

Update on the Local Productivity Programme

Purpose of report

For decision and guidance.

Summary

This report updates the Board on steps to ensure strong member involvement in the second phase of the Local Productivity Programme and invites members to steer the direction of work on one of the three main themes, around market management and procurement.

Recommendations

The Board is asked to:

1. note the steps being taken to secure strong member oversight of Phase 2;
2. steer the initial direction of the work on market management and procurement – as set out at paragraphs 7 and 8;
3. agree to receive further reports on the other two themes once the initial member scoping discussions have taken place;
4. agree the proposals for coordinating our work across the Group on the removal of barriers to productivity set out at paragraph 4 in **Appendix A**.

Action

As directed by the Board.

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Local Productivity Programme

Background

1. Phase one of the local productivity programme is now drawing to a close. The nine phase one workstreams are working towards the completion of their deliverables nearly all of which will be ready on time for the Improvement and Innovation conference on the 22 March.
2. Overall phase one has largely delivered on its stated objectives of:
 - 2.1 identifying existing good practice and 'tried and tested' methods to support councils in making gains, and,
 - 2.2 helping councils and their partners to develop the benchmarking and unit cost information needed to drive greater efficiency.
3. Further details of how the Phase 1 work is being mainstreamed are set out at Appendix A **attached** along with an update on other Productivity related support for councils and details of how this work will be communicated and promoted to councils.

Progress in initiating phase two of the programme – the three big win areas

4. As agreed at the January Improvement Board, phase two of the programme will focus on three "big win" areas. Details on progress being made, including progress with developing strong member governance of the second phase of the programme, is set out below.

Theme 1: Market management, purchasing, capital and assets

5. **Background:** This programme builds on the work of the procurement and capital assets work-stream which was leading to the:
 - 5.1 the establishment of a 'procurement hub';
 - 5.2 prioritising a small number of high opportunity procurement categories,
 - 5.3 exploring the scope for potential savings through procurement at scale.
6. **Member Governance:** It is proposed that, in the first instance, member governance of this theme is provided by the Improvement Programme Board itself.

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7. **Suggested way forward:** In order to assist the Board the LG Group hosted a seminar with a number of Council Leaders, Chief Executives and purchasing organisations. The key issues and propositions emerging from these discussions are set out below and the Board is asked to comment on and agree the recommended way forward.
8. Key propositions:
 - 8.1 With nearly half of councils' expenditure given over to external goods and services the key challenge is to maximise savings in this area.
 - 8.2 Local government should aim for at least 15% or more, savings from third-party expenditure. Similar levels of savings have been secured by large private sector organisations.
 - 8.3 Many councils lack the scale and procurement resource to maximise cost reductions. More significant savings can be achieved through collaboration at national and sub-national level.
 - 8.4 One way of achieving this is by working with existing hubs or creating new hubs where there is a clear need for different categories of expenditure at the right spatial or cost level.
 - 8.5 In order to support this work a small team or resource should be commissioned nationally for local government by the LG Group. This would be charged with developing the most appropriate arrangements for different categories of expenditure and sound evidence-based proposals likely to secure maximum buy-in from councils.
 - 8.6 This small national resource would ensure that, as a sector, we manage our supply chain and negotiate a better overall deal with the sector's major contractors based on better intelligence about where we spend our money. It would work with the RIEP legacy arrangements and it is conceivable that for some categories one region or authority could act as a lead across the country. A key part of the role will be to increase member understanding and council take up of the best procurement offers.

Members are asked to comment on this proposed way forward.

Theme 2: Future ways of working

9. **Background:** This programme - will consider the learning and evidence from phase one work on Workforce and Skills, Shared Services and New Markets and Models.

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10. **Member Governance:** It is proposed that member direction of the Future ways of working programme be provided by a small Member Design Group that will shape the programme overall and, in particular, ensure better engagement with members. The political group offices are being consulted on the composition of this group.
11. In addition – and in order to support the Member Design Group - the programme will engage a wider group of councillors, together with chief officers, to contribute to developing thinking through action learning groups and a series of high level summits to explore radical future organisational and governance arrangements and how they can be used to drive improved productivity. This programme will involve, where appropriate, private, third sector and Whitehall colleagues. A proposed date for a first summit has been set for the 23 May and members of the Improvement Board and of the LGA Executive will be invited to attend.
12. A full report will be brought to the Board after the first meeting of the Member design Group.
13. In addition we have begun discussions with the Local Government Delivery Council (LGDC) about the work that it oversees, some of which was funded by CLG, can be integrated with and continue to support the objectives of the Local Productivity Programme. The LGDC is made up of both local and central government representatives together with representatives from the voluntary sector and Consumer Focus. LGDC primarily seeks to support work to transform local public services. Their core areas of focus are the ‘enablers’ for transforming local public services including:
 - 13.1 Technology - how it can enable service transformation both for the citizen and for those delivering local public services
 - 13.2 Data – how we capture, manage and share it securely and effectively
 - 13.3 New ways of working – including shared services, placed-based working, Tell Us Once, etc.

Theme 3: Children, adults and families programme

14. **Background:** work in this area will be focused on three or four key interventions that are most likely to produce big savings for councils. These may, for example, be aimed at speeding up the transition to new user pathways and delivery models across the ‘people services’ of children’s services and adults’ social care.
15. **Member Governance:** As agreed at the January Board meeting, member governance for the children, adults and families programme will

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be through the LG Group Children and Young People and the Community Well-being Programme Boards. An initial workshop will be held with representatives of the Boards to scope the areas of focus, consider the best ways of delivering on them and agree governance arrangements for the programme. The workshop will also involve both the phase one member champions for the relevant workstreams (so they can feed in their perspectives based on the work done so far).

