part of PBO Board Structures, they support and promote good procurement practice in their own councils
- Adopt this NPS and engage with NAG on how to support policy

### 3 Commissioning

#### Outcomes

- Councils identify strategic outcomes in relation to assessed user needs, and design and secure appropriate services to deliver these outcomes
- Councils better understand and manage demand through the commissioning process to better target services efficiently and effectively

#### Recommendations

##### For single tier and county councils

- Use a strategic commissioning approach to appraise new service delivery models
- Procurement and Commissioning staff work together to ensure best outcomes for service users
- Demonstrate a willingness to move to multi-functional delivery
- Set out a corporate approach to decommissioning services that includes:
  - Clear objectives
  - Co-produced products and strategy
  - Communications strategy
  - Transparency
  - Timescales and timetable
  - Risk management
  - Defined roles for those involved

### 4 Procurement Training

#### Outcomes

- Councils build better procurement competencies across the organisation by ensuring staff are equipped with the knowledge, training, and practical skills needed to derive maximum benefit from procurement practices.
- Councils are more influential with suppliers through taking a more commercial approach to procurement
- Council officers understand and implement the flexibilities afforded by the new EU Procurement Directives

#### Recommendations

##### For district councils

- Engage with other councils to 'piggy back' onto training and development programmes
- Ensure senior officers are involved directly in high value contracts.
- Recruit consultants with commercial skills to help with developing a more commercial approach. Knowledge transfer should be part of the consultancy contract.
- Engage with training on new EU Procurement Directives either through other councils or directly

##### For single tier and county councils

- Invest in officers having the professional, leadership and interpersonal skills required to deliver council objectives through better procurement.
- Implement a development programme that takes into account the new context and models for good procurement

- Encourage councillors to engage with procurement and commissioning training being offered through the LGA Leadership Academy
- Invest in developing commercial skills including costs and profit, the market and service quality, relationship building and renegotiation skills
- Engage with training on new EU Procurement Directives
- Cascade training where appropriate across the council and to districts

### **For PBO's**

- Continue to develop professional and technical skills in procurement
- Publish academic dissertations where appropriate for the benefit of the sector
- Support councils with skills and expertise in supplier relationship management
- Engage with training on new EU Procurement Directives
- Cascade training where appropriate to councils and to districts



## Theme D: Modernisation

### Overview

Recognising the importance of political drive and vision behind increasing commercial activity to drive financial self-sufficiency, there is an increasing role for procurement in **commercialisation and income generation**. Renegotiation of existing contracts could be a useful source of further savings or income but procurement officers need to see each new contract they negotiate as an opportunity for a more commercial approach which may also include, exploiting assets, selling services and understanding and reducing costs through cost/benefit analysis

In order to get best value from the market, the best councils are encouraging **supplier innovation**. This may be through hosting supplier or provider innovation days on specific procurement projects, through allowing for innovative tenders in the procurement process or by moving towards outcome based specifications that focus attention on the results – or outcomes – that the services are intended to achieve. We should be sharing information about innovation through case studies, discussion forums and sharing templates.

A wide range of **e-procurement** tools already exist, for example e-marketplaces, e-tendering and e-invoicing. Studies have concluded that the UK public sector falls behind our European counterparts, particularly the Scandinavian countries and particularly in the area of e-invoicing which is due to be adopted as a new EU Directive in 2016. Councils should be looking to realise the benefits from e-invoicing and should now be encouraging their suppliers to embrace this technology at the earliest opportunity.

The Government is expected to transpose the new **EU Directives** into UK Law late in 2014, the new directives will bring increased flexibilities for councils and businesses, freeing up markets and facilitating growth. There will also be a new light touch concessions directive ie where the consideration consists in the right to exploit works or services or that right together with payment (eg toll bridges, canteen services) and operating risk is transferred to the supplier. A new innovation partnerships procedure will be introduced which allows authorities to encourage suppliers to develop works, supplier or services not currently available on the market, through long term partnerships.

### What should LGA and NAG be doing?

- Promoting the Trading Powers that councils have through the Localism Act
- Promoting good practice and innovation through the microsite, conferences and regional sharing
- Setting out a business case and develop a toolkit for e-invoicing
- Engaging with CCS to promote and deliver training in the use of the new EU Directives
- Making the case to Government for an upward revision of the EU Thresholds to €5,000,000

## Outcomes and Recommendations

### 1 Commercialisation and income generation

#### Outcomes

- Councils procurement staff are more commercially minded, and understand and realise benefits from all funding streams including how contracts can be developed to generate income

#### Recommendations

##### For all councils

- Invest in training and developing commercial acumen for new and existing staff
- Develop forward savings and income generation plans

##### For PBO's

- Share commercial strategies and insights with councils

### 2 Supplier Innovation

#### Outcomes

- Suppliers are able to demonstrate innovation through all stages of the procurement cycle.

#### Recommendations

##### For district councils

- Join with other councils and PBO's to engage in supplier market and innovation days
- Ensure terms and conditions are flexible enough to allow for changes in technology during the life of the procurement
- Use outcome-based specifications that include the minimum technical and performance requirements and focus on a statement of the problem that needs to be solved

##### For single tier and county councils

- Use early market engagement, and set out well-structured procurement processes, to allow for innovative approaches to be put forward
- Harness and proactively encourage supplier innovation
- Develop and run innovation workshops with supply base
- Ensure terms and conditions are flexible enough to allow for changes in technology during the life of the procurement
- Use outcome-based specifications that include the minimum technical and performance requirements and focus on a statement of the problem that needs to be solved

##### For PBO's

- Engage in council's and their own market days

### 3 Using technology

#### Outcomes

- Councils increase efficiency and productivity and realise full benefits through the use of appropriate e-procurement solutions in procurement processes
- Use of e-invoicing helps councils and suppliers streamline administrative processes and improves supplier liquidity

#### Recommendations

##### For district councils

- Use electronic means for tendering processes in line with EU Directives
- Work with suppliers to encourage a move to more e-business
- Consider making e-invoicing a contractual requirement

##### For single tier and county councils

- Use electronic means for tendering processes in line with EU Directives
- Work with suppliers to encourage a move to more e-business
- Outline the benefits of e-invoicing to suppliers helping them to do business electronically
- Implement e-invoicing and move quickly to realise benefits of 100% take-up
- Set a performance target and report on value and time to pay via e-invoicing
- Consider making e-invoicing a contractual requirement

##### For PBO's

- Use electronic means for tendering processes in line with EU Directives
- Outline benefits to suppliers and help them to do business electronically
- Develop a framework contract for e-invoicing solutions available to suppliers

### 4 EU Directives

#### Outcomes

- Council procurement process are quicker, simpler and less costly to run through use of the new EU Procurement directives

#### Recommendations

##### For all councils and PBO's

- Take full advantage of the free face to face and e-learning available through CCS
- Cascade training to council officers and elected members outside of the 'procurement team'
- Maximise the flexibilities afforded in the new EU Directives

## Notes:

[illegible]







**Local Government Association**

Local Government House  
Smith Square  
London SW1P 3HZ

Telephone 020 7664 3000  
Fax 020 7664 3030  
Email [info@local.gov.uk](mailto:info@local.gov.uk)  
[www.local.gov.uk](http://www.local.gov.uk)

© Local Government Association, July 2014

For a copy in Braille, larger print or audio,  
please contact us on 020 7664 3000.  
We consider requests on an individual basis.

# Local Government Association submission to the Public Contracts Regulations 2015 consultation 13th October 2014



## 1. About the Local Government Association

- 1.1 The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.
- 1.2 We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.
- 1.3 The LGA welcomes the opportunity to comment on the content of draft Public Contracts Regulations 2015 (the Regulations).

## 1. Summary

- 1.1 The LGA and councils generally support the freedoms and flexibilities set out in the Public Contracts Regulations (the Regulations).
- 1.2 The LGA would like to make particular representation relating to Part 4 – Below-Threshold Procurements.
- 1.3 The LGA supports enabling more small businesses and voluntary sector organisations to bid successfully for public sector tenders.
- 1.4 However, we are concerned that by including regulations set out in Part 4 the Government is acting outside the principles outlined in the Localism Act 2010 which sets out to remove centrally-set rules about how councils organise themselves and run their affairs in a way that suits local circumstances.
- 1.5 We appreciate that the consultation calls only for comments on technical points relating to the Lord Young reforms but there is no explanation as to what is meant by ‘technical points’. We are therefore responding to these reforms under question 1 – general comments.
- 1.6 We believe, for the reasons set out below, that Part 4 of the Regulations go against the principles of Localism, are burdensome, costly and could potentially work against SME’s and VCSE’s.
- 1.7 We are concerned to find that Cabinet Office have announced (SOPO Newsletter September 2014) that the changes in Part 4 **will** take place prior to the closure of the consultation period. This is contrary to the Cabinet Office’s own guidance on consultation principles which state that decision making should be informed by real discussion with stakeholders.

## 2. Part 1: General

- 2.1 The LGA generally supports the drafting of the Regulations set out in Part 1 and welcome the flexibilities that the new Regulations will bring to local authority procurement.
- 2.2 The LGA were particularly pleased to be engaged in the discussions on ‘Policy Choices’ earlier this year, and pleased that Government has maintained its stated policy of not ‘gold-plating’ regulations. We are also

# Submission

pleased that some of the regulations, particularly relating to e-procurement, will be implemented at a later date, therefore giving councils time to update their systems and processes.

- 2.3 The LGA is part of and supports the Winterbourne View Joint Improvement Programme. Finding Common Purpose is a project within this team and they have identified a number of issues relating to technical points within the regulations. LGA supports the recommendation that the Public Contracts Regulations 2015 extend the exemptions and exceptions given to the NHS Commissioners acting under their NHS Regulations, to commissioners for social and health care in Local Authorities.

### 3. Part 4

- 3.1 Councils and other contracting authorities are already bound by existing EU Directives for 'above threshold' procurements. The corollary of this is that the duties relating to 'below threshold' procurements should be determined by contracting authorities themselves; for councils this would be through their own contract standing orders and follow the general EU principles of transparency, proportionality and equal treatment.
- 3.2 We believe that addition of the Regulations in Part 4 is against the principles of the Localism Act 2010 (ie. that Councils should be empowered to act innovatively and in general terms have the same freedom to act as an individual) and add a further layer of bureaucracy on low value procurements.
- 3.3 The consultation on the Lord Young reforms in September 2013 stated that the reforms would act as a "**deregulatory measure**" to make the procurement process faster, more transparent and less bureaucratic. The LGA members believe that the Regulations as outlined will result in the opposite effect.
- 3.4 The Lord Young consultation also stated that the issues set out were "**not major policy changes**" and the resulting report simply made recommendations. The Government is not under an obligation to act upon Lord Young's recommendations.
- 3.5 The Government appears to have decided to legislate on these recommendations without engaging properly on how to change ways of working through consultation, non-mandatory guidance or other means.
- 3.6 The strength of opposition to these reforms have been made clear to the Government, with representation from the LGA and other bodies, from individual councils and particularly during the pilot EU Directives Awareness training days. Such was the strength of opinion and the disruption caused by this during the awareness training, Cabinet Office chose to remove the Lord Young clauses from the final training offer going forward. Councils have therefore had no proper opportunity to discuss these changes as forming part of legislation.
- 3.7 The LGA launched a new national procurement strategy for local government in July setting out how councils should be simplifying processes in order to engage with a wide supplier base, whilst at the same time using procurement to grow their local economies. We have already gained much support for the strategy and believe that a sector-led improvement approach on this issue is the way forward. Likewise, the LGA continues to encourage the sharing of best practice within the sector, so that local authorities can learn from each other's experiences as to what works well when it comes to effective and efficient procurement.
- 3.8 The arguments against mandating the use of Contracts Finder have already been set out, but for clarity we summarise them here:
- 3.8.1 The LGA are very concerned that the Government is intending to mandate the use of a single online portal (Contracts Finder) to advertise all contract opportunities. Mandatory use of Contracts Finder, and national advertising of all contract opportunities will undermine local

government's ability to take into account social value and stimulate local economic growth and could actually disadvantage local SMEs.

