

Evolve UK

UK Local Authority Report



Enterprise Ireland is the Irish Government's trade and innovation agency. It invests in the most innovative Irish companies through all stages of their growth and connects them to international customers across multiple industries. Our goal is to build successful, long-term business relationships between Irish companies and international partners. With offices worldwide, Enterprise Ireland's teams of industry experts consult with international businesses to understand and solve their business needs.

The UK remains the largest export market for indigenous Irish companies. Enterprise Ireland supports Irish companies in the UK from offices in London and Manchester with market advisors across a wide array of sectors from construction to digital. A new focus for Enterprise Ireland in the UK is to support Irish companies looking to enter the UK Local Authorities space.

Enterprise Ireland has commissioned GoExporting, a UK-based consulting firm, to produce this report to provide an overview of UK Local Authorities and to inform Irish companies of their structure and procurement processes.

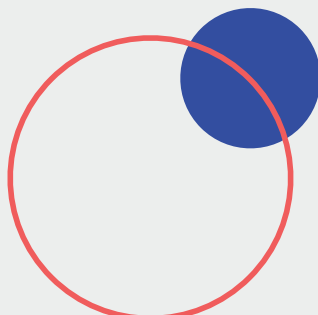
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Enterprise Ireland

Doing Business with Local Authorities in the United Kingdom

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1. Introduction

Local Authorities in England have a combined revenue expenditure budget for 2018-19 of £95.9b. Add on the £8.1b in Wales and the £11.1b in Scotland and it is easy to see why local authorities are a substantial draw for companies supplying relevant products and services. Not only is the potential there but also payments are secure.

The difficulties come in actually realising that potential for your company. How do you know where the requirements are, who makes the decisions and what is the purchasing process? In short how do you sell to the local authority market.

As with any sales process it starts with really knowing and understanding your customer. You need to grasp the structure of the sector, how it has developed and speak the right language. That's the high-level knowledge. Next you need to know the right people, in the right places. The budget holders, the influencers, specifiers and decision-makers.

Don't be fooled in to thinking that you can sign up to some tender alert service and simply bid for the work. 99 times out of a 100 that will not work and you will have spent hours of time and effort for nothing. In most cases by the tender stage the decision-maker has at least a short-list of companies who have been involved from Day 1 in helping define the need, the specification, the pre requisites, service levels etc.

This document is designed to give you the basic knowledge you need in order to understand your customer and the purchasing process.

2. Local Authorities in England

2.1 Structure

At first sight, the structure of local authorities in England appears to be extremely complex with Parish Councils, Borough and District Councils, County Councils, Metropolitan Districts, Unitary Authorities. Throw in to the mix Combined Authorities, LEAs and Growth Partnerships and the headaches really start!

In reality however it is much simpler than it at first seems. Names exist for historical reasons, whereas function and responsibility have been streamlined over time.

Local government in England operates under either a:

One tier system = unitary authorities

or a

Two tier system = county and district councils

In most of England, there are two tiers - county and district - with responsibility for services split between the two tiers.

County councils cover the entire county area and provide around 80 per cent of the services.

District Councils operate within the county, there are several district councils which cover a smaller area and provide more local services.

Unitary Authorities operate in London, other metropolitan areas and some parts of shire England as a single-tier council structure. They are responsible for all services to the whole area.

Confusingly, Unitary Authorities can have several names for historic reasons. They may be called a Council, a City Council, Borough Council, London Borough or Metropolitan District but in the end of the day they are all Unitary Authorities and their functions and responsibilities are the same.

There are therefore many names for local authorities in England but just 3 types: county councils, district councils, unitary authorities.

Once you grasp this, the overall structure is much clearer.

2.2 Number of Councils in England

There are in total 353 councils in England operating under either the Two-Tier and One-Tier system.

Two tier:

27 County Councils;

201 District Councils

One tier:

33 London Boroughs (including City of London);

36 Metropolitan Districts;

55 Unitary Authorities (including all county unitary authorities);

1 Isles of Scilly

Source: Department for Communities and Local Government

See Appendix for list of English Local Authorities split into One-Tier and Two Tier.

More than two million people are employed by local authorities. These include school teachers, social services, the police, firefighters and many other office and manual workers. Education is the largest locally provided service.

2.3 Areas of Responsibility

Each level of local authority has specific responsibilities in terms of providing services to the local community. Understanding which level provides the service relevant to your product or service is therefore critical in defining your sales strategy.

In brief each level of responsibility is defined as below:

2.3.1 Two Tier System

County councils

County councils cover the whole of the county and provide the majority of public services in their particular area.

County councils are responsible for: education, highways, transport planning, passenger transport, social care, libraries, waste disposal and strategic planning.

District councils

Each county is divided into several districts. District councils, which may also be called borough councils or city councils if the district has borough or city status, cover a much smaller area and provide more local services.

District Councils are responsible for housing, leisure and recreation, environmental health, waste collection, planning applications and local taxation collections.

2.3.2 One Tier System

Unitary authorities

As we have seen many large towns and cities and some small counties are unitary authorities; i.e. they have only one tier of local government. Unitary authorities can be city councils, borough councils, county councils, or district councils.

Unitary authorities are responsible for: education, highways, transport planning, passenger transport, social care, housing, libraries, leisure and recreation, environmental health, waste collection, waste disposal, planning applications, strategic planning and local taxation collection.

Metropolitan districts

Metropolitan districts are also unitary authorities; they can be called metropolitan district councils, metropolitan borough councils or metropolitan city councils.

Metropolitan districts are responsible for: education, highways, transport planning, passenger transport, social care, housing, libraries, leisure and recreation, environmental health, waste collection, waste disposal, planning applications, strategic planning and local taxation collection.

London boroughs

Each London borough is a unitary authority. However, the Greater London Authority (GLA), chaired by the Mayor, provides London-wide government and shares responsibility for certain services.

London boroughs are responsible for: education, highways, transport planning, social care, housing, libraries, leisure and recreation, environmental health, waste collection, waste disposal, planning applications, strategic planning, local taxation collection.

The GLA is responsible for highways, transport planning, passenger transport and strategic planning.

2.3.3 Third Tier

Town and parish councils

Some parts of England have a third tier of local government. Town and parish councils are responsible for smaller local services such as parks, community centres, allotments and war memorials.

There are around 9,000 such councils in England.

Table 1 (below) helps summarise the above responsibilities in an easy to follow format.

Table 1: What is local Government responsible for?

	Unitaries	County Councils	District Councils	Metropolitan Districts	London boroughs	GLA
Education	•	•		•	•	
Highways	•	•		•	•	•
Transport Planning	•	•		•	•	•
Passenger Transport	•	•				•
Social Care	•	•		•	•	
Housing	•		•	•	•	
Libraries	•	•		•	•	
Leisure and Recreation	•		•	•	•	
Environmental Health	•		•	•	•	
Waste Collection	•		•	•	•	
Waste disposal	•	•		•	•	
Planning applications	•		•	•	•	
Strategic Planning	•	•		•	•	•
Local tax collection	•		•	•	•	

Source: Local Government Financial Statistics England no.25 2015

2.4 Combined Authorities

A combined authority (CA) is a legal body set up using national legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries. It is far more robust than an informal partnership or even a joint committee. The creation of a CA means that member councils can be more ambitious in their joint working and can take advantage of powers and resources devolved to them from national government. While established by Parliament, CAs are locally owned and have to be initiated and supported by the councils involved.

Since the establishment of Greater Manchester in 2011, groups of councils have formed combined authorities in some areas of England. These combined authorities receive additional powers and funding from central government. They are particularly important for transport and economic policy across the regions in which they are based.

There are currently 9 combined authorities in England;

Cambridgeshire And Peterborough - Mayor James Palmer

Greater Manchester Combined Authority - Mayor Andy Burnham

Liverpool City Region - Mayor Steve Rotherham

North of Tyne - Mayor Jamie Driscoll

Sheffield City Region - Mayor Dan Jarvis

Tees Valley Combined Authority - Mayor Ben Houchen

West Midlands Combined Authority - Mayor Andy Street

West Of England Combined Authority - Mayor Tim Bowles

North East Combined Authority - No Directly Elected Mayor

West Yorkshire Combined Authority - No Directly Elected Mayor

2.5 How Councils Work

Local councils are made up of councillors (called members) who are voted for by the public in local elections. They are supported by permanent council staff (called officers).

2.5.1 Councillors

Councillors are elected to represent people in a defined geographical area for a fixed term of four years, unless elected at a by-election in which case the time will be shorter. Councillors have to balance the needs and interests of residents, voters, political parties and the councils.

Councillors decide on the overall direction of policy. Council officers then implement these policy initiatives and are responsible for delivering services on a daily basis.

Full Council - The full council is made up of all elected councillors, usually belonging to a range of different political parties. The full council debates and decides upon policy based on reports from the committees.

Committees - Councillors on committees monitor and review the council's performance and decision-making process in order to ensure it is accountable to the public. Information is provided to the committees by council officers. In councils without a Cabinet (see below), power is exercised by the committees, made up of councillors in proportion to their party's representation on the full council.

Cabinet - A cabinet is like the government of the council, usually formed by the political party that has most elected representatives in full council. It is the only group which is allowed to make decisions on certain areas of policy without the approval of the full council. Each Cabinet member usually looks over a specific area, e.g. environment, housing, culture. Between 2000 and 2011, most councils were required to have a 'Leader and Cabinet' model rather than a committee system. However, since the Localism Act 2011 allowed them to, some councils have switched back to a committee system.

Leader or Elected Mayor - The political leader of a council is responsible for the overall performance of the council - as well as its strategic direction and its relationship with central government. The leader is elected by the rest of the council, and in the cabinet system the leader then appoints the cabinet members. The leader often sits on the Local Enterprise Partnership board (see 3.6).

