

Productivity Work Programme

Purpose of report

This report updates the Board on the progress being made in the Productivity Programme, and sets out under each main area of activity our plans for work in 2014/15.

Recommendations

That the Board:

1. Note the updates to the Programme, and comment on the forward programme for 2014/15 as set out under each main programme heading.
2. Note the allocation of awards in the Growth Adviser programme, as set out in **Appendix A.**

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Productivity Programme Update

Background

1. The Board have previously approved the Productivity Programme to develop and operate a range of programmes to improve productivity and efficiency in councils. This report provides an update of that programme, and a forward look into 2014/15.
2. The LGA productivity web-page is the most accessed URL; it has been renamed 'productivity and commissioning' and now collates the various different initiatives that the LGA provides around commissioning, such as the Commissioning Academy and the Keep it REAL support programme. This is in response to a number of requests from councils on the LGA commissioning offer, and will make it easier for councils to access information on support in this area (previously found in an obscure part of the website). The page location has not changed: www.local.gov.uk/productivity

Capital & Assets, and Economic growth

Economic Growth Advisers Programme

3. The Board will recall that the LGA launched its prospectus for the Economic Growth Adviser programme in June, with the aim being to offer direct bespoke support and advice to local authorities to help them generate economic growth in their area. The LGA put together a panel of qualified Experts/ Advisers with a proven track record in their field and with the expertise and proven ability to work with local authorities to deliver results.
4. A very large number of councils responded: over 90 including other public bodies such as National Parks Authorities, in 75 separate bids. An extensive shortlisting exercise took place; matching of advisers to needs was carried out; and 29 successful applicants involving 38 authorities and partners were notified last month.
5. The most common requests for support were in the fields of inward investment and business engagement but high quality bids were also received from rural and coastal areas. A full list of successful authorities is contained in **Annex A**.

One Public Estate

6. Members will be aware that the LGA is running a 'capital & assets' programme on behalf of the Cabinet Office called *One Public Estate*, following the successful first three waves run by the LGA.
7. It was reported at the last Board meeting that discussions were being held with Cabinet Office about the level of resources being made available to the 12 pilot local authorities and these have now been increased from around £23,000 each, to around £40,000 each.

Looking Forward to 2014/15

Strategic Land Review

8. Members may be aware that the 2013 Spending Review, *Investing in Britain's Future*, contained a commitment to realise £5bn worth of public sector land between 2015-2020 for more productive economic use in the public and private sectors; it is estimated that the public sector holds up to 40 per cent of developable sites in Britain. The Cabinet Office have asked the LGA to run this programme, and other land and property initiatives that may arise, and discussions are on-going as to the precise terms for this work.

Future Ways of Working

The Productivity Expert Programme

9. The Productivity Expert programme allocates funding to councils to enable them to engage an expert in their field to provide the necessary skills and expertise to help deliver efficiency savings. Seven expert appointments, covering 10 councils have been assessed: for an LGA investment of £46,000 efficiency savings of £25 million have been identified and are being delivered by councils. Details were reported to the September Board meeting and can be found on the productivity page of the LGA website.

Customer Led Transformation

10. Between 2009 and 2011, the Customer-Led Transformation programme supported by the LGA, invested £7 million from the Efficiency and Transformation Capital Fund to support councils embed the use of customer insight and social media tools and techniques as part of their approach to transforming local services. The aim was to help councils engage with and understand their customers better and to drive the re-design of local services, making them more targeted and efficient.
11. The LGA delivered this programme managing the 63 projects which were selected against criteria that promoted efficiency, enhanced citizen empowerment and addressed a major priority facing local service providers, whether this was reaching particular customer groups such as vulnerable older people, or tackling a 'wicked problem' such as worklessness. The projects were led by councils and involved local partners from the public, voluntary and community and private sectors. Detailed case studies for the completed projects are on the LGA website.
12. Officers have just carried out an evaluation of this programme and will launch the findings in a report at an event on December 3, as well outlining the benefits these projects delivered to customers and the community, to councils and their partners.
13. The evaluation highlights that the programme helped deliver over £311 million of financial benefit to the public and public services.

Looking Forward to 2014/15

Shared Services

14. The Team produce an annual map of all notified shared service arrangements between councils in England which between 2011 and 2012 had increased from 173 arrangements saving £165m, to 281 saving £263m. This map will be refreshed again in the New Year and it will be an interesting proxy of the state of financial health of English local government. One of the Principal Advisers coordinates a meeting of Shared Chief Executive arrangements, to which Leaders are also invited.

