

Local Productivity Programme

Purpose of report

For discussion and direction.

Summary

This report updates Members of the Improvement Programme Board on the progress made on the Local Productivity Programme and asks members to set the direction and focus of the Programme for the coming year.

Final detailed proposals and time scales will be presented to this Board in November.

Recommendations

The Board is asked to:

1. Agree to examining and redefining the shape and direction of the Local Productivity Programme;
2. Provide comment and guidance on how the each of the three 'big win' areas should be developed;
3. Consider the other potential productivity areas the Programme could explore and provide direction as to whether they should be pursued.

Action

Officers to progress as appropriate.

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Local Productivity Programme

Background

1. The *Open Public Services White Paper*¹ maps out a potentially more fragmented future for local government with councils being tasked with holding together disparate, largely autonomous organisations – mutuals, social enterprises, free schools and community groups – alongside the leisure trusts, academies, further education colleges, and housing Arms Length Management Organisations and Registered Providers that already populate the crowded public sector.
2. The White Paper brings greater clarity to the government's aspirations to make services more customer-centric and delivered at a lower cost. It categorises public services as:
 - 2.1 individual services such as social care, housing support, healthcare where people use the service on an individual basis and funding is personalised;
 - 2.2 neighbourhood services provided locally and on a collective basis such as waste, leisure facilities and community safety; and
 - 2.3 commissioned services: these are local, and national, services which need to be provided above the level of individual communities such as welfare to work, emergency healthcare, taxation etc.
3. It also sets out new policies on how these may be implemented, including:
 - 3.1 'open commissioning' in a number of services where commissioners will be consulted on and be challenged by potential providers on the future shape of the service and transparently link payment to results;
 - 3.2 decentralisation of commissioning to local government in a range of services such as environment, public transport and services for families with multiple problems with a proposed right for councils to "*do things differently*".
 - 3.3 a stronger role for neighbourhood councils to take greater control of local services within formal schemes of delegation; and the
 - 3.4 further development of community budgets.
4. Any productivity offer from the Group needs to help councils deliver the outcomes they are seeking to achieve and in particular help councils save money. It will also need to have regard to the policy context as envisaged in the

¹ Cabinet Office, Open Public Services White Paper, 12 July 2012
<http://www.cabinetoffice.gov.uk/resource-library/open-public-services-white-paper>

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White Paper. Therefore, it is likely that a solely public sector offer will provide neither the innovation nor the incentive to drive the productivity agenda.

Taking the Local Productivity Programme forward

5. The Chairman set the goal for the Programme by stating, in his inaugural speech, that the *'Productivity Programme had made a positive start [and that] it now needs more urgency and political energy, with real milestones agreed for what we, collectively, should achieve over the next five years.'*
6. The Local Productivity Programme was established in summer 2010, shortly before the 2010 Spending Review. In light of the White Paper the timing is now right to review its shape and focus. The original aims of the Programme were to:
 - 6.1 support councils to improve productivity;
 - 6.2 bring councils together to share innovation and learn from each other; and
 - 6.3 engage central government and partner organisations in a debate about longer term and more radical options to improve productivity.
7. The Programme's definition of productivity is helping councils to achieve *'better with less'*. This reflects the customer-centric approach adopted by the Group and the reduced resources available to councils. Increasing productivity could be also about saving money; improving the outcomes councils achieve with the available resources; or both.
8. Subject to the Board's discussion and direction, detailed plans and time scales will be presented at the November Board.

The Board's view on the continued appropriateness of these aims and this definition of productivity is requested.

9. Our work was initially structured around nine workstreams. Presentationally, these nine workstreams have now been consolidated to the three 'big win' areas of:
 - 9.1 Procurement, Capital and Assets;
 - 9.2 Children, Adults and Families; and
 - 9.3 Future Ways of Working.

This approach helps in the communication of messages with councils and government, although much of the work of the original workstreams continues.

Procurement and Capital Assets

Background

10. This aspect of the Programme builds on the work of the procurement and capital assets workstreams. Andrew Smith, the Chief Executive of Hampshire and Councillor Paul Bettison have continued to play key roles in much of this work. It also includes the Capital & Assets Programme (CAP) which the sector established with the Department of Communities and Local Government (DCLG) and is now entering its second wave of pathfinder councils.

