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Productivity programme

Purpose

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

Further to the discussion at the last Board on the work of the Advanced Commercialisation Group (ACG) and members' request for further information, we will be joined by Chris Bradley, Senior Commercial Manager at Surrey County Council, who is a member of the Group and will give a brief presentation to the Board. Further information on the ACG is also provided in Section 10 of this report.

Recommendation

Members are asked to note the updates and progress on the Productivity Programme.

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 projects to help improve productivity and efficiency in councils. This report provides an update on a number of work streams within the Productivity Programme.
2. Local authorities can reduce their financial dependence on government and their call on local taxpayers in three ways; by:
 - 2.1. **Transforming services**, either simply to make them more efficient and less wasteful or to find more effective ways of delivering to local people's needs
 - 2.2. **Smarter sourcing**, commissioning and buying the services, goods and works that contribute to local outcomes more effectively and, where possible, more cheaply, and managing the resulting contracts to optimise value from them
 - 2.3. **Generating income**, which involves generating a greater proportion of funding locally, such as by commercialising the authority's existing skills, assets or commodities or investing to grow the local economy to generate wealth for the area.
3. The Productivity Programme contains work that will support local authorities in each of these three areas and several of our projects cut across more than one. Our programme complements and supplements the work of other agencies we work with such as the Cabinet Office, Crown Commercial Services and Local Partnerships.

Issues

Transforming Services

4. Digital Submission for the Autumn Spending Review

- 4.1. As members will recall, March's Budget statement in 2015 included a reference to digital and the extension of Government Digital Services (GDS) remit to local services:
- 4.2. *"... the digital ambition will extend beyond central government and arms-length bodies, to consider local services. HM Treasury, the Department for Communities and Local Government and the Government Digital Service will collaborate with partners in local government, as the sector develops a set of proposals that will enable more customer-focused, digitally-enabled and efficient local services in time to inform future budget allocations".*
- 4.3. In May 2015, the LGA hosted an LG Digital Summit with council representatives to discuss the implications of this, to work out and agree the sector's key messages on digital for the new government in response to this announcement. Following the summit, the LGA has been working with the Society of Local Authority Chief Executives (Solace), the Society of IT Managers (Socitm), the Local Chief

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Information Officers (CIO) Council and DCLG to develop a submission for the autumn Spending Review.

5. We are working on a twin track approach, which is to:
 - 5.1. get a better understanding of councils' current online transactions. This is to demonstrate what the sector has already done, the savings generated and to help identify possible transactions for councils to digitise next, to deliver better online services, maximise efficiency savings and to inform a business case for the Spending Review
 - 5.2. explore how best to develop a case for local public service transformation enabled by digital, looking at national programmes of local transformation (eg Troubled Families, health and care integration and Universal Credit) to see where digitalisation has already driven improvement and savings - and use this to help inform a business case for extending this across councils.
6. We are currently carrying out desk research and have sent out a survey to all councils to get a better assessment of what councils have already digitalised. This will be followed up with some deep-dive analysis. Once we have this information, we will:
 - 6.1. develop an outline programme plan and recommendations to build sector capacity and leadership to support digitalisation of both transactions and wider work on transformation
 - 6.2. identify key opportunities where efficiency through digital can be delivered. This will then be used to produce a draft report and recommendations by this September, ahead of final submission to HMT this October.
7. **Public Service Network new compliance regime**
 - 7.1. The LGA has been working closely with government and other stakeholders to resolve ongoing issues with regard to Public Service Network (PSN) and the negative impact this had on councils' ability to carry out their business. Last summer, the LGA set up and now oversees a sector board, the LG PSN Programme Board, which meets regularly to discuss issues about the compliance process, how this impacts on sharing information securely with partners, as well as to share feedback from councils on specific problems.
 - 7.2. As a result of this ongoing dialogue, the PSN team have revised the compliance process with the objective to make this less burdensome both for councils and the Cabinet Office. They worked initially with a small group of councils earlier this year, to 'beta' test and refine this revised process. The aim is to now 'go live' with this and those councils scheduled to go through their annual compliance check from this June onwards will be asked to use the new process.
 - 7.3. To enable councils to find out about the changed compliance process and ask questions, the LGA hosted a LG PSN Workshop at the end of May 2015 at which over 70 delegates from councils participated. The overall consensus is that the new process is clearer and simpler with less paperwork. The onus is now on the council to make a 'risk based assessment' that reflects their business needs as opposed to meeting an externally imposed security standard.

