



# 2004/5 Annual Report

## Building the Foundations

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**of Excellence**

**June 2005**

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## FOREWORD

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We are pleased to publish our first annual report, *Building the Foundations*. Efficiency is high on the agenda of all councils at both chief officer and Member level. It is not just about cost, but also about the quality of our services and the customer experience where outcomes are the overriding factor. Although there may be some differences about how we support the efficiency agenda, every one agrees that we need to be looking for new and better ways of working together and delivering services. Comments such as "it has always been like that" or "it is too difficult to do any better" are no longer acceptable.

Gaining agreement from central government on the scope and funding of the London Centre of Excellence (LCE) has meant that it has taken rather longer for us to get going than many of us would have liked. However, we are now moving forward rapidly and have put in place an exciting programme of funded work and projects that we believe will offer something to all London councils and indeed the broader London public sector.

Our recent communications survey unsurprisingly showed disappointment with the LCE around communications; however some 78.3% of respondents believed that the LCE has the potential to contribute to their thinking on efficiency. That is precisely what we intend to do in 2005/6.

As a part of the communications process, we would urge all recipients of this first annual report to pass it on to colleagues for information, particularly chief officers and operational directors. This way we can start to ensure that the efficiency agenda is not perceived as being of interest only to our finance colleagues.

In writing this account of our first year in operation, we would like to thank our lead boroughs and members of the Management Board for their energy and support in establishing the London Centre of Excellence and look forward to their continued support achieving the successful outcomes we are seeking for London.

We commend this report to you and invite you to work with us to ensure that London delivers innovation around service delivery.

***Martin Pilgrim***

Chief Executive, London Centre of Excellence (LCE) and Association of London Government (ALG)

***Ken Cole***

Director, LCE

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### 1. THE STARTING POINT

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The LCE is one of nine regional centres of excellence created by the ODPM in February 2004. Its initial focus was to help in the delivery of the National Procurement Strategy (NPS) published a year earlier. However, central government took a decision in September 2004 to add implementation of the outcomes from the Spending Review 2004 (commonly known as the Gershon Review) to the role of the centres. This broadened our focus and priorities at once, but also created some confusion while funding and roles and responsibilities were agreed between the ODPM and H M Treasury.

The Association of London Government (ALG) hosts the LCE in partnership with the City of Westminster and the London Borough of Hammersmith and Fulham. The LCE is centrally funded by ODPM with a budget of £1.65 million per annum. We are directly accountable to our management board, which comprises six London Chief Executives representing the London authorities and the GLA family as well as the NHS and other interested pan-London bodies. The ALG Leaders' Committee ensures commitment, accountability and debate at a *political* level and provides a forum to broker agreement at this level when required.

A full list of the management board representatives is at Appendix A.

## 2. SUMMARY OF WORK 2004/5

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### 2.1 OPERATING ENVIRONMENT

Implementation of the Efficiency Agenda (Gershon) and the National Procurement Strategy (NPS) is a complex and challenging task. Some of the Gershon outcomes, such as shared back-office systems, will take many years to come to fruition. At present the ODPM has funded each Centre for three years (April 2004 to March 2007) with an annual budget of £1.65m in London. There is a possibility that the funding may continue under the Spending Review 2006 to support the on-going efficiency agenda.

Central government has described the Centres as "change agents" as we are there to create the conditions where collaboration and a strategic approach to service delivery will flourish and reduce overall costs and improve the quality of services to citizens. Our goal in London, put simply, is to help the London public sector (mainly councils at present) deliver against the various targets and objectives set out by central government in response to Gershon/NPS.

London has some advantages over other regions in that:

- All councils are single tier authorities
- Pan London political and operation networks are already well established and working
- Localised collaboration has been going on for many years, albeit on a largely informal basis

Also, all councils are seeking ways to improve service quality and achieve 'more for less', mindful of the need to keep council tax increases to a minimum and achieve high CPA ratings.

