

Productivity Programme: 2012/13 Work Programme and Update

Purpose

For discussion and direction.

Summary

The report introduces the 2012/13 productivity programme to the Board and provides an update on existing work within the programme. Members are asked to provide direction on the 2012/13 programme and note the progress made on the 2011/12 programme.

The Productivity Programme is now in its second year of operation. A number of pathfinder programmes are now underway delivering real and tangible support for councils. It is estimated the programme is helping to drive productivity and efficiency savings of £90m. Further work has been carried out on the draft programme for 2012/13 and is set out in the report.

Recommendations

1. Note the progress made in the delivery of the existing productivity programme attached at **Appendix 1**.
2. Provide any further direction on the programme for 2012/13:
 - 2.1 Capital assets and economic growth (paragraphs 4 - 6)
 - 2.2 Troubled families (paragraphs 16 - 21)
 - 2.3 Shared service (paragraphs 22 - 24)
3. Decide whether we should sign the procurement pledge (para 7 – 15 and **Appendix 2**) or alternatively devising with the sector a local government version.

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Background

1. The Board approved a range of productivity initiatives at its meeting in November 2011 structured around the 3 'big win' areas of:
 - 1.1 Procurement and Capital Assets;
 - 1.2 Children, Adults and Families; and
 - 1.3 Future Ways of Working.
2. An update of this work is attached at **Appendix 1**.
3. The Board's January meeting received initial proposals for the 2012/13 programme in relation to capital & assets/economic growth, troubled families and shared services. Where these proposals relate to other Boards, officers are working with colleagues across the LGA to ensure that they are in line with those Board's priorities.

Asset management and economic growth

4. In recent months Government policy emphasis has shifted towards initiatives that deliver economic growth as well as drive deficit reduction. In December 2011 the Government published its Unlocking Growth in Cities report for the 8 core cities, commenting:

"[Growth] will be created in individual places where people and businesses work, trade and innovate. Our cities have a crucial role to play: they account for 58% of England's population and 61% of its jobs. When their wider commuting areas are taken into account, this rises to 74% of population and 78% of jobs"
5. The aim of the 2012/13 Capital and Assets Programme (CAP) will be to reduce expenditure and promote economic growth through the use of realised and retained assets. It will encourage councils to use the opportunities and flexibilities that lie within the Localism Act, the Government Cities programme and other initiatives to promote growth in order to deliver the following measurable outputs:
 - 5.1 Jobs created;
 - 5.2 Housing built or refurbished (by both the public and private sector);
 - 5.3 Redundant public sector space used for alternative employment use;
 - 5.4 Reduction of expenditure in public sector capital assets; and
 - 5.5 Carbon reduction.
6. The programme will progress the work of capital and asset rationalisation across the public sector, with councils establishing the partnerships and leading for the

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public sector in their area. Subject to resources, we will select 10 to 15 councils who are able to demonstrate a desire to encourage growth in their area; have proposals to implement that ambition; a willingness to engage with private and public sector partners to plan for growth; and who can match fund the initial investment offered by the LGA. If applied nationally, this programme could generate very substantial revenue and capital savings over the next ten years.

Procurement Pledge

7. The Government is keen to stimulate economic growth. Public procurement is seen as key way of achieving this, and within that there has been a particular emphasis on increasing spending with small and medium size enterprises (SMEs: companies with 250 employees or less) and Government have set an aspiration to achieve 25 per cent of government spend with SMEs (currently this stands at 7% for central government). Parts of local government currently achieve over 80%.
8. A Procurement and Growth Round Table meeting was held in December to discuss the potential for a procurement concordat to stimulate economic growth. The Government has issued a draft Procurement Pledge and is looking for the public sector, including the LGA on behalf of local government, to sign-up to the pledge by April 2012. The full draft pledge is at **Appendix 2**.
9. We are sceptical that the pledge adequately recognises the strengths within local government procurement or is appropriate to what it purchases. We have suggested devising a local government version of the pledge that better recognises local government procurement and our desire to support social enterprises and the voluntary sector. The Cabinet Office has agreed to explore this.
10. The Cabinet Office are also promoting the concept of publishing future spends (a spending 'pipeline') and are likely to want local government to do this alongside other government departments. Pipelines would publish future spend intentions, possibly projecting five years into the future, along with confidence ratings. Current expectations are that the pipelines would be updated every six months and could involve councils making returns to multiple government departments for this. Getting local government future spend into the spending pipeline may be complex and costly and it is difficult to see how this would be more beneficial than existing practices. It is also against the Improvement Board's policy stance of reducing data burdens rather than adding to them.
11. Councils in most regions already publish their procurement intentions in regional portals and OJEU where appropriate. Increasingly these regional portals are linked to the government's own portal (Contracts Finder). Councils are also under a requirement via the Code of Recommended Practice on Data Transparency to

make available copies of contracts and tenders to businesses and to the voluntary community and social enterprise sector.