Innovation

15. The aim for the next phase of innovation activity at the LGA is a more co-ordinated approach across the organisation with greater focus on dissemination of the good practice examples which produce the largest cost reductions. We are evaluating the scope to launch one new programme focussing on a particular service area for a safe space, incubation approach to innovation. There is a need to strengthen the links and evidence of innovation leading to savings and improved outcomes for local people. Shifting the perception of innovation from a “nice to do” to being vital for the future survival of public services.

Income Generation

16. As councils are facing a 40% decrease in their funding they are starting to look at the income as well as the expenditure side of the balance sheet in order to protect valuable frontline services. A more commercial approach to their activities requires both ensuring better outcomes for citizens as well as a close alignment to their corporate plans and objectives - and it needs to be significant.
17. The matter of increasing fees and charges are for councils to decide locally and not for the LGA to comment on.
18. Our research so far shows that Councils' income generation activity falls broadly into the following three areas:
 - 18.1 Generating income through council assets, for example, buildings, parks and open spaces but also through staff, knowledge and experience.
 - 18.2 Through service delivery by trading services with other councils or winning new business to deliver services to other parts of the public sector.
 - 18.3 Through selling commodities e.g. recyclables and other waste.
19. The LGA is supportive of relevant and significant income generation initiatives and is hosting an event at the LGA offices on the 13th January 2014 entitled “Councils innovating to generate income.”

Children's, Families and Adults

ASCE Programme

20. The Board will recall that the LGA Adult Social Care Efficiency (ASCE) Programme was launched early in 2012, and that an interim report was produced in July 2013. It captures the lessons from the first year of the delivery phase, and develops evidence about how savings can be delivered for the benefit of all local authorities.
21. Efficiency savings in the first year were an average 5.7% of the budget, with the modal (most frequently reported) saving being 7%, in line with the recent ADASS Survey of Local Authority efficiency savings.
22. At present the Councils are projecting a further saving of 5.7% for 2013/14, 5.3% for 2014/15 and 4.9% for 2015/16, however these figures are likely to have increased following the Spending Review. Last year the majority of the savings were achieved by reviewing packages of care, improving procurement processes and cutting services. Participants on the programme project that future savings will be achieved by managing demand for services and focusing on preventative activity to reduce the reliance on state funded support.

Looking Forward to 2014/15

23. The 'Interim Position' report for the Adult Social Care Efficiency Programme identified learning disability services as an on-going challenge for local authorities. The number of adults with learning disabilities is increasing, and the needs of these adults are becoming increasingly complex, with costs rising accordingly.
24. A new research study commissioned by the Local Government Knowledge Navigator reveals that 29,000 adults with a learning disability live with parents aged 70 or over and only one in four of these people has a contingency plan in place for future care.
25. There is a strong rationale for supporting the sector to identify new models of care that promote well-being and independence and at the same time deliver the efficiency savings required at this time. The Productivity Team are currently working to secure sponsorship to develop this strand of work, which is being supported by the Department of Health. An event is being planned for January to help shape the future work and to share lessons from the ASCE programme and from the wider sector to date, and further activities will follow.

Commissioning and Procurement

New EU Procurement Directives

26. Members will be aware of the work being undertaken by our Brussels office on the revised EU procurement directives; these were reported to the Board in July. The changes seek to support UK Government priorities of economic growth and deficit reduction by making the public procurement process faster, less costly, and more

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effective for business and procurers alike. For councils, this means being able to run procurement exercises faster, with less red tape, and more focus on getting the right supplier and the best tender. For suppliers, the process of bidding for public contracts should be quicker, less costly, and less bureaucratic, enabling suppliers to compete more effectively.

27. Member States are required to transpose the directive, by making national implementing regulations within 2 years from the date of EU adoption. However, Cabinet Office is looking to transpose these directives early (in 2014) so that we can take advantage of the additional flexibilities in the new rules as soon as possible.
28. We are currently being consulted by Cabinet Office on a number of different 'policy choices' within the new directives (the rules allow for a degree of flexibility on these particular rules). We are working with our sector led National Advisory Group (NAG) and SOPO, the professional association, to formulate the local government response to the following consultations:
 - 28.1 Termination of Contracts;
 - 28.2 Provisions related to SME access to public contracts;
 - 28.3 Procedures;
 - 28.4 The new 'light touch' rules regime for health, social and other services.
29. Officers will keep the Improvement and Innovations Board informed of progress and any issues that need their input.