### 2.2 BUSINESS PLAN

The LCE prepared an evidenced based Business Plan with the assistance of external consultants last year. The plan was drawn up after extensive consultation and analysis and was supported by both chief officers and the ALG Leaders Committee. We also assumed, rightly, that the LCE would be given responsibility for the Gershon efficiency agenda. Key points from the Business Plan are summarised at Appendix B. The consultation process gave us a clear picture of what Boroughs wanted from the LCE in terms of responding to the Gershon / NPS agenda, namely:

- Promoting **voluntary** collaboration between organisations where there is a sound business case and/or commercial advantage to be gained
- Accelerating the good work and initiatives already under way across the region
- Building on any work or projects already under way
- Ensuring that all our work is focused on the needs and priorities of the London public sector
- Making the most of existing networks (e.g. London Contracts and Supplies Group (LCSG), Finance Directors (SLT), Social Services Directors (GLADSS)) Heads of Human Resources and borough Policy Officers, to ensure demonstrable progress is made in the delivery of service

improvements and achievement of cash/efficiency gains

- Keeping bureaucracy and paper work to a minimum and helping participating authorities coordinate reasonable and relevant requests for information (e.g. returns and surveys) from other interested public sector organisations

The Business Plan established the concept of work streams and exemplar projects. The former are either linked directly to the NPS and/or about delivering a quick gain, while the latter is about creating innovative projects through collaboration that could result in cashable gains and/or improved service delivery mechanisms. Cashable gains remain a top priority for all Boroughs, and the Business Plan identified that by promoting collaborative working the LCE should be looking to create the conditions to generate some £80M worth of gains each year. These gains would be accessed directly by the Boroughs from participating in exemplar projects and work streams.

### 2.3 MANAGEMENT PHILOSOPHY

In the light of the research and consultation outcomes from the preparation of the Business Plan, the Management Board decided to ensure that the LCE was set up as a 'virtual' organisation to give it the flexibility to respond to the needs of the Boroughs. In reality this means:

- Keeping staff costs and overheads to no more than 20 to 25% of our total budget
- Recruiting people either by secondment or on contract so that skills sets can be changed if priorities and/or outcomes are varied and to minimise cessation costs and on-going liabilities should funding cease
- Avoiding duplication of the efforts of individual councils or existing collaborative groups and passing all savings and benefits back to the constituent Boroughs
- Moving at the pace of the fastest not the slowest councils in all our work, but keeping the door open for others to join at a later date
- Concentrating on strategic, high value/high risk areas rather than routine, tactical activities, which although easy to deliver, provide little return on investment
- Seeking to do a few things but to do them very well in order to convince everyone of the benefits of collaboration

### 2.4 STAFFING

The LCE has a staff of three. They are:

#### **KEN COLE – DIRECTOR**

Ken is on secondment from the private sector and has a strong public sector background. Ken is responsible for delivering the Business Plan and making the LCE "happen".

#### **PHILLIP SNOWLING – PROGRAMME MANAGER**

Philip is from Mouchel Parkman and looks after the management and coordination of our work

streams and exemplar projects, ensuring that they deliver to quality, time and budget.

### ESTHER THOMAS – PROJECT OFFICER

Esther is joining the LCE from the GLA. She will be responsible for communications, financial profiling and supporting the management board.

We have no further plans to recruit staff at present unless there is a material change in our objectives or scope from central government.

We should like to thank **Peter Fanning** (founder Director, now Deputy Director of OGC) and **Francis Murphy** (L B Hammersmith and Fulham) for their work and excellent contributions in setting up the LCE.

## 2.5 FINANCIAL STATEMENT

The LCE lead borough of Hammersmith and Fulham is the fund holder on behalf of the ALG and LCE. The LCE was allocated a budget (confirmed in January 2005) of £1.65m. A sum of £0.21m was spent with £1.44m carried forward to 2005/6. A copy of the financial statement is at Appendix C.

## 2.6 EARLY ACHIEVEMENTS

London's Business Plan was based on actual events and real information. This included analysing procurement spend data from fifteen Boroughs (see Appendix B). The Plan identified that it was important to create a collaborative environment if the LCE was to progress and overcome some structural problems that would impede cross public sector collaboration.