Progress so far

11. Extensive discussions have taken place with councils, the RIEPs and their legacy organisations and key procurement organisations over the summer to map and understand the procurement activities, either at individual councils or in partnership, across the country.
12. We have developed the Productivity and Efficiency Exchange to be a leading community of practice. Running a range of events the community engages with almost 2,600 professionals involved in productivity. This facilitated community ran a recent *Getting More for Less* online efficiency conference that attracted 1,050 participants and we estimate saved £170,000 in conference attendance costs.

Taking this 'big win' forward

Procurement

13. Procurement is not only about the purchase of goods, works and services at the most advantageous rates. It can also be an effective tool to sustain local businesses, develop the local economy and to pursue other policies. As such a single national procurement organisation purchasing all goods, works and services for local government is likely to be neither desirable nor effective. However, we will look at the case for procurement of key goods and services at the local, sub-national or national level. Where there is a sound business case for doing this we will encourage, support and develop the appropriate mechanisms to achieve good procurement and the economies of scale collaborative procurement can bring.
14. We propose to achieve this by working with key partners including Local Partnerships and the RIEP legacy to establish a procurement officer national advisory group. The advisory group will:
 - 14.1 promote and share good procurement practice;

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- 14.2 provide expertise in specialist areas, such as category management; framework agreements, and EU procurement regulations;
 - 14.3 develop a single voice for LG procurement in discussions with central government; and
 - 14.4 advise on the areas where a collaborative procurement approach will have most effect.
15. The group will also act as the focus for the development and implementation of the draft *'Procurement Strategy for Local Government'*² ensuring that the 15 'wins' identified in the strategy are taken up by local authorities. In doing this we will ensure that elected members are suitably skilled and equipped to direct purchasing decisions in their locality through the provision of a range of training, briefing and tools.

The Board's view on this approach is sought, with particular reference to establishing the national advisory group and procurement hubs at either the local, sub-national or national level as the business case suggests.

Capital Asset Pathfinders – Second Wave

16. In 2010 the Group supported the CAP programme working with 11 authorities³ across the country to test the hypothesis that better use of public land and property could be made if councils worked across all public agencies in their area to integrate services and rationalise use. These councils, and their districts, represented 14 per cent of councils and 16 per cent of the population.
17. Six councils were able to map out a 10 year strategy and quantify potential savings:

Council	Percentage reduction in footprint	Reduction in operating costs (NPV over 10 yrs)	Capital receipts	Percentage reduction in CO2
1	20%	£217m	£19m	20-30%
2	29%	£1.1m (by 2014)	£2.9m	40%
3	10% of buildings	£6.5m (by 2015)	£220m	80%
4	-	£270m	-	50%
5	20%	£47m	£10m	34%
6	25%	£280m	£125m	25%

² National Improvement & Efficiency Partnership for the Environment, Draft Big Wins Strategy, 2011
Developed by Andrew Smith (Chief Executive of Hampshire CC) and Chairman of the NEIP
<http://www.niepbuiltenvironment.org.uk/documents/DraftBigWinsDocument-1.doc>

³ Cambridgeshire, Durham, Hackney, Hampshire, Hull, Leeds City Region, Leicester/shire, Solihull, Swindon, Wigan, Worcestershire

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18. The very substantial savings in running costs, up to 20 per cent in some cases, caught the attention of both the sector and DCLG Ministers, and agreement was reached to invite a second wave of authorities to continue the learning.
19. The Group invited councils to submit a proposal to be a Wave 2 pathfinder and a total of 21 local authorities submitted an application to join the programme. Applications were assessed against four main criteria:
 - extent of, and ability to map public sector assets;
 - use of customer insight evidence to inform asset retention/disposal;
 - extent of governance structures to manage a complex partnership over a lengthy period; and
 - existence of proposals to rationalise land & property.
20. Fourteen/fifteen* councils⁴ were selected, covering a further 19 per cent of English LAs representing 16 per cent of the population.
21. Baroness Hanham, who had led the original CAP programme, will be meeting with the Wave 2 Pathfinders in October, and monitoring their progress until March 2012. They will be expected to produce at least one business case by December 2011 and a 10 year delivery plan by March 2012. Success will be judged against three criteria:
 - reduction in running costs of c20 per cent
 - reduction in operating footprint of at least c20 per cent
 - reduction in Carbon footprint of at least 20 per cent.