Elected mayors perform the same role, but are directly elected by the residents, rather than other councillors. (NB Elected mayors are different to unelected or lord mayors, whose jobs are largely ceremonial and don't hold any powers).

2.5.2 Officers

Permanent staff perform many of the duties of the council. Lots of local authorities have a Chief Executive, who oversees the management of the council. Underneath the Chief Executive, there will usually be a number of directorates or departments, e.g. finance, corporate services, children's and adults' services, housing etc.

Whilst the democratic power lies with the elected councillors, the day to day running of the authority is the responsibility of the paid employees, that is the Chief Executive, the Directors of each service area and the Council Officers.

In addition to providing and running council services council officers also act as advisors to councillors providing expertise and information where required.

Council officers will write the reports on which policy decisions are based.
More on organisational structure and decision-making later.

2.6 Local Organisations

2.6.1 Local Enterprise Partnerships

Local enterprise partnerships (LEPs) are voluntary partnerships between local authorities and businesses set up in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.

They carry out some of the functions previously carried out by the regional development agencies which were abolished in March 2012.

To date there are 38 local enterprise partnerships in operation.

2.7 Local Authority Funding in England

English local authorities have four principal sources of finance, as follows. The bulk of the funds from these sources is not 'ring-fenced' - i.e. local authorities can spend the money as they choose.

Council tax

Local authorities set their own levels of council tax and retain all of the revenues locally. Council tax bands are fixed by the Government, and properties are allocated to the bands by the Valuation Office Agency (VOA).

Business rates

Local authorities collect business rate revenue. Some of this is retained locally, some passed to central government, and some redistributed within the sector. The Government intends local authorities to retain all rate revenue in the future although this will be at the expense of the Revenue Support Grant currently received. This was to have been introduced from the 2019-20 financial year, but delays arising from the 2017 General Election now make this unlikely.

Currently, local government as a whole retains 50% of business rates revenue, with the other 50% being passed to central Government.

The amount paid to Central Government is subject to a system of redistribution between authorities. In short, areas with high rate revenues receive less in grant than they pay in, whereas areas with low rate revenues receive more than they pay in.

Central government grants

Central government passes a number of grants to local authorities. The largest is the annual Revenue Support Grant (RSG). This grant is not ring-fenced and can be spent as the council decides.

Since 2010 this RSG grant has been cut dramatically, with a further £1.3b, or 36% reduction for the year 2019/2020. In total councils have lost 60% of this grant over 10 years, with 168 councils, almost half, receiving no grant at all next year. Many local government leaders now warn that the financial viability of some councils is under threat. All councils have suffered severe cuts in services.

Some additional grants are ring-fenced. For example, the Public Health Grant and funding for schools is paid through the Dedicated Schools Grant, administered by the Department for Education.

Others are not, and may be spent as local authorities choose (e.g. the New Homes Bonus, Rural Services Delivery Grant). Each of these grants are distributed between authorities according to separate criteria.

Local fees and charges

Local authorities have hundreds of powers to charge fees for services provided. In most cases, fees must not exceed the cost of providing the service, and in many cases fee levels are set nationally. The income is retained locally but must be treated as a contribution to the provision of the service for which it is paid.

Local authorities may also receive commercial income deriving from their ownership of assets, or from investments.

Each year, levels of central government grant for local authorities in England are decided via the annual Local Government Finance Settlement. This involves the setting of redistribution provisions for business rates revenue and the fixing of Revenue Support Grant levels. These sums, together with a few smaller grants are known as an authority's Settlement Funding Assessment (SFA).

The annual settlement covers all county, district and unitary authorities in England, plus fire and rescue authorities and the Greater London Authority. It has also recently included mayoral combined authorities.

Police and education funding are not included in the annual settlement. Nor are figures for housing benefit (which is administered by local government to central government requirements). However, some central government statistical publications list all of these lines of funding as elements of 'local government funding'.

The funding mentioned here solely consists of revenue funding. Local authorities also receive annual allocations of capital funding, which must be accounted for separately.

Despite the cuts in the Revenue Support Grant total revenue expenditure by all local authorities in England is budgeted to be £95.9 billion in 2018-19. This is 1.6% higher than the £94.5 billion budgeted for 2017-18.

Breakdown of annual local authority expenditure 2018/19:

Expenditure on services totals £92.6 billion. This is £1.6bn (1.8%) higher than the £91.0 billion budgeted for 2017-18.

The largest increases in expenditure within this change are:

- Children's social care: £8.6bn budgeted in 2018-19, up £542 million (6.8%) compared to 2017-18 budget.
- Adult social care: £16.1bn budgeted in 2018-19, up £496 million (3.2%) compared to 2017-18 budget.
- Education: £33.9bn budgeted in 2018-19, up £520m (1.6%) compared to 2017-18 budget.
- Police Services: £11.4bn budgeted in 2018-19, up £229m (2.1%) compared to 2017-18 budget.

Budgeted local authority total service expenditure is to be spent on:

- 37% on Education,
- 17% on Adult Social Care,
- 12% on Police and
- 9% on Children's social care.

Table 2 (shown on page 11) shows a more detailed breakdown of estimated current expenditure by service.

Table 3 (shown on page 12) shows a breakdown of expenditure by class of authority.

Table 2: Estimated net* current expenditure by service, England, 2017-18 and 2018-19

	£million			
	Net current expenditure 2017-18	Net current expenditure 2018-19	£ Change	% Change
Education services	33,343	33,862	520	1.6
Highways and transport services	4,240	4,251	12	0.3
Children's Social Care services	8,028	8,570	542	6.8
Adult Social Care services **	15,623	16,119	496	3.2
Public Health services	3,410	3,314	-96	-2.8
Housing services (excluding Housing Revenue Account)	1,543	1,575	32	2.1
Cultural services	2,190	2,137	-53	-2.4
Environmental services	5,064	5,047	-17	-0.3
Planning and development services	1,078	1,074	-4	-0.4
Police services	11,145	11,374	229	2.1
Fire and rescue services	2,055	2,081	26	1.3
Central services	2,987	2,875	-113	-3.8
Other Services	264	319	56	21.2
Total Service Expenditure	90,970	92,599	1,630	1.8
Housing Benefits (a)	20,304	19,286	-1,017	-5.0
Parish Precepts	486	515	29	6.0
Levies (b) & Trading Account Adjustments and Other Adjustments (c)	-389	-378	11	-2.8
Total Net Current Expenditure	111,370	112,022	612	0.5
Non Current Expenditure and External Receipts of which:	-21,161	-20,453		
Capital expenditure charged to Revenue Account (CERA)	1,785	1,509		
Housing Benefits Subsidies	-20,308	-19,105		
Community Infrastructure Levy (GIL)	-138	-129		
Capital financing and debt servicing fd1	4,261	4,370		
Revenue Expenditure	94,470	95,940	1,470	1.6

* Net of sales, fees and charges, and net transfers between local authorities and from other delivery bodies.

** Therefore this does not reflect expenditure funded by the Better Care Fund.

(a) Includes all Mandatory and Non-Mandatory Housing Benefits

(b) Includes 'Integrated Transport Authority levy', 'Waste Disposal Authority levy', 'London Pensions Fund Authority levy' and 'Other levies'

(c) Includes 'External Trading Accounts', 'Internal Trading Accounts', 'Capital items accounted for in External Trading Accounts', 'Capital items accounted for in Internal Trading Accounts', 'Adjustments to net current expenditure' and 'Appropriations to/from Accumulated AbsencesAccount'

(d) Includes provision for repayment of principal, leasing payments, external interest payments and HRA item 8 interest payments and receipts

Table 3: Budgeted revenue expenditure by class of authority, England, 2017-18 and 2018-19

	£million			
	Revenue expenditure 2017-18	Revenue expenditure 2018-19 (a)	£ Change	% Change
England	94,470	95,940	1,470	1.6
Class of authority				
Shire Counties	25,979	26,526	546	2.1
Metropolitan Districts	18,342	18,462	120	0.7
Unitary Authorities	17,143	17,349	205	1.2
London Boroughs	13,851	14,272	420	3.0
Shire Districts	3,066	2,986	-80	-2.6
Greater London Authority	5,792	5,860	69	1.2
Police Authorities (b)	7,773	7,959	186	2.4
Fire Authorities (b)	1,371	1,389	18	1.3
Other Authorities (b) (c)	1,151	1,096	-55	-4.7
			£	
Revenue Expenditure per head (£) (d)	1,709.30	1,735.17	25.87	1.5

- (a) Class totals do not sum to total due to a small number of returns whose expenditure and financing did not balance
 (b) Greater Manchester Fire and Police Authorities merged with Greater Manchester Combined Authority at the start of 2018. Therefore adjusted Revenue Expenditure figures have been recalculated for 2017-18 to enable meaningful comparisons
 (c) Includes Combined Authorities, Waste Authorities, Transport Authorities and National Park Authorities
 (d) From ONS mid-year population estimates for 2016:
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>

Revenue expenditure for 2018-19 is budgeted to be funded as follows:

- 31% of from council tax,
- 18% from retained business rates,
- 50% from government grants and
- 1% from use of reserves.

Table 4 shows more detail on the source of revenue for local authorities.