The following table sets out what we have done to manage these challenges.

Immediate Challenge	Action Taken
<b>Review Contract Standing Orders and Financial Regulations to ensure that they support collaborative contracting</b>	Work commissioned from Hedra. Report and Guidance note for Chief Executives due July 2005.
<b>Deliver a standard approach to procurement and supplier classification</b>	A group of six Boroughs, led by Camden, is working with the LCE to understand the problems and produce a guidance note for the Society of London Treasurers. Note due August 2005.
<b>Expenditure analysis skills and knowledge transfer</b>	A full training programme is now in place to enable all public sector bodies to train staff to do this work in-house rather than rely on expensive consultants. Seven programmes have been run since December 2004 and we would encourage all Boroughs to ensure that they book places (email <a href="mailto:debbie.williams@alg.gov.uk">debbie.williams@alg.gov.uk</a> for details).

The other major success has been the launch of a series of work streams and exemplar projects. These came from Boroughs following an invitation from Martin Pilgrim (Chief Executive LCE/ALG) last October to bid for funding. Some sixty proposals were submitted. Appendix D sets out brief details of those underway.

### 2.7 LESSONS LEARNED

Establishing the LCE, acquiring the right people and getting the right business model for success has been difficult but we achieved this in 2004/5. We recognise that we are charting new territory with the LCE and that we have not always got it right first time. Some of the key lessons that we have learned have been:

- Recognising that the LCE agenda is perceived by many as being external and therefore subordinate in urgency to core activities (the day job)
- How to reconcile the many demands and priorities of central government departments and communicate these to Boroughs in a coherent format
- Understanding that providing financial resources for projects also needs to be underpinned with staff commitment within the councils to manage the project (again, this is often in conflict with the day job)
- Identifying and communicating with the right people is not only difficult within individual Boroughs, but also pan-London
- Time and care is needed to broker sensitive relationship and partnering issues at officer and member levels, particularly where joint procurement and shared service delivery is new to council officers

### 3. LOOKING FORWARD TO 2005/6

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#### 3.1 MANAGEMENT STRATEGY

Our 2005/6 management strategy in the first half of the year is to continue to lay the foundations to support collaborative working and refresh the business plan data, so that we can start to add some real value to the thinking and efficiency work programmes of individual Boroughs in the second half.

We have already:

- Developed a strong Marketing and Communications Strategy backed up by a detailed survey of what councils think about the LCE, the efficiency agenda and communications in general. This will be used as a baseline for us to measure improvements in future years. Our newly appointed Communications Manager will be leading on this work
- Let a contract for the significant update of our website, in order to create an effective communications hub that councils will actively wish to use for information and ideas to start a collaborative revolution
- Completed a study of all the Annual Efficiency Returns, so that we can start to mirror the priorities of councils and look at areas of opportunity as well as resource shortage
- Begun a 2004/5 creditors data analysis, which will allow us to identify areas for future collaboration and efficiency gain. We would ask all councils to support us on this project as evidence from other parts of the country shows that it is a valuable tool in gaining rapid cashable savings
- Reviewed the barriers to voluntary collaboration, which will lead to an action checklist for Chief Executives and Treasurers. We appreciate that it may take some time to dismantle such barriers, but we believe that many are based on fear of loss of control, rather than a sound business case
- Begun the production of a series of pan London strategies for areas such as Procurement Performance Measurement, Managing Low Value Transactions, a Standard Approach to Procurement Classification and Supplier Evaluation. Others will follow in due course
- Worked with the LB of Camden to identify and meet the development needs of officers and members in procurement to support, capacity building and performance and improvement aspirations

#### 3.2 WORKING RELATIONSHIPS

We are working at developing and engaging with both formal and informal networks of operational managers across London. We do not believe that everything has to be done pan London, in fact evidence suggests that cluster working or sub-regional approaches may be better in many instances. The Society of London Treasurers and the London Contracts and Supplies Group (LCSG) will be particularly important in helping councils gain cashable savings. We will also continue to work closely

with partners organisations like London Connects.