The Board's continued support for Wave 2 CAP is sought.

Children, Adults and Families

Background

22. In 2009/10 councils spent £14 billion on adult services and £6.5 billion on children's services (excluding education). This equates to 16.8 per cent of all spend. Costs are expected to increase by 4 per cent per annum due to demographic and cost pressures.
23. Increasingly other bodies and organisations are involved in delivering these services, particularly adult services. The NHS and Departments for Education

⁴ Bournemouth, Devon, East Sussex, Harrow, Islington, Kent, Newcastle Upon Tyne, Northumberland, Sheffield, Shropshire, Somerset, Surrey, Warwickshire (inc. Coventry), West Sussex, Wiltshire.

*Derby Council may be invited to be part of Wave 2.

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and Health also play a significant role in the direction and provision of these services. The White Paper envisages a greater plurality of service providers and it is only by working closely with other agencies and the private sector that we can manage costs and service improvement.

Progress so far

24. The Programme has engaged with a number of key stakeholders, including ADASS, RIEP adult social care leads, Group policy leads and independent experts in the private sector and DCLG, to discuss how it can best support the sector to improve productivity in children's and adults services.
25. We have also been liaising with individual authorities and external consultancies to find out more about innovative projects taking place in this area. For example in West Sussex, where the Group has part funded work that aims to design an alternative operating model for adult social care that improves delivery and significantly reduces the costs.

Taking this 'big win' forward

Children, young people and families

26. Children's Services are subject to the attentions of a range of governmental, regulatory and partner organisations working to improve and oversee outcomes. This is a high profile area with variable performance and often unpredictable spend. Our focus in this area will be to help councils understand spend and challenge them to improve. Our approach will be delivered in two broad areas:
27. Firstly, to share information and embed good practice. We will seek to achieve this by:
 - 27.1 developing an on-line resource of information and guidance on productivity in this area. The resource aims not to duplicate existing sources but to bring it together more coherently, signpost the support available from key partners and give an overview of the support available to the sector;
 - 27.2 refreshing and developing further good practice case studies across all key areas of service for children and young people;
 - 27.3 initiating, contributing and informing discussions on productivity in relevant communities of practice by triangulating information, guidance and good practice examples; and
 - 27.4 supporting the national networks aiming to bring about productivity gains in children and young people's services by using existing networks to share information, support sector initiatives, prevent duplication and maximise opportunities.

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28. Secondly, we will research and share 'tried & tested' practice in the intervention areas where we expect to achieve the greatest productivity improvement such as SEN, fostering/adoption, schools, youth and safeguarding. These include:
- 28.1 reducing demand for services – preventative work;
 - 28.2 diverting people away from social care – working alongside other providers in the voluntary and community sector;
 - 28.3 partnership working – particularly exploring closer working with Health;
 - 28.4 better management – developing leadership capacity and capability;
 - 28.5 driving down costs – lean processes and practices; and
 - 28.6 raising monies.
29. Improving the transition from children's to adult services is a critical area of focus for the Programme. It is recognised that the user's transition from children to adult services is too often difficult and unsatisfactory. There is also concern that the high cost of some children's packages and placements is inherited by adult services. The programme will examine the models of transition from children's to adult services in order to identify those which offer the best user experience and the best value for money.

The Board's view on this two step approach and the interventions highlighted in paragraph 28, is requested.

Adults

30. Councils need to find further productivity savings in adult social care. The 2010 spending review recognised the continuing demographic pressures faced by councils, but based the funding settlement on councils delivering ambitious efficiency programmes in order to protect access to services and deliver new approaches to improve services.
31. A recent Audit Commission report⁵ suggested that productivity in adult social care - measured by comparing the amount of spend with total activity - fell between 2005/06 and 2009/10. Although the report recognised this fall, this measure did not take into account changes in the quality of services. Costs in learning disability increased while activity remained stable; for older people, activity levels fell while costs remained broadly stable.
32. The report identified nine ways that authorities could make savings, from traditional efficiency measures such as back office savings to more transformational approaches such as personalisation. However, it found that only a fifth of councils were addressing the majority of approaches. It concluded that over the next two years, councils could develop strategies for

⁵ Audit Commission, Improving Value for Money in Adult Social Care, June 2011

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transformational change and also make cash-releasing savings by looking to provide the same, or similar, services at lower cost.