16. In advance of the workshop we are also reviewing what has come out of the phase one workstreams - as they had begun to consider the best areas to pursue for big wins - and also what is known by sector and other relevant bodies. This review will inform the discussions at the workshop.
17. A full report will be brought to the Board after the workshop.

Financial Implications

18. The business plan for 2011/12 includes resources to develop the programme and support councils. Capacity to support the programme has also been built into the proposed new LG Group structure and accompanying budgets.

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Appendix A

A. Progress in mainstreaming the work on barriers and burdens, data and transparency and democratic leadership

1. It was agreed by the Board at its last meeting that the LG Group should mainstream support based on the outputs of the three workstreams not directly covered in phase two of the programme: barriers and burdens, democratic leadership and data and transparency. Progress is being made in the following areas:
2. The **barriers and burdens** workstream will finish in its current form. The existing work will continue to be progressed by Communities and Local Government, who will liaise with other departments. Member oversight will remain but in a more streamlined form, with Cllr Shortland as the Local Government lead.
3. The workstream identified a number of issues and after discussions with Cllr Jill Shortland, the member champion for this area the issues below have been identified as those that will be prioritised:
 - data sharing and reducing data burdens;
 - the tax regime and outsourcing;
 - employment issues, including TUPE; and
 - simplifying procurement and commissioning.
4. It is proposed that arrangements be developed in the new LG Group structure to coordinate our work across the Group on the removal of barriers to productivity; that this is aligned with the Group's existing work on the new burdens mechanism (which assesses costs of new initiatives and builds them into the government finance settlement) and that regular progress reports are submitted to the Improvement Board.
5. **Data and Transparency.** The **Local Government Group Inform service** is an online service that will allow councils to access and compare data and present findings. The service will help councils build the evidence required to make informed decisions, reduce costs and improve services. We are currently developing a series of productivity guides that will be made available as part of Inform for use by the sector. The guides will be focused on larger spend areas, and areas where developed productivity metrics already exist. Draft guides are being developed for a number of key areas including adult social care, children's services and workforce and skills. The first set of guides will be complete by the end of March.

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6. **Developing democratic leadership** The Democratic Leadership workstream has contributed important learning about the skills, knowledge and behaviours politicians will need to lead resilient organisations into the future, and to equip themselves for the judgements and decisions they will need to make and see through to completion. This will now be put into practice – through both the leadership offer of the LG Group and a redesigned peer challenge and peer support process – ensuring that member peers can offer a range of practical and expert support to authorities facing productivity challenges. A development session for peers is currently being designed to equip them to support members with the productivity challenges.

B. Update on other LG Group productivity support for councils

7. The library of **Productivity Opportunities** based on the learning from phase one and drawn from elsewhere continues to be developed. There will be 100 of these available to councils on line by the end of March. In a further development we will work with a few councils to pilot how they can consider and apply the ‘productivity opportunities’ identified in phase one.
8. An area of particular interest is **shared services and shared management** arrangements between councils. Discussions are underway with the member champion for this area, Councillor Gary Porter, about the development of a programme of support for Members in authorities considering going down this route.
9. As part of the Local Productivity Programme we will be consulting on and establishing a **network for resources portfolio-holders**. This will be established and supported by the Local Productivity Programme but will also work with relevant officers across the group and focus on additional areas of interest to this key group of members.
10. The new **peer challenge offer as part of Taking the Lead** will include an emphasis on productivity. In addition we will be offering a paid for peer challenge focused on increasing productivity with local partners.
11. The **productive places programme** has been working with a number of local authorities and their partners and has been taking place based approach to improving productivity. Examples include working with Wigan – one of the capital assets pathfinders who were provided with peer support from Hampshire, and an action learning set on data sharing and performance management which led to a bespoke peer learning event in Blackburn and Darwin in February. A report sharing the learning on the productive places work is in production.

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12. **Innovation.** The Group has also commissioned DEMOS to undertake a review of innovative solutions to the marketisation of the public sector that will capture barriers to improved productivity and how councils respond to them. We expect an interim report in late Spring, and a full report by the Autumn.
13. We have undertaken a number of **safer community peer challenges** with an **emphasis on improving productivity** that have been funded through the Innovation Awards scheme. The reviews produce specific costed options for how services might be delivered in the future. Early examples include Hertfordshire County Council where our recommendations have been implemented and have saved them £400k per year, and a joint review of two districts, Chelmsford and Maldon, which identified savings of £45k per annum.

C. Local Productivity Programme Communications

14. A communication strategy has been developed that builds on the web communications developed and the publicity gained for the programme and December conference through First, and articles in the trade press.
15. In a strong start to the year, the programme secured a five page feature on the Local Productivity Programme in the LGC, and this has been followed up with further coverage in the trade press in February, which set out the programme's emerging direction. In addition the programme's Productivity Opportunities have been used extensively in briefing materials used by LGA spokespeople to defend councils from accusations of inefficiency. Examples of shared services from Yorkshire were used to illustrate an article by LGA Chairman Baroness Eaton for the Yorkshire Post.
16. A number of opportunities have been identified for articles, features and interviews with member champions. These stories are expected to appear in the trade press in the next month on the workforce and skills, procurement and shared services workstreams, including a shared services map which will go live in mid-March. There will also be a press notice to accompany the Improvement and Innovation Conference on 22 March and a brochure will be available for the conference setting out both the help already available to councils and explaining the next steps for the programme.