

Productivity programme update

Purpose

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

Recommendations

Members are asked to;

1. Note the updates and progress on the Productivity Programme.
2. Agree the response to consultation on the EU Procurement Directive, which will either be circulated to members ahead of this meeting or tabled on the day.

Action

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

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Productivity programme update

Background

1. The Board has previously agreed 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.

Issues

2. Commissioning Academy

- 2.1. As reported earlier in the year, an independent evaluation of the pilot and first wave of the Commissioning Academy showed that, while the impact on local communities of improved commissioning practice will take time to emerge, there has been a number of positive changes in councils that have been through its early phases. To date, 55 councils have been through the Academy with many councils sending subsequent groups of senior officers through. The LGA will continue to promote this offer to councils and there has been a strong response from local government to recruitment for the next wave starting in January 2015.
- 2.2. Following the success of the Commissioning Academy for officers, the LGA is working with the Cabinet Office on an offer for elected members. The pilot academy for members will take place in November as part of the LGA Leadership Essentials offer; there has been a good response to initial soft marketing on this.

3. Commercialisation

- 3.1. For the past year, LGA support on the issue of commercialisation has generally been focussed on raising councils' awareness of the ways in which they can take a commercial approach to all activity, including income generation, procurement and contract management. We have done this through regional events hosted in partnership with the private sector in Bristol, Manchester and London as well as the production of a new webpage - <http://www.local.gov.uk/income-generation>.
- 3.2. As part of the next stage of this support, those councils who are most advanced in commercial activity are being brought together to:
 - 3.2.1. share different approaches to commercialisation to enable mutual learning
 - 3.2.2. enable councils already advanced in their thinking to move further, faster
 - 3.2.3. identify possible barriers to commercialisation to inform LGA lobbying on behalf of the sector
 - 3.2.4. identify potential opportunities for brokering/negotiation of greater discounts on behalf of a wider group of councils (eg due diligence)
 - 3.2.5. identify potential synergies/opportunities for collaboration/partnerships/joint ventures where appropriate
 - 3.2.6. consider the development of a sector-led improvement offer for commercialisation, on a cost or cost plus basis.

- 3.3. LGA officers will ensure that the appropriate links are made between this group and the National Advisory Group for Procurement.

4. Procurement

National Procurement Strategy (NPS)

- 4.1. Following the launch of the NPS in July, the National Advisory Group has met with the procurement sponsor, Martin Reeves, Chief Executive of Coventry City Council to discuss the actions and implementation of the strategy across local government. Work is ongoing on the procurement microsite to gather and disseminate good practice across the four strategy themes of making savings, enabling local communities, leadership and modernisation. One of the key actions is to have some strategic discussions with our top 20 suppliers to local government, and arrangements are being made to start these discussions now.

Lord Young Reforms

- 4.2. Members may be aware of the efforts by central government to simplify public sector procurement processes following publication of a report by Lord Young in December 2013 - Small Business: GREAT Ambition. The Cabinet Office says that the reforms will be transposed into legislation with the new EU Procurement directives later this year.
- 4.3. Councils support Government's stated aim that this will help small and medium-sized enterprises (SMEs) and voluntary sector organisations to bid more successfully for public sector tenders. However, we do not believe that two of the recommended solutions will achieve this for local authorities:
- 4.3.1. the abolition of the use of Pre-Qualification Questionnaires (PQQs) for low value (under £173,000) procurement; and
 - 4.3.2. the requirement to mandate the use of a single national tendering portal, Contracts Finder.
- 4.4. We believe that councils themselves should be able to decide whether or not to use PQQs depending on the procurement in question. Some councils have already updated their processes to reduce or remove PQQs but they are still used to reduce the administrative burden on councils, for example where there are a lot of suppliers in the market, or where there may be a safeguarding issue to reduce the number of suppliers who have access to location information (eg relating to women's refuges) through the full procurement process.
- 4.5. We believe that mandatory use of Contracts Finder undermines local government's ability to take into account social value and local economic growth and, as outlined, could actually be seen as a disadvantage to local SMEs. We strongly believe that this is against the principles set out in the Localism Act, and the decision to use a national portal should be left to the discretion of local authorities.
- 4.6. Both the propositions together will mean that councils are now likely to receive more bids for tenders and have no way to de-select or shortlist bids. We believe that

SMEs will also now have to complete full tenders for all the work they are interested in rather than the shorter pre-qualifying bids.

- 4.7. The Government consultation on the new EU Directives has now been issued, with responses required by 17 October 2014. This presents a number of issues for Councils in the way it seeks to direct and regulate the procurement processes followed by authorities, which are not necessarily in the interests of efficiency and cost saving at local level. A draft response will either be circulated to members ahead of this meeting or tabled on the day for members' consideration and approval.