- 7.4. Previously the compliance check was annual with a certificate awarded for one year. However, after lobbying from the sector, Cabinet Office have agreed to introduce a two year certificate for those councils that are able to demonstrate they are on top of their compliance, aware of and managing any risks associated with PSN. There has also been the shift to a single compliance assessment for councils in a shared service arrangement, ie where previously two councils that were in a shared service had two separate compliance assessments they now can look to have one that better reflects their arrangements and the associated risks.
- 7.5. The LGA will continue to support councils as the new process beds in and work with the PSN team to make sure that the needs of the sector are understood and considered at all times.

8. Shared Services Map

- 8.1. The LGA has launched an updated version of the popular shared services map.
- 8.2. The map allows the user to browse shared services by region and the accompanying infographic sets out the headline figures.
- 8.3. The map highlights that:
- 8.3.1. since the map was first compiled in 2012, councils have made £462 million of savings by sharing services
 - 8.3.2. there has been a huge increase in savings made from councils sharing back office functions such as legal, audit and HR which resulted in £145 million in savings
 - 8.3.3. big savings have also been made through the sharing of adult services, procurement and capital assets
 - 8.3.4. councils sharing services with other public sector organisations have resulted in savings of more than £15 million.
- 8.4. The shared services map is a useful resource for councils to learn about existing arrangements in their area and for reference before embarking on new shared services projects.

9. Health and Social Care Projects and Programmes

- 9.1. Efficiency opportunities through health and social care integration
- 9.1.1. During April and May 2015 the Productivity Team and Newton Europe had discussions with Directors of Adult Social Care and key health partners to identify those areas that will be participating in the project. Following those discussions, field work is now underway in Kent and work will begin in Swindon and Blackburn with Darwen over the coming month. The robust, evidence based approach will help to identify efficiency opportunities across the Health and Social Care system with a view to determining what a more sustainable model for the future might look like. Early findings from Kent were discussed at a parallel plenary session at the LGA Conference.

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9.2. Learning Disability Services Efficiency (LDSE) Project

- 9.2.1. Having agreed their efficiency plans last year, the five authorities participating in the LDSE project (Barking and Dagenham, Cumbria, Darlington, Kent and Wiltshire) are now well into the delivery phase of the project. During June 2015, the Programme Advisor, Professor John Bolton, was visiting the participating areas to provide challenge and support to the work. An interim position report will be published in July 2105 to share learning from this stage of the project. Later in the programme, participants will be encouraged to each host a regional event to share learning with peers in their area.

10. Public Health

- 10.1. To mark the two year anniversary of the transfer of Public Health Services to councils, the Productivity Team is working with a number of councils to scope out a project to share early learning with the sector in making the most efficient use of limited resources. A number of areas are being explored, which complement the existing programme of Public Health support. These include the use of digital technology in delivering Public Health Services and more effective outcome based commissioning. This project has gained in importance in view of the recent in-year reductions in Public Health Grant that have been announced.

Smarter Sourcing

Commissioning Academy

11. Learning more about commissioning is essential for any councillor, especially so for those who define policy and shape the future of public services. The Commissioning Academy for elected members could also be very useful to those newly elected members with a role to play in the commissioning of public services, for example portfolio holders and members of the Overview and Scrutiny Committee.
12. The next Commissioning Academy for elected members will be held on the 3 and 4 November 2015 at Warwick University with further sessions to be held on 21 and 22 January 2016. Promotion and call for delegates will have started at the LGA Annual Conference 2015. The programme is free to attend and open to all members. Those interested in booking a place should contact Grace Collins at grace.collins@local.gov.uk.