Procurement Category Management Pilots

30. In 2012, the LGA funded a programme to encourage the development of innovative and replicable category management procurement initiatives. From a strong field of applicants the LGA identified eight projects (involving over 70 councils) and each project received £20,000 to support their approach.
31. Each project agreed to work with the LGA to capture and share their learning to help other councils replicate the benefits realised and to raise awareness and share good practice across the local government sector. The programme covered a range of services across the procurement spectrum from the development of a spend analysis tool to understand current spend, through to developing better contract management processes once the procurement process was completed and the contract in place.
32. The projects have now been completed and we will be publishing a report setting out the results so far later in November. The review has identified the following four key factors for success:
33. Leadership: Major procurements across a number of organisations take time. They require leadership and commitment from all the partners involved to drive through. This includes making sure that the support and commitment is in place at senior level, both political and managerial, in all the partner organisations.

34. Scoping: To ensure that the specification for the goods/service delivers what the client requires, it is important to invest time up front to develop this properly. Getting the requirement right, developing the opportunities for wider collaboration, identifying and building on what has worked well elsewhere and engaging with suppliers to understand what they can offer are all vital ingredients.
35. Resourcing: Like any project, collaborative procurements need upfront investment in time and resources to ensure it delivers the benefits through the life of the resulting contracts.
36. Stakeholder engagement: Collaborative procurement, by its very nature, is likely to have a wide group of stakeholders from the partner organisations involved in the procurement exercise right through to the customer for the service being provided. Knowing who, when and how to involve them, is again a key factor for success.

National Procurement Strategy

37. Members will recall that Andrew Smith, Chief Executive of Hampshire County Council, led an investigation on behalf of the LGA's Productivity Programme, into the potential opportunities for councils to collaborate more in the purchase of goods and services in the big spend categories – this approach is often referred to as 'category management'. Deloitte were appointed and produced a draft Local Government Procurement Strategy, 'The Case for Change' which was reviewed by the LGA Improvement and Innovation Board, and a group of senior procurement officers who sit on the LGA National Advisory Group (NAG).
38. The report highlighted three broad themes for the sector to focus on:
 - 38.1 One Cohesive Voice – influencing policy and responding to key issues as a collective local government procurement group.
 - 38.2 Procurement at the Top Table – gaining recognition of procurement as strategically important (engaging support from senior councillors and officers).
 - 38.3 Strategic Category Management – leadership of key spend categories across the sector to drive market management, develop new models of service delivery and deliver policy through procurement.
39. LGA officers have been working with NAG to take these findings forward:
40. Strategic Category Management - the following councils and have taken the lead with the LGA and the sector, and the appropriate procurement organisations, to carry out a stronger analysis of the potential for collaboration in the three big spend categories:
 - 40.1 Energy – Bristol City Council
 - 40.2 Construction - Lincolnshire Procurement partnership (lead council Lincolnshire County Council)
 - 40.3 ICT - LB Camden
41. Energy spend by councils is thought to amount to around £1.1bn per annum, and officers and the sector have concluded that the nature of the supply market makes further collaboration in purchasing of only limited value in achieving savings. The supply market

is heavily influenced by two factors: a small number of large providers, and by global movements in production outputs. Concerning the former, it is perhaps of little surprise that DECC have concentrated on supporting various 'collective switching' (or: 'reverse auctions') arrangements given the limited impact OFGEM and regulation has had on price. Similarly, Members will be aware of the very significant impact global confrontation in oil producing areas, or new energy sources such as shale gas in the US, can have on price. As a result the NPS will concentrate on:

- 41.1 Issuing a Buying Guide for councils on energy buying by end of November 2013 - better tariff management will result in savings.
 - 41.2 A closer working relationship with suppliers to enable a better understanding of how the market operates to maximise savings.
 - 41.3 There are existing collaborative arrangements in energy purchasing: 313 councils purchase through a consortia of some kind, with 77% of them purchasing through just four consortia. Given the cost of energy buying, some further rationalisation may be worthwhile, and discussions will continue with the sector on this through the autumn.
42. Members will also be aware that the LGA runs a Collective Switching Scheme with Peterborough Council - the scheme continues with 3 rounds complete, and a 4th round now underway, and has signed up over 35,000 people; those who actually switched have made an average annual saving of £109. The LGA is also participating in a major retrofit programme with the Energy Technology Institute (ETI), a government quango.
43. ICT procurement by councils is valued at around £2.2bn per annum nationally with all core markets in hardware, software and telecoms dominated by the same small pool of national and multi-national suppliers across the country. The current fragmentation of council engagement with this supplier base means a significant loss of leverage which creates costs, inhibits service, and reduces the public sector ability to drive innovation by demanding new technology delivery models. There is a clear opportunity to drive savings through joint procurement and supplier relationship management, and officers leading on this workstream believe that the potential savings are within a range of 5%-10% and are developing the following:
- 43.1 Sector wide MoUs with renegotiated rates for specific IT suppliers for councils working with these suppliers to use – two are already in place for Northgate and Capita.
 - 43.2 A new Local Government Software Application procurement framework (by December 2013).
 - 43.3 SOCITM sponsorship and support, including an active governance panel comprising CIO representation from each region to drive a national approach.
44. Construction amounts to around £10.3bn of council spend. The 'Government Construction Strategy' was published in May 2011 with the intention of achieving 15%-20% savings in government construction schemes. BIS and DCLG have been keen that local government adopt many of the strategy's proposals, but the sector have advised that there is a significant difference in the two sectors' procurement, and that the lessons might not translate as simply as Government believes. Firstly, central government construction is worth 11 times that of local government and is increasing; local