- 3.8.2 It would also undermine the investment local authorities have made in their own local and regional portals that advertise procurement opportunities in order to help their local economies grow. There may also be a further development cost for councils to make the link to the Contracts Finder portal when implemented.
- 3.8.3 Any move to a more centralised approach would negate these efforts.
- 3.9 The arguments against abolition of a two stage process for any procurement under the EU Threshold have already been set out, but for clarity we summarise them here:
  - 3.9.1 Councils sometimes need to use pre-qualification questionnaires (PQQs) in lower value procurements to deselect suppliers, particularly where a large supply chain exists (for example in construction or ICT sectors) or where they may be issues of safeguarding and tendering a smaller number of suppliers reduces the potential risks for vulnerable people. (eg building or facilities management contracts relating to women's refugees). If councils are not able to use a two stage process to deselect, they will then be required to evaluate full tenders from all bidders. This will increase the cost and resource burden of evaluation for councils but more importantly will increase the burden on suppliers to bid. In addition to evaluating many more full tenders, councils will need to provide feedback to more bidders, placing a further burden on resources. These Regulations run counter to the Government's aim of ensuring a 'timely and efficient' procurement process.
  - 3.9.2 Although we agree that public sector procurement processes would benefit from simplification for small businesses, social enterprises and voluntary and community organisations, we do not believe abolition of PQQ's would be the solution. There is no evidence to suggest that the use of PQQs has limited the number of contracts awarded to SMEs by local government; in fact, local government awards 47 per cent of spend with SMEs compared with central government which awards 12 per cent after having abolished PQQ.
  - 3.9.3 The DCLG Select Committee agreed with LGA on this point suggesting that "Contrary to the Government's approach, we do not support removal of PQQs entirely since they can provide a cost-effective means of pre-selecting viable tenderers. We do not accept that in certain circumstances, particularly low cost procurement, it may be advantageous to have no PQQ but this should be left to the discretion of individual councils".
  - 3.9.4 Clause 107 sets out the thresholds under which contracting authorities will not be allowed to run a two stage process, this currently equates to £111,676 for Central Government and £172,514. Councils are therefore subject to further administrative burdens at a much higher threshold.
  - 3.9.5 In some circumstances, PQQs can be a way of enabling SMEs and VCSE's to express interest in a contract without having to go to the expense of submitting a full tender. There is a possibility that a ban on PQQs would inhibit SMEs and VCSE's in bidding because of the expense and risk of submitting full bids, which is more easily borne by larger enterprises. The legislation could therefore have the opposite effect to that intended.
  - 3.9.6 We understand there are to be discussions shortly, on expiration of the Government Procurement Agreement (GPA) in relation to raising the threshold for OJEU procurements. If this action is taken it means that even more procurements will be subject to the single-stage process.
- 3.10 If both of these reforms are implemented, national advertising through Contracts Finder will likely increase the total number of bids councils receive,

yet councils will have no opportunity to deselect following the abolition of PQQs. The administrative burden of councils will be substantially increased.

- 3.11 We would like confirmation that council funding for increased burdens has been considered given the additional resources that will be needed in the preparation and evaluation stages of tenders should these reforms be implemented.
- 3.12 Guidance issued by the Minister for the Cabinet Office or the Secretary of State is not currently mandatory for all contracting authorities, including councils. By implementing a further duty on councils to have regard to guidance, particularly without councils having any means to consult on the guidance, procurement processes will become less efficient and effective.



Department for  
Communities and  
Local Government

Leaders of Local Authorities &  
Chairmen of Fire and Rescue Authorities

cc: Local Authority Chief Executives & Finance  
Directors, & Chief Fire Officers

**Kris Hopkins MP**  
*Minister for Local Government*

***Department for Communities and Local  
Government***

4th Floor, Fry Building  
2 Marsham Street  
London SW1P 4DF

Tel: 0303 444 3460  
Fax: 0207 035 0018  
E-Mail: kris.hopkins@communities.gsi.gov.uk

[www.gov.uk/dclg](http://www.gov.uk/dclg)

10 October 2014

Dear Colleague

## **PUBLIC SECTOR PROCUREMENT REFORMS**

I am writing to draw your attention to major changes that are being introduced which will affect the way the public sector procures goods and services. I expect the changes to take effect in early 2015. This note sets out what the changes are, their proposed impact on small suppliers, and how your council and all public bodies can benefit and prepare for these reforms.

The reforms take account of the wide consultation and engagement the Government has done with public bodies, small businesses and their champions over the last two years and in response to Lord Young's recommendations to Government in his report on 'Growing Your Business' (May 2013). These reflect changes to the way public bodies administer Pre-Qualification Questionnaires, the accessibility of contract opportunities and how suppliers are paid.

The changes are a great opportunity for local authorities such as yours to achieve increased quality and value for money in the procurement of goods and services from small businesses. This is found to be the case in central government, where small firms are delivering dramatic savings to departments compared with incumbent large suppliers. This is also evident in local government and other areas of public sector spend where small businesses are delivering local solutions and specific sector needs at a time when councils and other public buyers are under pressure to save money and deliver better services with limited resources.

These changes will be introduced as part of the new public procurement regulations. They will help ensure a simple and consistent approach to procurement across all public sector authorities so that small businesses can gain better and more direct access to the public sector market. As a key impediment to accessing contract opportunities, Pre-Qualification Questionnaires for low value contracts will be removed. Small businesses say that these have been overly bureaucratic and contained excessive or irrelevant requirements.

For contracts over the value of the European Union threshold, a single and standardised Pre-Qualification Questionnaire will be available for use across the public sector. Once legislation is in place, contract opportunities that would normally be advertised above

£25,000 (or standing order limits) in value will be required to be advertised on an improved and enhanced Contracts Finder. This will transform small businesses' access to the £230 billion of public sector spend on goods and services each year.

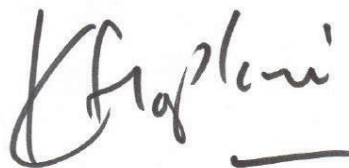
Prompt payment is critical to the cash flow of many smaller suppliers and failure to pay on time can lead to serious problems, even threatening their ability to continue trading. The imminent reforms will ensure that suppliers are paid within 30 days not just by contracting authorities, but also by contractors and all the way along a supply chain.

These three measures are designed to ensure that there is a simple and consistent approach across the public sector so that suppliers, especially smaller businesses and voluntary, community and social enterprises, know what information they will be expected to provide and fairer competition for contract opportunities that are being made available to business.

The legislation is due to come into force in early 2015 and this requires all of us across the public sector to make the changes needed to our systems and practices so that we are ready when the changes take effect. I would be grateful if you would discuss these changes with your procurement officers to ensure that they are prepared and ready.

Many local authorities are already taking action in anticipation of these reforms, but a fuller explanatory note of the reforms and what they will mean for you is attached as an Annex to this letter. If you or your procurement staff need more help or further guidance, please contact the Crown Commercial Service Helpdesk on 0345 410 2222 or at [info@ccs.gsi.gov.uk](mailto:info@ccs.gsi.gov.uk).

The Rt Hon Francis Maude MP and The Rt Hon the Lord Young of Graffham are co-signatories to this letter.



**KRIS HOPKINS MP**  
Minister for Local Government



**The Rt Hon. Francis Maude MP**  
Minister for the Cabinet Office  
Paymaster General



**The Rt Hon. the Lord Young of Graffham**  
Adviser to the Prime Minister  
on Small Business and Enterprise



The three key changes to procurement practices which all contracting authorities will need to comply with from early 2015 are set out below:

### **1. Pre-Qualification Questionnaires**

Many suppliers have told us that Pre-Qualification Questionnaires are overly bureaucratic, containing excessive or irrelevant requirements. Evidence from the Cabinet Office's Mystery Shopper scheme indicates that this is the number one concern for small and medium enterprises.

*Use of Pre-Qualification Questionnaires will be prohibited for procurements under the European Union threshold for supplies and services, which is currently £173,000. For procurements above this threshold, a single standardised Pre-Qualification Questionnaire for the public sector will be available. PAS 91 must continue to be used exclusively for construction procurements.*

### **2. Better access to bid opportunities**

A new, improved Contracts Finder where all public sector contract opportunities will be easily accessible to suppliers will be launched.

*Contracting authorities will be required to ensure that any opportunity is published on Contracts Finder (in addition to any other portal or website it may use). Once a contract is in place, they will also need to publish details of who has won the contract including whether the winning supplier is a small business or voluntary sector organisation. The threshold for publishing is £25,000 but if contracting authorities have standing orders above this value, they are not required to advertise contracts below that threshold although they can choose to do so. This means that informal methods of tendering (e.g. three quotes) without an advert are still available below standing order limits (or £25,000).*

### **3. Prompt payment**

Prompt payment is critical to the cash flow of many smaller suppliers and failure to pay on time can lead to serious problems, ultimately putting their ability to continue trading at stake.

The majority of local authorities have a good record of paying invoices on time; for example, City of London, Halton and Harrow councils are all committed to paying suppliers within 10 days of invoice and other councils have been encouraging their suppliers to sign up to the prompt payment code. However, a recent survey by Bacs Payment Schemes revealed that small and medium enterprises across the United Kingdom currently face up to £40 billion in unpaid invoices, with many larger firms using invoice payment terms for small and medium enterprises that are beyond 60 days.

*New legislation will require all contracting authorities to pay valid invoices within 30 days and to ensure that these terms are replicated down the supply chain via a contract condition. Contracting authorities will also be required to annually publish statistics relating to invoices which are paid late with their first tier suppliers.*



These three measures are designed to ensure that there is a single market approach across the public sector so that suppliers, especially smaller businesses and voluntary, community and social enterprises, know what information they will be expected to provide and what conditions they will have to meet. This will help ensure that best value for money is obtained through the optimum level of competition, whilst supporting local businesses and giving them opportunities to grow.

### Next steps

The Government has recently published a consultation paper on the detailed regulations which underpin these measures, as part of the consultation on the new European Union Procurement directive, and your ideas and views are very much welcome before **the closing date of 17 October**.

<https://www.gov.uk/government/consultations/transposing-the-2014-eu-procurement-directives>

This will help to determine the most effective implementation approach which avoids any additional burdens for procurers and suppliers alike and support the Local Government Association's National Procurement Strategy.