33. The Programme is working with stakeholders to agree how it can best support councils. We will help councils to broaden their approach to delivering savings in adult social care at the same time as planning longer-term strategies that take into account future developments such as the White Paper envisages. Some councils have already started this process; one council estimates it has made 7.5 per cent efficiency savings in a single year.
34. Our work is likely to include working with a small group of pathfinder councils to implement productivity projects covering the full range of adult services. The aim will be to identify how authorities can deliver cash savings through a range of different measures, and to develop a body of best practice and shared expertise. We are currently working up a programme with officials at the DCLG and DoH, and expect to seek the direction of the Community Wellbeing Board following consultation with key stakeholders.

The Board's view on this approach and the development on an adult social care pathfinder programme is requested.

Future Ways of Working

Background

35. The scale of spending cuts facing local authorities will require new and radical ways of delivering services. However, it is clear that one type of model of service delivery does not fit all councils. New ways of delivering services will need to be determined based upon local issues and circumstances. A key way to increase their productivity will be for councils to adopt a customer centric service redesign using the information that they hold about their customers.

Progress so far

36. Two highly interactive Futures Summits were held in May and July to explore new models of service delivery that will save money and keep local citizens at the heart of services. These summits involved over 80 local government leaders, chief executives, partners, private sector and voluntary sector leaders in building a series of potential 'future models'.
37. The summits suggested that there could be no universal model of service delivery and different models would need to be developed to meet local needs and circumstances. They highlighted that few local authorities are likely to adopt an 'ideal type' model; instead opting for a pragmatic approach, combining

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elements of different models to create local hybrids. Structures and working arrangements were considered to be less important than how the organisation adapted with a focus on different cultures, behaviours and ways of working.

38. The 'Taking the Lead' roadshows held in July, featured workshops highlighting practical examples of shared services and shared management arrangements. These were delivered by the members and officers directly involved in existing of shared services.
39. Productivity Masterclasses have been held with Norwich and the North West RIEP. The aim of the sessions was to introduce officers and members to the outputs from the phase 1 workstreams and to consider local opportunities for innovation and increased productivity.

Taking this 'big win' forward

40. We will further refine and develop the 'Productivity Masterclasses' concept and target these towards members and officers. This will be a key practical offer from the Programme for Principal Advisors to promote to councils. They will be tailored to meet local needs and delivered on a sub-regional approach to groups of 3 or 4 councils to encourage collaboration and sharing. These sessions will be delivered in conjunction with peer councillors and officers.
41. The Group is already working with a number of councils that are exploring new ways of working, for example LB Barnet are developing local authority trading vehicles and West Sussex are remodelling adult social care. We will work with these councils to support their work and capture and share their learning with others. We will focus our work on the decision making around sharing services, the efficiency savings expected and how the new model will improve outcomes for local people.
42. There are compelling examples of shared services delivering savings and improving services. Lichfield and Tamworth District Councils' shared waste collection service is achieving savings of £1 million a year through having one customer service team, one waste collector system, collection rounds based on time/fuel efficiency rather than district boundaries and staff reduction through voluntary redundancy. The existing shared services map, case studies and detailed guidance from phase 1 of the Programme will be updated to provide a comprehensive resource for those wishing to share service delivery.
43. A number of large scale and front-line shared service proposals are beginning to emerge. For example the ten Association of Greater Manchester Authorities councils are planning to share a range of services, including children's and adult services. This is expected to achieve efficiency savings in the region of £170

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million over three years for Manchester City Council and approximately £40 million for each of the other nine councils. We will work alongside these and other councils, to support and share the learning across the sector.

