



Doing More with Less:

How London boroughs are using new powers to navigate budget straits and deliver local services

Jo Wilson
with Lisa Taylor

August 2013

On the eve of the June 2013 Spending Review, the Guardian Local Leaders Network published an interview with Michael More, outgoing chief executive at the City of Westminster. Among other comments on his tenure, More called for relief from central government's austerity programme and the local-government cuts that come with it, warning of serious impacts on service delivery if the squeeze continues much longer. He also highlighted the positive outcomes of the current regime: efficiencies, partnerships and tools driven by Localism-based service delivery reform - and by the cuts themselves.¹

This Future of London report puts service delivery reform into context, and outlines some of the measures being implemented across the Capital to manage greater demand with fewer resources.

Research methodology

This report is part of a research programme that Future of London has undertaken into the implications of the government's localism agenda for the Capital. This research has a particular focus on regeneration, planning and service delivery.

In part, this report builds on another paper published by Future of London in 2012: 'Localism in London: The implications for planning and regeneration in the Capital'. Please see that report for research methodology related to our practitioner survey.

Acknowledgments

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The author would like to thank: Marie Snelling, Tri-borough Portfolio Director, LB Hammersmith & Fulham, RB Kensington & Chelsea, Westminster City Council; Kimberley Sharpe, LB Havering; Jennifer Millmore, Business Manager, Camden and Islington Public Health; Jamie Keddie, Research Manager, Turning Point; Rebecca Elgon, Head of Strategy and Equalities, LB Lambeth; Steve Browne, Fleet Manager, LB Croydon; Dean Tyler, Kingston Strategic Partnership Relationship Manager, RB Kingston upon Thames; Chloe Morales-Oyarce, Communications Officer, LB Barnet; Anna Turley; Carl McConnell, Intern, Future of London; Jennifer Johnson, Programme and Research Lead, Future of London; the Localism in London Steering Group; and all the seminar attendees and survey respondents.

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Published: August 2013
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Introduction

Local councils are bound by statute to provide a variety of public services for their citizens. These range from services everyone can access, such as environmental, roads and cultural provision, to those accessed only by those in need of that service, such as social care or housing².

The Coalition Government's deficit-reduction strategy is having a dramatic impact on local government funding; nationally, the sector has been coping with an average 28% reduction in budgets over the current spending round, with a further 10% cut through the Department for Communities and Local Government announced in the June Spending Review. The effects are being felt across the spectrum of council services – from housing to social care, from health to education.

At the same time, government has implemented 'localist' reforms across a range of policy areas since assuming office in 2010; these too have had a fundamental impact on how local authorities behave. Now in the second year of the Localism Act, and with all parties signing on for continued cuts beyond the 2015 election³, councils nationwide, and of all political allegiances, must explore ways to take advantage of their new powers to reinforce the provision of services, or risk those services collapsing.

A number of alternative approaches have been pioneered by councils seeking efficiencies and improvements to service delivery. The activities most often associated with service delivery reform, such as outsourcing and cross-borough partnership, are not new. LB Wandsworth, for example, has been contracting various services out since 1980, and recently joined with Croydon to tender their library and heritage services in order to improve provision and drive efficiency⁴. In addition, sub-regional partnerships have long been

used by boroughs to provide more efficient services, with a strategic overview that goes beyond boundaries. The East London Housing Partnership, for example, links eight East London boroughs and a number of housing associations to form a strategic approach to housing delivery in east London and the eastern fringe. However, faced with increased budgetary pressures and ever more strained capacity to deliver, interest in further innovation is growing, with more councils exploring the scope to enhance existing partnerships; increase efficiencies from sharing back-office functions or devolving budgets; or even fully outsourcing selected services or departments to private sector or community providers.

Against this backdrop, the aim of this report is to:

- outline the context of service delivery reform and where it fits in the wider localism agenda
- identify existing approaches to local service delivery in London, and consider the benefits and challenges of each model.

The report does not aim to quantify the benefits of each approach, and accepts that these measures may not be sufficient to avoid service cuts. However, we hope the context and cases herein highlight the value of boroughs assessing their role in a significantly altered funding landscape - and show how seeking solutions now could help stabilise delivery of services to Londoners over the long term.

Part One

Service Delivery Reform in Context

“To be attached to the subdivision, to love the little platoon we belong to in society, is the first principle (the germ as it were) of public affections. It is the first link in the series by which we proceed towards a love to our country, and to mankind.”⁵ (Edmund Burke, 1790)

“Since July, the global and European economies have deteriorated; the fiscal pressures on the UK have increased; and the public demand for high-quality public services has remained intense. Does this mean that the Government should now ‘go slow’ on its ambitions for public service reform? Our answer is a resounding ‘no’.”⁶ (HM Government, 2012)

Service delivery reform is being shaped by two key driving forces. Firstly, the Coalition’s ideological commitment to redefining the relationship between the state and the citizen, primarily expressed through the ‘devolution narrative’ of the Big Society and the localism agenda. Secondly, its drive to cut the deficit through substantial public-spending reductions, the dismantling of a range of public bodies and a renewed emphasis on efficiency throughout the public sector. Together, these drivers have provided councils with new freedoms, but fewer resources.

