

15 July 2014

## Productivity update

### Purpose

This report updates the Board on the progress being made in the Productivity Programme.

### Recommendation

Members are asked to:

- Note the updates and progress on the Productivity Programme areas and in particular the completion of the three year Adult Social Care Efficiency programme with the Department of Health and Association of Directors of Adult Social Services;
- Comment on the proposal to provide specific development support to councillors through a Commissioning Academy for elected members;
- Note the extension of the One Public Estate Programme for 2014/15.

### Action

- Officers to pursue the activities outlined, in light of member guidance.

Contact officer:

Position:

Phone no:

Email:

Dennis Skinner

Head of Leadership and Productivity

020 7664 3017

[Dennis.Skinner@local.gov.uk](mailto:Dennis.Skinner@local.gov.uk)

### **Productivity programme update**

1. The Board has previously approved the Productivity Programme to develop and operate a range of programmes to help improve productivity and efficiency in councils. This report provides an update on a number of work streams within the Productivity Programme.

### **Children, adults and families:**

#### **LGA Adult Social Care Efficiency Programme: *The Final Report***

2. In 2011, in response to the challenges of reduced funding, demographic change and the implementation of new legislation around social care and health, the LGA, working in partnership with the Department of Health (DH) and the Association of Directors of Adult Social Services (ADASS), launched the Adult Social Care Efficiency (ASCE) Programme. The aim of the programme has been to support councils in developing transformational approaches to achieve the efficiency savings required. A key objective was to establish to what extent productivity and efficiency savings could help meet the demographic challenge that councils face.
3. Over a third of upper tier councils (54 in total) have participated in the three year programme, which will end in July. The *Final Report*, due to be published on 17 July 2014, showcases a number of bold and innovative approaches to public service reform that consider workforce optimisation, culture change, creative new delivery models to manage demand, as well as a range of inspiring technical and structural transformations.
4. Evidence suggests that if a council can retain a relatively balanced gross spend on Adult Social Care it will be required to deliver 3% savings per annum on average to meet competing demands from inflationary and demographic pressures alone. Some councils have had to make savings significantly above this level and are making the case that they can make no further savings without putting their basic services for vulnerable people at risk.
5. The big lessons emerging from the programme about how councils are making savings include:
  - 5.1 **Agreeing a new contract with citizens and communities.** Hackney's Promoting Independence Commitment Statement is clear, bold and brave in setting out what citizens can expect from the council and what the council expects from citizens. The approach contributes significantly to the council's four year plan to save £20.6million from the adult social care budget;
  - 5.2 **Managing demand for state-funded care.** Calderdale's integrated 'Gateway to Care' helps the customer find a solution to their presenting problem, focusing on prevention, early intervention and safeguarding. Over 97% of contacts received short term support without the need for a formal assessment or on-going support;

- 5.3 **Transforming services.** People2people is a social enterprise that delivers all adult social care for Shropshire County Council. The innovative new model is rooted firmly in the community, offering a vision for social care that challenges the culture of dependency and expectation that can be perpetuated by traditional models of care;
  - 5.4 **Improving commissioning, procurement and contract management.** Wiltshire's Helped to Live at Home service operates an outcome based approach to commissioning, paying providers to achieve outcomes that improve independence. Efficiency savings now exceed £11million; and
  - 5.5 **Developing more integrated services.** Northumberland have saved £5million through their integrated model of care with Northumbria Health Care Foundation Trust. The approach has seen a 12% reduction in residential care, and demand for domiciliary care has been maintained at a constant level.
6. Over the duration of this programme, participating councils have been tenacious in successfully managing demographic and inflationary pressures. In doing so, they have challenged traditional models, mind-sets and cultures. Despite this, the challenges over the coming years are immense and it is unlikely that councils can continue to make cuts without putting their basic services for vulnerable people at risk.
  7. Pioneering leadership to drive transformation is cited as a critical factor that distinguishes between councils and the level of savings that they are managing to achieve. Those councils, like Hackney, where politicians have agreed a clear direction find it much easier to deliver their savings. Councillor McShane, Lead Member for Adult and Community Social Services and Health, will attend the Board meeting to talk about the transformation programme in Hackney that has delivered savings by managing demand for formal social care services.
  8. Further findings from the LGA ASCE Programme will be available in the ASCE *Final Report*, which will be published on 17 July 2014, at the ASCE event in Central London. For further details, contact Amanda Whittaker-Brown at [Amanda.Whittaker-Brown@local.gov.uk](mailto:Amanda.Whittaker-Brown@local.gov.uk).