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government construction is declining (particularly as school procurement moves out of LA control) and tends to relate to much smaller, less complex, schemes such as housing, roads, etc. As a result, profit margins tend to be much lower in local government construction programmes, with the bigger wins being potentially in the supply chain. As a result the NPS priorities revolve around:

- 44.1 Establishing a comprehensive database of current construction frameworks in September 2013 to assess their value.
- 44.2 Discussions with the major materials suppliers to establish whether a more efficient 'call-off' contract for the sector could achieve major savings.
- 44.3 A simpler route in to council construction contracts with one standard pre-qualification questionnaire for construction – PAS 91 for all council construction.

Procurement at the Top Table:

- 45. Trish Haines, Chief Executive of Worcestershire County Council, has agreed to act as a lead on this agenda with the support of the LGA, to highlight procurement as a strategic priority for councils. She will be delivering the keynote address at the annual SOPO conference in November with Councillor Peter Fleming.
- 46. The LGA has recently revised and published, 'A Councillor's Guide to Procurement' which explains the commissioning cycle, procurement processes, and highlights critical success factors.

Contract Management

- 47. Contract Management was identified in the NPS as an important work stream for councils to help them work more effectively with their suppliers and better manage their costs once the contract is up and running. The LGA has been working with the Audit Commission, who carried out research on the different approaches applied by different councils to produce a report to highlight the benefits and show case examples of good practice.
- 48. The report will be launched at the Society of Procurement Officers (Sopo) annual conference on 11 November. However we also want to make sure that the learning from these examples and the principle of good contract management are picked up and used by other councils so will promote it more widely.

Commissioning Academy

- 49. The Commissioning Academy pilots completed in April 2013 and the pilot participants now form the first members of the Commissioning Academy alumni. The Alumni are continuing with implementation of their 100 Day Plans and are enthusiastic supporters of the Commissioning Academy, 'giving back' to the programme for example by providing speakers and site visits. In total 23 councils have taken part in the academy - both as pilots and as part of the rollout.

Looking Forward to 2014/15

Procurement fraud

50. According to 'Fighting Fraud Locally' Procurement fraud costs local government some 10 per cent of spend or £890 million per year. We do not have up to date primary data nor evidence to support this figure, although joint research by CIPS and CIPFA (2011) of procurement in all sectors found that almost one in ten respondents (9.3 per cent) confirmed that their organisation had suffered at least one procurement fraud in the last year and more than two-fifths (40.7 per cent) said that spend on construction is at greatest risk from procurement fraud.
51. The Productivity team is currently considering how best the LGA could help councils by signposting them to the NAG guidelines when they are published; working with CIPS and CIPFA to repeat their 2011 survey (but just with public sector); and pulling together a general guidance leaflet which would be published through NAG.

Spend Survey

52. The LGA and sector are regularly subject to requests for spend information or have to counter figures that are estimated/created by consultants and used against the sector.
53. The Productivity Team propose to create a survey to send to all English Councils which will give the sector top line procurement spend data. This will be separate to (but recognise the findings of) the FSB/NCVO surveys. The purpose is to provide the sector with top line data that we can use to quantify:
- 53.1 the amount of procurement spend of English local authorities by category
 - 53.2 the amount of spend with different types of suppliers – SMEs, voluntary sector organisations (to help with Social Value Act); and
 - 53.3 The amount of spend 'locally'

Waste and Housing

Waste

54. Monetising Waste: Members may recall that at September's Improvement Board approval was granted to progress the soft marketing phase of the Monetising Waste Programme. Research commissioned by the LGA showed that some councils received as much as £55 per tonne for their recyclates, whilst others paid as much as £73 per tonne to have them taken away. The average UK gate fee for councils was £9 per tonne paid to take recyclates away – this compares with an average income in 2011 paid by MRFs (Materials Recovery Facility) to councils of £26 per tonne.