Officials will also be disseminating further information in due course to supplement the reforms and help procurers prepare themselves for implementation. This will include details and guidance on the forthcoming products which support all the reforms, such as the new standardised Pre-Qualification Questionnaire for high value contracts, and the new Contracts Finder system.

I look forward to working with you to help local businesses and local economies grow, which will contribute to economic growth for the whole of the country.

**Briefing Note**

To:	Chief Officer (Resources)
From:	Senior Auditor
Date	23/10/14
Subject:	<b>Procurement Strategy Development – Living Wage Considerations</b>

**Introduction**

The Living Wage is a non-statutory rate of pay which is set by the Living Wage Foundation and reviewed annually. Lancaster City Council has adopted the principles of the Living Wage with each employee on a contracted hourly rate of pay below the current Living Wage rate of £7.65 receiving a supplement equal to the difference.

The Public Services (Social Value) Act 2012 came into force on 31st January 2013. The Act requires all public authorities to have regard to economic, social and environmental wellbeing factors in relation to *public services contracts* which equal or exceed the EC procurement threshold (currently €134,000). The Act does not itself apply to contracts for *supplies* or *works*. For *service* contracts falling below the EC thresholds, there is no statutory obligation on the Council to take into account the requirements of The Public Services (Social Value) Act 2012.

It is anticipated that in late 2014 or early 2015, Regulations will be made to implement the new EU Procurement Directive 2014 in the UK. These new Regulations will allow the Council to take environmental/social criteria (linked to the subject matter of the contract) into account during the procurement of *works*, *supplies* or *service* contracts, the Living Wage being a potentially relevant factor in the evaluation process.

A briefing note updating Members of the current position was considered by Council at its meeting on 16th July 2014. The briefing note advised Members that a new Procurement Strategy, which will take into account new legal requirements, is currently being developed for consideration by Cabinet in November 2014.

The Chief Officer (Resources) requested that Internal Audit carry out a review of Living Wage implications with a view to informing the review of the Procurement Strategy, and ensuring that associated policy and procedures are appropriate. The scope of this review included arrangements for ensuring that Living Wage considerations, and the requirements of new procurement related legislation, are reflected in council policy and that associated procedures are appropriate.

Work has been carried out with a view to ensuring that:

- a proportionate approach is taken to adopting the principles of the Living Wage, ensuring that arrangements are workable and legally sound;
- the revised Procurement Strategy makes appropriate reference to paying the Living Wage, as agreed by Council;
- the revised Procurement Strategy takes account of relevant legislation, including the new European Procurement Directive and the Public Services (Social Value) Act;

- the council is able to demonstrate, if challenged, that due regard has been given to the requirements of new legislation;
- mechanisms are in place to highlight contracts which have the potential for the council to enforce conditions regarding the payment of the Living Wage;
- appropriate measures are taken to provide relevant staff with the training and support necessary to enable them to apply the new arrangements.

## Findings

The Public Services (Social Value) Act 2012 requires all public authorities to have relevant regard to economic, social and environmental wellbeing factors in relation to *public service contracts* which equal or exceed the EC procurement threshold. It places an obligation on the council to consider how what is being procured might improve these factors and how that improvement might be secured by the procurement process itself.

The new 2014 EU Public Procurement Directive will allow the council to take into account, during the procurement of *works, supplies or service* contracts above EC procurement thresholds, environmental/social criteria on condition that these are linked to the subject matter of the contract. The council will not be allowed to require an organisation to have a particular corporate social responsibility policy in place.

Payment of the Living Wage is a relevant factor in the contract evaluation process. Consideration must be given therefore to the approach taken by the council to ensure policies and procedures are legally sound, proportionate and appropriate. A key element of this decision is a review of whether enforcing the requirement for contractors to pay the Living Wage to their staff could potentially breach EU procurement rules, these stating that fair competition across all potential providers for goods or service must exist.

Professional advice is that, with a view to avoiding potential discrimination, a blanket approach to this issue should not be taken as challenges can occur in relation to competitive disadvantage (if not all similar organisations tendering for work pay the Living Wage). A court case in Germany in 2013 highlighted the risks involved, stating that a minimum wage requirement was capable of constituting a restriction on the freedom to provide services, contravening the treaties between the EU member states. Caution must therefore be exercised by the council to avoid potential challenge.

As reported in the motion to Council in July 2014, the EU Parliament provided guidance on this issue stating that “Living wage conditions may be included in the contract performance clauses of a public procurement contract 'provided they are not directly or indirectly discriminatory and are indicated in the contract notice or in the contract documents'. In addition, they must be related to the execution of the contract. In order to comply with this last condition, contract performance clauses including living wage conditions must concern only the employees involved in the execution of the relevant contract, and may not be extended to the other employees of the contractor”.

The approach taken by the council therefore needs to be proportionate, relevant and informed by the need to comply with legislation. Whilst it is important for the council to demonstrate its support of the Living Wage principles, recognising that procurement is a key area in which to promote this, any action taken has to ensure compliance with legislation.

With a view to minimising risk, and ensuring that arrangements are appropriate and legally sound, it is recommended that a standard approach i.e. that all contractors must pay the living wage, is not adopted. Alternatively each contract should be considered on a case by

case basis, in consultation with Legal Services, as taking a blanket approach and enforcing the payment of the Living Wage may present the council with the risk of legal challenge.

Discussions have taken place with the Procurement Manager regarding the Procurement Strategy, this currently being reviewed and revised with a view to ensuring it reflects corporate priorities, legislative developments and professional guidance. As agreed by Council in July 2014, the Strategy is to take into account the new European Procurement Directive and the Public Services (Social Value) Act. Specific reference is also to be made to the Living Wage, demonstrating the council's support of the Living Wage principles and recognising that procurement is a key area in which to promote these. The Strategy is also to make clear that any action taken has to ensure compliance with relevant legislation.

With a view to ensuring that the council is able to effectively demonstrate, if challenged, that due regard has been given to economic, social and environmental wellbeing factors when tendering *public services contracts*, it is important that documentation is maintained to evidence decisions made. With a view to achieving transparency it would also be good practice if tender documentation stated that the requirements of the Public Services (Social Value) Act 2012 have been fully considered. This is to be addressed through guidance to be provided to appropriate officers.

The Procurement Manager has confirmed that the council is unlikely to procure *works, supplies* or *service* contracts, above EC procurement thresholds, where it may be appropriate to require contractors to pay the Living Wage, however, at present there are no formal mechanisms in place to highlight these. Current procedures need to be reviewed therefore to address this, and arrangements put in place to raise awareness of the need to liaise with the Procurement Manager regarding contracts where this may be applicable. This is to be addressed through training and guidance.

If the council is to effectively comply with the requirements of recent procurement related legislative developments, it is essential that those with procurement responsibilities receive ongoing training and guidance. The Procurement Manager has confirmed that this is to be addressed through the awareness raising sessions, and/or training and guidance as necessary, 'Enabling those with procurement responsibilities to undertake their responsibilities' being a key objective in the Procurement Strategy.

## Conclusions

A compulsory requirement for all contractors to pay the Living Wage could present the council with a potential risk of legal challenge. Therefore a proportionate response to adopting the principles of the Living Wage needs to be taken. Policy and procedures should be robust in that they ensure compliance with legislation, but appropriate in that they do not put the council at risk. The approach taken by the council needs to ensure that contracts are considered on a case by case basis, taking guidance as necessary from Legal Services. The most appropriate approach would be to encourage rather than require contractors to pay the Living Wage, this being reflected as appropriate in tender documentation.

The Procurement Strategy is to be revised in line with the council motion passed in July 2014 requiring the revision to take into account European Procurement Directive, the Public Services (Social Value) Act, and the Living Wage.

With a view to ensuring transparency appropriate officers are to be made aware of the need to be able to demonstrate, if challenged, that due regard has been given to the requirements of new legislation. Officers are also to be reminded of the need to liaise with the Procurement Manager regarding contracts where it may be appropriate to require contractors to pay the Living Wage.

Awareness raising sessions, and/or briefing notes are to be provided to staff as necessary to enable them to apply new arrangements arising from the introduction of the Public Services (Social Value) Act 2012. Officers are to be kept up to date with the implications of the EU procurement directive.

### **Recommendations**

- The council should not apply a standard approach which enforces the payment of Living Wage by contractors. Contracts should be considered on a case by case basis, in consultation with Legal Services, to avoid the risk of legal challenge in terms of discrimination.
- In line with professional guidance, if applied, care should be taken to ensure Living Wage requirements do not directly, or indirectly, discriminate and should be included as contract performance conditions, rather than award criteria.
- The council should demonstrate its commitment to the principles of the Living Wage through encouraging contractors to adopt it, this being reflected in the Procurement Strategy.

- Training/guidance to be delivered to ensure those with procurement responsibilities remain up to date with legislative developments, and professional guidance, should address the following:
  - The requirement for Living Wage issues to be considered on a case by case basis, in consultation with the Procurement Manager and Legal Services.
  - Due regard being given to economic, social and environmental wellbeing factors when tendering public services contracts, this being clearly evidenced through documentation maintained.

<b>BUDGET &amp; PERFORMANCE PANEL</b>
---------------------------------------

## Corporate Performance Monitoring 2014/15

11 November 2014

### Report of the Chief Officer (Resources)

<b>PURPOSE OF REPORT</b>				
To present the corporate financial monitoring report and other supporting statements for Quarter 2 of the 2014/15 performance monitoring cycle.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral
				X
Date of notice of forthcoming Key Decision		N/A		
This report is public.				

#### OFFICER RECOMMENDATION

- (1) That the Panel considers this report and appendices and makes any recommendations as appropriate.

#### 1.0 CORPORATE PERFORMANCE MONITORING 2014/15 – QUARTER 2

- 1.1 Following the approval of the Corporate Plan on 16 July 2014, Officers have been developing the performance monitoring process to ensure the 'right' measures are in place and that they can be measured accurately and appropriately. Planned performance reporting in Quarter 2 has been deferred in light of a revised performance management framework currently being developed and actions arising from a recent Investors in People assessment. This report is, therefore, focussed on financial, property and treasury management activities.
- 1.2 In terms of finance, the corporate monitoring report for Quarter 2 is attached at **Appendix A**. This shows that in simple terms there is an underspending of £579K in respect of the General Fund, which is projected to increase to £661K by the end of the year. For the Housing Revenue Account (HRA), there is currently an underspending of £67K which is forecast to become and overspend of £342K by the end of the year.
- 1.3 These positions are being analysed and revised further as part of the current budget process. This is particularly relevant given that the forecast underspending on the General Fund has increased, and the HRA position has worsened.
- 1.4 In support, the latest update on Property matters is included at **Appendix B**, and the position with regards to treasury management activities is included at **Appendix C**.

<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None directly identified as a result of this report.	
<b>LEGAL IMPLICATIONS</b> None directly arising from this report.	
<b>FINANCIAL IMPLICATIONS</b> As set out in the report.	
<b>OTHER RESOURCE IMPLICATIONS: Human Resources / Information Services / Property / Open Spaces:</b> None directly arising from this report (other than as set out).	
<b>SECTION 151 OFFICER'S COMMENTS</b> The Deputy Section 151 Officer has prepared this report which has been reviewed by the Section 151 Officer.	
<b>MONITORING OFFICER'S COMMENTS</b> The Monitoring Officer has been consulted and has no comments to add.	
<b>BACKGROUND PAPERS</b>	<b>Contact Officer:</b> Andrew Clarke, Financial Services Manager <b>Telephone:</b> 01524 582138 <b>E-mail:</b> <a href="mailto:aclarke@lancaster.gov.uk">aclarke@lancaster.gov.uk</a> <b>Ref:</b> Corporate Financial Monitoring 2014/15 Qtr 2



# Corporate Financial Monitoring

## Quarter 2: July – September 2014

Report of: Financial Services Manager

## 1 Introduction

This monitoring report for 2014/15 sets out an indicative corporate picture of the Council's financial performance for the period ending 30 September 2014.