## **Commissioning and procurement:**

### **Procurement**

9. Members will recall that in 2012 the LGA, with Hampshire County Council, funded work by Deloitte to provide an outline of a modern procurement strategy for local government. The LGA has since consulted widely on this, and launched the new National Procurement Strategy at the LGA Annual Conference on 10 July 2014.
10. The strategy is accompanied by a new microsite for procurement-related materials, [www.lg-procurement.org.uk](http://www.lg-procurement.org.uk), which sets out a vision for local government procurement and encourages all councils in England to engage with the delivery of outcomes in four key areas:

- 10.1 Making savings;
- 10.2 Supporting local economies;
- 10.3 Leadership; and
- 10.4 Modernising procurement.

Progress on the original work streams is as follows:

**Category management: construction**

- 11. Worth around £10billion per annum, this work stream is developing a national category strategy that will be launched in the autumn. A framework mapping exercise has been completed and there are plans to publish some good practice case studies along with the strategy. The group is also considering how the new contract models being developed by central government can help councils in construction procurement.

**Category management: energy**

- 12. A number of initiatives on energy (procurement, collective switching, generating and selling energy to raise income) within the Productivity Team has led us to consider how these can be joined up.
- 13. The work stream is concentrating on identifying and driving savings and improvement for councils in relation to:
  - 13.1 Mainstreaming demand reduction into the procurement process;
  - 13.2 Improved decision making behaviours;
  - 13.3 Informed procurement choices via greater policy understanding;
  - 13.4 Process efficiency and process improvement;
  - 13.5 Easier and clearer risk management strategies for councils; and
  - 13.6 Overall procurement cost reduction.

**Category management: ICT**

- 14. This work stream launched a National ICT Category strategy in April 2014 that aims to support councils procure the necessary technology systems and tools more cost effectively to enable them to deliver local public services that provide value for money. Working with the professional buying organisations, the work stream is hoping to achieve strategic commercial co-ordination of the sector's annual national ICT expenditure to drive a sustainable 10 to 20% range annualised cash-reduction over the next five years.
- 15. The strategy also seeks to:
  - 15.1 Help the sector become a more intelligent client by better understanding the needs of the sector and working more effectively with the market;

- 15.2 Provide systematic and collaborative management of key ICT supply chains.

### **Contract management**

16. Contract management was not included in the original Deloitte report but is widely regarded as critical to achieving the savings and outcomes expected from the initial procurement. The LGA launched 'Making Savings from Contract Management' in November 2013 and this continues to be one of our most popular downloads from our website. We are working with Leeds Metropolitan University, which runs a Post Graduate Diploma in Contract Management (originally developed with Waltham Forest and Leeds Councils) to fund bursaries for a small number of places for councils that wish to further develop in this area.

### **Leadership and development**

#### **The Commissioning Academy**

17. The Commissioning Academy is Cabinet Office funded and has been developed with the LGA to provide support and development for commissioning officers across the public sector. Since formal commencement in April 2013, around 120 officers from local government alone have graduated.
18. An independent evaluation of the pilots and first wave of the Commissioning Academy has recently been completed. This has shown that whilst the impacts on local communities of improved commissioning practice will take time to emerge, there have been a number of changes already in councils that have been through the early phases of the Commissioning Academy.

#### **Supporting councillors in their role as commissioners**

19. Councillors have a key role to play in improving and developing the commissioning activity of councils, through setting the high level priorities, to strategic decisions and more tactical choices around procurement.
20. Engaging with and undertaking effective commissioning is likely to require different political and strategic leadership. Councillors will be required to take on new roles, develop new competencies and skills and at times, different attitudes to those associated with more traditional forms of service delivery.
21. Having regard to the above, and the potential development needs, the Improvement and Innovation Board is asked to comment on the following proposal for a two-day Commissioning Academy for Councillors (15 participants per programme) with responsibilities for commissioning. The programme would draw on the strong and established 'Commissioning Academy' brand and ally it with the LGA reach to elected members to attract participants to the offer.

22. The precise detail of the programme would be developed by the LGA and Cabinet Office but would:
  - 22.1 Cover three key areas: commissioning, procurement and contract management;
  - 22.2 Focus on members' strategic leadership role in these areas rather than technical skills or details;
  - 22.3 Encourage members to bring along a "live" commissioning issue to work on; and
  - 22.4 Provide an opportunity and safe space for councillors to share their commissioning issues and challenges and to develop a network of support.
23. The programme would be led by an elected member peer (similar to the Leadership Essentials and Leadership Academy programmes) providing political credibility, potentially from a Commissioning Academy alumni council.
24. Subject to Members' comments, we would work with the Cabinet Office to develop the pilot programme to take place in November 2014 and to secure Cabinet Office sponsorship of £10,000. Depending on the success of the pilot and subject to any emerging necessary refinements, we would propose working with the Cabinet Office to further roll-out the programme.