Procurement fraud

13. The cost of fraud to local government is estimated at some £2.2 billion per year. Of this, £876 million has been attributed to procurement fraud. In order to raise awareness of this, the LGA has partnered with the Counter Fraud unit at CIPFA to produce a guide 'Managing the risk of Procurement Fraud'. Copies of the guide will have been available on the LGA stand at our annual conference and will be publicised widely and available on our dedicated procurement website www.lg-procurement.org.uk shortly after then.

Waste and recycling

14. Waste and recycling is a core local government service and research indicates that a significant number of councils will be renewing their contracts for these services over the next two years. We wish to support a more consistent and joined-up approach in this area and our wider aim is to promote efficiency, using innovative concepts that can be replicated within the sector on a local, regional or national scale and believe that such efficiencies can be made in the areas of:

- 14.1. joint procurement of waste vehicles and vehicles maintenance
- 14.2. joint procurement of waste collection contracts
- 14.3. joining up waste collection and disposal
- 14.4. standardising council specifications of goods and services relating to waste
- 14.5. innovative ways of increasing recycling rates, particularly in urban areas.

15. We are expecting to advertise a call for bids on this project by the end of June 2015 with a closing date of end of July 2015.

Public Contracts Regulations 2015

16. The Public Contracts Regulations govern the tendering and award of most types of high value contracts by local authorities. New Regulations were introduced towards the end of the last Parliament. The LGA, in partnership with the Welsh LGA, has commissioned some additional guidance on the Regulations. The guidance will take the form of a handbook and will help to equip elected members and officers to undertake effective decision making on matters relating to delivery and procurement in this new legal environment.

Income Generation

Commercialisation

17. At the last meeting of the Improvement and Innovation Board, members expressed an interest in learning more about the Advanced Commercial Group (ACG), an important part of the LGA's commercial workstream. Towards the end of 2014, many of the councils who were further along in their commercial activity in terms of innovation and scale and therefore had already spoken at LGA learning events on this subject were keen to form together to learn more about each other's commercial activity. The LGA agreed to set up an Advanced Commercial Group for councils and approached Stephen Hughes, formerly the Chief Executive of Birmingham City Council, to chair the group. The LGA Principal Advisers were also approached and asked to nominate those councils from their regions who were particularly advanced and innovative in their commercial thinking to the Group. The aims of the ACG are to:

- 17.1. share different approaches to commercialisation to enable mutual learning
- 17.2. enable councils already advanced in their thinking to move further and faster
- 17.3. identify possible barriers to commercialisation to inform LGA lobbying on behalf of the sector

- 17.4. identify potential opportunities for brokering/negotiation of greater discounts on behalf of a wider group of councils (eg due diligence)
 - 17.5. identify potential synergies/opportunities for collaboration/partnerships/joint ventures where appropriate
 - 17.6. consider the development of a sector-led improvement offer for commercialisation, on a cost or cost plus basis.
18. In November 2014 the first meeting of the ACG was held at the LGA. The last meeting of the ACG met in Birmingham in March 2015.
19. The ACG consists of the following councils:
- Birmingham City Council
 - Surrey County Council
 - Manchester City Council
 - Aylesbury Vale District Council
 - Warrington Borough Council
 - Cheshire East Council
 - Nottingham City Council
 - Peterborough City Council
 - Eastleigh Borough Council
 - Reigate and Banstead District Council
 - Leeds City Council
 - Northamptonshire County Council
 - Basingstoke and Deane Borough Council.
20. The councils on the ACG are generating significant six figure incomes from their commercial activity and taking very diverse approaches. For example, Basingstoke and Deane Borough Council receives 30% of its income from grant and tax, and 70% from other sources - the reverse of the normal proportion. It gets £15.5m from its commercial property portfolio (fifth biggest in the country) and £3.5m from investment income per year.
21. Leeds City Council has a commercial team as part of its Public Private Partnerships and Procurement Unit, which consists of experienced commercial lawyers, accountants and technical officers who provide expert professional support and advice as part of multi-disciplinary project teams at all stages of the project lifecycle for complex procurement and programmes of work. The multi-disciplinary team approach has enabled the Council to develop a national reputation for the successful delivery of complex PFI/Public Private Partnership projects and helped to secure in excess of £1.5 billion in infrastructure in the City across the schools, waste, street lighting, social care, health and housing sectors. In addition the Unit is regarded as a regional centre of expertise and has worked collaboratively with other bodies.
22. Warrington Borough Council has taken a different approach by designing and running commercial skills training for its employees across the Council. The programme is suitable for both those wishing to explore commercial approaches who had not previously had the opportunity to do so, and also those who already adopt commercial approaches, who wish to expand and enhance current knowledge and skills. The programme modules are: Creative Approaches, Marketplace Understanding and Engagement, Financial