Across the country, local authorities have seen substantial cuts to their budgets, calling into question how they can continue to provide the services required of them. The situation in London is particularly grave, due to the Capital’s rising population, demographic complexity and the pincers of rapidly rising housing cost and the latest welfare reforms.

Devolution

The Coalition’s Open Public Services White Paper (2010) called for a wholesale reform of all public services in the UK. The Localism Act (November 2011) sought to translate many of the principles posited in the White Paper into legislative policy. Powers such as the General Power of Competence, Community Right to Challenge and Duty to Cooperate all work to the principle that decision-making control over services should be devolved to the lowest possible level – to councils, neighbourhoods, communities and individuals. As with the wider agenda, this position is driven by the Coalition view that public services were run by the previous government with too much top-down prescription and centralisation.⁷

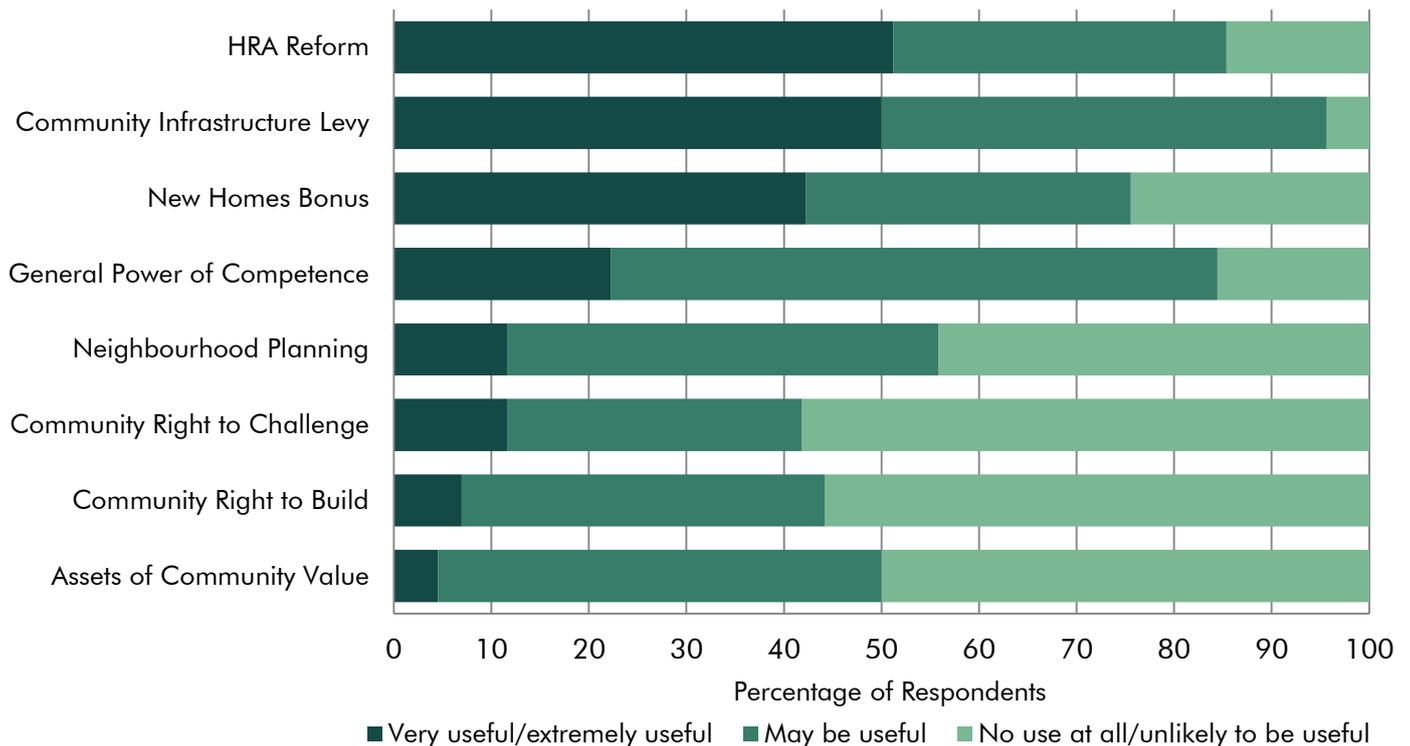
The localism agenda is driven by a fundamental belief in the need to change the relationship between state and citizen: rather than services being provided by the state, leading to potential unaccountability and a lack of information and choice, communities should be given more choice and control, and a wider role in the provision of services in their area. This requires all levels of government to rethink their role: “to become increasingly funders, regulators and commissioners, whose task it is to secure quality and guarantee fair access for all, instead of attempting to run the public services from a desk in Whitehall, city hall or county hall.”⁸ Rather than being prescriptive, the localism agenda has sought to release both councils and communities from the grip of centralisation, offering a toolkit of enabling powers for them to act.⁹

Allowing for the uncertainty among practitioners, how much of a role could localism have in a dramatically poorer local-government sector? While our survey found there was little confidence in the coherence of the localism agenda (75% of local government practitioners surveyed did not feel the government had a coherent approach to localism), it found that there was an appetite for using some of the tools that the Act has provided.