44. Sharing learning and sharing good practice will also be supplemented by providing direct mentoring support to councils wishing to share services. We will develop, and pilot, a Peer Brokering service that matches those councils who have already achieved significant productivity gains in specific service areas, with those who want to achieve a similar step change in their performance. The support from the leading councils is likely to include mentoring and challenge and will enable councils to speed up their transformation programmes by avoiding common mistakes and learning from the successful approaches. We will pilot this approach with six councils who are looking to increase their productivity in selected service areas.
45. The Group already supports member councils on a wide range of workforce related issues. Many shared service and new ways of working proposals have direct impacts on the workforce and working practices. We will ensure those councils embarking on shared services or new ways of working have access to information, good practice and appropriate support. We have submitted a bid to the Skills for Justice Board⁶ to secure funds for a research project that will share the learning from those fast mover councils who are already looking to identify the skills required and recruit for the productive public sector employee of the future. This bid will also provide support to some councils who are struggling with their workforce transformation programmes.
46. Creative Councils is a new programme from NESTA⁷ and the Group designed to stimulate and support innovation in service delivery. Almost 130 councils applied to be part of the programme. NESTA and the Group are supporting a small number of applicant councils to develop and implement radical innovations to improve service delivery. We will be working closely with NESTA to share the learning from this programme. We will also work with some of those councils that were not selected, but that are developing practical solutions to productivity issues, to encourage and share their learning.

The Board's view on this approach and the Peer Brokering Service is requested.

⁶ Skills for Justice is the Sector Skills Council covering employers, employees and volunteers working in the Justice, Community Safety and Legal Services sectors. www.skillsforjustice.com

⁷ National Endowment for Science, Technology and the Arts
http://www.nesta.org.uk/areas_of_work/public_services_lab/creative_councils

Widening the Local Productivity Programme

47. The productivity agenda has the potential to stretch into a number of other areas and resources are limited. Our approach so far has been to focus on the areas that offer the biggest wins to the widest possible number of councils. However, there are other areas of work that we could potentially consider, either as a new 'big win' area or as part of one of the existing 'big wins'. These include:

47.1 Waste management

Waste management is the fourth largest area of council spend at £7 billion per year. WRAP (Waste & Resources Action Programme) recently published a report on productivity in waste management. They found that council waste management productivity is generally positive over the period since 2000, although declining by almost 20 per cent since 2006/07 to below 2000 levels.

Officers will report back in November on the scope to enhance the Group's productivity offer in this area.

47.2 Promoting and championing online service delivery

Online public services reduces the cost of delivery by allowing customers to self-serve and enabling partners to share knowledge and information. SOCITM estimates that councils could achieve savings of up to 30 per cent if they improved on-line access and delivery. The Department for Culture Media and Sport's £530 million UK Broadband programme is delivering the Government's strategy to drive forward the provision of superfast broadband, particularly in the rural communities most likely to be on the wrong side of the digital divide.

The government has introduced a Digital Strategy and there could be merit in the Group promoting a similar approach in local government.

47.3 Sickness absence

Overall sickness absence had fallen over the last decade but it remains higher in the public sector than in the private sector. In the final quarter of 2010, 3.1 per cent of public sector employees were absent from work, compared with 2.3 per cent of private sector employees. The average cost of public sector absence is £890 per employee, £290 higher than the median. Reducing sickness absence in the public sector will improve productivity and reduce costs. For example, a borough council reduced sickness rates from 10.6 to 7.2 days per year and saved £446,000 a year.

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The Programme could actively promote approaches to reduce sickness absence and improve productivity.

47.4 Fraud

As reported elsewhere on the agenda, the National Fraud Authority (NFA) estimates that a total of £38.4 billion was lost to fraud in 2010 with some £2.1 billion lost to fraud by local government.

The Programme could actively promote approaches to reduce fraud and increase detection rates, thus making more money available for services.

The Board's view on widening the Programme to encompass these areas within the three 'big win' headings is requested.

Finally, the Productivity team are actively working with other areas of the Group to help embed productivity across other parts of the Group's work. For example, one outcome Community Budgets is seeking to achieve is to reduce costs and therefore we are exploring how we can work more closely on this area.

Financial Implications

48. The business plans for 2011/12 includes resources to develop a programme to support councils improve productivity. This includes providing support to the next stage of the Capital Assets programme. Capacity to support the programme has also been built into the new LG Group structure and accompanying budgets.