

Public Service Transformation

Purpose

To update on progressing the Board's work programme for public service transformation and ensuring that this agenda is firmly locally-led.

Summary

This paper updates Members on progress with the research project to update the evidence and develop a model for public service reform across the local public sector in non-metropolitan and city areas. The project is being taken forward jointly with the City Regions Board. It is also relevant to the Improvement and Innovation Board and complements work being done to support councils to innovate and transform services. This includes, for example, the One Public Estate Programme, mapping and supporting shared services, leadership development and supporting councils to engage with the Communities and Local Government Public Service Transformation Fund.

Annex A is the LGA's submission to the Independent Service Transformation Challenge Fund.

Recommendation

That the board note the progress update on public service transformation and discuss and give any further steer on next steps.

Action/s

Officers to progress the project as directed by the board.

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Public Service Transformation

Background

1. There is widespread agreement and clear evidence that rewiring public services around people and places can drive public service transformation, improve outcomes for residents and businesses, and save money for the Exchequer.
2. At the June People and Places Board, Members agreed that the public service transformation strand of the Board's work programme had two objectives:
 - **To set out a way forward for the transformation of public services in the geographies represented on the Board** (the findings will of course be relevant to other places); **and**
 - **To ensure that the future momentum of service transformation is locally and democratically led.**
3. In order to progress the first objective, Members agreed to commission independent research to work with a small number of places to develop further an evidence-based way forward for public service transformation and what can be achieved for residents through a community budgeting type approach at the local level.
4. In order to progress the second objective, as well as publishing new independent research in early 2015, Members also agreed a number of interim actions to keep up the momentum on locally-led public service transformation. In particular, Members identified an early opportunity of influencing the Independent Service Transformation Challenge Panel (see paragraph 6 below) which will help to set the policy agenda ahead of the general election.
5. The current debate on the future of English governance, following the Scottish referendum last month, has thrown into even sharper relief the LGA's calls for a constitutionally independent and rejuvenated local government that is genuinely free to lead public service transformation.

Progress update

Independent Service Transformation Challenge Panel

6. The discussion at the June People and Places Board fed into the LGA's written submission to the Independent Service Transformation Challenge Panel, set up by the Treasury and Communities and Local Government in April 2014. The Panel is co-chaired by Pat Ritchie, chief executive of Newcastle City Council, and Sir Derek Myers, former joint chief executive of the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. It will report back to government in the autumn on a way forward for service transformation. Michael Lockwood, LGA Executive Director, is an adviser to the Panel. The Panel invited written evidence from councils and others over the summer and undertook a number of visits around the country to learn more about locally-led transformation.

Item 1c

7. The LGA's submission is attached at **Annex A**. It set out the compelling evidence-based case in favour of faster and deeper devolution to councils and showcased how many non-metropolitan areas have already adopted a community budget-type approach to service transformation that is improving outcomes for residents and saving money for the taxpayer.
8. We argued that the main blocker to transformation at the moment is the fallacy that central government can leave it to "local partners" to "get on with it" without actually creating any genuine licence to "get on with it" or remove the barriers for the many local public service leaders whose rewards, pay, promotion, budgets, payment-by-results entitlements, accounts, building leases, IT contracts, data sharing rules, advertising spend, recruitment processes, training offer, branding guidelines, and so on, are often determined in Whitehall with insufficient reference to local market conditions and the needs of local public service partnerships. Whitehall needs to address the very specific preconditions to creating a genuine space for locally-led negotiation about change and then trust local government to deliver
9. As the Panel finalises its report, our objective over the next few weeks is to encourage the Panel to recommend the removal of the systemic blockers to transformation in Whitehall that we and others identified as a precondition for transformation, and the widespread adoption of place-based budgeting, so that councils and local partners can deal with the seriousness of the fiscal challenge that we face over the next five years.

One Place, One Budget Research Project

10. At its meeting in June 2014, Members agreed to commission independent research to work with a small number of places to develop further an evidence-based way forward for public service transformation and what can be achieved for residents through a community budgeting type approach at the local level.
11. The research will help to regain the momentum for locally-led public service transformation by adding to the evidence in support of a community budget or similar way of working, demonstrating its applicability more widely, and recommending policy solutions to the problems standing in the way of widespread adoption and realisation of the potential benefits. By the next general election, we want every place to have the opportunity to negotiate a place-based budget for public services that will redesign local services around the needs of people and places, improve outcomes for residents by intervening early and preventing failure, save money and strengthen accountability to the people. This work will build upon and develop further the cost savings analysis presented in the LGA-commissioned 2013 Ernst & Young research into the Whole Place Community Budget pilot areas.
12. The headline objectives are to:
 - Work with around 10 non-metropolitan and city places to provide an independent and compelling new suite of place-based evidence in support of a community budgeting type approach and the outcomes for residents that it can deliver;
 - Use the evidence base to develop a model for what a public service reform deal might look like that other places can learn from and adapt;

Item 1c

- Identify and make recommendations on which national legislative and regulatory barriers, and cultural blockers, must be removed in order to fully realise the benefits from a community budget type approach.
13. Members have agreed that the project will be taken forward jointly with the City Regions Board. It will be central to LGA influencing an incoming government's first spending review, providing the evidence base to inform longer-term LGA lobbying for ambitious public sector reform and sharing learning with other councils.
 14. In line with Lead Members' steer, we have invited expressions of interest from contractors to undertake the research, and officers will update members on the latest position at the Board. Wherever possible, this project will use existing data and evidence so that it does not add to councils' burdens. Members have also highlighted the need to complement the work of the Government-led Public Service Transformation Network, which is working with around 30 places to support and share different approaches to leading transformation.
 15. We anticipate that the bulk of the data-gathering taking place with the councils during late October and early November. An interim report will be produced end of November for Members and the final report in February.