The report summarises the budgetary variances arising through services' monitoring, and also identifies any omissions, updates and/or actions required. In addition there are various other specific sections including capital expenditure and financing, the Housing Revenue Account (HRA), revenue collection performance and various reserves. The content and format of this report will continue to evolve, to draw on both national and local finance matters.

## 2 General Fund Revenue Monitoring

### 1.1 General Fund Summary Position



The current overall General Fund summary position shows that at the end of September there is a net underspend of **£579K** (Qtr 1 £212K) against the current budget. This is forecast to increase to **£661K** (Qtr1 £264K) by the end of the year.

The main changes from Qtr 1 relate to increased salary savings of £255K, net energy savings of £35K and additional net income of £80K.

	Annual Budget £000's	Current Variance £000's	Full Year Projection £000's
Salaries	20,124	(346)	(355)
Transport	1,783	+19	(8)
Premises	9,269	(55)	(51)
Supplies & Services	11,236	(51)	(74)
Fees & Charges	(14,668)	(62)	(97)
Grants & Contributions	(3,157)	(77)	(69)
Other Net Budgets	(6,047)	(7)	(7)
<b>Total</b>	<b>18,540</b>	<b>(579)</b>	<b>(661)</b>

### 1.2 Savings Review

The original budget was approved with a number of restructure savings already built in. The following table provides an update on those restructures plus any additional savings achieved through similar reviews.

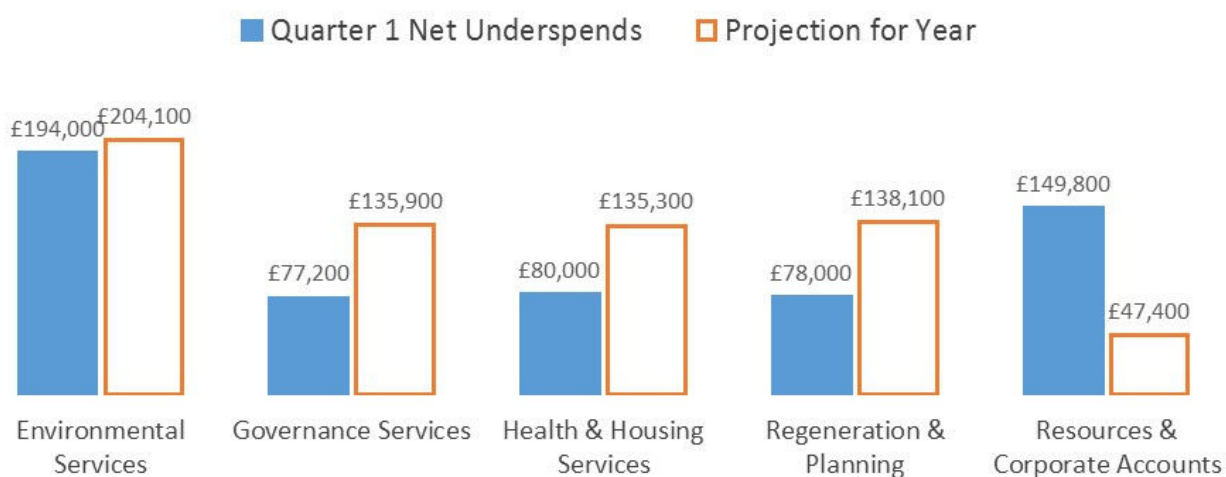
The table shows that the original budgeted savings of £322K have now been exceeded by £111K.

All savings have already been incorporated into the current and projected savings above.

Service	Details of Change	Approval	Budgeted Saving £000's	Actual Saving £000's	Total Additional Savings £000's
Environmental	Service Restructure	Personnel	160	160	0
Governance	HR & OD Restructure	Chief Executive	0	61	61
Governance	Democratic Restructure	Chief Executive	0	12	12
Health & Housing	Sport & Leisure Restructure	Personnel	100	118	18
Health & Housing	Mini-restructure	Personnel	0	13	13
Health & Housing	Admin function restructure	Chief Executive	0	7	7
Regen & Planning	Service Restructure	Personnel	62	62	0
			<b>322</b>	<b>433</b>	<b>111</b>

### 1.3 Main Budget Variances

**Annex A** details the major true variances identified to date that have been included within individual services' monitoring reports. The variances reported cover employees, premises, transport, supplies and services and general income. A service by service picture is provided below.



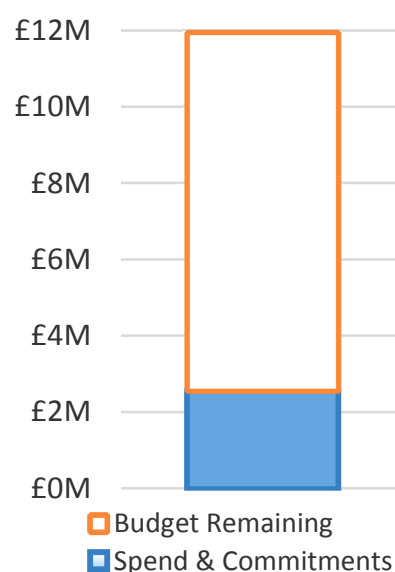
## 2 General Fund Capital Programme

### 2.1 Capital Expenditure & Financing

At the end of September there were spend and commitments of £2.556M against the latest approved programme of £11.928M. Details of spend against each scheme is shown at **Annex B**.

It should be noted that slippage of £1.706M from 2013/14 has now been added to the programme. In addition two changes have been approved under delegated authority:

- Lancaster Square Routes; £30K funded from grant income.
- Aldcliffe Road Canal Side Access Improvements; £20K funded from S106 monies.



This gives an overall updated programme of £11.928M.

The performance of the Council's property portfolio has strong linkages with capital investment and financing, and therefore at this point attention is drawn to the Property Group report at **Appendix B**, provided alongside this financial monitoring report.

### 3 Revenue Collection Performance

#### 3.1 Collection Fund Monitoring

##### 3.1.1 Council Tax Yield (Total Collectable)

This section provides a summary analysis of the current surplus or deficit on the Fund, shown in the table below. Such a surplus or deficit arises because of the great many changes in liability that occur throughout the year. Furthermore, any difference between estimated and actual collection performance will ultimately have a bearing.

The table goes on to compare budgeted council tax yield, or total amount collectable, with the yield position as at 30 September:

	£000's
<b>Collection Fund Surplus (September 2014)</b>	<b>(1,129)</b>
<b>Represented by:</b>	
2013/14 Collection Fund Surplus higher than forecast	(568)
<i>In-Year Movements to Date:</i>	
Lower Council Tax Support than estimated	(221)
Net of Higher Second Homes/Lower Empty Homes income	+33
Other Movements (net increases) in Tax Base	(373)
	<b>(561)</b>
	<b>(1,129)</b>
<i>Of which the City Council would retain 13%</i>	<i>(147)</i>

**Note:**

	Budgeted Projection £000's	Actual Position £000's	
Total Council Tax Collectable (Yield)	59,105	59,799	
Actual amount collected	(34,202)	(34,202)	57.2%
Amount Outstanding	24,903	25,597	

As at 30 September, there is an estimated surplus of £1.129M (2013/14 Qtr2 £1.320M), which is £191K less than the same period last year.

This year's position is made up of:

- additional surplus brought forward from 2013/14 of £568K;
- £221K lower than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but since establishing the scheme proposals back in the autumn/winter of 2012, the trend is still that the total support being claimed is lower than expected;

- overall £33K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £373K (2013/14 Qtr2 £631K) relating to other movements in the tax base or other factors which have still to be substantiated.

Should the tax base increase each year by more than originally estimated, this too helps towards balancing the General Fund revenue budget for future years.

### 3.1.2 Business Rates Retention

The following table shows the latest retained business rates position at the end of September.

The table shows provisional additional income of £4.072M, of which 50% (£2.036M) is payable to Central Government and 50% (£2.036M) retained by the Council. However, it should be noted that this position could change significantly depending on the outcome of appeals.

At present, a total provision of £9M has been made for appeals prior to 31 March 2014, which includes £7M in respect of a number of very large appeals. However, latest projections estimate potential liabilities at £9.9M to 31 March 2014. Separately, a further £2.7M is currently provided for appeals after 01 April 2014.

Due to the uncertainty surrounding appeal valuations, it would not be prudent to assume this is all guaranteed additional income to the Council until these appeals have been settled. New indications are that the larger appeals will not be settled until March 2017.

The implications of this on the Council's financial planning will be expanded on and addressed during the current budget exercise.

	<b>2014/15 £000's</b>
Net Collectable Amount of Business Rates	71.174
Less: Provision for Appeals	(2.737)
<b>Net retained business rates</b>	<b>68.437</b>
Less:	
Central Government Share – 50%	(34.219)
County Council & Fire Authority Share – 10%	(6.844)
<b>Lancaster's Retained Business Rates Share – 40%</b>	<b>27.374</b>
Less: Tariff payable to Central Government	(19.392)
Add: Small Business Rates Relief Grant	1.199
<b>Total Amount of Retained Business Rates</b>	<b>9.181</b>
Less: Lancaster's Baseline Funding Level	(5.109)
<b>Provisional Additional Income</b>	<b>4.072</b>
Split as follows:	
<b>50% Levy Payable to Central Government</b>	<b>2.036</b>
<b>50% Retained by Lancaster</b>	<b>2.036</b>



## 4 Housing Revenue Account (HRA)

### 4.1 HRA Revenue Position



At the end of September the position for the HRA shows a net underspend of **£67K** against the current budget, which is currently projected to become a net overspend of **£342K** by the end of the year. Details of the variances are as follows:

#### Expenditure:

##### Employees

**Current (£62,600) Forecast (£68,800)**

There have been a number of vacant posts within management and administration and central control which have now been filled.

##### Repair and Maintenance

**Current (£5,600) Forecast +£409,400**

Whilst the current position shows a slight underspend it is forecast to become an overspend of £409K by the year end. This is in line with the outturn position for 2013/14 which was overspent by over £500K. Officers from Health and Housing, Environmental Services and Financial Services are already working together to establish the reasons for the increased spend and what actions can be taken to mitigate it.

##### Energy Costs

**Current (£30,700) Forecast (£32,900)**

Usage to date has been lower than anticipated in all communal blocks of flats resulting in the above savings.