Table 4: Budgeted revenue expenditure and financing, England, 2017-18 and 2018-19

	£million			
	Net current expenditure 2017-18	Net current expenditure 2018-19	£ Change	% Change
Revenue expenditure	94,470	95,940	1,470	1.6%
Financed by:				
Government Grants	50,188	47,983	-2,205	-4.4
of which				
Specific grants inside AEF	39,004	39,406	403	1.0
of which				
Dedicated Schools Grant (DSG)	27,860	28,458		
Public Health Grant	3,112	2,991		
Pupil Premium Grant	1,476	1,364		
NewHomes Bonus	1,175	889		
The Private Finance Initiative (PF/)	1,160	1,157		
Other grants inside AEF	3,823	4,547		
Local Services Support Grant (LSSG)	23	14	-10	-41.1
Revenue Support Grant	3,868	1,443	-2,425	-62.7
Police grant	7,293	7,120	-174	-2.4
Retained income from Business Rate Retention Scheme (b)	14,665	17,054	2,389	16.3
Appropriations to(-) from(+) revenue reserves	1,444	914	-530	-36.7
Council tax net collection fund deficit/surplus from the previous year	541	427	-114	-21.1
Council tax requirement (c)	27,631	29,561	1,930	7.0

- (a) Most of the the difference between 2017-18 and 2018-19 is the result of local authorities which chose to forego the revenue support grant due to them in return for an equivalent higher amount of retained business rates under the business rates retention pilots in 2018-19.
- (b) Much of the increase in retained business rates follow from an equivalent amount of grants to be foregone as part of the business rates retention pilots in 2018-19. Includes business rates collection fund deficit/surplus from the previous year. These figures do not reconcile fully with local authorities' business rates forecasts which are available at <https://www.gov.uk/government/collection/national-non-domestic-rates-collected-by-councils>. Reasons for the differences include changes since when budgets were set.
- (c) The increase in council tax requirement reflects the combination of increases of bills (average increase of 5.1% for 2018-19) and the increase in tax base (i.e. the effective number of properties)

3. Local Authorities in Wales

Wales has a simpler local authority structure than England with 22 all Unitary Authorities. There has also been much debate about reducing this number to 8-10 authorities in the future, although as yet no consensus exists.

The 22 unitary authorities are:

Blaenau Gwent County Borough Council
Bridgend County Borough Council
Caerphilly County Borough Council
Cardiff Council
Carmarthenshire County Council
Ceredigion County Council
Conwy County Borough Council **Denbighshire County Council**
Flintshire County Council
Gwynedd Council
Isle of Anglesey County Council
Merthyr Tydfil County Borough Council
Monmouthshire County Council
Neath Port Talbot County Borough Council
Newport City Council
Pembrokeshire County Council
Powys County Council
Rhondda Cynon Taf County Borough Council
City and County of Swansea
Torfaen County Borough Council
Vale of Glamorgan Council
Wrexham County Borough Council

The elected councils of these areas are responsible for the provision of all local government services, including:

- Trading standards
- Libraries, leisure and tourism
- Environmental health, refuse and recycling
- Transport and highways
- Housing
- Social services.

Below these there are also (in most principal areas) elected community councils which have responsibility for specific aspects of implementing local policy.

3.1 Local Authority Funding in Wales

The 22 unitary authorities in Wales are approximately 80% funded directly by the Government and 20% through Council Tax receipts.

The Government sets the broad policy agenda for local authorities but does not control how they operate. It is seen as more of a partnership approach.

All of the unitary authorities are members of the Welsh Local Government Association (WLGA). The WLGA represents their collective views and interests and advises and supports individual authorities.

More specifically, the funding for local authorities comes from a number of sources. The largest component of funding comes from the Welsh Government through grants that can be used by the authorities for any purpose they choose in delivering the services for which they are responsible. These grants are known as non-hypothecated grants and include the largest single grant they receive, the Revenue Support Grant (£3.3b 2018-19).

The Welsh Government also provides funding to local government in the form of hypothecated grants. These grants can only be used for the specific purposes for which they are provided.

In addition to the funding authorities receive from the Welsh Government, they receive some hypothecated grants from other government bodies. They also receive income from nationally set non-domestic (business) rates (£1.05b 2018-19) and from locally set council tax (£1.81b 2018-19).

Local authorities also receive grants from the Welsh Government for capital spending. In addition, they can determine how much they can afford to borrow based on a prudent assessment of their finances using professional codes of practice. The primary and secondary legislation (made by the National Assembly for Wales) provides the broad framework for the 'prudential system' but the system places the emphasis on local authorities planning their needs for capital expenditure in a sensible and long term way based upon sound management of assets and finances.

The total local authority budget in Wales in 2018-19 is £8.1b, which amounts to a 2% increase on the previous year

Table 5 shows how this budgeted expenditure is split by service.

Table 5: Budgeted Expenditure in Wales by Service

		2017-18		2018-19	
		£ thousand	£ per head	£ thousand	£ per head
Gross revenue expenditure		7,949,982	2565	8,110,798	2,605
Gross revenue expenditure	Education	2,598,946	839	2,625,794	843
	Social Services	1,728,694	558	1,839,754	591
	Council fund housing	1141,311	368	1125,840	362
	Local environmental services	386,335	125	388,415	125
	Roads and transport	280,542	91	272,992	88
	Libraries, culture, heritage, sport and recreation	203,876	66	198,378	64
	Planning, economic and community development	84,894	27	70,665	23
	Local tax collection	25,933	8	27,322	9
	Debt financing costs	324,314	105	313,391	101
	Law, order and protective services	783,785	253	811,785	261
	Central administration	186,930	60	185,900	60
	Other revenue expenditure	204,422	66	250,562	80

4. Local Authorities in Scotland

Similar to Wales, local government in Scotland consists only of unitary authorities, in this case 32 of them.

Each is responsible for the provision of a range of public services and is governed by a council comprised of councillors elected directly by local residents. Local government elections are normally held every four years. The elected members are headed by the Leader of the Council, usually the leader of the largest single political grouping in the council. Additionally, each local authority elects a civic leader, the Provost or Convenor, who chairs council meetings and acts as a figurehead for the area.

Councils in Scotland are autonomous bodies, independent of central government and are accountable to their electorates for the delivery of services. The powers of local councils are conferred by statute and include:

- mandatory powers such as providing schooling for 5-16 year olds and social work services;
- permissive powers such as economic development, recreation services; and
- regulatory powers such as trading standards and environmental and issuing licences for taxis and public houses.

The main services provided by local councils include:

- Education
- Social work
- Roads and transport
- Economic development
- Housing and the built environment
- Regulatory and licensing functions
- The environment
- Libraries
- Waste management
- Arts, culture and sport
- Other recreational and leisure services

4.1 Local Authority Funding in Scotland

As with local authorities across England and Wales, Scotland's councils have seen drastic cuts in their budgets over the last 8 years. The Public Spending Watchdog estimates the reduction to be 9.6% since 2010. This has led to major challenges in maintaining services. Council staff numbers as an example fell by 31,000 to the end of 2017.

The total allocation to local government in the 2019-20 Budget is £10,779.9 **million**. This is mostly made up of General Revenue Grant (GRG) and Non Domestic Rates Income (NDRI), with smaller amounts for General Capital Grant and Specific (or ring-fenced) Revenue and Capital grants. This represents a 2.5% increase in cash terms, or a 0.7% increase in real terms.

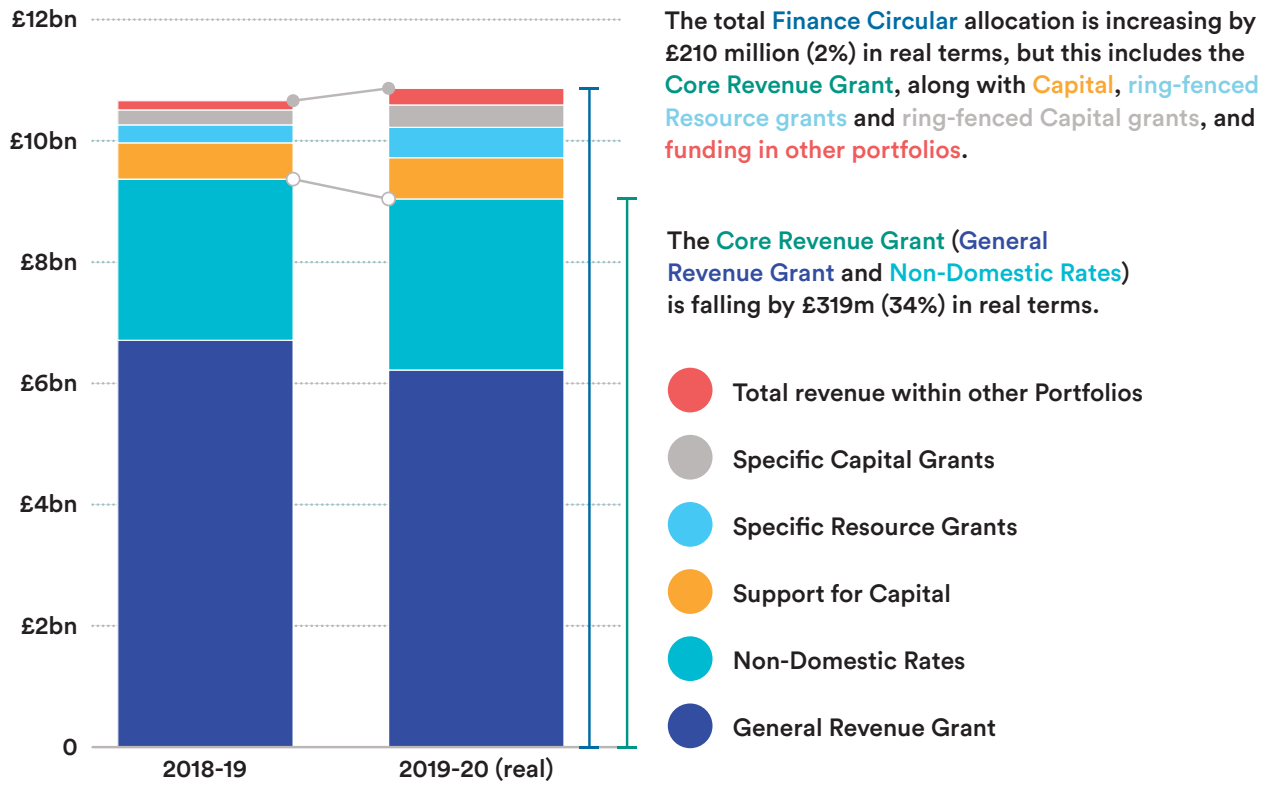
Once Revenue funding within other portfolios (but still from the Scottish Government to local authorities) is included, the total is £11,071.2 million, a cash increase of 3.8% (£405.1 million), or 2% (£210.5 million) in real terms.