Other updates

16. Public service transformation was the main theme running throughout the LGA Annual Conference in July and provided a number of high-profile opportunities to progress the People and Places Board's priorities in this area. In particular, Cllr Hodge chaired a very well attended plenary debate on "deeper devolution" that was addressed by the Rt Hon Hilary Benn MP, Shadow Secretary of State for Communities and Local Government, Sir John Peace, Chair of the Independent Commission on Economic Growth and the Future of Public Services in Non-metropolitan England and Sir Richard Leese, Leader of Manchester City Council and Chair of the LGA City Regions Board. The speakers set out the reasons why they think the government should move much faster to devolve powers and funding to councils to lead transformation and deliver better services.
17. Also at annual conference, Cllr David Sparks OBE, LGA Chair, launched "Investing in our nation's future: the first 100 days of the next government" in which we argue that an incoming government's spending review should put the community budget approach at the heart of its strategy for spending and reform.
18. In early December, the Chancellor of the Exchequer will give his Autumn Statement and set out spending plans for the coming year. The LGA will submit a briefing to the Chancellor ahead of his statement and this will include making the case for place based finance as the default method of funding and delivering local public services.

Next Steps

19. Members are invited to comment upon the following suggested actions:

Item 1c

20. It is suggested that the main focus of the project is to launch the One Place, One Budget research project by the end of this month. The first phase between the end of October and early November will work with places to collect the existing evidence and data in support of locally-led service transformation. The second phase stage during November will analyse the evidence and data and develop a model for what a locally flexible public service reform deal might look like that other places can learn from and adapt for use at the local level. Initial findings will be brought together in an interim report at the end of November. The third stage in December will identify barriers to service transformation and develop further existing LGA policy proposals about how they can be overcome. The final stage in January 2015 will bring together the evidence, model and policy proposals together into an impactful report in good time to influence an incoming government's first spending review.
21. In addition, we will embed the People and Places Board's public service transformation key messages in the LGA's Autumn Statement submission. We will also continue to seek to influence the Independent Service Transformation Challenge Panel through Michael Lockwood's advisory role.

Annex A

Local Government Association (LGA) Submission to the Service Transformation Challenge Panel, July 2014

About the LGA

1. The LGA is the national voice of local government. We work with councils to support, promote and improve local government.
2. We are a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.
3. We also [support councils](#) to improve and transform services through a range of programmes. For example through peer challenge, developing strong political and professional leadership, capturing and sharing best practice, supporting the sharing of services and other innovations, providing free access to transparent and comparable performance information and supporting councils to participate in transformation pilot projects, such as Universal Credit and Future Councils.
4. We welcome the opportunity to contribute towards the work of the independent Service Transformation Challenge Panel and have set out our vision for the future of service transformation. While our submission does not address all of the specific issues in the Panel's terms of reference, we have sought to pick these up in the case studies attached at **Annex A**, which bring our key messages to life by sharing practical examples from the sector.

Key Messages

5. Are public services about making life better, or is public spending only the invoice taxpayers receive for the costs of unmanageable sickness, dependency and social decay? The fiscal consolidation to 2018 is being achieved by cash cuts to discretionary budgets, while spending on demand-led and ring-fenced programmes - acute health care, welfare benefits - will rise as a share both of spending and of GDP. Austerity within an unchanged model of the state is changing the model anyway, to one where government's headroom for improving lives is being progressively eroded by its past failures to do so. This is the real doom the so-called "Graph of Doom" expresses.
6. So public service transformation - focussing on people and outcomes, not organisations and structures - is an imperative if we want public services to retain the capacity to add to the sum of human happiness. And the pace of fiscal consolidation means there is a

Item 1c

pressing need to move further and faster. By the next general election, we want to secure cross-party agreement to removing the barriers that get in the way of transformation, so that every place has an opportunity to negotiate a place-based budget for public services that will redesign local services around the needs of people, improve outcomes by intervening early and preventing failure, save money, and strengthen accountability to the people.