#### Income:

##### Rental from Council Dwellings

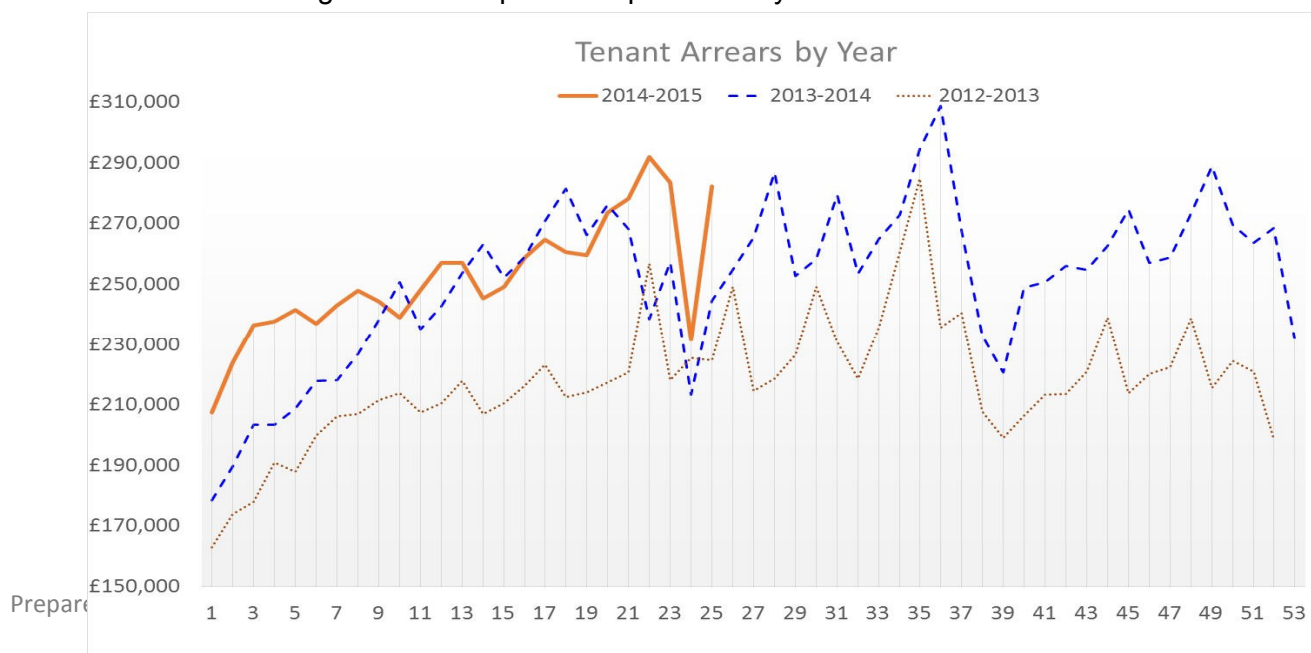
**Current +£31,400 Forecast +£34,400**

The main variances relates to the increase in void levels from 1.63% to 1.90%, and Right to Buy levels increasing from 5 to 10 in the previous year (2013/14), which was not forecast in the 2014/15 estimates.

### 4.2 Council Housing Rent Arrears

This section monitors the level of tenant arrears, to indicate any impact from welfare reforms and/or the wider economy on rent collection and in turn, to inform whether any specific actions are necessary. It will also feed into future reviews of the bad debt provision.

The following chart shows the current level of arrears compared to the previous 2 years. At the end of September, the level of arrears for 2014/15 is £282K (2013/14 Qtr 1 £245K) which is £50K higher than the previous quarter this year.



### 4.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of September. To date spend and commitments total £2.267M against the programme of £4.844M leaving a balance of £2.577M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	126	174
Energy Efficiency / Boiler Replacement	660	377	283
Bathroom / Kitchen Refurbishment	1,097	510	587
External Refurbishments	999	517	482
Environmental Improvements	950	385	565
Rewiring	83	10	73
Fire Precaution Works	250	49	201
Lift Replacement	120	0	120
Re-roofing / Window Renewals	360	292	68
Septic Tanks Renewal	25	1	24
<b>TOTAL</b>	<b>4,844</b>	<b>2,267</b>	<b>2,577</b>

## 5 Provisions and Reserves

This section provides an update on key provisions and reserves, and balances.

### 5.1 General Fund Unallocated Balance

The current position with regards to unallocated Balances is set out below.

	£000's
Original projected balance as at 31 March 2014	3,436
Add: 2013/14 underspend	277
Less: Budgeted Contribution for 2014/15	(458)
Add: Current Projected In-Year Underspend	661
<b>Latest Projected Unallocated Balance as at 31 March 2015</b>	<b>3,916</b>
Less: Minimum Level	1,000
Less: Budgeted Contribution for 2015/16	1,000
<b>Amount Available to Support Future Years' Budgets</b>	<b>1,916</b>



The table shows that if the current projected net underspending materialises Balances would be £3.916M by the end of the financial year. This would result in £1.916M being available to support future years' budgets, after allowing for the minimum approved level and the £1M already budgeted to support the 2015/16 budget.

## 5.2 Insurance Provision

The current balance on the insurance provision is £267K, after making net payments of £51K in settlement of claims made. The estimated value of claims outstanding is £240K, which is £27K less than the current provision. A full review of the provision will be undertaken during the forthcoming budget process.

## 5.3 Bad Debt Provision

The level of the provision has been assessed in simple terms based on assumed levels of write-off as a proportion of debt outstanding. Based on the figures shown in section 3.3 the required level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	640	1%	6
1 Month to 3 Months	231	5%	12
3 Months to 365 Days	667	10%	67
Over 365 Days	152	50%	76
HBen Overpayments	1,605	60%	963
<b>TOTAL</b>	<b>3,295</b>		<b>1,124</b>

The current balance on the General Fund Bad Debt provision is £1.135M which is £11K more than the requirement indicated, which is after allowing for this year's contribution of £100K and write-offs of £67K. A formal assessment will be undertaken as part of the forthcoming budget process.

As highlighted previously, the planned implementation and roll out of Universal Credit could potentially increase risks regarding the future recovery of housing benefit overpayments and this will continue to be monitored.

## 6 Contract Procedure Rules and Other Exceptions to Tender

In accordance with the latest approved contract procedure rules all exceptions to tender and other significant contract variations will be reported as part of the quarterly corporate monitoring process.

There are no exceptions to report for this quarter.

## CORPORATE FINANCIAL MONITORING: General Fund Revenue Budget

Subjective Area	Service	Reason for Variance	Current Variances	Projection for Year
Employees	Environmental Services	Turnover savings	(100,200)	(77,800)
	Governance Services	Restructure and turnover savings	(58,700)	(101,000)
	Health & Housing	Restructure, maternity and turnover savings	(76,100)	(105,600)
	Regeneration & Planning	Reduced working hours and turnover savings	(34,800)	(56,800)
	Resources	Vacant posts savings (will be offset later in the year)	(76,000) ↑ (345,800)	(14,000) ↑ (355,200)
Transport	Environmental Services	Mainly vehicle lease extensions being offset by projected fuel savings	37,300	21,100
	All Services	Car user allowance - Personnel Cttee 25 June 2013	(18,100) ↓ 19,200	(29,400) ↑ (8,300)
Premises	Environmental Services	Projected overspend on Williamson Park energy costs	(10,500)	3,500
	Health & Housing	Salt Ayre Sports Centre - net reduced electricity cost / increased gas costs	(11,800)	(8,500)
	Regeneration & Planning	Reduced energy costs on Stone Jetty	-	(8,100)
	Resources	Savings on energy costs across all other properties	(32,500) ↑ (54,800)	(38,200) ↑ (51,300)
Supplies & Services	Environmental Services	Reduced Bulky Waste operation resulting in savings	(58,400)	(71,900)
	Governance	Mainly reduced external spend on corporate / performance initiatives	(6,800)	(7,100)
	Health & Housing	Salt Ayre Sports Centre - underspends on licences, materials for resale & chemicals	(12,500)	(16,300)
	Regeneration & Planning	Mainly relating to additional legal costs	37,900	27,700
	Resources	ICT - telephone maintenance / software licence savings	(18,500)	(19,300)
		Revenues - increased legal costs / rating fees	11,900	19,400
		Property - various minor savings	(4,700) ↑ (51,100)	(6,300) ↑ (73,800)
Fees & Charges	Environmental Services	Off-street parking income below target - daytime ↓ £10.1K, evening ↓ £5.4K	15,500	-
		Off-street parking permit renewals down 10%	3,900	7,800
		Trade refuse income - net additional contracts	(79,000)	(79,300)
	Governance	Search fee income continuing to increase	(20,000)	(29,200)
		Legal fees and licence fees reduced	12,300	7,400
	Health & Housing	Salt Ayre Sports Centre - net reduction in income	38,300	36,700
		Increase in HMO licences plus additional admin income from DFG grants	(10,900)	(30,600)
	Regeneration & Planning	Additional planning application fee income	(1,300)	(38,100)
		Projected reduction in Platform income	-	10,500
		Net additional income claimed in respect of Chatsworth Gardens	(75,800)	(62,300)
	Resources	ICT - additional grant income	(7,100)	(7,100)
		Financial Services - additional investment interest	(7,000)	(7,000)
		Property - reduced rental income from commercial properties	9,600	74,400
		Revenues - increase in legal costs recovered	(25,000) ↑ (146,500)	(55,400) ↑ (172,200)
TOTAL			(579,000)	(660,800)

	Environmental Services						Health & Housing Services						Management Team						Regeneration & Planning						Resources & Corporate Accounts																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
	Governance Services			Services			Annual Budget			Annual Budget			Annual Budget			Annual Budget			Annual Budget			Annual Budget			Annual Budget			Annual Budget			Annual Budget																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£	Annual Budget	Variance	£

## GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2014/15 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
		£000's	£000's	£000's	£000's	£000's
Environmental Services						
	Allotment Improvements	32,000	16,039	4,324	20,363	(11,637)
	Bins & Boxes Lease Buy-out	12,000	-	-	-	(12,000)
	Car Park Improvements Programme	385,000	71,628	-	71,628	(313,372)
	District Playground Improvements	125,000	95,842	-	95,842	(29,158)
	Vehicle Renewals	632,000	-	76,727	76,727	(555,273)
	Toilet Works	137,000	2,311	-	2,311	(134,689)
	Will Park Improvements & Enhancements	83,000	-	-	-	(83,000)
Health & Housing Services						
	Disabled Facilities Grants	869,000	353,118	-	353,118	(515,882)
	Salt Ayre Cycle Circuit Lighting	0	306	-	306	306
	Salt Ayre Centre - Replacements/Refurbs	30,000	-	-	-	(30,000)
	Warm Homes Scheme	37,000	29,986	-	29,986	(7,014)
Regeneration & Planning						
	Amenity Improvements	31,000	-	-	-	(31,000)
	Arnside & Silverdale AONB Improvements	0	-	-	-	-
	Bold Street Housing Regeneration Site Works	386,000	141,920	351	142,271	(243,729)
	Brindle Close Affordable Housing s106 Scheme	80,000	80,000	-	80,000	-
	Cycling England	0	-	-	-	-
	Chatsworth Gardens	1,878,000	-	-	-	(1,878,000)
	Improving Morecambe`s Main Streets	360,000	2,564	7,235	9,799	(350,201)
	Lancaster Square Routes	1,352,000	667,576	34,837	702,413	(649,587)
	Luneside East	2,000	7,853	-	7,853	5,853
	Middleton Nature Reserve s106 Scheme	21,000	-	-	-	(21,000)
	Morecambe TH12: A View for Eric	641,000	7,030	-	7,030	(633,970)
	Riversview s106 Scheme	232,000	132,400	-	132,400	(99,600)
	Sea & River Defence Works	163,000	6,765	18,157	24,922	(138,078)
	Toucan Crossing King Street	13,000	9,659	-	9,659	(3,341)
Resources						
	Corporate Property Works	3,940,000	448,195	176,507	624,702	(3,315,298)
	ICT Systems, Infrastructure & Equipment	487,000	93,743	71,124	164,867	(322,133)
Total Gross Programme		11,928,000	2,166,935	389,262	2,556,197	(9,371,803)

## Grants &amp; Contributions

Capital Contributions Income	(1,093,000)	(406,901)	-	(406,901)	686,099
Capital Grants Income	(1,589,000)	(1,175,133)	-	(1,175,133)	413,867
<b>Total External Income from Grants &amp; Contributions</b>	<b>(2,682,000)</b>	<b>(1,582,034)</b>	<b>-</b>	<b>(1,582,034)</b>	<b>1,099,966</b>
<b>Total Net Programme</b>	<b>9,246,000</b>	<b>584,901</b>	<b>389,262</b>	<b>974,163</b>	<b>(8,271,837)</b>

# Property Group Update

2014/15 Quarter 2:  
July – September

**Report from: Senior Property Officer**

## 1.0 Introduction and Background

This Quarter 2 report is intended to provide an update on previously reported projects and initiatives and to highlight any significant emerging property related issues. This report is not intended to provide in depth updates on all ongoing individual property cases.