Nevertheless, Councils across Scotland have cut roads maintenance funding by 20 per cent over the past seven years in response to pressure on their budgets. Spending by town halls on tackling problems such as potholes on the nation's roads fell from £691m in 2010/11 to £554m last year.

Research suggests that spending on education, child protection and social care has been protected at the expense of other services such as roads, culture and leisure services.

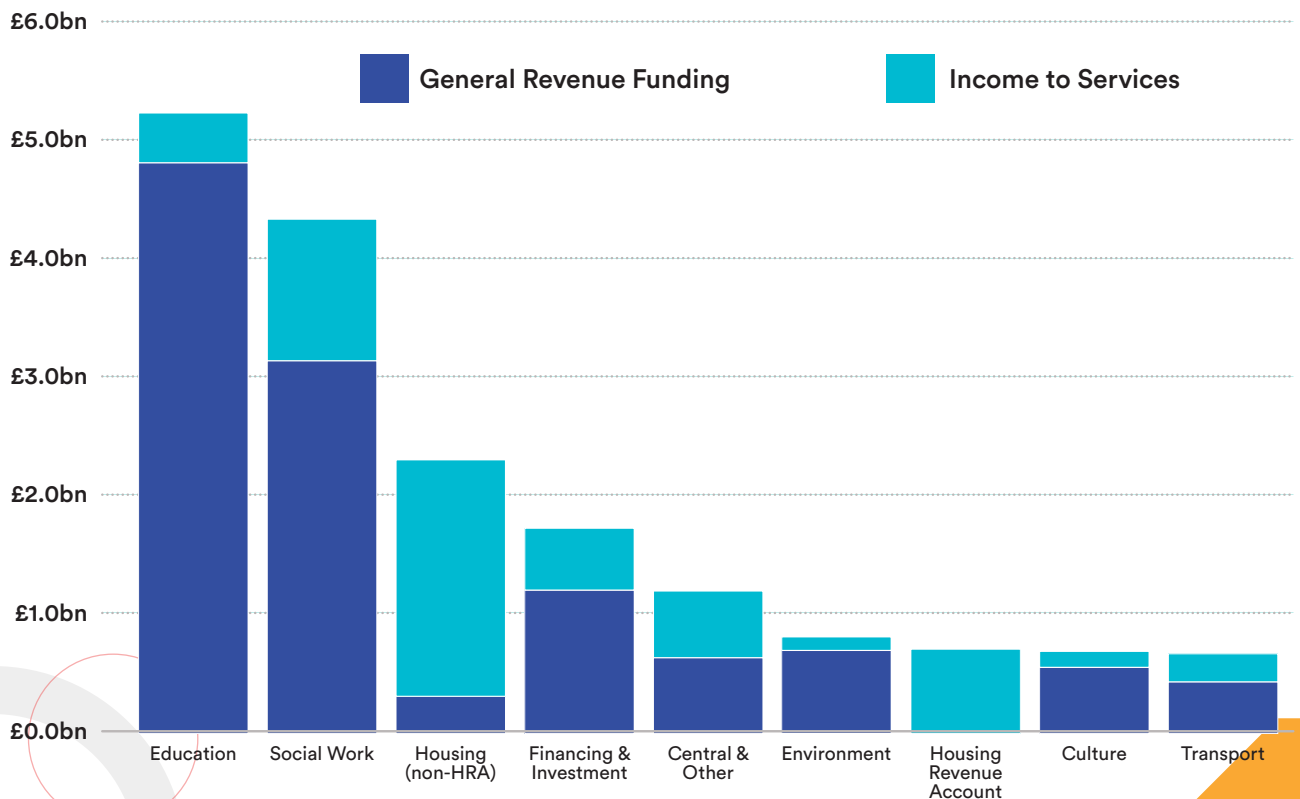
Source of funds for the budget 2019-20 breaks down as seen in Table 6 (overleaf).

Table 6 - Source of Funds for Budget



The below Table 7 shows clearly where the funds are budgeted to be spent, split by service. This shows both spending from grant and rates, plus income generated by local authorities in fees etc.

Table 7 - Service Revenue Expenditure by Funding Source 2017-18



5. European Funding

In addition to allocated funding from Central Government, Council Tax and other national grants, many areas of the U.K. have benefitted from European funding. Often this is administered by the Local Enterprise Partnerships (LEPs), of which, as we have seen, there are 38 across the country.

Given the UK referendum decision in 2016 to leave the EU, this source of funding is in jeopardy. To what extent do we benefit from European funds and what is the likely effect of Brexit?

For the last funding period (2007-2013), the UK contributed €77.7 billion to the EU budget, while €47.5 billion was invested back in a range of measures.

In the UK, these re-investments largely take the form of European Structural and Investment Funds (ESIF), the Horizon 2020 research fund plus a range of more specific programmes. The ESIF, which is made up of the following 5 components:

1. European Regional Development Fund (ERDF)
2. European Social Funds (ESF)
3. Cohesion Funds
4. European Agricultural Fund for Rural Development (EAFRD) European
5. Maritime and Fisheries Fund (EMFF)

The Local Government Association estimates there could be as much as a £8.4b funding gap for local communities as a result of Brexit. The Government has indicated it will cover any shortfall but as yet little clarity has been offered.

Fortunately, as part of the exit negotiations, it was agreed that continued participation in the Multiannual Financial Framework (MFF) would include the European Regional Development Fund, the European Social Fund, European Territorial Cooperation, the Rural Development Fund and almost all other EU funding programmes such as Horizon 2020.

This agreement means local communities will continue to benefit from EU funds until the end of the current programmes in 2020.

There still lacks clarity on the period beyond 2020. The LGA is lobbying for funding levels for local areas to be guaranteed from 2021.

In its manifesto, the Government pledged to create a UK Shared Prosperity to replace the money local areas currently receive from the European Union. Exactly how this will work remains unclear however.

6. Methods of Service Provision in Local Authorities

As we have seen local authorities have a statutory duty to provide a wide range of services to people in their areas. These include: education services; children’s safeguarding and social care; adult social care; waste collection; planning and housing services; road maintenance; and library services.

For most services, local authorities may choose whether to deliver them themselves, or commission from other public bodies, the voluntary sector or the private sector.

It is very important to understand how a particular authority provides the service you are interested in to know the best way to sell your product/service.

Most local authorities no longer rely solely on ‘in-house’ operations to deliver either public services or their own internal functions. In the following sections we will look at the alternative approaches being used. These include the use of ‘shared services’, between multiple local authorities and also between local authorities and other public bodies; outsourcing to private or voluntary providers, and its obverse, ‘insourcing’; the increasing use of Local Authority Trading Companies (LATCs) to trade for profit, providing a revenue stream for the local authority; and mutuals.

Local authorities have always had the legal power to make use of different forms of service delivery. Up to the mid-1980s, local authorities provided most of their services ‘in house’ with their own departments. Following the introduction of compulsory competitive tendering in the Local Government Act 1988, authorities were legally required to open many of their services to competitive tender. This requirement was replaced by the ‘Best Value’ regime under the Local Government Act 1999, after which many forms of alternative service provision have continued to flourish.

Under the Coalition government, the 2011 White Paper Open public services promoted greater use of different forms of service delivery. Reductions to local government funding since 2010 has also led local authorities both to experiment with alternative forms of service delivery, seek to reduce overheads, and explore new means to raise revenue.

This section covers local authorities in England. A number of the approaches outlined here also exist in Scotland, Wales and Northern Ireland, but they may operate under different legislative provisions.

6.1 In-House Provision

Despite the fact that many other alternative methods of service provision have been and still are used by many local authorities, in-house provision still accounts for a large proportion of the total spend on services. In fact, there have been cases where previously Outsourced Services have been returned to local authority control in the event that the contractor performance has been unacceptable, or as a strategic decision to restructure service provision. This situation has become known as ‘Insourcing’.

Some reported examples of “insourcing” include:

- In 2011, Thurrock Council was reported to have saved £20 million by breaking a large, integrated municipal waste contract into lots and awarding the largest lot to the in-house team
- In 2014, Birmingham City Council reportedly agreed to bring its contact centre, provided by Capita, back in house, but decided against cancelling the wider contract with Capita
- Liverpool City Council brought its IT services back in house in 2014, with an anticipated saving of £30 million over three years
- Islington Borough Council insourced waste, street cleaning and grounds services in 2013, reportedly saving £3 million per year;
- In Cumbria, nearly all outsourced services were brought back in-house in 2011 when its 10-year contracts with Capita came to an end, and the following year when a seven-year roadworks contract with Amey finished

Since the heady days of Compulsory Competitive Tendering, maintaining services inhouse has become less of a poison chalice and often considered seriously by authorities, especially where outsourced providers have failed to deliver.

In the provision of Sports and Recreation for example it is estimated that 41% of facility management is in-house. 24% of authorities deliver via Charitable Trusts and 7% via outsourced private sector operators. The trend here however is to more Trusts.

Inhouse provision is generally known as a Direct Service Organisation (DSO), effectively the client. They will either procure the work they require through sub contractors, or in some areas/functions, such as housing, there may also be a Direct Labour Organisation (DLO) to denote it is a workforce operated by the authority.

Even where a DLO exists, there will be opportunities for specialist subcontractors, as well as material suppliers to gain business. Internal provision does not mean that everything can be handled inhouse, more that it is controlled and coordinated inhouse.

In many ways those authorities with a DSO/DLO are more straightforward to deal with as the structure is immediately obvious and the procurement process clear. The Council's procurement team are involved in all tendering activities and all contracts are let in accordance with the Council's Corporate Procurement Strategy. We will look more deeply at the actual procurement process in Section 9 of this report.