7. From 2010/11- 2013/14, councils have saved £10 billion by adopting new ways of working, while at the same time improving performance and maintaining high levels of resident satisfaction and trust. National government's proper role is to recognise, enable and reinforce success.
8. The evidence is that change happens as the result of local initiative and local leadership. Thanks to the four Whole Place Community Budget pilot areas – and the many other local partnerships which have adopted similar approaches over a number of years – there is robust evidence and widespread agreement that locally-led public service delivery and governance can deliver change, a shift to prevention, and savings for taxpayers. Health and Wellbeing Boards are demonstrating that health and care can be successfully integrated. Councils are leading successful efforts to join up services to troubled families. The locally-led Universal Credit pilots are showing how services to people far from the labour market can be improved.
9. National government will not do that, though, without recognising that it is deeply embedded in local public service delivery. Where local transformation is succeeding, it is usually under one of two conditions: either the local services involved start out with the managerial autonomy to do things differently on their own authority – or assume it in defiance of the rulebook; or Whitehall explicitly licences innovation by changing the rules. We believe that the main blocker to transformation at the moment is the fallacy that central government can leave it to “local partners” to “get on with it” without actually creating any genuine licence to “get on with it” or remove the barriers for the many local public service leaders whose rewards, pay, promotion, budgets, payment-by-results entitlements, accounts, building leases, IT contracts, data sharing rules, advertising spend, recruitment processes, training offer, branding guidelines, and so on, are often determined in Whitehall with insufficient reference to local market conditions and the needs of local public service partnerships. Whitehall needs to address the very specific preconditions to creating a genuine space for locally-led negotiation about change.

Introduction and policy context

10. Councils have a strong track record of leading local service transformation to improve outcomes for residents and businesses and make efficiency savings. Councils deliver an estimated 80 per cent of local public services, and are located in and form part of the communities they serve. They are rising to the challenges they face and transforming the way they deliver services by redesigning, reorganising and reforming. An important part of this process is bringing

Item 1c

their deep understanding of local needs, an inherent partnership approach together with technological innovations and more flexible ways of working to transform local public services.

11. Out of this work, clear whole place approaches to service transformation have emerged in the form of the Troubled Families Programme, Whole Place Community Budgets, Neighbourhood Community Budgets, the Better Care Fund and the Local Support Services Framework. Key to this way of working is breaking down silos within places, and between places and central government, so that integrated public spending can be redirected to where it is most needed. In this way, public services are more flexible and responsive to people's needs and more focussed on early intervention, so that demand for costly services is driven down before it is created.
12. Thanks to the robust evidence generated by the four Whole Place Community Budget Pilots - and other councils across the country who are leading similar approaches and have been doing so over a number of years - there is widespread agreement and evidence that locally-led public service delivery and governance can deliver change, a shift to prevention, and savings for taxpayers. Independent research into the Whole Place Pilots by Ernst and Young estimated that taking a community budget approach to the integration of health and social care, work and skills and troubled families across the whole of England could deliver a potential net five year benefit of £9.4 billion to £20.6 billion.
13. A number of councils have transformed their local arrangements through local programmes. For example, Surrey's Public Service Transformation Programme and the One Barnet transformation programme. Councils have also participated in various pilot programmes including the LGA's [Customer Led Transformation](#) programme, where 63 councils worked with local partners to focus on a particular customer group or to tackle a local issue by jointly applying customer insight to help redesign and transform their collective approach and as a result have delivered better outcomes and released savings. All of these council driven programmes have demonstrated the benefits that can be created for local residents and businesses, and their communities and for the councils and local partners supporting them.
14. This focus on understanding local need is one of the strengths of local government. In responding to the current climate of increased demand and shrinking budgets, we need to reshape not only the delivery models for public services, but the shape of those services. This requires redefining relationships between all levels of government, public service organisations, and citizens. Managing demand – which includes customer insight, behaviour change, early intervention, and building resilience – will be a key part of the changes in public services which councils are leading.
15. The evidence base of existing transformation helped to secure important policy changes from government. These include the extension of the Troubled Families Programme, integrated health and social care funding, localisation of EU funds for growth and regeneration, superfast broadband, City Deals and Growth Deal negotiations, longer-term

financial settlements for local government and the establishment of the Public Service Transformation Network (PSTN).

The pace of reform

16. There is a pressing need, however, to move further and faster on service transformation. Councils in England face a funding gap of £5.8 billion between March 2014 and the end of 2015/16, caused by a combination of reduced government funding and rising demand for services, especially from an older population. This has led to adult services departments reducing their budgets by 26 per cent, the equivalent of £3.53 billion. Local authorities will need to make huge savings before next April, equivalent to 12.5 per cent of their total budgets. To protect adult social care spending, councils will have to cut back on popular discretionary services like sport, buses and culture. Councils are also looking at different ways of attracting and raising income – for example, through the LGA's [Entrepreneurial Council](#) programme.
17. Public service transformation is imperative if we want public services to add to the sum of human happiness. By transformation, we mean focussing on outcomes, not structures or organisations. It is about how the whole of the public sector, and beyond, works together to better meet the needs of our shared customers. Too much spending is still locked in organisational silos, fractured into small pots administered by different organisations. The majority of public spending in a place remains in the hands of central government with little input from councils. Devolved funding pools, such as the Better Care Fund and Growth Deals, are relatively small compared to the totality of public spending on those policy areas. Where local transformation is succeeding, it is usually under one of two conditions: either the local services involved start out with the managerial autonomy to do things differently on their own authority – or assume it in defiance of the rulebook; or Whitehall explicitly licences innovation by changing the rules. As a first step, Whitehall needs to address the very specific preconditions to creating a genuine space for locally-led negotiation about change. Councillors know their communities' needs and it is this local insight and understanding that means they are best-placed to design and transform services around those local needs.
18. Last year, the LGA laid the foundations of our response to the challenges that public services face with our campaign to Rewire Public Services. This year, we have launched our fully costed offer to the next UK government – “Investing in our nation's future: the first [100 days](#) of the next government”. This sets out how locally-led and joined-up service transformation can provide the right training and apprenticeships, get people into work, build affordable houses, and keep people out of hospital and in their own home for longer, whilst saving the public sector £11 billion.