55. The proposal to the sector is that the Productivity Team look to fund a contract renegotiation expert with a number of councils, and share in the savings achieved. This would be a different model than in the past: generally the LGA has worked by grant aiding individual councils, with all the financial benefits being retained by the local authority. However, the potential gains from a renegotiated waste recycles contract are very considerable; our analysis shows that working with 25 councils delivering around 25,000 tonnes of recycles per annum could achieve savings of over £10m to those councils. This is a conservative estimate.
56. As this is a new approach to seeking productivity improvements with our member councils, officers will “market test” the approach before launching a formal programme by way of a prospectus, and inviting councils to apply. Feedback of the soft marketing test will be provided at a future board meeting.
57. Waste Innovation Programme: The Waste Innovation Programme is a pilot set up to investigate the impact of the use of Food Waste Disposers (FWDs) in kitchen sinks, enabling households to dispose of food waste through the waste water stream without the need for it to be collected. Food Waste equates to around a fifth of council’s landfill costs, and approximately 70% of the content of food waste is water.
58. The programme is run across 2 sites the first in Shrewsbury, Shropshire and the second in Rissington in the Cotswolds. To date over 150 properties have been fitted with FWDs across both sites, with this rising to 350 properties by April 2014.
59. A Monitoring exercise commenced at the Shropshire site in April 2013 and chiefly consists of monthly CCTV surveys and wastewater sampling in the sewers. To date there have been no identifiable negative impacts on the sewer system; the sampling regime is set to run until March 2014 in order to capture any long-term effects. Monitoring at the Rissington site commenced in September 2013.

Looking Forward to 2014/15

Housing

60. The Productivity Team will be working with the Finance and Policy Team to jointly develop an institutionally funded housing offer for a group of local authorities. The intention would be to form a consortium of local authorities who have land and housing need, and who wish to access significant development funds. The project will also deliver examples of housing investment partnership models and advice for local authorities on options, risks, opportunities and barriers.
61. This work will be delivered jointly with and will complement the wider work being led by the Environment and Housing Board to demonstrate that councils and ALMOs are ideally placed to invest in housing and can do so in a way that delivers value for money for the public purse. A combination of research activity and soft market testing with both councils and potential funders is planned between November and January, with the aim of more formally engaging both sectors later in the New Year.

Financial Implications

62. The draft business plan for 2013/14 includes resources to develop the productivity programme to support councils improve productivity. Capacity to support the programme has also been built into the LGA budgets and business plan.

Appendix A

List of Growth Adviser Councils

Council	Type	Region
Peak District Partnership Derbyshire Dales District Council, High Peak Borough Council and Staffordshire Moorlands District Councils and the Peak District National Park Authority.	Shire District	East Midlands
Bolsover District Council and North East Derbyshire District Council	Shire District	East Midlands
Basildon Council	Shire District	East of England
Ipswich Borough Council	Shire District	East of England
Maldon District Council	Shire District	East of England
Babergh District Council and Mid Suffolk District Council	Shire District	East of England
South Norfolk Borough Council	Shire District	East of England
Stevenage Borough Council	English Unitary	East of England
Waltham Forest Council	London Borough	London
Barking and Dagenham	London Borough	London
Kensington and Chelsea	London Borough	London
Gateshead Council	Metropolitan District	North East
Hartlepool Borough Council	English Unitary	North East
Stockton Borough Council	English Unitary	North East
Sefton Metropolitan Borough Council	Metropolitan District	North West
Eden District Council	Shire District	North West
Wyre District Council	Shire District	North West
Arun District Council	Shire District	South East
East Hampshire District Council	Shire District	South East
Canterbury City Council	Shire District	South East
Cherwell District Council, South Northants District Council and Stratford-on-Avon District Council	Shire District	South East
Epsom and Ewell	Shire District	South East

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Reading Borough Council	English Unitary	South East
Cornwall Council	English Unitary	South West
Exeter, East Devon, Teignbridge and Devon County	Shire District	South West
Mendip District Council	Shire District	South West
Worcestershire	Shire County	West Midlands
Hull City Council	English Unitary	Yorkshire and the Humber
Rotherham Met Borough Council	Metropolitan District	Yorkshire and the Humber