When selling to a DSO/DLO based authority it is important to know about the local authority specifying the work. If it is a district or a county it will be responsible for only certain services whereas a metropolitan, unitary council or London borough and all councils in Wales and Scotland will be responsible for all local government services in its area.

Next identify the right people to approach, at the right stage of the project/procurement process. Identify the designer, specifier, the buyer and the other key decision-makers. Is there a particular elected councillor involved in the project? What influence do they have?

Be there at the beginning, not the end of the project or scheme. Supporting the council staff with relevant expertise will go a long way to placing your company in a favourable position as you will be seen as the experts in the field.

Remember the council officials and employees will be dealing with multiple projects and processes. They cannot be experts in all aspects of every one.

6.2 Shared Services

Shared Services refers to two or more authorities providing a given service to their electorates on a joint basis. Sharing may take place between neighbouring authorities or non-neighbouring authorities. It may take place between county and district councils, district councils, or between metropolitan boroughs.

Shared services may be provided via a joint in-house department or they may be jointly outsourced. Governance of shared services can take place via a joint committee between the participating authorities, or simply through agreements between the executives of the participating authorities.

The driver for local authorities to decide to share their service provision with other local authorities is often financial. They may also be looking for service improvements and improved internal effectiveness. A further rationale may be to tap into greater levels of expertise. Generally, however in these days of declining budgets, the financial impetus is the greatest driver.

Councils do not need to be geographical neighbours to share services. There are many examples of services being shared between district councils in different counties.

These types of Contracts and partnerships with other public bodies have increased significantly in recent years. Common examples include: shared management teams; joint service provision; joint commissioning of social care with the NHS; community budgets; joint transport and economic regeneration strategies; and more joint ventures with the Government through 'accountable body' status.

These arrangements are being encouraged by the Government, for example, through mechanisms such as the Integration Transformation Fund/Better Care Fund (which supports health and social care service integration).

It is believed that further partnership working and joint arrangements will play a significant role in helping local government provide critical services within a framework of declining budgets. Such shared services often deliver quick savings through reduced staffing. After this initial benefit, further savings come from improved business practices.

In certain circumstances Shared Service bodies are able to operate as companies and offer their services to other organisations to generate income for their participating authorities. More on this in Section 7.5.

A survey by NLGN (New Local Government Network) across 58 English local authorities found the most common shared services are:

- Human Resources Finance
- Legal Services
- Procurement
- Highways
- Environment & Regulatory Services

The Local Government Association has produced a full list of shared services as well as a number of other useful resources, available on the LGA website. The latest version, shows that currently there are 559 shared service arrangements resulting in £971m of efficiency savings. A map of shared services, for England only, is also available, as is a breakdown of the financial benefits realised by different types of shared services.

Again, the key here is knowing the set-up of your target authority. If it has a shared service agreement with another authority, for Highways for example, the key decision-makers for your product/service may be based many miles from where you expect.

In addition, a shared service organisation may utilise vary means to provide the services within their area, including outsourcing. For more on outsourcing see Section 7.3.

6.3 Outsourcing

Local authorities have the power to ‘outsource’ provision of services to private or third sector organisations under section 135 of the Local Government Act 1972. This was modified by the introduction of compulsory competitive tendering (the Local Government Act 1988) and Best Value (the Local Government Act 1999).

Today, authorities may decide to outsource services as they see fit, either singly or jointly with another authority in a shared service arrangement, providing that quality and value for money are maintained.

There are a variety of reasons why a local authority might wish to outsource services but the main driver again derives from the idea that competition is the driver of efficiency, quality improvement and innovation. In times of steeply reducing budgets it is an attractive proposition to many authorities to pass the burden of operating services to the private sector, although stories of poor delivery are widespread.

There are no comprehensive lists showing which authorities have outsourced which services, or which companies are contracted by which authorities. There are commercially available databases which exist for certain sectors however.

For example, BDS Marketing (www.bdsmarketing.co.uk) produce a database of Term Contracts for Highway Maintenance which shows for each authority who holds the contract, whether in-house or outsourced, the scope and expiry. They also produce databases on Municipal Waste contracts and much more.

Examples of outsourcing by local authorities include:

- In March 2015, Trafford Council announced that it had selected Amey LG to manage its economic growth, environment and infrastructure services. The contract involves the delivery of minimum savings of 20% against the net budget and the transfer of around 250 staff;
- In August 2013, Barnet Council signed two contracts with Capita: one for the delivery of a range of back office services and one covering front-line services including highways, planning, regeneration, environmental health and trading standards. This initiative was named ‘One Barnet’.

- ‘Collaborative outsourcing’ consists of joint procurement of a shared service by councils working with another local public body. A recent example saw Capita contracted to provide corporate and facilities management services to Hart, Havant, Mendip, South Oxfordshire, and Vale of White Horse.

Other terms used include ‘Strategic Service Partnerships’, where a single private organisation supplies multiple services to a single local authority: the contract terms may include incentives to achieve cost efficiencies. Legal forms used to achieve this range from ‘service agreements’ to ‘joint venture companies’.

There have been concerns that a few large companies, such as Capita, control too much of the market and that the local authorities and government are too dependent on them. There have been several high-profile allegations of poor performance, irregularities and misreporting over the past few months.

Where a service has been outsourced to a third-party provider, the procurement process may well be different depending on the type of contract between the provider and authority. In many cases it will be at the discretion of the provider to supply the services to the standard and performance levels required by any means at their discretion.

In this instance, it is the key people in the provider company that you need to identify in order to sell your product/service. Again, it is important to know the right people in the right positions, from specifiers to purchasing managers. The provider may have a lack of expertise in-house in your particular product or service area and your expertise will be invaluable to them.

It is often beneficial to offer CPD learning presentations or so-called ‘lunch and learns’ to the provider team and/or their outsourced design team. This is great way to reach a lot of people in the organisation and to get your message across. Whilst the subject matter should not be too salesy and be generally informative, it will certainly give an opportunity to present your company in a favourable light and put you at the forefront of their minds when the demand arises.

For certain products it is particularly important to be included, to have the specification written in the correct way, at a very early stage of the project or scheme. Remember however that you need to follow this right through the supply chain; to the department head, the procurement team, the subcontractor if relevant. It is not uncommon for a subcontractor to try to amend a specification in favour of their preferred product at the final stage!

Often these large outsourced providers act as a Main Contractor and bring in specialist subcontractors for specific jobs. These subcontract tenders or contracts can be substantial in their own right. Developing a good relationship with the Main Contractor is important for specification and design level work but it is equally important to identify who actually procures your product/service. It could be that the subcontractor has the responsibility to select their own materials for example based on meeting the performance criteria stipulated in the contract from the Main Contractor.

As such the selling job in these outsourced situations is twofold; the Main Contractor for design and specification; the subcontractor for actual orders!

6.4 Council Trading Companies

6.4.1 LATCs

An increasing number of local authorities have set up local authority trading companies (LATCs). Local authorities must establish a company if they wish to sell their services and enter into trading activities for profit. Any profits made by a wholly- or partly-owned company can be reinvested in other council services. Increasingly this is seen as an important way of funding local authority activities.

Where a local authority has statutory responsibilities to provide specific services to individuals, these services cannot be provided on a commercial basis.

A local authority that sets up a company must produce a business case before starting. LATCs are governed by normal company law, and must be run according to the wishes of their shareholders. Like any company, they must pay VAT and corporation tax, and are subject to EU state aid rules.

There are no official statistics showing the number of local authority companies, their revenue, capitalisation, or functions. Localis's March 2015 report Commercial Councils states:

- 94% of authorities share some services with another council;
- More than half of councils (58%) own a trading company, and at the rate it is increasing, full coverage by 2020 is a possibility;
- A majority of councils (57%) operate a joint venture with the private sector;
- Over a third of councils are using entrepreneurial methods in areas such as waste (46%), leisure and tourism (38%), IT/back office (38%) and housing (36%);
- Without these entrepreneurial activities, eight out of ten councils say they would have to cut services and raise taxes.

LATCs may be an important consideration for your company if your interests lie in supplying materials or services for property development, maintenance and management. Many LATCs are concentrated in this field but there are also examples in other fields, for instance:

- South Cambridgeshire District Council set up Ermine Street Housing in 2014 and invested £7 million in property to rent as an “ethical commercial landlord”. In November 2015 the Council agreed to invest £100 million to acquire a property portfolio of 500 homes over the next five years;
- Eastleigh Borough Council has pursued a policy of purchasing a range of property assets which generate a high investment yield. By 2015, the council's expenditure (financed principally by borrowing) reached over £100 million and includes a range of assets such as shops, banks, pubs and offices;
- In 2012 the London Borough of Harrow became one of the first local authorities in the country to sell its recyclables in an online 'e-auction'. The council sold 100 per cent of its dry recyclables to waste management firm Viridor.
- Kent Top Travel, a LATC owned by Kent County Council, operates a large commercial bus and coach fleet, providing vehicles for private hire, public service routes and Park and Ride schemes. In 2012 it had an annual turnover of nearly £6 million and employed 125 staff.

6.4.2 Mutuals

There are a number of examples of council services being delivered through staff-owned companies or 'mutuals'. A mutual is an organisation which has left the public sector 'parent body' but continues to deliver public services. Mutuals are organisations in which employee control plays a significant role in their operation.

It is stated that there are two justifications for employee-owned organisations such as mutual. One is greater employee engagement in the delivery of public services. The other is that employee engagement is instrumental in improving service delivery.

To sell to a LATC or Mutual requires identification of their interests, the projects they are working on, key personnel and procurement processes. Treat it as you would selling to any private company.

7. ALMO

ALMO stands for Arms Length Management Organisations. ALMOs were first established as not-for-profit companies in 2002 to manage council housing on behalf of their local authority and to help deliver the Government's Decent Homes Programme, aimed at improving housing conditions in council housing.