The next phase of service transformation

19. We already know what works. Building upon all the work on service transformation to date, it is clear that locally-led public service delivery, based on local need and

Item 1c

understanding, and with strong local governance, delivers better outcomes for residents and businesses. There are already clear examples which others can learn from, including health and social care integration, Troubled Families, the Local Support Services Framework and Community Budgets.

20. To take service transformation to the next level, we need to move beyond pilots and aligning funding, and give every place the opportunity to negotiate a genuine place-based budget that pools local and a much bigger proportion of national public spending in a place over the medium-term. We want to work with government to identify national funding streams where there is a compelling evidence-based case in support of further devolution and removal of restrictions. Structures that are fit for purpose as local governance mechanisms for place-based budgets already exist. Nearly everywhere already has a public service board or equivalent entity that brings together local political leaders, chief executives of the public sector agencies, and usually the private and voluntary sectors, to provide place-based leadership and drive service transformation. Clear approaches to the governance of public sector transformation are emerging in the form of City Deals, Combined Authorities and similar arrangements in non-metropolitan places.

Overcoming the blockers

21. For service transformation to succeed in more places, we need to look at the behaviours of people who work in public bodies, and how the system incentivises, or discourages, innovative joint working between local services and between local and central government. We need a change in the relationship between Whitehall and local areas, not simply with the devolution of formal decision-making power and funding, but also reinforcing that formal position with genuine confidence through leadership and encouragement from the centre. We also need Whitehall to work with local government and the rest of the public services to tackle the fundamental barriers to transformation already identified, including how we share data across organisations which underpins any ambitions to joined up working.
22. We believe that the main blocker to faster service transformation is central government's mistaken belief that it is sufficient to tell "local partners" to "get on with in it" without creating any genuine licence for the many local public service leaders whose rewards, pay, promotion, budgets, payment-by-results entitlements, accounts, building leases, IT contracts, advertising spend, recruitment processes, training offer, branding guidelines, and so on, are determined in Whitehall and are in no way locally negotiable.
23. For example, councils have consistently argued for the flexibility to bring together in one place Jobcentre Plus (JCP), council and other staff supporting the same client base as the best way to offer a seamless, integrated and individually-tailored service to clients that focuses on securing sustainable outcomes, rather than the narrow performance targets DWP centrally sets JCP. However, the estates, accountability, data-sharing, IT and HR policies of JCP are all geared around its vertical relationship with DWP, not

Item 1c

joined-up working with local agencies. Successful examples of colocation relied upon the positive local partnerships between individuals who were prepared to ignore the systemic barriers that got in the way. The locally-led Universal Credit Pilots, such as Rushcliffe and Melton, are now showing what can be achieved through colocation. Ministers have asked the department to commit itself to systematic colocation and a training and development programme for JCP District Managers is being introduced to support the change in behaviours that joined-up working needs. Blockers can be overcome, but we need a much more inclusive and consistent approach across all government departments.

24. Another vital precondition is accountability. We need to update how we account for public spending so that the arrangements are fit for twenty-first century public services that work across organisational boundaries. Robust accountability arrangements are vital, but the present arrangements for Permanent Secretaries to account personally to Parliament for their own departmental spending date back to the nineteenth century, reinforce silos and disincentives cross-government and central-local joint-working.
25. We encourage Parliament to be confident enough in robust local and democratic governance arrangements to devolve accountability for national funding that is pooled in place-based budgets to those local entities. Combined authorities are potentially well-placed to take on this role as they are already bringing together key agencies to lead service transformation in many places (and not just urban – Cambridgeshire is operating a similar model). Extending locally flexible approaches, such as the Growth deal and Community Budget-type investment plans, places would negotiate a public service reform deal with a single point in government, that would set out which national funding streams would be devolved to a place-based budget, and the outcomes that places would be expected to achieve over a five-year period.
26. Councils' democratic mandate and strong track record of transforming services, making significant savings and improving performance and satisfaction levels means that they have proved themselves more than capable of being trusted to bring local partners together to direct spend in a place and improve outcomes. When people were asked whether they trusted councils or government most to make decisions about how services were provided in their local area, 77 per cent said local councils. Resident satisfaction with councils also remains high. New accountabilities will help to revitalise democracy because people would see where accountability lies and what the local risks are.
27. We also need a system that incentivises government departments to invest in prevention from the centre. This will help to foster cultural and system change and break down inertia in the system. There are a number of ways this could be achieved. For example, a centrally-held cross-departmental investment fund, based on a top-slice of departmental budgets, in which money from the central pot was released against spend-to-save business cases predicated on better joint local working. Or, set departments a specific target for savings to be achieved through better cross-organisation integrated working; allow over-achievement of the target by one department to be converted into a

Item 1c

tradable “credit” with a cash value that under-achievers would be required to buy to meet their target, and set each department a local asset disposals target which could be met on a pooled/collective basis in a geographical area as part of an integrated asset strategy.