### **EU procurement rules**

25. The new Procurement Directives have now been accepted and are being transposed into UK legislation, which is expected to become effective in October 2014. The LGA has been working with the Cabinet Office transposition team on developing and delivering training to council procurement officers that will continue over the summer period. A high-level e-learning module has also been developed and this is free to all councils from the Cabinet Office website.

### **Lord Young reforms**

26. Lord Young of Graffham has published two recent reports dealing with small businesses, and has made a number of recommendations that he believes the public sector should implement to encourage small firms to grow and become an important part of our economy. Government has accepted the recommendations, and the Small Business Bill was announced in the Queen's speech in June.
27. Local government supports in principle Lord Young's recommendations and the evidence shows that local authorities spend almost 50% of their revenue on small-medium enterprises, with some councils spending far higher, for example Halton Council report spending over 80%. However, there are two recommendations that are causing a high level of concern amongst councils, namely (a) simplifying procurement by abolishing the pre-qualification

questionnaire (PQQ) process for low value procurements (under €200,000/£173,000) and (b) making contracts easier to find by mandating the use of a central portal, Contracts Finder, for all contracts over £25,000:

- 27.1 Councils feel that PQQs can be a useful tool as part of an effective procurement process. For example it can be an effective way to deselect when there are many suppliers in the market and stops businesses, particularly small businesses, spending significant time on a tender when they have little chance of success. Legislating to remove a tool threatens to shift the same problem into a one stage tender process, which is more onerous for suppliers and does not necessarily solve the problem.
- 27.2 This policy has an impact on localism and the ability of councils to make decisions impacting upon local economic regeneration. Council members want and have the right to advertise where it serves best VFM to support their *local* business, and small and medium sized enterprises. Councils feel that the issue of Contracts Finder is linked inextricably to the PQQ abolition. If a council has to advertise tenders over £25,000 and receives many bids, without the ability to use a 2 stage process, the resource implications of evaluating all tenders received is massive and disproportionate to the value of contracts.
28. The LGA is working with the Cabinet Office Lord Young team to resolve the above issues.

### **Capital, assets and economic growth:**

#### **One Public Estate programme extension**

29. The 2013/14 phase of the One Public Estate (OPE) programme worked with 12 pilot authorities on managing land and property assets across the public sector – central and local government estate – to deliver:
- 29.1 Local economic growth and regeneration (particularly measured in terms of jobs and housing);
- 29.2 Integrated public services;
- 29.3 Capital receipts; and
- 29.4 Reduced operational running costs.
30. The programme is funded by the Cabinet Office, Government Property Unit (GPU) and delivered by the LGA on their behalf.
31. The Chancellor's March 2014 Budget announced a permanent extension to the OPE programme. The extension seems likely to recruit a further 20 councils in 12 separate projects and at the time of writing, a Ministerial announcement is imminent. We hope to be able to provide an oral update on the councils involved in the extension programme at the Board meeting.

32. The original 12 pilot authorities have received an offer of up to £20,000 to support the continued delivery for their ongoing projects and the development of new opportunities for 2014/15.

### **Amenity Assets**

33. Central government Departments and their agencies hold around 4,000 “amenity assets” – land and property held as a consequence of other direct service provision (land acquired for road and rail schemes but no longer required, and inherited land from former public bodies such as the New Towns Commission; etc). Assets range from nil or negative value to over £10million and the cost of managing and maintaining this asset base is around £7million per annum, a sum that may be used to form a dowry for nil or negative value transfers.
34. The LGA has been asked to assist Cabinet Office in the managed disposal of this asset base where possible to generate more productive economic uses. The presumption is that most assets will transfer at nil value to their host local authority or other relevant public body, and in most cases it is likely to be most practical to package up a group of assets combining those of nil or negative value with those with development potential and value. The nil or negative value assets would in most cases attract a dowry. No local authority can be forced to take any assets at all.

### **Institutional/corporately funded housing development offer**

35. **Background:** Members will recall from updates to the board in November 2013, January and March 2014 that the Productivity Team has been investigating and developing a support offer to help councils access funding for new housing from institutional or other corporate sources. This is being developed as one strand of the LGA Commercial Strategy – ‘LGA Develop’.
36. The intention is to assist a group of around four to six councils to collectively access institutional or other corporate finance to build new homes. These homes would most likely be outside of the Housing Revenue Account (HRA) system, which currently acts as a ‘brake’ on the numbers that can be developed.
37. The LGA would forward fund the costs of due diligence (principally legal and property advice) of procuring the investment partner and of other associated procurements.
38. **Scoping phase:** We have been testing the proposition informally with a number of networks and contacts, and have received positive responses from financial and legal experts and interest in principle from authorities. A study has been produced illustrating the financial viability of actual sites (identified by area only) for new housing development without public subsidy and with mixed tenure schemes. The report sets out to illustrate:

- 38.1 Whether, and with what tenure mix, councils can develop housing that is self-financing (where the rental income covers the cost of the loan and the management and maintenance costs);
  - 38.2 Whether the developments would be attractive to investors (based on the internal rate of return (IRR)); and
  - 38.3 The benefits, costs and risks and the payment profile associated with different types of financing instruments.
39. Overall, the study demonstrates that viability is strong; 14 out of 16 of developments analysed could be self-financed with mixed tenure (providing flexibility to respond to local priorities) and 12 of the 16 developments would be attractive to investors based on the total return on investment above 7%. The study also considers areas where there is potential to deliver economies of scale through a consortium/group approach.
40. **Next steps:** The proposal is to be presented to a Commercial Strategy Board meeting for consideration and approval on 16 July 2014.

#### **Public Service Network (PSN)**

41. **Background:** Members will recall from previous reports to the Improvement and Innovation Board that the Public Service Network (PSN) is the public sector wide secure network that enables the secure sharing of data across organisations, including between councils, and between councils and government (and vice versa).
42. As a result of a number of issues highlighted by councils regarding their experience of the compliance process throughout 2013-14, the LGA put forward a number of recommendations to help reduce the burden both for councils and the Cabinet Office PSN team.
43. **LG PSN Programme Board:** In consultation with other sector representative bodies (including SOLACE, Socitm, the District Councils' Network, the Association of County Council Chief Executives, the Society of Metropolitan Chief Executives, the Local Government Delivery Council, and the Local Chief Information Officers (CIO) Council), the LGA has set up the LG PSN Programme Board.
44. This is chaired by a council chief executive and consists of representatives from councils, sector representative bodies, Cabinet Office, DCLG and will draw upon key stakeholders to contribute to this board (e.g. DWP, DH, ICO (Information Commissioner's Office) and CESG (Communications-Electronics Security Group)) as and when required.
45. The objective for the Board is to work with the Cabinet Office PSN team to ensure that:

- 45.1 Compliance practices work for councils, and issues arising are dealt with swiftly and collaboratively;
  - 45.2 Councils and the local government sector can maximise the opportunities from PSN – including supporting the delivery of joined up local public service that are more effective and efficiently.
46. **Task and finish groups:** To address the ‘common issues’ that councils highlighted, including staff security checks and Bring Your Own Devices, the Board is setting up a series of task and finish groups to review and propose how best to resolve these specific issues.
47. **Next steps:** LGA officers will keep the Improvement and Innovation board informed and provide regular updates to the sector via various established networks and bulletins. The intention is to review the Board, and task and finish groups in April 2015 to assess the impact and benefit to the sector.

#### **Waste, energy and other commissioning:**

##### **Collective switching**

- 48. Following the launch of the LGA Collective Energy Switching Framework in January 2014, 61 councils are now involved and a second auction was held in June 2014. This saw 18,005 registrants, five suppliers bidding (three ‘Big 6’ suppliers and two small suppliers) and E.ON entering the collective switching market for the first time. The LGA Switch has now created two market leading tariffs (cheaper than all other tariffs on the market) from Ovo and the British Gas Dual Fuel Paper tariff.
- 49. The overall average saving is £191 per household (£166 in the first February auction) with 91% of households able to save (85% in February).
- 50. Forthcoming collective switching information sessions are being held in Leeds, Lincolnshire and London and the next auction is taking place in October 2014.

##### **Digital Delivery**

#### **Report: Transforming local public services, using technology and digital tools and approaches**

- 51. The LGA commissioned research to capture examples of where councils have used technology and digital tools and approaches to deliver services that are better targeted and more efficient.
- 52. There are over 50 examples highlighted in the report, totalling savings of over £41million.<sup>1</sup> There are also 12 separate case studies and a series of vox pop

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<sup>1</sup> This does not include savings made on council projects that were part of National Programmes including Tell Us

videos, which provide more detail about the tools or approach applied, as well as the benefits this resulted in for customers and the council.

53. This report demonstrates not only that there is significant technological innovation in local government but also that it is being applied with real skill and thoughtfulness.
54. Councils are approaching innovation from their natural starting point of understanding and engaging with customers. There is a pragmatic approach to technology, first testing out solutions and then implementing them. As a result, councils and suppliers are able to use the knowledge they have developed to quickly apply emerging technologies to a local government context.
55. The report was launched at the Innovation Zone at the LGA conference and will be hosted on the LGA website.

#### **Financial implications**

56. Capacity to support the programme has been built into the LGA budgets and business plan.