There are **31** ALMOs which **manage nearly 420,000** council homes across **34** Local Authorities.

Arm's-length management organisations (ALMOs) have led a revolution in the management of council housing since they were first established in 2002. They were first mooted in the Labour government's housing Green Paper in 2000 as a way of achieving social housing investment without having to pass the ownership of housing stock out of council control while ensuring higher levels of expenditure, which went hand-in-hand with higher quality management, more effective investment and greater involvement of tenants.

The creation of ALMOs provided an opportunity for a more fundamental change in the nature of council housing management to give tenants a much greater say in how their estates would be managed. To ensure tenants receive sufficient representation, boards are structured so that one-third of members are council tenants with the remaining positions filled by serving councillors and independents often with business and housing experience. This structure enables organisations to access housing expertise, retain a close relationship with their parent councils as well as guaranteeing tenants an important voice at a senior level.

Improving housing standards is only one part of their work to regenerate neighbourhoods. They also have an active role in improving the local environment and contribute to the quality of the lives of tenants through providing out of school clubs, employment and training schemes, activities for both young and older people and the provision of advice on debt reduction and tackling fuel poverty amongst other services.

They are also building new homes that meet tenant requirements, creating local jobs at the same time, while active youth engagement projects nationwide are combating the threat that a whole generation will be denied useful, fulfilled, and financially-stable lives.

And as individual not-for-profit organisations they are structurally gearing up to a fast-changing world: adapting, diversifying, merging, sharing resources, striking new alliances and developing improved working relationships to thrive in a post decent homes world.

If you are involved or interested in supplying property development, maintenance and management or the improvement of local environments then ALMOs may be worth contacting as part of your sales process.

8. The Procurement Process

In this section we will look at the specific procurement processes used by Local Authorities and the implications for your sales and marketing efforts. We will also consider the ramifications of certain policies, such as the growing importance of achieving 'social value', the greater use of technology and the drive for deriving benefits through collaboration.

8.1 Background

Of their total expenditure, it is estimated that councils in England spend some £55 billion annually on procuring goods and services from third parties.

The over-riding procurement policy requirement is that all public procurement must be based on Value for Money (VfM), or Best Value (BV) defined as ***“the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought”***.

This should be achieved through competition for business, unless there are compelling reasons to the contrary.

These documents aim to give decision-makers clear guidance on how to achieve VfM/BV and to apply it to their processes. They look at how to maximise the value from public resources in terms of the economic, social and environmental impacts.

As such they are useful background reading for any supplier looking to enter the public sector market in the UK in order to understand the decision-making philosophy.

Local authorities have faced a 49% real terms reduction in government funding since 2010 and a widening financial black hole of £5 billion a year by 2020, hence they have prioritised efficiencies from smarter procurement both individually and collectively and additional revenue generation.

They have consequently been forced to become more entrepreneurial, developing new strategies for income generation and entering into partnerships that enable them to share in revenues and reduce costs.

They are focused on getting the maximum benefit locally from council spending and that has led to a major push on 'social value': leveraging procurement expenditure to create jobs and skill up local people and to generate opportunities for local SMEs, microbusinesses plus voluntary, community and social enterprises (VCSEs) in the supply chain.

Local Authorities are tasked with actively seeking opportunities for innovation and partnerships which are available from working with others in the public, private and voluntary sectors to balance two clear priorities:

- Delivering efficiencies and quality. £1.1b of further savings are estimated to be possible.
- Developing and embracing socially responsible and sustainable procurement, by engaging with local and regional suppliers to promote the local economy and taking account of the social, economic and environmental impact of spending decisions

Sustainable Procurement means using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits to all parties. EU procurement regulations require that local authorities secure positive outcomes for the wider society, economy and environment that offer long-term benefits, whilst using its resources effectively and efficiently in order to achieve value for money.

Public sector procurement is subject to a legal framework which encourages free and open competition and value for money, in line with internationally and nationally agreed obligations and regulations. As part of its strategy, the government aligns procurement policies with this legal framework, as well as with its wider policy objectives.

The Local Government Association recently published an update to the 'National Procurement Strategy for Local Government in England', originally published in 2014 to incorporate the latest EU regulations on procurement, which brought in greater flexibility.

The update in 2018 followed an assessment of progress made and lessons learnt. It focuses on three themes which, consultation has shown, reflects local government's priorities for the next four years:

- showing leadership
- behaving commercially
- achieving community benefits.

The themes are broken down into a number of key areas:

- engaging strategic suppliers
- managing strategic risk
- option appraisal including the 'make or buy' decision
- procurement strategies that promote competition in the marketplace including more opportunities for SMEs and VCSEs
- contract and relationship management including supplier financial distress measures. This follows a number of high profile collapses such as Carillion.

In addition to the themes, the strategy identifies four 'enablers':

- developing talent

As can be seen from this, there is considerable emphasis on the local social, economic and environmental impact of procurement decisions. This should be taken in to account when approaching local authority opportunities, but should not be seen as a reason not to participate as value for money is still the overriding principle.

The Procurement Strategy lays out the legal requirements and guidelines for the type of procurement procedures at each level of contract value. For example, there is a requirement to advertise all contracts with a value estimated to be greater than £10,000 on the Crown Commercial Service website 'Contracts Finder'.

The new rules also allow for greater involvement with suppliers at an early stage in the procurement process to help drive innovation, use of the latest products and materials and development of specifications, ensuring value for money.

This is an important point to note for any supplier as early engagement is critical, especially for larger, complex projects. Waiting for the tender to be published is often too late.

There are six main procurement procedures for contracts to provide goods or services which we will explore in more detail in the subsequent sections. In brief however they are:

- The open procedure, widely used by local authorities, is where all interested suppliers are asked to return tenders by a specified date, which are then evaluated, and the contract duly awarded.
- The restricted procedure is where a shortlist of expressions of interest is drawn up and those companies on it are then asked to tender for a contract.
- The competitive dialogue (CD) procedure is for more complex contracts Competitive procedure with negotiation (CPN) is where the buyer negotiates with a shortlist of sellers.
- Framework agreements are where an authority draws up a list of approved suppliers and individual contracts are awarded during the lifetime of the agreement, usually about four years.
- Innovation Partnership (IP)

Within these general procedures there is an increasing use of technology such as Online Bidding, Reverse Auctions and Dynamic Electronic Purchasing.

In the following sections we will look in more detail at the above procedures and their differences in relation to your sales approach.

8.2 Open Procedure Competitive Tendering

Open tendering is the most widespread competitive public procurement method used for acquiring goods, services and infrastructure works. It is executed in accordance with established procedures set out in the procurement guidelines and detailed in the standard bidding documents.

Open tendering is also known as open competitive bidding, open competition or open solicitation, and the procurement notices used to call for bids for these requirements are identified as: Invitation for Bids or Invitation to Tender.

The fundamental aspects of open tendering are that they:

- Are open to all qualified and interested bidders,
- Advertised locally (and internationally, when required),
- Have objective qualifications criteria,
- Have neutral and clear technical specifications,
- Have clear and objective evaluation criteria, and
- Are awarded to the least-cost provider, without contract negotiations.

The final point is the key one to note here. The tender is open to any bidder, with the lowest cost supplier which meets the qualification criteria, being chosen as the winner.

There is no negotiation or second chance and there may have been limited time to work with the procurement team in advance. This means firstly you must ensure your tender submission is complete, accurate and meets the requirements. This may take some time and can therefore be a costly business in its own right. There is a knack to writing tender submissions and for many companies it is very hit and miss.

The second point to note is that your price is the only price you will be able to submit, so be confident it is the right level to win the business.

It is presumed that this procurement method fosters effective competition and adds value for money; however, there are arguments that its strictly procedures-based process and being originally primarily designed for the procurement of simple goods, does not always deliver the desired results.

As a consequence, it is not suitable for complex procurements where the focus is more on the output and outcome of the contracting process rather than on strict adherence to standards.

By allowing little scope for engagement between client and supplier prior to and during the tender process, it also can stifle innovation as it relies on the council officer writing the specification. This can lead a copy/paste situation with always the same type of product being selected, even if there is something better on the market.

Again, this highlights the need to be in regular contact with the key people in the local authority to ensure they are aware of your unique added value.

Note that often these days Open Tender submissions are made online.

8.3 Restricted/Closed Procedure Tendering

A Restricted Procedure tender is most often used where there is a genuine need to pre-qualify bidders, or there could potentially be a large number of bidders. It often requires all interested bidders to complete a PQQ (Pre-Qualification Questionnaire) in order to be selected for the shortlist which is invited to tender.

Restricted tendering is a procurement method that limits the request for tenders to a select number of suppliers, contractors or service providers. This method of procurement is also called: Limited Bidding and Selective Tendering.

Although considered a competitive procurement method, competition is limited to only firms shortlisted or invited by the procuring entity.

The reason to restrict numbers in this way can be either because only a few firms are qualified to fulfil the specific type of requirement, or certain conditions warrant the use of a limited number of firms in order to reduce the time and cost of the selection process.

For this reason, it is critical to be in regular contact with the right people in the local authority to ensure your company's credentials are in their mind when drawing up the pre-qualification shortlist.

Once selected for the Invitation to Tender the benefit is that there is less competition, though you can be sure that all those invited are on a similar footing as regards quality and ability to supply the required product or service having already met the pre-qualification requirements.

8.4 Competitive Dialogue (CD)

This process allows the contracting authority to discuss different options with bidders with a view to identifying the best solution to meet its needs, on which it then invites final tenders.

The competitive dialogue procedure can only be used when the open and restricted procedures are not suitable for the procurement and if the conditions set out at Regulation 26(4) of the Public Contracts Regulations 2015 are met.

- The needs of the council cannot be met without adaptation of readily available solutions
- The goods, works or services include design or innovation solutions
- The contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them.

Note that the Competitive Procedure with Negotiation in Section 8.5 also allows dialogue with bidders prior to submission of final tenders.