28. The Troubled Families programme, Local Support Services Framework, Better Care Fund, Community Budgets and Public Service Transformation Network have helped to support a stronger understanding between Whitehall officials and councils, overcoming some national and local blockers and supporting the wider adoption of a community budget or similar way of working. However, it is only once the system is reformed to incentivise joined-up working that the benefits from service transformation will be fully realised. Service transformation will require strong and collaborative political and managerial leadership to deliver real change in a system that reinforces corporative behaviours. Working closely with the Network and other councils, the LGA is committed to supporting the local leadership that will drive radical change, build resilient organisations and to seeking out and sharing the most exciting delivery models.
29. Finally, we need Whitehall and all partners to recognise the vital importance of meaningful engagement with staff during change processes. It is assumed too often that the people management aspect of change is simply a technical ‘add-on’ at the end of the main process. In fact it is more than a simple truism that just as only people can make change, only people can prevent it. Because of a lack of early dialogue, consistent approaches and an element of “co-production” with staff, mistrust and disengagement can hamper programmes; when people believe that the main point is simply to put their jobs or pensions at risk, they will not give their support. Change will sometimes have a challenging effect for individuals but they need to be informed and involved. Consistency in processes is very important, especially when working in a positive spirit with trade unions and staff representatives.
30. There are a number of things that Whitehall can do in collaboration with the LGA and others to set a clear, consistent enabling national framework that will optimise local negotiations around workforce issues. Consistent approaches are needed on staff transfers, continuity of service, pension issues and shared development of staff in new cultures and ways of working. The LGA would like Whitehall to get involved in meaningful discussions about consistent practice to avoid the endless rounds of discussions and damaging uncertainty that have developed in the run up to many major restructuring exercises such as the reorganisation of the NHS and the introduction of Universal Credit.
31. Local government’s own pay and rewards framework can be seen as a model for local-driven change because it provides consistency, transparency and fairness through a basic national pay spine, national pay increases and a limited number of core terms and conditions. The majority of decisions on actual reward packages are made locally and so are more responsive to local needs and circumstances.

Next Steps

Item 1c

32. The Service Transformation Challenge Panel is an important opportunity to address the systemic barriers that stand in the way of faster service transformation. In the 100 Days plan, we argue that an incoming government's spending review should put the community budget approach at the heart of its strategy for spending and reform. We set out an ambitious plan that will save the public sector £11 billion and improve outcomes through a place-based approach to building more homes, offering children the best possible start in life, reducing unemployment, supporting people to live independently at home and encouraging healthier lives.
33. Before the general election, we need local and central government to collectively buy-in to a model of locally-led public service delivery and governance, reflecting what we know works. By the time of the general election, we need to secure agreement to removing the blockers that get in the way of realising the better outcomes for residents and businesses, and the financial savings that could result from the widespread adoption of a community budget-type approach. An incoming government's Spending Review is an opportunity to send a strong signal of government's commitment to service transformation by announcing:
- I. More local negotiation over how central government departments and agencies join-up with local partners on the ground in a community budget way of working;
 - II. A more flexible approach to central government funding accountability arrangements that will enable more ambitious local pooled budgets;
 - III. More devolution of funding and decision-making to democratically elected councillors, and the removal of some restrictions, to enable them to rewire public services;
 - IV. The widespread development of five-year place-based budgets structurally to entrench the Community Budget-type model and lock-in savings for the Exchequer;
 - V. Financial settlements tied to the lifetime of Parliament for all of the public sector;
 - VI. A centrally-held cross-departmental investment fund, based on a top-slice of departmental budgets, to incentivise Whitehall's support of local integration;
 - VII. The full consideration of devolved/localised delivery as part of the options appraisal for new policies;
 - VIII. Commitment to establishing a clear, consistent framework that will enable staff transfers and movements around the transformed public service landscape;
 - IX. Commitment to supporting a collaborative workforce in Whitehall through appropriate training and development;
 - X. Integrated asset management and disposals approaches to local issues.

Annex A - Case studies

The following case studies bring our key messages to life by sharing practical examples from the sector and also respond to the issues highlighted in the Panel's terms of reference.

A) Councils' strong track record of leading public service transformation

Shared services

Some 96 per cent of councils now [share services](#) with other local authorities and public sector bodies. 383 shared service arrangements, such as adult social care, the delivery of special educational needs and back office support, are resulting in £357 million of efficiency savings. For example, Havering and Newham councils have brought together 21 separate support services, including HR, payroll, ICT, legal services and asset management, and 1,350 staff together into a new single shared service called oneSource. Setting up oneSource will allow the two councils to save over £40million in the next five years with the savings being used to protect both councils' frontline services for residents.