## 2.0 Corporate Non-Housing Property Portfolio Delivery Programme

As explained in previous reports, individual projects within the delivery programme fall into three procurement groups based on their value i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P).

It has been reported on a number of occasions and is worthy of note again here that budget flexibility between individual projects is essential. This is because the costs taken from the condition survey data to build up the original five-year budget were purely indicative, having been estimated based upon non-invasive surveys. As such, the levels of work required at each property have increased or decreased as detailed specification work for the procurement process has progressed.

### 2.1 Year 1 Delivery Programme

Property Group was allocated a budget of £2.402M for financial year (2013/14) to fund the implementation of the 1<sup>st</sup> year delivery programme.

A summary of progress to date follows:

#### 2.1.1 Minor Works (MW) Project Progress

Property/Project	Total Indicative Works for Year 1	Indicative Works Brought Forward from Year 2	Total Approved Tender (AMP)
14 Buildings	£49k	£49k	£103k

The Minor Works project has now been successfully completed and contained within the Agreed Maximum Price submitted. This work was contained within the repair and maintenance revenue budget and therefore does not count towards the 1<sup>st</sup> year delivery programme's capital spend.

## 2.1.2 Intermediate Works (IW) Project Progress

Property/Project	Submit Design /tender	Approve Tender (AMP)	Original Indicative Works 1 <sup>st</sup> Year	Total Approved AMP & Fees	Proposed /Actual Start Date
White Lund Depot (1)	12/11/13	28/11/13	£231k	£113k	27/1/14
Lancaster Cemetery Chapels (2)	12/11/13	24/12/13	£80k	£175k	27/1/14
Lancaster Town Hall Railings (3)	23/09/13	30/09/13	£50k	£47k	02/10/13
Lancaster Town Hall Paving (4)	23/09/13	30/09/13	£30k	£28k	07/10/13
Morecambe Town Hall (5)	-	-	-	-	-
The Dukes Playhouse (6)	-	-	-	-	-
Williamson Park (Intermediate) (7)	12/11/13	27/11/13	£90k	£80k	02/12/13
Assembly Rooms (8)	14/11/13	28/11/13	£158k	£100k	9/12/13
Storey Building (9)	26/11/13	24/12/13	£233k	£323k	3/2/14
Maritime Museum (10)	25/04/14	12/05/14	£253k	£328k	7/7/14
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre (11)	25/04/14	19/05/14	£100K	£112k	7/7/14
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old Man's Rest, Cottage Museum, King George Playing Fields. (12)	29/08/14	TBA	£98K	131k	TBA
Intermediate Demolition Projects (Ryelands Park Pavilion) (13)	24/11/14	TBA	£50K	TBA	TBA
<b>Totals</b>			<b>£1.335M</b>	<b>£1.306M</b>	

**Notes:**

- (1) The work is now 85% complete.
- (2) The work is now 100% complete and at Final Account Stage
- (3) The work is now 100% complete (outstanding retention & fees)
- (4) The work is now 100% complete (outstanding retention & fees)
- (5) Included within the Morecambe Intermediate Projects below
- (6) Project on hold as Dukes Theatre look to bid for development funding.
- (7) The work is now 100% complete (outstanding retention & fees)
- (8) The work is now 100% complete (outstanding retention & fees)

- (9) The work is now 95% complete, additional work to rebuild garden walls.
- (10) The work is now 50% complete, additional boiler omitted from original condition survey.
- (11) The work is now 50% complete (additional work identified MTH re-plaster walls main stairs, Euston Road new roof required, Stone Jetty external works.
- (12) Projects merged to gain savings with AMP's submitted 7.10.2014
- (13) AMP's to be submitted 24.11.2014

### 2.1.3 Projects (P)

Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 1 <sup>st</sup> Year	Total Approved Tender (AMP)	Proposed Start Date
Williamson Park (1)	25/04/14	TBA	£383k	TBA	TBA
The Platform (2)	06/12/13	24/12/13	£318k	£413K	03/03/14
City Museum (3)	25/04/14	TBA	£258k	TBA	TBA
Salt Ayre Sports Centre (4)	-	-	-	-	-
Mitre House Car Park (5)	05/06/13	08/08/13	£60k	£115k	30/09/13
Banqueting Suite Ceilings (6)	25/04/14	TBA	TBA	TBA	TBA
			<b>£1.019M</b>	<b>£528K</b>	

#### Notes:

- (1) Project delayed due to approval of specification for Lancaster stone paving. AMP to be submitted 24.11.2014.
- (2) The work is now 95% complete, additional works to install new fall and arrest system, maintenance staircase to flat roof and fire compartmentalisation works to ground floor.
- (3) To complete D repairs only AMP to be submitted 24.11.14.
- (4) Now included within Morecambe Intermediate General Project.
- (5) The work is now 100% complete, additional work to lay new sub-base to ramp and car park.
- (6) AMP to be submitted 24.11.2014 following full survey (project was not identified in the original condition survey 2012).

### 2.2 Year Two (2014/15) Proposed Delivery Programme

A Cabinet report submitted on 29<sup>th</sup> July 2014 detailed the year two delivery plan approach (see table below). As explained in the Quarter 1 report, the focus will be on individual buildings rather than spreading our available resources too thinly over numerous sites. The Cabinet Report explained the rationale behind the development of the year two delivery programme which will be to select buildings with a secure future and completed category A – C works.



Once capital works have been completed on a particular building they will then be transferred to the growing planned maintenance programme. The plan for the next 4 years is to complete the required work on the property portfolio, facilitating the move from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 2 <sup>nd</sup> Year	Total Approved Tender (AMP)	Proposed Start Date
Maritime Museum & 26 St. Georges Quay (1)	27/10/14	19/12/14	£105K	£151k	22/09/14
The Storey - Building Works – Phase 2 (2) (*includes £11k externally funded)	24/11/14	19/12/14	£209K*	TBA	TBA
Lancaster Williamson Park - Phase 2 (3)	8/12/14	19/01/15	£250K	TBA	TBA
Ashton Memorial – Internal & External Works (4)	10/11/14	12/12/14	£324K	TBA	TBA
Ashton Memorial – Paving Restoration (5)	10/11/14	12/12/14	£260K	TBA	TBA
Ashton Memorial - Dome Ceiling Restoration (6)	26/01/15	20/02/15	£100K	TBA	TBA
Lancaster Town Hall – Replacement Lift (7)	29/09/14	15/10/14	£133K	£180K	02/02/15
Lancaster Town Hall – Electrical & Building Works (8)	11/11/14	11/12/14	£250K	TBA	TBA
Lancaster Town Hall – Banqueting Ceilings (9)	09/01/15	05/02/15	£100K	TBA	TBA
Intermediate Demolition Contract (Palatine Recreation Ground) (10)	-	-	£58K	TBA	TBA
Salt Ayre Sports Centre (11)	02/03/15	27/03/15	£391K	TBA	TBA
<b>Totals</b>			<b>£2.180M</b>	<b>£180K</b>	

**Notes:**

- (1) AMP Part submitted for boiler (extra work works missed on original Condition Survey).
- (2) AMP programme submission date 24/11/2014.
- (3) AMP programme submission date 8/12/2014
- (4) AMP programme submission date 10/11/2014.

- (5) Reported above as part of 1st year Williamson Park Project (P) - AMP programme submission date 24/11/2014.
- (6) AMP programme submission date 26/01/2015
- (7) AMP approved above original estimate, lift ordered for a programmed start date 02/02/2015.
- (8) AMP programme submission date 11/11/14.
- (9) AMP programme submission date 09/01/2015.
- (10) 1st year project reported as part of Intermediate Works (IW) Project.
- (11) Only urgent works and Air conditioning units identified in year 2, building appraisal to be conducted by SASC management for future use.

### **2.3 Overall Position**

The total indicative value of works for year two is £2.180M and when added to the Year 1 carry forward (1) of £1.360M and slippage (2) of £400K equals the approved 2014/15 Capital Programme of £3.940M.

A revised delivery programme has recently been arrived at forecasting the completion of the year one carry forward and slippage of £1.760M and a further £974K of year two totalling £2.734M, leaving a potential carry forward into Year 3 (2015/16) of £1.195M. This will be finalised, adjusted and reported during the budget process.

Finally, it is worthy of note that the 2014/15 year two costs have been taken from the 2012 non-invasive condition survey and as such the possibility exists that unit costs will increase due to inflationary pressures and identified works to certain components will deteriorate further.

#### **Notes:**

- (1) Carry Forward – relates to year one works that were identified at revised budget setting as not being achievable before 31/03/2014.
- (2) Slippage – relates to year one works which were anticipated for completion by 31/03/2014 but were subsequently not achieved.

### **3.0 Capital Receipts**

There have been no further property related capital receipts to 30 September since the last quarterly update (progress is anticipated in Quarter 3).

#### 4.0 Performance of Commercial Buildings (Occupancy)

As can be seen from the table below there have been some significant changes since the closing position of the commercial property portfolio in the 2014/15 Quarter 4 update.

	2013/14 Quarter 4	2014/15 Quarter 1	2014/15 Quarter 2
<b>Number of Properties</b>	61	60	60
<b>Occupation by Floor Area</b>			
• Total Let (m2)	18,053	17,043	17,161
• Total Vacant (m2)	3,658	1,639	1,521
• Total Area (m2)	21,711	18,682	18,682

St. Leonard's House has now been fully vacated by tenants and is now closed. The Stage 2 report currently being prepared by the Lancashire Regeneration Property Partnership (LRPP) is expected during November 2014. A cabinet report will follow to determine the way forward based on the development proposals included in the Stage 2 report.