12. Last year we set up National Advisory Group for Local Government Procurement to enable closer working with those who actually do the purchasing for local government. Having discussed the proposed Concordat with this Group, they have indicated that:

- 12.1 It is not clear what government are actually trying to achieve;
- 12.2 There is concern about what some of the commitments actually mean (e.g., spend pipelines and the 120 days commitment);
- 12.3 It potentially conflicts with the way local government seeks to use procurement to support local businesses and SME's; and
- 12.4 There is too much emphasis on supporting industry when councils are also looking to support a mixed economy including the voluntary sector.

13. Improvement Board's views on the Procurement Pledge and proposals around spending pipelines would be welcome so that we can respond to the Cabinet Office.

14. Members will be aware that the terms 'commissioning' and 'procurement' are often used interchangeably, and although they are related activities, there is a distinction. Broadly, commissioning is the process of identifying needs & outcomes, and developing policy & service design - and the market - to meet those needs. Procurement is the process of buying those goods and services.

15. Evidence suggests that the LGA has a coherent strategy around supporting the sector on procurement, and that most councils procure reasonably well. We accept that that story is not always articulated or evidenced as well as it might be. There is also a need to increase awareness of the strategic commissioning role; disseminate good practice achievements and ensure that Members and officers have the skills and the confidence they need to deliver ambitious commissioning approaches. A cross-team group of LGA officers is working to develop a coherent LGA offer of support to councils on strategic commissioning.

Troubled families

16. Department for Communities and Local Government (DCLG) currently estimate that we spend £9 billion per annum on 120,000 troubled families in England; £8bn of that is spent reacting to the troubles of these families and £1 billion on trying to turn around the lives of these families in a targeted, positive way. We are working across the LGA and within the Troubled Families Unit at the DCLG to scope out a support offer to councils for families with complex needs.

17. Members will be aware that the Government Programme involves some £448m distributed pro rata to councils depending on their share of 'troubled families'.

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The majority of this money will be distributed “in arrears” based upon a Payment By Results mechanism, but all local authorities have accepted an initial £29,000 to recruit a local co-ordinator, and there will also be an “up front” attachment fee to assist councils with their preparations.

18. Councils are likely to put in place different arrangements with their local partners (JCP, MoJ, NHS, etc) to bring to bear that collective support that delivers best results. It is likely that some of these arrangements will be more effective than others and that with such a big prize at stake, it is important to understand the arrangements that best help prevent a further cohort of 120,000 troubled families developing over the next 5 -10 years.
19. It is therefore intended that we work with a small number of district and county councils focussing on their local re-design of key services in order to understand what best practice is – why some solutions appear to work better and more consistently than others. The desired outcomes would be beneficial to the families themselves; the community in which they live; the council and partner organisations and the taxpayer. Improved outcomes for families will be measured by DCLG ‘headline goals’ - parents in work, children in school, reduced crime and anti-social behaviour. It is anticipated that productivity gains will be realised through the reduced flow of ‘troubled families’ coming to the attention of the local authority, de-commissioned services and related resource reductions.
20. In the short term we are speaking to a number of consultancies who have undertaken extensive work on this topic and a number of local authorities that are acknowledged to have undertaken significant steps to improve the lives of families with complex needs within their areas. This will include district as well as county councils.
21. The proposal will support and complement the work being led by the LGA, as part of the national payment by results initiative to support families with complex needs. A full proposal, that identifies savings to councils, will be developed over the coming months.

Future Challenges and Fundamental Transformation

22. It is clear that the financial challenges facing councils are going to be around for some time to come. To address these future financial challenges councils will need to think very differently. We have already seen previously unpalatable and difficult options become more acceptable in order to save costs. Many councils have worked together to share Chief Executives, management teams and services in order to release efficiencies and improve services. The on-line shared services map shows over 220 councils sharing services with a total efficiency savings of £165 million.