New delivery models

From trusts to social enterprises, mutuals, joint trading ventures, new technology and forging new partnerships with communities and the private sector, councils are embracing innovative ways to provide local services. For example, Surrey County Council has a successful track record of finding innovative ways of delivering services recognising that there is no 'one size fits all' model for the vast range of services it provides. Just one example is the Adult Social Care 'Personalisation, Prevention and Partnership Fund', which was launched in 2012-13. Stronger partnership working, close engagement with residents, and the launch of a £10 million preventative services fund, is enabling 11 local plans to be developed which will stimulate a range of innovative and sustainable services and joint approaches which are supporting local residents to access community support mechanisms and maintain their independence. The fund is split across five years to enable the schemes to become embedded in their communities. Surrey is also developing its approach to trading.

Asset management

Through the [One Public Estate Programme](#), 12 pilot councils were supported to improve local outcomes, generate significant efficiencies and deliver integrated services by adopting a customer focused approach to existing public assets in their locality. Year one projected savings in running costs are £21 million, with £88 million generated in capital receipts. Further long term benefits to local economies are estimated at £40 million, including the creation of approximately 5,500 jobs and 7,500 new homes. For example, Hull City Council reduced its city centre properties from 43 to 29 and reinvested the savings in a new Customer Service Centre. Through One Public Estate, the council extended this approach to bring together integrated public services, releasing £971,000 in capital receipts and a £292,000 reduction in running costs. Going forward, an ambitious target of £1 million of

capital receipts per year and £250,000 savings in revenue costs per year has been set. A further 15 councils are now benefitting from the One Public Estate programme.

Procurement

[Procurement Lincolnshire](#) is a shared service partnership between the seven local authorities in Lincolnshire. By working collaboratively, Procurement Lincolnshire is supporting its partners with new and innovative means of purchasing and is changing the way in which Lincolnshire councils procure. The service is formally hosted by Lincolnshire County Council on behalf of the other member partners and seeks to deliver year on year efficiencies, but not at the cost of quality. It also seeks to develop and embrace socially responsible procurement, engaging with local and regional suppliers to promote the local economy and taking account of the social and environmental impact of spending decisions. Since 2008/09, the partnership has helped to deliver savings of over £18 million and delivered £5 million of cashable savings in 2012/13 through procurement.

Adult social care

Councils in 2013/14 have budgeted to spend £14.7 billion on adult social care. This accounts for around 29 per cent of a council's budget and as such is the largest area of controllable spend. By 2015, central government funding for councils will have been cut by over 40 per cent, leaving a funding gap of £1.9 billion in adult social care alone. In response to these challenges the LGA, working in partnership with the Department of Health (DH), Department for Communities and Local Government (DCLG) and the Association of Directors of Adult Social Services (ADASS) launched the [Adult Social Care Efficiency](#) (ASCE) Programme in January 2012 to support transformation. Over a third of upper tier authorities have participated in the three year programme, working on 44 projects. A key learning point from the national evaluation is the importance of developing more integrated services. For example, Northumberland have saved £5 million through their integrated model of care with Northumbria Health Care Foundation Trust. The approach has seen a 12 per cent reduction in residential care while demand for domiciliary care has been maintained at a constant level despite demographic pressures. Richmond's integrated reablement service has saved £2.1 million over the three years, reducing demand for council services, avoiding admissions to hospital and reducing the length of time people stay in hospital.

Whole place approaches to service transformation

The Troubled Families Programme in [Greater Manchester](#) is leading a whole system approach to providing early intervention and integrated support to a small number of high risk, high cost families. It is estimated this way of working will save £224 million across public services in Manchester. Around 1,500 families have been referred into the programme since the start of the programme. The latest evaluation is very encouraging – for example, achieved an 81% reduction in families involved in anti-social behaviour and a 70% reduction in offending families.

The model has been rolled out across the city and the range of interventions within the delivery model has expanded. This includes Probation Family workers who will target troubled families who have family members on the Integrated Offender Management programme. The Programme has identified the biggest challenge with achieving lasting change for families as moving them off benefits and into work. Plans to second JCP workers to provide support alongside the families is seen as crucial in addressing this.

Key finding: There is an abundance of evidence that locally-led public service delivery can deliver a change, a shift to prevention, and savings for taxpayers.

B) Overcoming barriers

Fragmented funding and the case for further devolution

Growth funding

The LGA has identified almost twice as many growth funding streams than the 59 cited in the Heseltine report. There were [120 funding streams for local growth](#) and regeneration across about 20 government departments and agencies in 2013-14 alone. Together, these funding streams amounted to more than £22 billion in one year. By contrast, the Government has committed to making only £2 billion available to Local Enterprise Partnerships through the Local Growth Fund in its first year. About 75% of funding streams for local growth could not be accessed by local authorities or LEPs. Almost 60 of the funding streams were allocated through competitive bidding processes, meaning that local partners are spending huge amounts just to bid for resources. Average bidding costs for the funds we surveyed councils about were from £20,000 -£30,000 per authority, per bid.