In addition, the CD procedure can be used when only irregular or unacceptable tenders are returned in an open procedure or restricted procedure.

In effect this is an invitation to engage with the local authority in advance of the tender procedure and to help shape the landscape. It will only be used for complex, large projects and was originally designed to help with the introduction and expansion of PPP (Public Private Partnership) projects.

As such it may not be so widely used depending on your product or service, but should be considered as a good opportunity for early engagement.

8.5 Competitive Procedure with Negotiation

This process allows contracting authorities to negotiate with more than one supplier in order to select a preferred bidder and to award a contract.

Bidders must submit an initial tender which is then the basis for any subsequent negotiation.

The process can be used provided the criteria set out in Regulation 26(4) of the Public Contracts Regulations 2015 are met, namely:

- The needs of the council cannot be met without adaptation of readily available solutions
- The goods, works or services include design or innovation solutions
- The contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them.

The CPN route is not suitable for 'off the shelf' requirements where the open procedure or restricted procedure is a better choice. The CPN procedure is structured. The negotiations can take place in stages by using contract award criteria to eliminate tenderers.

All tenders apart from final tenders can be negotiated. But the council can reserve the right not to negotiate, i.e. it can accept an initial tender if it is suitable.

Negotiations can take place on all aspects of the tenders, other than the minimum requirements, such as quality, quantities, commercial clauses, social, environmental and innovative aspects.

Again, this is a procedure used for complex requirements which can be advantageous to the preferred bidder. Early engagement is a must.

8.6 Framework Agreements

A framework agreement is defined as

‘an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.’

Framework agreements set out the terms and conditions for subsequent call-offs of goods or services but do not guarantee any quantities or preference. With this approach, contracts are formed under the Regulations only when goods, works and services are called off under the agreement. The benefit of this for authorities is that because they are not tied to the agreements, they are free to use the frameworks when they provide value for money, but to go elsewhere if they do not.

For the supplier therefore, being accepted to a Framework Agreement is no guarantee of winning business. Framework agreements continue to play a central role in public procurement including enabling councils to work together through central purchasing bodies.

Generally, frameworks are allowed for a maximum four-year duration.

Given the drive for Shared Services and Collaboration between authorities in the area of procurement, framework agreements are often used to cover more than one authority area. In some regions the authorities have set up specific Purchasing Organisations to effectively run as separate entities negotiating on their behalf with suppliers based on the aggregated quantities of all participants. Hence economies of scale should ensue.

Good examples of such Purchasing Organisations are Scotland Excel and ESPO.

ESPO is a public sector owned professional buying organisation (PBO), specialising in providing a wide range of goods and services to the public sector for over 35 years. They offer a comprehensive, one-stop shop solution of over 25,000 catalogue products, 120 frameworks and bespoke procurement services. They are 100% owned by six local authorities; Leicestershire County Council, Lincolnshire County Council, Cambridgeshire County Council, Norfolk County Council, Warwickshire County Council, and Peterborough City Council.

Such PBOs can be an excellent way to introduce your product or service to the local authority market, although differentiation in terms of quality and innovation may be difficult. Being a supplier or in a Framework agreement with them does not negate the need to be in regular contact with the clients and key personnel in your target authorities.

A version of a Framework Agreement is a Preferred Supplier Arrangement. Many local authorities will have a Preferred, Qualified or Approved Supplier list for different products and services. In effect this means the company is pre qualified as an acceptable supplier to the authority. There will be several companies approved in order to maintain competition.

Details of opportunities for these types of arrangement can be seen on <http://www.government-online.net> which is a useful source of information on current opportunities with the public sector in general.

8.7 Innovation Partnerships

Innovation Partnerships is a new procedure intended to sit alongside the other procedures set out above.

Innovation partnerships are geared at enabling both the development and subsequent purchase from the same supplier(s) of an “innovative” work, service or product.

The idea seems to be that high level project proposals are submitted during the competitive tender process and the solutions developed post-appointment (contrast the competitive dialogue where dialogue is required to continue until the authority identifies the solution that best meets its needs).

There is also scope to appoint more than one innovation partner but for partners' contracts to be terminated as the development progresses post appointment.

For many, this procedure raises more questions than it answers and there are a number of restrictions that apply, including to the form the innovation partnership contract must take that might put some authorities off.

As a concept the innovation partnership seems potentially to represent a great door opening opportunity for suppliers to introduce new technology. It is also a new avenue for authorities to explore where they are interested in working with the private sector to commercialise new products and services.

8.8 Procurement Process in Scotland and Wales

Although different legislative arrangements apply due to the Devolved Governments, essentially the procurement processes are the same in Scotland and Wales.

The whole of the United Kingdom follows EU law in this respect, the most relevant for local authorities in our context being:

Public Sector: Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC

The UK regulations include some specific UK rules to support growth by improving suppliers' access to public contracts below the EU thresholds. These rules for example include requirements for publishing advertised public contract opportunities and contract awards below the EU thresholds, but over UK threshold values, on Contracts Finder the online tenders portal run by the Government.

9. Identifying Opportunities with Local Authorities

We have now covered the structure of local authorities in the UK, their varying methods of providing services to the area and the procurement processes adopted for products and services.

Along the way we have mentioned some ways you can identify opportunities, through online portals and Professional Buying Groups for example. In this section we will look in a little more detail at some of the ways you can access information and opportunities. It is by no means an exhaustive list but will hopefully give pointers as to where to look.

It must be stressed at the beginning however that for many products and services once the requirement is advertised or published on an online portal, it may already be late in the day to influence the procurement process. Often engagement has started previously with known suppliers who may, within the confines of the law, have had an influence on the specification or requirements.

Selling to local authorities is like selling to any organisation, relationships matter. Take the time to find out the key people in the department relevant to your product or service; introduce your company and value proposition; get to know them; show them how you can help them in terms of providing added value, cost reduction or any other benefit you can bring.

Be sure you are in the right place at the right time. This requires an investment in time and money, you will need to dedicate resources to the project. If you do not have these available in-house then consider an external support company to help you make the right connections.

9.1 Online Portals

Increasingly Governments and Local Authorities are making use of online portals and buying sites in order to advertise their opportunities to prospective suppliers.

In this era of collaboration and the drive to cut costs through shared services, many authorities have come together to share a portal. This is good news as it reduces the number of sites you need to trawl through in order to find the right opportunities for your business. Not all portals have alert facilities, so often it is left to you to regularly check if anything relevant has been posted.

The below table has a selection of useful sites you may wish to review periodically. It is not exhaustive, so please do look for the sites in the regions or authorities relevant to you or where you wish to concentrate your efforts.

Many also show the status of current contracts, the supplier and expiry dates which is a very useful tool in setting your sales strategy and priorities.

Website Link	Area	Comments
Contracts Finder	UK Wide	List all tenders over £10k
http://www.government-online.net	UK Wide	Lists tenders, framework agreements, approved lists
https://www.crowncommercial.gov.uk/	UK Wide	Public contracts
www.capitalsourcing.com	London	Contract opportunities with alerts
https://www.londontenders.org/	London	Tender opps with alerts
https://www.yortender.co.uk/	Yorkshire	Tender opps for Yorkshire & Humber region
http://www.sourcederbyshire.eo.uk/	Derbyshire	Contract opps in Derbyshire
https://www.nepoportal.org/	North East	Contract opps in North East
https://ted.europa.eu/TED/main/HomePage.do	EU	EU wide tenders
https://www.gov.scot/publications/frameworks-and-contracts/	Scotland	Frameworks & Tenders list
https://www.publiccontractsscotland.gov.uk/	Scotland	Public contracts
https://www.sell2wales.gov.wales/	Wales	Public contracts

9.2 Professional Buying Organisations

In a number of areas local authorities have joined together to form what is known as a Professional Buying Organisation (PBO). There are now a few of these types of organisations around the UK.

One of the largest in Scotland Excel (www.scotland-excel.org.uk) which has been operating for over 10 years and boasts all 32 local authorities in Scotland as its members, as well as other public bodies. It negotiates framework agreements with suppliers of products and services which the authorities can benefit from if they choose.

It is important to remember that the authorities are not bound to buy from Excel and being part of a framework with them is no guarantee of business. One company I worked with regularly supplied material direct to Moray Council for example even though Excel had a framework agreement as well.

Another well established PBO is the Eastern Shires Purchasing Organisation (ESPO) (www.espo.org) which was established over 35 years ago and is owned by 6 councils, Leicestershire Lincolnshire, Cambridgeshire, Norfolk, Warwickshire and Peterborough. ESPO boasts a catalogue of 25000 products and 120 frameworks.

Other PBOs include:

North East Procurement Organisation (NEPO) (www.nepo.org) Yorkshire Purchasing Organisation (YPO) (www.ypo.co.uk)

There are reckoned to be over 50 PBOs in total covering various sectors, specialisms and regions. They are certainly a worthwhile part of your sales strategy but should not be relied upon as the sole source of revenue. They do offer opportunities for SMEs to gain access to the local authority arena however.

9.3 Other Sources

There are also commercially available services which provide details of planning applications and tender releases which can be an excellent source of project details. These tend to concentrate on the construction sector but will pick up on any project requiring planning.

Seeing the early stage planning applications gives an opportunity to make contact with the relevant authority early in the process. As we have seen this is a key element in selling to the public sector.

Example site:

Barbour ABI (<https://www.barbour-abi.com/>)

10. Summary

Local Authorities in the United Kingdom spend £55b per year on goods and services with 3rd parties. As such they offer an excellent market opportunity for expanding sales. The close geography, common language and close ties between the nations make the UK an ideal export target for Irish companies.

To fully seize the opportunity, it is important to understand the local authority structure across the U.K., the way they deliver services and the procurement processes at work. This is what we have set out to achieve with this report.