We will continue to develop Member involvement, primarily through the ALG Leaders' Committee and whatever approach London takes to improvement partnerships in the region. We will also alert Members where we encounter barriers to greater efficiency at officer level and/or where we believe that a political lead will accelerate progress.

We will support initiatives and ideas for other regions where they add value to the work and thinking of the London Region. London is significantly advanced already given the infrastructure for collaborative working put in place through the ALG.

Finally, we will support the ODPM, the Chief Executives' Taskforce and other regions through our lead workstreams of Productive Time and Social Housing Management.

### 3.3 EXEMPLAR PROJECTS AND WORK STREAMS

We expect to see most of our first wave of projects and work streams reporting this year. Many are to develop outline business cases and most are already showing early promise. The 'Partnerships in Parking' project led by the City of Westminster and supported by the boroughs of Camden, Islington, and Kensington and Chelsea is our most advanced project to date, and has demonstrated the potential for significant service improvements and gains to be achieved through joint working and procurement. We will work with the project teams to help them deliver on time and in budget and review and challenge all findings to ensure intellectual rigour and sound economics.

We will be looking to fund some of these to an implementation phase this year as well as introduce new ones. We would welcome new innovative bids in the area of productive time, housing management, ICT and tackling monopoly suppliers

### 3.4 SERVICE LINES

As we move forward in 2005/6, we will be introducing new service lines and management programmes that will be targeted at areas of specific shortage or high priority for councils. These may attract a small charge to cover our costs, but will be of the highest quality. We would highly recommend that all London public sector bodies support these programmes. One of the first deliverables is the Expenditure Analysis made easy programme, which has been strongly commended by all people that have attended it (email [debbie.williams@alg.gov.uk](mailto:debbie.williams@alg.gov.uk) for details).

### APPENDIX A – MANAGEMENT BOARD REPRESENTATIVES\*

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*As at 22<sup>nd</sup> June 2005*

<b>Name</b>	<b>Organisation</b>
Martin Pilgrim	ALG – LCE Chief Executive
Julia Vernalls	ALG – LCE Lead Director
Geoff Alltimes / Jane West	L B of Hammersmith & Fulham
Peter Rogers / Vic Baylis	City of Westminster
Joyce Markham	L B of Harrow - Chair
Ged Curran	L B of Merton
Rob Leak	L B of Enfield
Rob Whiteman	L B of Barking and Dagenham
Julie Parker	Society of London Treasurers
Janet Worth	GLA Family
Alyson Gerner	London NHS
Ken Cole	LCE Director (Advisory)
Phil Snowling	Programme Manager, Mouchel Parkman
Guy Ware	Regional Director for Local Government, ODPM/GoL (Advisory)
Dennis Skinner	IDeA Regional Associate for London (Advisory)
Richard Parsons	London Contracts and Supplies Group (Advisory)

### APPENDIX B – SUMMARY OF KEY POINTS FROM BUSINESS PLAN

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#### BUSINESS METRICS

Invoice details from fifteen councils and the LFEPA were analysed. The key findings are as follows:

- An average London authority trades with over 7,000 unique suppliers each year. Some 200,000 different supply organisations are used (with around 10-15% of these trading with two or more authorities, for high value products and services)
- London authorities spend over £8 billion with third party organisations. An average London council will spend around £250 million per annum on procurement and raise over 7 million invoice lines (estimated to be around 4.5 million invoices)
- Over 30% of invoices are less than £100 in value and account for just over 1% of the expenditure. Telecoms, catering and materials/equipment are responsible for generating many of these low value transactions
- Around 40% of the total expenditure is on client facing services (e.g. social care, social housing), 40% on works/contracts (e.g. highways, property, waste disposal) and 20% on back office support (e.g. ICT, running costs, administration)

The key message from the analysis confirms that the level of influenceable expenditure is high and that 80% goes on client facing services and public facilities.