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Approaches and Modelling, Effective Operational Delivery and Commercial People Management. The programme has been running for 18 months.

23. Whilst aware of the risk of the group becoming unwieldy, the LGA and ACG are open to new members joining as our understanding of the good practice in this area grows, and to that end the Principal Advisers continue to suggest councils who are advanced in their commercial activity rather than at the start of that journey. In order to share the lessons from those councils on the ACG with the rest of local government, we have asked them to produce case studies, which we have shared at www.local.gov.uk/income-generation.
24. In addition many councils have expressed concerns that they are spending significant amounts of money accessing expert legal, procurement and financial advice to undertake due diligence on their new commercial ventures. In response to this the LGA is at the early stages of investigating whether to support setting up a dynamic purchasing system to negotiate a fairer rate for councils to access commercial advice.

One Public Estate

25. As Members are aware, the Chancellor's Autumn Statement announced that the One Public Estate (OPE) programme is to be extended over the course of this Parliament. The Cabinet Office Government Property Unit and the LGA are currently in consultation with Whitehall and senior local authority officials over terms for a future OPE offer.
26. The proposals under development will look to build on the successes of the current programme by increasing the scale and pace of the OPE programme, which enables local and central government bodies working in partnership on assets and service transformation initiatives. To increase the scale and pace, consideration is being given to the merit of working on a cross City Deal or Combined Authority level, where complementary to local devolution aspirations. In addition, proposals to increase the pace of delivery under consideration are:
- 26.1. simplified capital controls – particularly greater freedom to use capital receipts for one-off revenue purposes
 - 26.2. retention of 10% of government property sales in local areas, where these are applied to initiatives that generate local economic growth, or lead to significant service transformation
 - 26.3. priority purchaser status for local authorities looking to purchase surplus central government assets to enable economic growth
 - 26.4. a forum, chaired by senior Ministers, to help unblock barriers to delivery of service integration and economic growth.
27. A Public Land and Property Seminar involving Chief Executives from OPE, local authorities, senior Treasury, DCLG and Cabinet Office officials was held on 9 June 2015 at Smith Square as part of the consultation process. Officers will provide a verbal update on any further developments at this meeting.

Energy Programme

28. It was agreed that the productivity team would launch a new programme for the 2015/16 work programme looking at how councils could use different energy opportunities, both energy efficiency, and renewable and low carbon energy generation to help in reducing

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the funding gap. The first output of the programme will be a report into the different opportunities and the potential efficiency savings and income generation available to councils of different tiers and sizes. The report, which is being produced by Verco Advisory Services Ltd, is due for completion in July 2015.

29. A report on options for the LGA collective switching framework is contained elsewhere on this agenda.

Cross- cutting programmes

Economic Growth Advisers

30. The LGA will shortly be launching Phase 3 of the Economic Growth Adviser programme. Councils will be invited to submit a project proposal to receive a £7000 grant and access to our 'pool' of local growth experts to help them deliver economic growth in their area. Local authorities that have not received funding as part of a previous phase of the programme will be invited to submit a project proposal setting out how they would use the expert support to help them implement their local economic growth priorities.

Next steps

31. LGA officers will continue to keep the Improvement and Innovation Board informed and provide regular updates to the sector via various established networks and bulletins.

Financial Implications

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