5. Children, Adult and Families Projects and Programmes

Adult Social Care Efficiency (ASCE) Programme

- 5.1. The final report of the successful ASCE programme was launched at an event attended by over 100 people working to improve efficiency in adult social care in July 2014. The report and an annex containing case studies of all 44 projects are available on the LGA website at www.local.gov.uk/childrenadultsfamilies. Findings are being disseminated via regional events, and the Productivity Team will be hosting a workshop at the National Children and Adult Services Conference in Manchester in October with the Association of Directors of Adult Social Services (ADASS) and Towards Excellence in Adult Social Care (TEASC).

Learning Disability Services Efficiency (LDSE) Project

- 5.2. The LDSE Project was launched in January this year. The five participating authorities are Barking and Dagenham, Cumbria, Darlington, Kent and Wiltshire. Each are facing increasing numbers of service users, increasing complexity of needs and a rise in unit costs of LD services. The project will mirror the ASCE model and aims to help participating authorities to develop new, innovative and efficient approaches to supporting adults with learning disabilities. A project event is planned for November 2014 and an initial report will be published following that, to share early learning with the wider sector.

Efficiency opportunities through health and social care integration

- 5.3. To complement LGA work on integration, care and support reform, the Productivity Team is launching a new project to look at efficiency opportunities through health and social care integration. The team will work with five to six councils and partners to better understand the efficiency opportunities across the system. The project will be launched in October and will run to September 2015 with initial findings anticipated in spring 2015. The project will be run closely in liaison with work on the Better Care Fund.

6. One Public Estate

- 6.1. The One Public Estate (OPE) programme held its formal launch as a permanent Government programme on 3 September 2014, addressed by Francis Maude, Minister for the Cabinet Office, and the LGA Chairman. All 32 participating authorities were represented.

- 6.2. Currently officers are in the process of agreeing Memoranda of Understanding with participating authorities, following which they will be paid. The 20 new councils¹ will all receive an average of £40,000 towards project management costs and electronic Property Information Mapping Service (ePIMS) mapping costs. The 12 Wave 1 councils will receive a further £20,000 towards their on-going costs.
- 6.3. Whilst land and property transactions are necessarily medium to long term, some early wins have already been achieved, for example:
- 6.3.1. unblocking of the transfer of the former Tipner firing range from the Ministry of Defence to Portsmouth City Council for housing development
 - 6.3.2. OPE intervention in the sale of Essex County Hospital in order to work more closely with Essex County Council
 - 6.3.3. closer central government engagement with Worcestershire's joint (with Herefordshire - local blue light services, etc) property vehicle, which is to be chaired by a senior Cabinet Office official.
- 6.4. Key challenges in the next year to 18 months are likely to be improved local authority involvement in Homes and Community Agency land delivery, and better engagement with the three main arms of NHS land ownership and disposal.
- 6.5. Members will also be aware that earlier this summer the Cabinet Office requested that the LGA undertake additional work on the disposal of a myriad of "Amenity Assets" – land acquired as a consequence of other service provision. These assets vary in size and type, ranging from historical railway assets such as tunnels, cuttings, bridges and Listed viaducts, through to quite valuable Vehicle and Operator Services Agency (VOSA) sites. First negotiations have started with Surrey County Council over the possible transfer of a VOSA site, and depending on the success of that negotiation it is hoped to consider the future of a further 70 such sites across the country likely to be declared surplus.

7. Housing Development Programme

Background

- 7.1. Members will recall from updates to the Board earlier this year that the Productivity Team has been developing a support offer to help councils access funding for new housing from institutional or other corporate sources. This project is now being considered as part of the work on the LGA's Commercial Strategy. The intention is to assist a group of councils, collectively to access institutional or other corporate finance to build new homes outside of the Housing Revenue Account (HRA) system. Subject to resources being made available, the LGA would forward fund the costs of due diligence (principally legal and property advice), of procuring the investment partner, and of associated other procurements but then seek to recoup these costs.

¹ London Borough (LB) of Barnet, Birmingham, Bradford, Cornwall, LB of Croydon, Kent, Liverpool, Manchester with Bury, Oldham, Salford, Stockport and Trafford, Norfolk and Suffolk with Forest Heath and St Edmundsbury district councils, Plymouth, Southampton, York.

Market testing

- 7.2. In August 2014, expressions of interest were invited in general terms, from member authorities who have land suitable for new housing development and who are interested in accessing significant funds to develop their own new housing outside of housing revenue accounts (where councils have an HRA). Recognising there is not a one size fits all approach to council-led housing development and there are various options and choices available to local authorities, the expression of interest process aims to understand the level of demand, start exploring councils' individual ambitions for development and to begin establishing whether a group of like-minded interests could be established.
- 7.3. At the time of writing, 40 authorities have made contact in varying levels of detail following the invitation to express an interest. Thirteen expressions of interest have been submitted, with several more expected and the Productivity Team have spoken in more detail with 15 interested authorities.