#### CRITICAL SUCCESS FACTORS

The following critical success factors were identified for London:

- ***Clear leadership, policy coordination and prioritisation between central government agencies and departments with an interest in procurement outcomes.*** This will ensure that our resources are wisely used and that perceived conflicts or duplication of efforts do not arise
- ***Strong management support and political leadership and accountability for procurement in each authority in London.*** This will enable positive action to be taken, potential barriers removed, and continued active involvement in the LCE
- ***Clear and effective marketing and communication of information, knowledge and messages to the key people in the participating authorities.*** This includes proactive engagement with and coordination of the existing specialist networks in London
- ***Availability of appropriate resources for exemplar projects and work streams.*** This means recruiting the right calibre of people to run the LCE and adequate pump priming funding is available for exemplar projects to succeed

A full copy of the Business Plan can be downloaded from [www.lcpe.gov.uk](http://www.lcpe.gov.uk)

### APPENDIX C – FINANCIAL STATEMENT 2004/5

<b>Financial Statement 2004/5</b>	
Major Projects:	
Business Plan preparation and research	£43,200
Delivery of standard approach to procurement and supplier classification	£5,000
Capacity Building	£11,500
Office	£25,800
Staffing	£112,900
ICT (web site development)	£4,100
Marketing	£3,000
Miscellaneous:	
Surveys	£1,400
LCE Governance	£1,800
H&F banker charge	£2,000
<b>Total gross spend 2004/05</b>	<b>£210,700</b>
Less income received from events	-£6,000
<b>Total net spend 2004/05</b>	<b>£204,700</b>
<i>Funding carried forward to 2005/06</i>	<i>£1,445,300</i>
<b>Total</b>	<b>£1,650,000</b>

### APPENDIX D – EXEMPLAR PROJECTS AND WORK STREAMS APPROVED

*As at 22<sup>nd</sup> June 2005*

Project / Work Stream	Brief Detail
<b>Review and guidance on use of Management Consultants (Target to reduce London Expenditure by 15%)</b>	Report, London Wide Database and commission best practice statement drawn up using Procurement Agency for Essex work. We will not replicate work done elsewhere.
<b>Modernisation of Energy Procurement</b>	Report, validation of all current arrangements and best practice guidance on purchasing of Utilities in open market. Working with John Hall Associates.
<b>Supplier Accreditation</b>	Report, business case for use of in-house Avalon (LBHF product) and where supplier evaluation should be undertaken.
<b>Integrated Approach to Sustainable Procurement</b>	Report and Best Practice Statements.
<b>Engaging with SMEs / Economic Regeneration</b>	Report and Best Practice Statements. We will build on the OGC work with L B of Haringey and Corporation of London.
<b>Partnerships in Parking</b>	Business Case – leading to joint work with private sector and London Boroughs / Transport for London, joint procurement exercises.
<b>Efficiency in the procurement of temporary social housing</b>	Business Case
<b>Procurement Training and Skills Development</b>	Advice on modularised training for different aspects of procurement, plus likely sources. Research undertaken in wider public sector.
<b>Postgraduate Qualification in Commissioning and Purchasing for Primary Health, Social Care and Housing in London</b>	Advice and development of modularised training for different aspects of procurement, plus sources. Working with ODPM.
<b>Internal Audit (Consortia Service)</b>	Business case for shared audit services.
<b>Development of an Insurance Mutual</b>	Business case for development of a mutual, plus examining impact of the potential Zurich monopoly.
<b>Pension Administration (Partnership and Extension)</b>	Business case for shared pension administration across London.
<b>Development of social care procurement information services</b>	A business case for the development of web based procurement of social services in London.
<b>Provision of a London Foster Care and Adoption Agency</b>	Feasibility study for the provision of a local authority foster care and adoption agency for London.
<b>Shared storage for London records</b>	Feasibility study to look at the options and business case.
<b>Review of Temporary Agency Staff</b>	Looking at the expenditure in this area, how savings could be made, demand better managed and new sources of supply developed.