Young people's skills and employment support

The LGA's [Hidden Talents](#) Campaign has shown that while there are many good initiatives supporting young people back into training or work, the overall public service offer is fragmented, inefficient and overly centralised. It is estimated that giving local authorities and their partners the powers to become the link between young people and local employers could cut the number of unemployed people out of work by 20 per cent, save £1.25 billion to the taxpayer and pump £15 billion into the economy over 10 years. Locally funded youth skills will ensure young people are trained for jobs likely to be created by local growth, tackling the skills mismatch, and enable co-design with Jobcentre Plus and Work Programme providers to put in place joint packages and employment programmes for hardest to reach young people.

For example, the devolved Youth Contract, part of the Leeds City Deal, has been central to re-engaging 16 to 17 year olds. The council has been able to commission provision alongside existing information and advice services to ensure they work well together, avoiding duplication or individuals 'falling between the cracks'. Joining up resources and services can be tricky, but Leeds has found it important in ensuring that support is consistent, personalised and successful. Of 772 young people on the Youth Contract since September 2012, 539 (70 per cent) had progressed into positive destinations by February 2014.

Suffolk County Council is bringing together services to create an integrated employment support offer for 16 to 24 year olds in Ipswich, as part of its City Deal. The 'Youth Guarantee' aims to provide the support young people need to help get into work or other provision. It is bringing together the council, 18 to 24 Jobcentre Plus Advisers, the Work Programme and Youth Contract providers, in a new young people's friendly and accessible job centre. Through this initiative the council is aiming to reduce youth unemployment in the Ipswich area by half, supporting at least 3,500 young people into employment and, of these, 2,200 into sustained work of six months or more.

Key finding: Too much spending is still locked in organisational silos, fractured into small pots administered by different organisations with little or no local democratic accountability. The Whole Place pilots showed that a community budget approach to the integration of health and social care, work and skills and troubled families across the whole of England could deliver a potential net five year benefit of £9.4 billion to £20.6 billion.

Changing the way Whitehall works

Welfare reform and Jobcentre Plus Colocation

Local government relationships with Jobcentre Plus (JCP) are critical, and there is excellent practice in some places. However, this is not the case across all areas. Nationally, JCP performance is underwhelming, particularly for those at risk of long-term unemployment with a range of more complex barriers to employment. This is driven by national performance incentives on JCP staff to move people off benefits as quickly as possible, rather than address the underlying barriers to employment. The experience of the Universal Credit council-led pilots is showing the benefits of a locally-led approach to supporting people far from the labour market.

Bringing together in one place JCP, council and other staff supporting the same client base is vital in offering a seamless integrated and individually-tailored service to clients that focuses on securing sustainable outcomes. For example, Bath and North East Somerset Council has established a one-stop shop with services and providers, particularly housing, to bring together Universal Credit world into the plethora of existing services, and are seeking JCP's involvement to provide single front end support. However, successful examples of colocation have relied upon the positive local partnerships between individuals who were prepared to ignore the systemic barriers that got in the way. Recently Ministers have asked the DWP to commit to systematic colocation, showing that Whitehall can overcome blockers, but we need a much more consistent approach across all government departments to supporting integration locally.

There are real opportunities on the horizon to bring together a number of elements of the welfare reform programme to offer truly integrated local provision. The Troubled Families programme has demonstrated that integrating services around benefit claimants in a client driven manner can deliver clear success. The re-let of the Work Programme in 2016 also

Item 1c

offers additional scope as does DWP's commitment to seeking further opportunities to collocate services (the current JCP PFI contract for its estate ends in 2018).

Information and data sharing

The delivery of integrated services will only be achieved if local public services agree to allow access to and share data about service users, recognising the need to meet our legal obligations, whilst developing a more systemic and timely approach to the use of data between partners. Quality information is essential for tailoring a coherent and personalised offer. It is the base for effective working. However, information is often fragmented across agencies that are each restricted on how they use it by national departments.

There are examples of local innovative approaches overcoming some of the barriers to data and information sharing - such as the Patchwork tool developed by FutureGov in partnership with a number of councils, including Staffordshire and Surrey, and which allows front-line staff to quickly log in and see which other agencies are supporting their client. Nationally, the successful Tell Us Once cross-government initiative developed by local government, DWP, HMRC, DVLA and Passport Services to provide a service where people can inform government just once of a birth or death has delivered £22 million savings annually and achieved a 98 per cent customer satisfaction rating.

However, these are the exceptions and too often effective data and information sharing between national and local agencies relies upon positive relationships between individuals. For example, councils, JCP, Work Programme providers and other partners such as colleges, all hold key data on the same people, but separate national departments each prevent the sharing of this information between partners. This puts real limitations on partners' capacity to deliver effective interventions; too often local authorities do not know who is delivering what to whom in their area. Councils have sought to build data-sharing relations with JCP but it is disincentivised by national government's narrow emphasis on performance. More systematic data sharing must become the norm, to ensure that all local partners know who needs what and when, backed-up as necessary by a legislative solution.