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23. For councils who have shared services and management, applied systems thinking and LEAN processes, and improved their procurement practices the question for them is 'what should we do next?' The need to think and do something completely fresh is urgent, and the LGA is keen to work with, and where appropriate fund, a group of councils enthusiastic to try out radical approaches.
24. We are looking for practical, bottom up solutions rather than to revisit the current approaches. We want to build on, not duplicate, the previous work of the 2010 Future Ways of Working workstream and Future Summits held in 2011. Working with the Local Government Delivery Council, the District Councils Network and participants of the recent Shared Chief Executives roundtable will help identify 3 to 4 potential clusters of councils to work with on this issue.

Financial Implications

25. The business plans for 2012/13 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.
26. Further grants to deliver this programme are being sought from Communities and Local Government and the Department for Health with respect to programmes that will operate in their area.

Appendix 1 - Progress made on the current work programme

Adult Social Care Efficiency Programme

1. Forty five projects have now been selected for this programme and will shortly receive funding from the LGA for their work. Over £1m has now been allocated to councils as part of this programme, including £300,000 Department of health funding. We will continue to support and work closely with these councils over the coming year as they move into the implementation phase; it is expected that the programme will help councils save at least £50m.

Procurement Category Management Pilots

2. We have been able to fund eight pilots involving 72 councils, to work on the big spend categories. The launch of this programme, and the naming of pilots, generated significant interest from councils highlighting their desire to seek help, share best practice and improve in this area. We will continue to support and work closely with these pilots over the next year and use the National Advisory Group to share good practice.

Productivity Experts and Masterclasses

3. The take-up of productivity experts is increasing steadily. There has been particular interest for productivity experts in the areas of procurement and contracting and this is an area where seed funding is leading to significant efficiency savings. For example:
 - 3.1 providing a district council with a contracts negotiating expert to renegotiate their 4 largest contracts to realise an efficiency saving of £1 million a year. The council's capacity is being built as officers are trained in the tactics and knowledge required for complex contract renegotiation.
 - 3.2 securing an expert from another council in the region to help the council implement systems thinking across all services and achieve £500,000 of savings in 2012/13.

Children's Commissioning and Productivity

4. This work was developed and commissioned as part of the productivity programme, for and on behalf of the Children's Improvement Board, where it will be taken forward. A delivery partner has now been identified and they are commencing the engagement with council's children services.

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Waste Management Pilots

5. The background research phase of this programme is now complete and a water authority provisionally identified for the pilot phase. We are now identifying new housing developments in the area for the trial installation of macerators to enable food waste to be disposed of through the foul water system and seeking final agreement among local partners.
6. We have produced a guidance document for councils that are considering submitting a bid to DCLG's £250m Weekly Collection Support Scheme. We are also in discussions with DCLG to develop a series of roadshows providing more tailored support to councils as they develop their bids.

Capital Assets Pathfinders (CAP): Wave 2

7. Pilot councils in the CAP Wave 2 have submitted their detailed business plans. These are currently being evaluated. Early indications are that most are of a high quality and will deliver the expected savings; however, some will require more intensive support to deliver the savings.

Appendix 2 - DRAFT Procurement Pledge

Improving public procurement to better support growth

The Government's economic policy objective is to achieve strong, sustainable and balanced growth. The way in which the UK conducts its public procurement activities has a role to play in helping to create conditions that can stimulate growth.

A package of measures was announced by the Minister for the Cabinet Office on 21st November 2011¹, supported by commitments in the Autumn Statement on 29th November 2011², that will encourage Government to take a more strategic approach in the way that it does business, including focussing more on longer-term needs so that it can better develop and manage its supply markets. This will not only ensure that Government gets the best value for money through better, more efficient public procurement, but will also help the market to prepare better and cater for future demand by ensuring that the right capabilities are in place.

Purpose

This Pledge sets out an agreement between Government and industry (including large and small companies) underpinning the commitments made by the Minister for the Cabinet Office and those made in the Autumn Statement. It provides a framework for Government and industry to work together in achieving these commitments.

This Pledge is also open to wider public sector organisations and regulated industries, who also be encouraged to sign up to the Pledge.