Sustainable procurement policies have led a drive towards promoting a localism agenda and schemes to boost SME sales to the local authority sector. That said, Best Value for Money is the overriding driver in the procurement decision. If you can demonstrate your business offers additional added value, cost cutting or innovation then the opportunities exist to generate worthwhile sales volumes.

As with any selling it is important to know your market, the key players and the contacts in the local authorities. Developing close relationships with them and joining the procurement/project process early are important milestones for success.

It will take time, a lot of effort and commitment of resources but ultimately the UK local authority sector is potentially very lucrative.

Appendix

English Councils List by Type

There is a total of 353 councils in England:

Unitary Authorities - One Tier System

Metropolitan districts (36)

London boroughs (32) plus the City of London

Unitary authorities (55) plus the Isles of Scilly

Two Tier System

County councils (27)

District councils (201)

Metropolitan districts (36)

1. Barnsley Borough Council	19. Rochdale Borough Council
2. Birmingham City Council	20. Rotherham Borough Council
3. Bolton Borough Council	21. South Tyneside Borough Council
4. Bradford City Council	22. Salford City Council
5. Bury Borough Council	23. Sandwell Borough Council
6. Calderdale Borough Council	24. Sefton Borough Council
7. Coventry City Council	25. Sheffield City Council
8. Doncaster Borough Council	26. Solihull Borough Council
9. Dudley Borough Council	27. St Helens Borough Council
10. Gateshead Borough Council	28. Stockport Borough Council
11. Kirklees Borough Council	29. Sunderland City Council
12. Knowsley Borough Council	30. Tameside Borough Council
13. Leeds City Council	31. Trafford Borough Council
14. Liverpool City Council	32. Wakefield City Council
15. Manchester City Council	33. Walsall Borough Council
16. North Tyneside Borough Council	34. Wigan Borough Council
17. Newcastle Upon Tyne City Council	35. Wirral Borough Council
18. Oldham Borough Council	36. Wolverhampton City Council

London boroughs (32)

1. Barking and Dagenham	17. Hounslow
2. Barnet	18. Islington
3. Bexley	19. Kensington and Chelsea
4. Brent	20. Kingston upon Thames
5. Bromley	21. Lambeth
6. Camden	22. Lewisham
7. Croydon	23. Merton
8. Ealing	24. Newham
9. Enfield	25. Redbridge
10. Greenwich	26. Richmond upon Thames
11. Hackney	27. Southwark
12. Hammersmith and Fulham	28. Sutton
13. Haringey	29. Tower Hamlets
14. Harrow	30. Waltham Forest
15. Havering	31. Wandsworth
16. Hillingdon	32. Westminster

Unitary authorities (55)

1. Bath and North East Somerset Council	29. North Somerset Council
2. Bedford Borough Council	30. Northumberland County Council
3. Blackburn with Darwen Borough Council	31. Nottingham City Council
4. Blackpool Council	32. Peterborough City Council
5. Bournemouth Borough Council	33. Plymouth City Council
6. Bracknell Forest Borough Council	34. Poole Borough Council
7. Brighton and Hove City Council	35. Portsmouth City Council
8. Bristol City Council	36. Reading Borough Council
9. Central Bedfordshire Council	37. Redcar and Cleveland Borough Council
10. Cheshire East Council	38. Rutland County Council
11. Cheshire West and Chester Council	39. Shropshire Council
12. Cornwall Council	40. Slough Borough Council
13. Durham County Council	41. Southampton City Council
14. Darlington Borough Council	42. Southend-on-Sea Borough Council
15. Derby City Council	43. South Gloucestershire Council
16. East Riding of Yorkshire Council	44. Stockton-on-Tees Borough Council
17. Halton Borough Council	45. Stoke-on-Trent City Council
18. Hartlepool Borough Council	46. Swindon Borough Council
19. Herefordshire Council	47. Telford and Wrekin Borough Council
20. Isle of Wight Council	48. Thurrock Council
21. Hull City Council	49. Torbay Council
22. Leicester City Council	50. Warrington Borough Council
23. Luton Borough Council	51. West Berkshire Council
24. Medway Council	52. Wiltshire Council
25. 1 Middlesbrough Borough Council	53. Windsor and Maidenhead Borough Council
26. 1 Milton Keynes Council	54. Wokingham Borough Council
27. 1 North East Lincolnshire Council	55. City of York Council
28. North Lincolnshire Council	

County councils (27)

1. Buckinghamshire County Council	15. Lincolnshire County Council
2. Cambridgeshire County Council	16. Norfolk County Council
3. Cumbria County Council	17. North Yorkshire County Council
4. Derbyshire County Council	18. Northamptonshire County Council
5. Devon County Council	19. Nottinghamshire County Council
6. Dorset County Council	20. Oxfordshire County Council
7. East Sussex County Council	21. Somerset County Council
8. Essex County Council	22. Staffordshire County Council
9. Gloucestershire County Council	23. Suffolk County Council
10. Hampshire County Council	24. Surrey County Council
11. Hertfordshire County Council	25. Warwickshire County Council
12. Kent County Council	26. West Sussex County Council
13. Lancashire County Council	27. Worcestershire County Council
14. Leicestershire County Council	

District councils (201)

1. Adur District Council	33. Chesterfield Borough Council
2. Allerdale District Council	34. Chichester District Council
3. Amber Valley Borough Council	35. Chiltern District Council
4. Arun District Council	36. Chorley Borough Council
5. Ashfield District Council	37. Christchurch Borough Council
6. Ashford Borough Council	38. Colchester Borough Council
7. Aylesbury Vale District Council	39. Copeland Borough Council
8. Babergh District Council	40. Corby Borough Council
9. Barrow-in-Furness Borough Council	41. Cotswold District Council
10. Basildon Borough Council	42. Craven District Council
11. Basingstoke & Deane Borough Council	43. Crawley Borough Council
12. Bassetlaw District Council	44. Dacorum Borough Council
13. Slaby District Council	45. Dartford Borough Council
14. Bolsover District Council	46. Daventry District Council
15. Boston Borough Council	47. Derbyshire Dales District Council
16. Braintree District Council	48. Dover District Council
17. Breckland District Council	49. East Cambridgeshire District Council
18. Brentwood Borough Council	50. East Devon District Council
19. Broadland District Council	51. East Dorset District Council
20. Bromsgrove District Council	52. East Hampshire District Council
21. Broxbourne Borough Council	53. East Hertfordshire District Council
22. Broxtowe Borough Council	54. East Lindsey District Council
23. Burnley Borough Council	55. East Northamptonshire District Council
24. Cambridge City Council	56. East Staffordshire Borough Council
25. 1 Cannock Chase District Council	57. Eastbourne Borough Council
26. 1 Canterbury City Council	58. Eastleigh Borough Council
27. 1 Carlisle City Council	59. Eden District Council
28. Castle Point District Council	60. Elmbridge Borough Council
29. Charnwood Borough Council	61. Epping Forest District Council
30. Chelmsford City Council	62. Epsom & Ewell Borough Council
31. Cheltenham Borough Council	63. Erewash Borough Council
32. Cherwell District Council	64. Exeter City Council

District councils (201)

65. Fareham Borough Council	97. Maldon District Council
66. Fenland District Council	98. Malvern Hills District Council
67. Forest Heath District Council	99. Mansfield District Council
68. Forest of Dean District Council	100. Melton Borough Council
69. Fylde Borough Council	101. Mendip District Council
70. Gedling Borough Council	102. Mid Devon District Council
71. Gloucester City Council	103. Mid Suffolk District Council
72. Gosport Borough Council	104. Mid Sussex District Council
73. Gravesham Borough Council	105. Mole Valley District Council
74. Great Yarmouth Borough Council	106. North Devon District Council
75. Guildford Borough Council	107. North Dorset District Council
76. Hambleton District Council	108. North East Derbyshire District Council
77. Harborough District Council	109. North Hertfordshire District Council
78. 1 Harlow District Council	110. North Kesteven District Council
79. 1 Harrogate Borough Council	111. North Norfolk District Council
80. 1 Hart District Council	112. North West Leicestershire District Council
81. 1 Hastings Borough Council	141. South Holland District Council
82. 1 Havant Borough Council	142. South Kesteven District Council
83. 1 Hertsmere Borough Council	143. South Lakeland District Council
84. High Peak Borough Council	144. South Norfolk District Council
85. Hinckley and Bosworth Borough Council	145. South Northamptonshire District Council
86. Horsham District Council	146. South Oxfordshire District Council
87. Huntingdonshire District Council	147. South Ribble Borough Council
88. Hyndburn Borough Council	148. South Somerset District Council
89. Ipswich Borough Council	149. South Staffordshire District Council
90. Kettering Borough Council	150. Scarborough Borough Council
91. Kings Lynn & West Norfolk Borough Council	151. Sedgemoor District Council
92. Lancaster City Council	152. Selby District Council
93. Lewes District Council	153. Sevenoaks District Council
94. Lichfield City Council	154. Shepway District Council
95. Lincoln City Council	155. Spelthorne Borough Council
96. Maidstone Borough Council	156. St Albans City Council

District councils (201)

157. St Edmundsbury Borough Council	188. Waveney District Council
158. Stafford Borough Council	189. Waverley Borough Council
159. Staffordshire Moorlands District Council	190. Wealden District Council
160. Stevenage Borough Council	191. Wellingborough Borough Council
161. Stratford on Avon District Council	192. Welwyn Hatfield Borough Council
162. Stroud District Council	193. Weymouth & Portland Borough Council
163. Suffolk Coastal District Council	194. Winchester City Council
164. Surrey Heath Borough Council	195. Woking Borough Council
165. Swale Borough Council	196. Worcester City Council
166. Tamworth Borough Council	197. Worthing Borough Council
167. Tandridge District Council	198. Wychavon District Council
168. Taunton Deane Borough Council	199. Wycombe District Council
186. Warwick District Council	200. Wyre Borough Council
187. Watford Borough Council	201. Wyre Forest District Council



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