The removal of St. Leonard's House from these statistics along with some other minor gains in current occupation across the City Council's total commercial property portfolio has resulted in the percentage let figure increasing from the 83% reported in 2013/14 Quarter 4 to 92% in the current quarter. The remaining 8% of vacant space now amounts to the equivalent of 1521m2, the majority of which is attributable to the following 2 buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 71% which is an improvement on the figure of 59% reported last quarter. The remaining 29% equates to a vacant floor area of 467m2 and represents a reduction in vacant floor space of 184m2 over last quarter.

On the 6<sup>th</sup> October new staffing arrangements were introduced at the Storey to increase standard opening hours by improving both reception and facilities support officer cover within the building. This has been achieved at minimal cost largely through the reorganisation of existing resources to contribute to the continuing operational and occupancy improvements at this site.

2. **Citylab:** The total commercial occupation within this building is currently also running at 71% which is a modest improvement over the figure of 69% reported last quarter. The remaining 29% equates to a vacant floor area of 376m2 and represents a reduction in vacant floors space of 21m2 over last quarter.

Despite some good progress this quarter at both the Storey and Citylab the two buildings still account for 55% of the total vacant commercial portfolio. Other buildings currently contributing to the total vacant space include:

- Edward Street Dance Studio (159m2) – This building is vacant due to its

inclusion in the Canal Corridor Development Agreement.

- Old Man's Rest, Ryelands House (115m<sup>2</sup>) – A tenant has been secured but has not taken occupation of the building at the time of writing.
- 56-58 Euston Road – Marketing of this building continues.
- Stone Jetty Café - A tenant has been secured but has not taken occupation of the building at the time of writing.
- 8 Ridge Square – This is a Council Housing property that has been vacant for some time.

Property Group continues to work towards reducing the vacancy rates in the commercial property portfolio although considering that supply is currently outstripping demand in the commercial office rental market, an overall 8% vacancy rate across the whole portfolio represents a relatively healthy position.

There will undoubtedly be further updates during the remainder of the year; changes are expected to have bearing on both occupancy and rental income. The latter will be reflected in updating the budget.

## 2014/15 Treasury Management Progress Report 11 November 2014 (Quarter 2)

### Report of Chief Officer (Resources)

#### 1. Introduction

The CIPFA Code of Practice on Treasury Management requires that regular monitoring reports be presented to Members on treasury activities. These reports will normally be presented after the end of June, September, December and March as part of the Council's performance management framework.

Council approved the 2014/15 Treasury Strategy, which incorporates the Investment Strategy, at its meeting on 26 February 2014. This report outlines activities undertaken in pursuance of those strategies during the financial year up to the end of Qtr 2.

Treasury management is a technical area. To assist with the understanding of this report, a glossary of terms commonly used in Treasury Management is attached at **Annex A**. In addition, the Councillor's Guide to Local Government Finance also has a section on treasury and cash management and an updated Guide is now available through the Member Information section on the Intranet.

#### 2. Summary: Headline Messages

- **Icelandic Investments** – Only £77K still due from KSF, and £615K held in an escrow account in respect of Glitnir.
- **Borrowing Activities** – no new borrowing has been undertaken during the second quarter of the year, and no loans have been repaid.
- **Investment Activities** – investment interest is £7K ahead of target at the end of the second quarter.

#### 3. Economic update (provided by Capital Asset Services)

After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by

adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

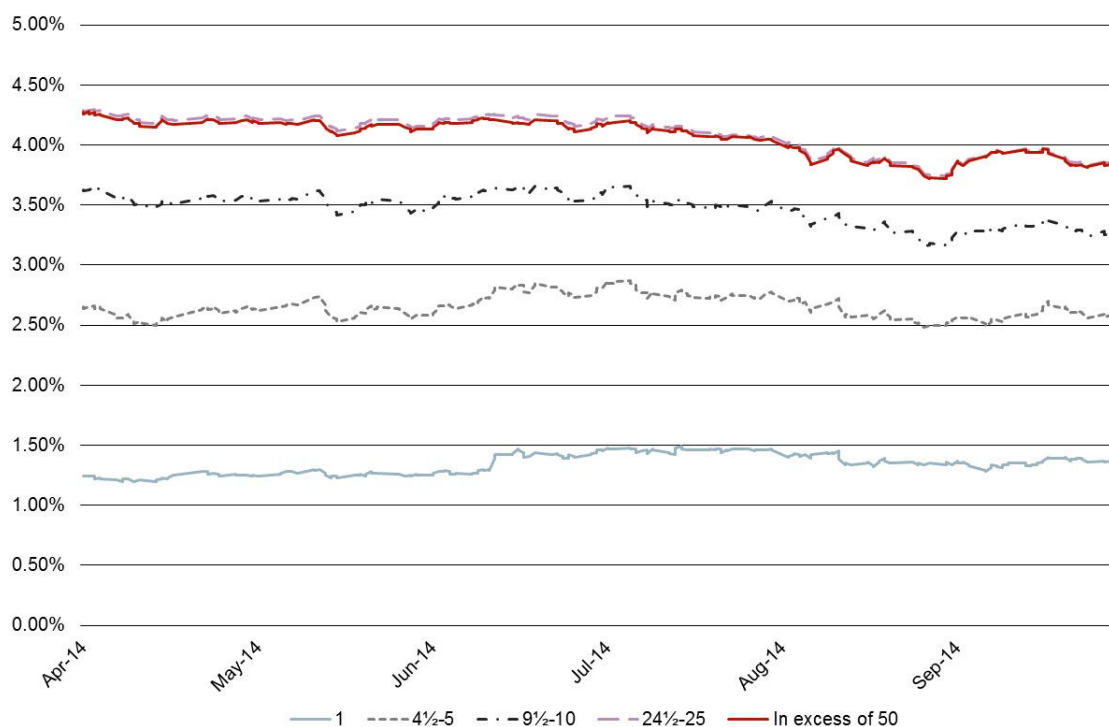
Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far this year.

In September, the U.S. Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures were depressed by exceptionally bad winter weather, but quarter 2 rebounded strongly to 4.6%.

The Eurozone is facing an increasing threat from deflation. In September, the inflation rate fell further, to reach 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June and September to loosen monetary policy in order to promote growth.

#### 4. Borrowing Activities

No new borrowing was undertaken during Qtr 1. The following graph shows the PWLB rates for the first half of this year.



### Early Repayment of Debt

Officers continue to monitor potential saving opportunities associated with the early repayment of existing debt. This takes into account the premiums or discounts associated with early repayment and the projected cost of refinancing or loss in investment interest. At present, it would not be financially prudent to repay any debt based on the current rates being offered.

## 5. Investing Activities

As laid down in the approved Investment Strategy, the aim is to prioritise security and liquidity of the Council's investments. This is to ensure that the Council has sufficient cash to support its business, but also to minimise any further chance of a counterparty failing and the Council not being able to remove any cash deposited.

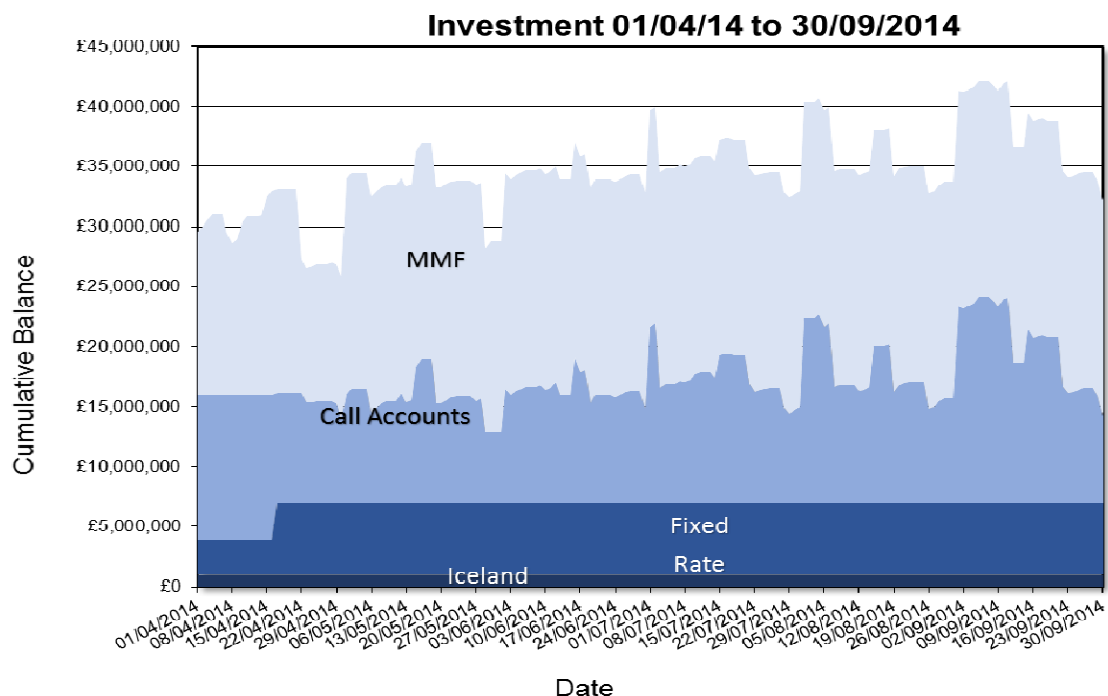
All investment activity has been in line with the approved Treasury Strategy for 2014/15. A full list of the investments at the end of Qtr 2 is shown below (Table 6.1):

Table 6.1 Counterparty balances

Other Investments	Opening £	Min £	Max £	Closing £	Indicative rate	Cumulative Interest £
Call: RBS	0	0	0	0	0.25%	0
Call: Lancashire County Council	12,000,000	1,385,000	11,383,000	2,024,000	0.25%	7,078
Call: Svenska Handelsbanken	0	0	5,864,000	5,864,000	0.40%	9,863
DMADF	0	0	0	0	0.25%	0
Government Liquidity MMF	3,038,000	6,000,000	6,000,000	6,000,000	0.27%	7,001
Liquidity First MMF.	6,000,000	6,000,000	6,000,000	6,000,000	0.40%	11,765
Insight MMF	6,000,000	6,000,000	6,000,000	6,000,000	0.37%	10,701
Lloyds	3,000,000	6,000,000	6,000,000	6,000,000	0.60%	17,260
Sub-total	27,038,000			25,888,000		63,669

Below is a graph which displays the different investment products used by the Council. The majority of the Council's balances are held within instant access MMF's or call accounts. This is partly because there are prudential controls that ensure a certain percentage is immediately available and also there is only a small pool of counterparties that meet the Council's credit criteria for fixed term deposits. Other UK banks, that meet the criteria such as HSBC, require much larger investment and market themselves at much larger institutional investors or corporations.

Graph 6.1 Investment balances



### Summary of Budget Position and Performance

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates over the year to date is as follows:

Base Rate	0.500%
7 day LIBID	0.358%
Lancaster City Council investments	0.380%

These rates do not take into consideration the funds held in a foreign bank account from an Icelandic bank settlement. These funds are attracting interest at 4.2%.

In terms of performance against budget, the details are as follows:

	Budget to Date £000's	Actuals to Date £000's	Variance £000's
Icelandic Credits	12	15	(3)
Cash Interest	60	64	(4)
<b>Total</b>	<b>72</b>	<b>79</b>	<b>(7)</b>

Investment returns, excluding balances held in the Icelandic account, exceed the budgeted level. This is due to cash balances being larger than expected as a result of delays within the capital programme.