This Pledge provides a mechanism for which industry and suppliers can hold Government and public sector signatories to account.

This Pledge does not replace existing concordats, charters or codes of practice between Government and industry.

Accountability

The Cabinet Office and Department for Business, Innovation and Skills will take the lead in embedding this Pledge across Government and will work with industry, wider public sector organisations and regulated utilities to promote and encourage the take up of this Pledge across the wider public sector and regulated industries.

Government's 'Mystery Shopper' service is available to industry as the mechanism for reporting instances of non-compliance where it believes a public body who has

¹ <http://www.cabinetoffice.gov.uk/news/radical-package-unveiled-support-business-and-promote-growth>

² http://www.hm-treasury.gov.uk/as2011_index.htm

committed to Pledge is not adhering to it. Such instances should be reported to: supplierfeedbackservice@cabinet-office.gsi.gov.uk.

To reinforce this further, Non-Executive Directors within central government departments will challenge their departments on compliance. Persistent non-compliance will be escalated to departmental Ministers. Wider public sector bodies and regulated industries are encouraged and will be supported to adopt a similar best practice approach.

Pledge Commitments

The Pledge is based on Government's 5 key commitments to:

1. Provide industry with greater certainty

To meet this commitment, Government and wider public sector signatories will:

- Provide industry with greater visibility of future public sector demand (future procurement pipelines) over the medium term, together with a confidence rating to give industry greater confidence to invest for future business.
- Work with industry in developing these procurement pipelines to ensure that pipeline publications contain meaningful information that is of use to industry, and that information is presented in a coherent way.

2. Operate an open door policy for business

To meet this commitment, Government and wider public sector signatories will:

- Improve the way it engages with industry by developing a more strategic relationship with suppliers that includes more effective supply chain management and greater strategic dialogue with the supply base.
- Engage more with the market pre-procurement before embarking on a major procurement, rather than waiting until the formal procurement process starts before engaging with potential suppliers. This will be supported by greater use of outcome based specifications to allow for greater innovation from the market and better value for money and allow greater involvement of the market in shaping specifications.
- Engage with industry where appropriate, and using the forward procurement pipelines information, when establishing which contracts or programmes will be broken into smaller contracts.

3. Provide industry with greater simplicity

To meet this commitment, Government and wider public sector signatories will:

- Improve supply base accessibility to public procurement through a more streamlined procurement process that will ensure that all but the very biggest and most complex procurement processes are completed within 120 working days (from OJEU to contract award).
- Eliminate unnecessary use of lengthy and costly procurement processes, such as the Competitive Dialogue process, unless its use can be justified.

4. Identify capability gaps in supply chains that need to be addressed to meet future demand.

To meet this commitment, Government and wider public sector signatories will:

- Help the market to prepare better and cater for future needs by working with industry to establish the capabilities (key skills, technologies and knowledge) needed to deliver projected public sector future demand. This will help us align our wider economic policies in the context of global markets.

5. Back business when bidding for contracts overseas

To meet this commitment, Government and wider public sector signatories will:

- When procuring public goods, consider how best it can optimise the export potential of these goods it intends to procure.
- Help supplier access high value export opportunities through UKTI.

To ensure successful delivery of these commitments, Government will make sure that staff are equipped with the right skills to deliver these commitments through the creation of a better procurement profession that fully develops and trains its staff. This will include improved leadership and mentoring as well as systematic career development. Government will also leverage existing skills across government.

What Government expects from Industry

To help deliver these commitments Government will look to industry and its leaders to:

- Engage with Government and the wider public sector in the development of forward procurement pipelines, recognising that some pipelines may change following publication.

- Work with Government (and the wider public sector) and their supply chains to identify capabilities needed to deliver future demand and to pinpoint any capability gaps.
- Plan strategically and work with their supply chains to meet these needs where there is an intention to do business with Government and the wider public sector.
- Actively engage with Government and the wider public sector in pre-procurement dialogue.
- Inform Government of good/best practice across Government and the wider public sector and challenge other departments or public bodies to adopt similar approaches.
- Report, using the 'Mystery Shopper' service, any non-compliance or deviation of the commitments from Government or wider public sector organisations who have signed up to meeting them.
- Promote and encourage the use of Government initiatives (such as the 'Mystery Shopper' service) in support of this agenda amongst their members and/or supply chains.