

Productivity Programme

Purpose of report

For discussion and direction.

Summary

The report updates the Board on the progress being made in the Productivity Programme in the capital assets and economic growth programme and the recently published shared services report.

Recommendations

1. To note the work being undertaken as part of the capital assets and economic growth programme, approve the identified applications and agree a bid for further LGA funds so that the other applications can be progressed.
2. Note the recent launch of the shared services report.
3. Note the oral update on Procurement.

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Productivity Programme Update

Background

1. The Board has approved the Productivity Programme to develop and operate a range of programmes to improve productivity and efficiency in councils. This report updates the Board on the progress being made in the capital assets and economic growth programme and on the recently published shared services report and toolkit. The report also highlights some recent work to support councils in countering fraud.

Capital Assets and Economic Growth Programme

2. The LGA launched the Capital Assets and Economic Growth Programme with its prospectus "*Using local authority capital and assets to promote economic growth*" in May 2012¹.
3. The programme is building on the first two waves of the capital & asset pathfinder programme in that it will assist councils to deliver savings through the rationalisation of capital assets. It will also promote local economic growth by helping to release land and buildings and taking advantage of current funding opportunities. As part of the programme councils are offered up to £25,000 (matched by their own funds) to assist in scoping a programme of strategic asset management in order to promote local economic growth. The programme will monitor and assist the participating council to realise the objectives as set out in their assets and growth strategy.
4. The programme requested applications from "cities" (as defined by the DCLG) together with the alumni of wave one and two pathfinder programmes. Not unexpectedly the programme has attracted significant interest from a wide range of cities. We have received numerous applications and shortlisted these down to the 12 which most closely match the criteria set down in the prospectus.
5. The following councils have applied and been short listed so far to be part of the programme (those marked with an asterisk have had – subject to this Board's approval - confirmation of funding:
 - 5.1. Barking and Dagenham*
 - 5.2. Eastbourne*
 - 5.3. Knowsley*

¹ http://www.local.gov.uk/web/guest/productivity/-/journal_content/56/10171/3510701/ARTICLE-TEMPLATE

- 5.4. Milton Keynes
 - 5.5. Northumberland (Wave 2 authority)
 - 5.6. Plymouth*
 - 5.7. Somerset (Wave 2 authority)
 - 5.8. Stoke-on-Trent City Council*
 - 5.9. Surrey Heath (Wave 2 authority with Surrey CC)
 - 5.10. Swindon (Wave 1 authority)
 - 5.11. West London Alliance (Wave 2 applicant)
 - 5.12. Worcestershire (Wave 1 authority)
6. All asterisked bids are of a good quality and likely to result in some local economic growth; they can be funded from within the budget approved for this activity.
 7. The Board is asked to approve the asterisked bids and support a bid for further LGA funds, as part of the LGA's mid-year financial review, so that the additional bids can be supported.

Launch of the LGA's 'Services Shared: Costs Spared?' report

8. The LGA has long recognised the importance of shared services as one of a number of ways for councils to reduce costs and improve services. The majority of councils are already sharing services² and, while the savings have been significant across the lifetime of the projects, they are nothing like large enough to make up for the sizable cuts to local government funding which are being made. The amount of money councils receive from Government has fallen by £3.5 billion in real terms since 2010/11, a figure which eclipses many times over the savings that can be made annually from sharing services.
9. Our recent 'Services Shared: Costs Spared?' report³, provides a detailed analysis of five shared service arrangements⁴. It provides a detailed insight into the scale of savings that have been achieved through sharing back office functions like IT and legal, and teaming up to deliver frontline services like waste disposal and road maintenance. This research contrasts with the recent publication of the Commons Public Accounts Committee⁵ report into Whitehall shared services which showed that such arrangements had cost £1.4

² See the LGA's Shared Services Map - <http://www.local.gov.uk/better-for-less-po-map>

³ Services Shared: Costs Spared? http://www.local.gov.uk/web/guest/productivity/-/journal_content/56/10171/3675051/ARTICLE-TEMPLATE

⁴ The five shared service projects examined in the report are: Hoople Ltd in Herefordshire; Local Government Shared Services in Cambridgeshire and Northamptonshire; Devon and Somerset Fire and Rescue Authority; Vale of White Horse and South Oxfordshire; and Procurement Lincolnshire.

⁵ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/news/shared-services-report/>

billion to set up - £500 million more than expected – and in some cases had actually cost more than they had saved.

10. The key findings of the report include:
 - 10.1. Clear financial benefits have been achieved with the five shared services saving £30 million between them across the lifetime of the sharing arrangements through reducing staff (removing duplication and management posts), integrating IT, reducing accommodation, and improving procurement.
 - 10.2. The set up and integration costs for merging services are modest with less than a two year payback period for all the shared services analysed.
 - 10.3. The shared services have succeeded in providing the same or better levels of performance at less cost.
 - 10.4. These initial benefits are typically delivered rapidly with strong top-down leadership and rapid implementation helps build momentum for change.
 - 10.5. As shared services mature and evolve they are able to benefit from wider business transformation such as better use of IT and assets, improved processes and cultural change programmes.
 - 10.6. Baseline financial and performance information is essential to make the case for change and track the benefits of shared services in terms of efficiencies and service improvements.
 - 10.7. Good performance against organisations' key performance indicators are complemented by good staff indicators such as high staff morale, low staff sickness and low turnover rates.
 - 10.8. Expanding established shared services to provide services for other public sector partners in a locality is a useful way to generate income and ensure efficiencies through greater economies of scale.
11. Alongside the report, a new tool which helps councils to understand and track the benefits of sharing front and back office services has also been launched.
12. The LGA plans to share this report with central government departments to encourage the sharing of management teams and services across the public sector to achieve savings.

Waste

13. Severn Trent Water has agreed to 'host' this trial, which will be the largest of its kind anywhere in the world. One thousand macerators (Food Waste Disposers) will be installed in new or refurbished homes. The intention is to monitor the savings from removing a waste stream from collection and disposal and the impact, if any, on the sewers. Full results from the programme will not be available until autumn 2013.

Procurement

14. Members will recall that Andrew Smith, Chief Executive of Hampshire County Council, has led on the LGA's behalf an investigation into the potential opportunities for councils to club together to purchase goods and services in some of the big spend categories . Deloitte have been appointed and at the time of writing a draft report is expected in September; an oral update will be provided by officers at the meeting.

Counter Fraud

15. Issues relating to fraud were originally reported to the Improvement Board during 2010/11. From April this moved to the Finance Task Group, though some members of the Improvement Board have remained active in supporting LGA counter fraud activity.
16. The Productivity Team has developed a support offer to work with two groups of authorities to support them in developing shared solutions to counter housing tenancy fraud. This is estimated to cost the public purse £900 million per annum. The support offer will initially focus on housing tenancy fraud, but will offer the potential for pooling resources to build resilience and expertise across all counter fraud activity. The budget for this pilot will be £75,000 and we expect this project to lead to savings to the public purse.

Financial Implications

17. The business plan for 2012/13 includes resources to develop the productivity programme to support councils improve productivity.
18. However, this is not sufficient to support all of the quality bids received as part of the Capital Assets and Economic Growth Programme. Further resources are being requested as part of the mid-year finance review. If resources are not available at this time some bids will have to be deferred or rejected.