## 6. Risk management

There has been no material change in the policy or operation of the treasury function over the quarter. However, officers are now looking at alternative investment matrices to determine if investment returns could be increased whilst minimising the Council's exposure to additional risks. Secondly, as the cash flow need to keep investments short has diminished, particularly in light of the latest settlement date on certain significant NNDR appeals being pushed back to 2017, officers will now be firming up cash flow forecasts with a view to placing longer term investments.

The funds being held in Iceland still expose the Council to exchange rate risks, but these are unavoidable.

There is financial risk attached to the longer term debt portfolio, associated with interest rate exposure but all of the debt is on fixed interest and there has been no change to this over the quarter. Low investment returns mean that using cash invested to repay debt can appear more attractive, but the Council is not yet in a clear enough position to be following such a strategy.

Cash balances held with The Cooperative Bank continue to be monitored on a daily basis following the banks crisis in relation to its funding gap. The bank falls short of the council credit rating criteria and has not been on the approved lending list for some time.

## 7. Prudential Indicators

These indicators are prescribed by the Prudential Code to help demonstrate that the Council can finance its debt and have funds available when needed. The prudential indicators are listed in **Annex B**.

## 8. Conclusion

Investment activity has remained relatively unchanged and returns are expected to remain fairly static until the final quarter of this financial year.



## **Treasury Management Glossary of Terms**

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Call account** – instant access deposit account.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They analyse credit worthiness under four headings:
  - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
  - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
  - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
  - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.  
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as  $8\%/1.45 = 5.5\%$ .  
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.
- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.
- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Capita Asset Services** – are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance*.

## PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

		£'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	
<b>AFFORDABILITY</b>						
<b>PI 1:</b>	Estimates of ratio of financing costs to net revenue stream	Non - HRA HRA Overall	12.8% 23.3% 17.1%	12.4% 22.5% 16.6%	12.5% 21.8% 16.3%	12.8% 20.9% 16.2%
<b>PI 2:</b>	Actual ratio of financing cost to net revenue stream Reported after each financial year end					
<b>PI 3:</b>	Estimates of the incremental impact of new Capital Investment decisions on the Council Tax		-£6.70	£11.27	£3.48	£0.97
	This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme		-3.4%	5.6%	1.7%	0.5%
<b>PI 3A:</b>	Illustrative Impact of Additional Borrowing £1 million		<b>Repayment Period</b>			
			<b>5 Years</b>	<b>10 Years</b>	<b>25 Years</b>	
	Increase in Council Tax (£)		£4.86	£2.65	£1.47	
	Increase in Council Tax (%)		2.48%	1.35%	0.99%	
<b>PI 4:</b>	Estimates of the incremental impact of Capital Investment on Housing Rents		Nil	Nil	Nil	Nil
<b>CAPITAL EXPENDITURE</b>						
<b>PI 5:</b>	Estimates of capital expenditure	Non - HRA HRA Total	17,290 4,870 22,160	10,170 4,790 14,960	3,910 4,930 8,840	4,030 4,660 8,690
<b>PI 6:</b>	Actual capital expenditure Reported after each financial year end					
<b>PI 7:</b>	Estimates of Capital Financing Requirement	Non - HRA HRA Total	40,281 44,473 84,754	45,101 43,432 88,533	45,651 42,391 88,042	46,547 41,350 87,897
<b>PI 8:</b>	Actual Capital Financing Requirement Reported after each financial year end					
<b>EXTERNAL DEBT</b>						
<b>PI 9:</b>	Authorised Limit					
	Authorised Limit for Borrowing		101	101	104	104
	Authorised Limit for Other Long Term Liabilities		1	1	1	1
	Authorised Limit for External Debt		102	102	105	105
<b>PI 10:</b>	External Debt: Operational Boundary		85	88	88	88
<b>PI 11:</b>	Actual external debt Reported after each financial year end					
<b>PI 12:</b>	HRA limit on indebtedness		60,194	60,194	60,194	60,194
<b>PRUDENCE</b>						
<b>PI 13:</b>	Treasury Management: adoption of CIPFA code of Practice The Council has adopted the updated Treasury Management code of practice (2011).					
<b>PI 14:</b>	Net debt and the capital financing requirement					
	Anticipated indebtedness (operational boundary)		84,531	88,310	88,310	87,819
	Anticipated investment		10,301	18,210	18,900	19,960
	CFR		84,754	88,533	88,042	87,897
	Under/over borrowed (-/+)		-10,078	-17,987	-19,168	-19,882

**BUDGET AND PERFORMANCE PANEL****Work Programme Report****11<sup>th</sup> November 2014****Report of Chief Officer (Governance)****PURPOSE OF REPORT**

To update Members regarding the Panel's Work Programme.

**This report is public.**

**RECOMMENDATIONS**

- (1) That members note the Work Programme, as detailed in Appendix A to the report.
- (2) That members consider whether they would like to include the Arts Commissioning Framework, referred to in paragraph 2.1 of the report, or any further items in the Work Programme.
- (3) That members note the preparations being made for the annual stakeholders meeting to be held on 27<sup>th</sup> January 2015, referred to in paragraph 2.2 of the report.

**1.0 Introduction**

- 1.1 This report provides members with recommendations for inclusion in the panel's work programme and advises of possible upcoming items for consideration and work in progress.
- 1.2 The Budget and Performance Panel is responsible for setting its own annual work programme within the terms of reference, as set out in Part 3, Section 13 of the constitution.
- 1.3 Members of the Budget and Performance Panel are entitled to give notice to the Chief Executive that they wish an item relevant to the Terms of Reference of the meeting to be included on the agenda for the first available meeting, and the meeting will determine whether the issue should be included in its Work Programme based on its relevance as compared to the priorities as set out in the Scrutiny Work Programme (Part 4, Section 5 of the Constitution).

## 2.0 Report

### 2.1 Arts Commissioning Framework

The Overview and Scrutiny Committee, at its meeting held on 10<sup>th</sup> September 2014, considered as part of its Work Programme report the Arts Commissioning Framework.

It was reported that Cabinet, at its meeting on 2<sup>nd</sup> September 2014, had agreed to implement arts commissioning by April 2017. It was reported that this recommended timeframe would give the Overview and Scrutiny Committee ample opportunity to look at the details of the commissioning framework prior to its further consideration by Cabinet.

After considering the report the Committee agreed that consideration of this issue should be referred to the Budget and Performance Panel for consideration at the appropriate time.

### 2.2 Stakeholders meeting – 27<sup>th</sup> January 2015

In accordance with the wishes of the Panel invitations to attend and present budget proposals have been submitted to the Leader of the City Council, Lancashire County Council, Lancashire Combined Fire Authority and the Lancashire Police and Crime Commissioner (minute 6 refers).

At the time of writing this report the Leader of the City Council and also Lancashire County Council's Treasurer have advised that they will be able to attend the meeting and present budget proposals.

#### SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

#### MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

#### BACKGROUND PAPERS

None.

**Contact Officer:** Stephen Metcalfe  
**Telephone:** 01524 582073  
**E-mail:** sjmetcalfe@lancaster.gov.uk

**APPENDIX A****BUDGET & PERFORMANCE PANEL WORK PROGRAMME**  
**2014/15**

<b>Matter for consideration</b>	<b>Officer responsible / External</b>	<b>Date of meeting</b>
Draft Procurement Strategy.	Financial Services Manager.	11 <sup>th</sup> November 2014.
Qtr 2 Financial Monitoring.	Financial Services Manager.	11 <sup>th</sup> November 2014.
Qtr 2 Corporate Performance Monitoring Report.	Chief Officer (Governance).	11 <sup>th</sup> November 2014.
Annual Stakeholders meeting.	Chief Executive.	27 <sup>th</sup> January 2015 (Venue - Morecambe Town Hall).
Treasury Management Strategy.	Financial Services Manager.	24 <sup>th</sup> February 2015.
Qtr 3 Corporate Performance Monitoring Report.	Chief Officer (Governance).	24 <sup>th</sup> February 2015.
Qtr 3 Financial Monitoring.	Financial Services Manager.	24 <sup>th</sup> February 2015.
Service Level Agreements (SLAs) and Commissioning.	Chief Officer (Governance).	24 <sup>th</sup> February 2015.
Building Control Trading Account.	Chief Officer (Regeneration and Planning).	24 <sup>th</sup> February 2015.
Compliments and Complaints Half Yearly Report. To form part of the Corporate Performance Monitoring Report.	Chief Officer (Governance).	TBA.
Significant Budget Overspends/Variations (Minute 6 refers).	As required.	As required.

**Invitations to Cabinet Members**

<b>Cabinet Member and area of responsibility</b>	<b>Issue</b>	<b>Date of meeting</b>
Councillor Blamire, Leader of the Council.	Corporate Performance Monitoring.	Various – as set out in the Work Programme report.
Councillor Sands (Cabinet Member for Arts and Culture) and Councillor Barry (Cabinet Member for Voluntary Sector).	To discuss partnerships within respective portfolios.	TBA.
All Members of Cabinet.	Various. Invitations to be extended to Cabinet Members to coincide with issues relevant to their respective portfolios.	

**Briefing Notes**

<b>Matter for Consideration</b>	<b>Date Requested</b>	<b>Date Circulated</b>	<b>Officer Responsible</b>
Corporate Performance Monitoring - The origins of the 34% target for reduction in carbon emissions by 2020. (Minute 5 refers).	22 <sup>nd</sup> July 2014.	16 <sup>th</sup> October 2014.	Corporate Performance Manager.
Corporate Performance Monitoring - The background to the Success Measure 'Increased number of people participating in sports and leisure activities'; including how levels of participation were measured, and whether there was a target. (Minute 5 refers).	22 <sup>nd</sup> July 2014.	16 <sup>th</sup> October 2014.	Corporate Performance Manager.
Corporate Performance Monitoring - What measures were in place to improve the outcome 'Income generated from energy, including solar technology and climate change projects'. (Minute 5 refers).	22 <sup>nd</sup> July 2014.	16 <sup>th</sup> October 2014.	Corporate Performance Manager.
Corporate Performance Monitoring - The outcome 'Our streets and public spaces are clean', including how long this data had been reported 2012/13, and the	22 <sup>nd</sup> July 2014.	16 <sup>th</sup> October 2014.	Corporate Performance Manager.

methodology used. (Minute 5 refers).			
Corporate Performance Monitoring (Property Group Update) - What action was being undertaken to increase occupation levels across the council's commercial property portfolio. (Minute 5 refers).	22 <sup>nd</sup> July 2014.	-.	Please refer to 2014/15 Quarter 2 Corporate Property Group update report contained elsewhere on this Agenda.
Corporate Performance Monitoring (Property Group Update) - The reasons for low occupancy levels in some of the council's commercial properties. (Minute 5 refers).	22 <sup>nd</sup> July 2014.	-.	Please refer to 2014/15 Quarter 2 Corporate Property Group update report contained elsewhere on this Agenda.
Briefing Note to provide the reasons for the increase in council housing void properties in the last quarter.  (Minute 10 refers).	9 <sup>th</sup> September 2014.	-.	Please refer to 2014/15 Quarter 2 Corporate Property Group update report contained elsewhere on this Agenda.