Key finding: Government needs to adopt a consistent approach to supporting local integration by overcoming the blockers to collocation, asset management and sharing information. Systemic change must embed and make the norm cooperative behaviours in Whitehall that have hitherto relied on positive partnerships between individuals.

C) Financial accountability

Troubled Families

The March 2014 budget announcement that the Troubled Families programme will be expanded earlier than originally planned was a vote of confidence in councils' abilities to bring together the work of the whole public sector in their area. However, there remain challenges with the approach to payment by results.

There is a significant proportion of the payment by results funding available up-front as an

Item 1c

'attachment fee': 80% in year 1, 60% in year 2 and 40% in year 3, with the remaining proportion payable on delivery of results. The results payments are primarily attracted per family on the basis of meeting all measures related to education (truancy and exclusions), crime (33% reduction in youth crime over 6 months) and anti-social behaviour (60% reduction across the family over 6 months) OR at least one family adult in the family has moved off out of work benefits into continuous employment in the last 6 months (and is not on the ESF Provision or Work Programme). It is important to note that the results framework does not take into account other successes achieved with the families, for example a parent having treatment for substance misuse or improved parenting skills.

Between April 2012 and February 2014, Reading's Turnaround Families Programme has helped 109 families to experience targeted improvements in education and a reduction in crime and anti-social behaviour. Specialist staff from agencies covering health, housing, welfare and education have worked together with the families to provide greater emotional stability, a better home life, help to move back into paid work and real opportunities for the families to make the positive changes needed for their children to thrive. Since Reading's Turnaround Families programme started in April 2012:

- Housing was identified as an area of concern for 51% of the families. There has been significant improvement for 21% of the families - they are now in a stable housing situation. There has been some improvement for 26%.
- Mental Health was identified as an area of concern of 49% of the families. There has been significant improvement for 27% of the families – mental health issues are being treated and the family is coping well. There has been some improvement for 52%.
- Domestic violence was identified as an area of concern for 36% of the families. There has been significant improvement for 46% of the families – these families are currently not exposed to domestic violence and they are accessing appropriate support. There has been some improvement for 21%.
- Substance misuse was identified as an area of concern for 32% of the families. There have been significant improvements for 23% of the families – these family members have successfully completed treatment and are sustaining change. There has been some improvement for 45%.

Key finding: Payment by Results can create perverse incentives and skew investment. Devolved and pooled budgets are a better solution. We need Parliament to be confident enough in robust and local democratic governance arrangements to devolve financial accountability.

D) Leadership, organisational culture and workforce

Service transformation requires strong and vibrant local political and managerial leadership to deliver real change. Putting in place a successful community budget or similar approach needs a whole place public sector approach, joint responsibility and shared leadership. Collaborative leadership requires a different skill set because it involves complex cross-organisation working. This throws up challenges ranging from establishing a shared

Item 1c

workforce culture, to management responsibilities that might span organisations and more complicated career paths, as well as the consequences of operating with various different sets of terms and conditions or seeking to harmonise them which can be complicated and expensive. Local government is very used to developing a flexible and productive workforce and supporting significant change, such as taking on around 45,000 staff from the NHS with councils taking on responsibility for public health.

Cheshire West and Chester has collaborated with a range of key agencies to develop shared workforce development strategies that enable priority integration projects to be delivered. These strategies have focused not only on bespoke training but also on building a new shared culture and a sense of one team, whilst not diluting professional specialisms.

To tackle complex dependency amongst individuals and families with multiple needs a partnership approach known as Integrated Early Support has been developed. This model supports people early to prevent their problems escalating to crisis point; improving outcomes, reducing demand and saving money in the process. In order to deliver this multi-agency model a new workforce approach was needed across organisational boundaries. A core group of partners from HR backgrounds including police, probation, health and housing organisations reviewed what common training was needed to foster closer working relationships, as well as where additional training needed to be targeted at one agency.

Beyond training, introductory workshops were held with multi-agency groups of staff to highlight common objectives and gain a mutual understanding and appreciation of the value that each organisation brings to the model. Business Process Re-engineering (BPR) sessions were held in order to design the new delivery model from the ground up, using a truly collaborative approach. This ensured all staff felt valued and part of the new way of working. It also meant staff understood why difficult decisions had been taken to alter business as usual.

The model was soft launched using a small number of test cases before a full launch. This meant practitioners could work on cases in a safe environment to trial the new processes through structured action learning sets. This approach allowed time to foster shared cultures, new behaviours and team dynamics before the model was fully launched and demand increased. This integrated workforce approach has been repeated in other thematic areas such as health and social care where integrated, multi-disciplinary teams are beginning to make a real difference to the lives of older people by operating effectively in partnership.

Key finding: A clear approach to workforce issues is a cornerstone of public service transformation and cannot be dealt with as an afterthought. The approach needs to be one of clarity and consistency if people are to be engaged in the process and thus help drive sustainable improvement in challenging circumstances. Whitehall needs to help by involving partners in developing an enabling framework for workforce change that does not alienate staff.