Next steps

- 7.4. The findings from the market testing phase will be presented to the October Commercial Advisory Board meeting. We will be looking to invite those who have expressed interest to a session later this year to look at the shape of the programme in more detail and to further develop the business case.

8. Collective Energy Switching

- 8.1. As the Improvement and Innovation Board is aware, the LGA Collective Energy Switching Framework was launched in January 2014. In June 2014 the second LGA collective switch created two market leading tariffs, cheaper than all other tariffs on the market, from Ovo and British Gas for customers who pay on a dual fuel paper tariff. Preparations are currently underway for the autumn switch taking place on 14 October 2014, with 60 councils currently offering their residents the opportunity to transfer their energy supplier. As at 1 October 2014, over 11,000 residents have registered to take part in this auction.
- 8.2. Work is also underway to move the Big London Energy Switch (BLES), a scheme involving 23 London Boroughs, on to the LGA Collective Switching Framework. The scheme, led by the Royal Borough of Kingston upon Thames, was developed and delivered through Department of Energy and Climate Change funding provided in early 2013. With this funding no longer available, officers are developing an efficient delivery method for the scheme through the LGA framework.

9. Public Sector Network (PSN)

- 9.1. To support the sector work together to resolve ongoing issues with PSN and to help build on the collaborative approach we developed last year with the Cabinet Office, we have established the Local Government (LG) PSN Programme Board. This is chaired by Steve Baker, Chief Executive of Suffolk Coastal and Waveney District Councils, who also chairs the Local Government Delivery Council, the chief executive group that receives regular reports on PSN.

- 9.2. The LG PSN Programme Board has senior officers from a number of councils (many of whom are also on related boards and have links to key representative bodies), representatives from the LGA, Welsh LGA, Convention of Scottish Local Authorities (CoSLA), DCLG, the Cabinet Office and has put in place arrangements to bring in other central government representatives as required.
- 9.3. The objective for the Board is to work with the Cabinet Office PSN team to ensure that:
- 9.3.1. compliance practices work for councils, and issues arising are dealt with swiftly and collaboratively
 - 9.3.2. the LG sector can maximise the opportunities from PSN – including supporting the delivery of joined up local public service that are more effective and efficient.
- 9.4. The Board has met three times, agreed the membership, Terms of Reference and has started to review the current compliance processes as well as identify those councils who have issues and may need support. At the last meeting, the Board invited representatives from the Department of Health to discuss plans for N3 (the current health secure network) and PSN. As members will recall, PSN was proposed as the single pan government secure network, which would include health. However, N3 continues to operate as a separate network. Therefore this is an important issue and fundamentally important both for the business case for PSN and to support work on the integration of health and social care.
- 9.5. The PSN team has recently moved into the Government Digital Services operation at the Cabinet Office and there has been a number of changes in personnel. We are working closely with the new team to help them understand and work effectively with the local government sector. There have been some encouraging developments including a much more collaborative approach to councils that have failed their compliance check or who have highlighted issues. We have secured agreement from PSN for them to explore how councils in shared service arrangements might be better served by having the relevant Information Assessor manage such councils as a partnership so these better reflect these shared service arrangements.
- 9.6. Carolyn Downs has written to Stephen Kelly, the Government Chief Operating Officer and responsible for PSN, thanking him for his support in setting up the LG PSN Programme Board and on-going work to improve the compliance process and to highlight the sector's concerns regarding N3 and PSN.
- 9.7. 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.

10. Public Sector Audit Appointments Ltd

- 10.1. Members will recall that following the passing of the Local Audit and Accountability Act, the LGA has been keen to maintain high quality independent audit arrangements for local public services that continue to be provided in as cost-

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effective way as possible and buildings on the huge savings delivered over the last few years. We were asked by DCLG to establish an independent company to oversee a number of key transitional responsibilities that are required when the Audit Commission closes, including the auditing of local government and parts of the NHS, in preparation for the anticipated closure of the Audit Commission in March 2015.

- 10.2. Public Sector Audit Appointments (PSAA) has now been established by the Local Government Association (LGA) to oversee the transitional responsibilities related to local public audit arrangements when the Audit Commission closes next year.
- 10.3. PSAA will manage a range of contracts, including audits of local health bodies, police services and local councils, until at least 2017.
- 10.4. We are able to announce that the company will be chaired by Steve Freer, formerly the Chief Executive of CIPFA. Four non-executive directors are being recruited.

11. Financial Implications

- 11.1. Costs of delivering the programme will be contained within available budgets.