The survey demonstrated a particular interest in Housing Revenue Account reform, the Community Infrastructure Levy and the New Homes Bonus – all tools that could enable local growth. This suggests that boroughs are well aware of a central motive of the localism agenda – helping to bridge funding gaps – as well as the need to utilise a portfolio of tools and initiatives to do so. (See Figure 1, below, for a full summary of responses.)

Ultimately, in the context of rising costs and demands, councils around the country are recognising that they cannot continue to deliver services as before. Service cuts alone will be insufficient and will mean councils fail to meet citizens’ expectations, risking political and legal challenges as well as potential unrest. The demands of meeting the needs of London’s diverse population in particular could benefit from more localised, bespoke responses. Whether gradual or radical, change in the way services are designed, commissioned and delivered is inevitable.

Figure 1 • Overview of survey respondents’ views on localism reforms



Source: Future of London (2012)¹⁰

Box 1 • Localism and local public service provision: key reforms and their perceived impacts

General Power of Competence

This has been presented as giving councils the same powers as an individual to do anything unless prohibited by statute. While some doubts remain about whether this is any stronger than the well-being powers introduced in the 1990 Local Government Act – powers whose limitations were highlighted in the Local Authorities Mutual Limited case¹¹ – Parliament has clearly laid out its intention to give councils the freedom to be creative and entrepreneurial, acting directly in the interest of their communities and in their own financial interest. This power may offer a real opportunity to support councils to work in new ways without the same concerns over acting beyond their legal powers, though it is likely that local authorities will still need to seek legal advice before seeking to rely on the power.¹²

When Future of London surveyed 40 planning and regeneration practitioners from across our borough network in 2012 about the impact of the Localism reforms, the majority of respondents said the power might be useful, with just over 20% saying it would be very useful, and 16% that it was unlikely to be of use.¹³ Although there is still little information on how much use boroughs are making of General Power of Competence, it represents an opportunity for service delivery, potentially facilitating new arrangements with external providers.

Neighbourhood Planning

This is a new tier of community-level planning that sees parish councils or specially established Neighbourhood Forums taking responsibility for setting their local planning agenda. The groups establish planning policies for their area, culminating in a Neighbourhood Plan which, provided it is accepted by the community at referendum, carries legal weight when planning authorities are considering proposals for the area.¹⁴

As with all the community rights investigated in our survey (and anecdotally since), respondents were not convinced of neighbourhood planning's impact on London. While over half said it might be useful, only 12% were confident that it would be very useful.¹⁵ We found general acceptance that communities with neighbourhood or other active community groups in place will utilise the new rights and that momentum will build over time. However, even these were seen as having little significant impact in the short term. It is notable that while most of the original 17 funded 'Fronrunner' communities have moved their neighbourhood plans forward since 2011 and many others have joined in, the first to get through a

referendum have been outside London. The first was in March 2013 in Cumbria's Eden Valley, and South Oxfordshire has seen seven plans put forward, with Thames's passing in May.¹⁶ London's two Fronrunners – in the highly complex neighbourhoods of Bankside and Bermondsey – have struggled with governance and priorities.

Community Right to Challenge

Although part of the Localism Act, this did not come in to force until 27th June 2012. In essence, the Right permits community and voluntary-sector groups and parish councils to submit an expression of interest to run a service, with the potential to trigger a council procurement exercise.¹⁷

Future of London's survey found fewer than half of respondents expected this new community power to be at all useful, and only 12% were confident that it would be very useful.¹⁸ There are examples of social enterprises and other organisations taking on the role of service provider, but it is questionable whether a large number have the appetite to do so. Since the introduction of this right, there has been moderate uptake outside of London, such as Himmat working with young offenders in Halifax, or Huddersfield's Fresh Horizons, which runs a library service¹⁹.

Duty to Cooperate

This is the onus on plan-making authorities to cooperate with one another when planning use of land that covers two or more planning areas, particularly with regard to strategic matters such as infrastructure projects. Authorities should engage "constructively, actively and on an ongoing basis"²⁰.

Survey participants showed an interest in this cross-boundary working; over 80% of practitioners confirmed that they were looking into this prospect.²¹ The Duty to Cooperate has gradually been picked up around the UK, but it has not been without problems. In Hertfordshire, Stevenage Council took North Hertfordshire to court over changes to proposed house-building numbers²².

Deficit reduction

“91% of all [London councillor] respondents believe that public services have suffered from the budget cuts imposed on councils over the last three years. 30% of respondents feel that ‘public services have suffered dramatically’.”²³ (LCA, 2013)

When the Coalition took office, it identified reducing the deficit as the most urgent issue facing Britain. However, the economy has continued to struggle, within a sluggish global context. The fact that the International Monetary Fund upgrading the UK 2013 growth forecast to 0.9%²⁴ has been cause for celebration (after an April downgrade) signals our hunger for good news. It also supports Chancellor George Osborne’s deficit-cutting focus, and despite a 2014 growth forecast of 1.5%, suggests the austerity programme will continue.

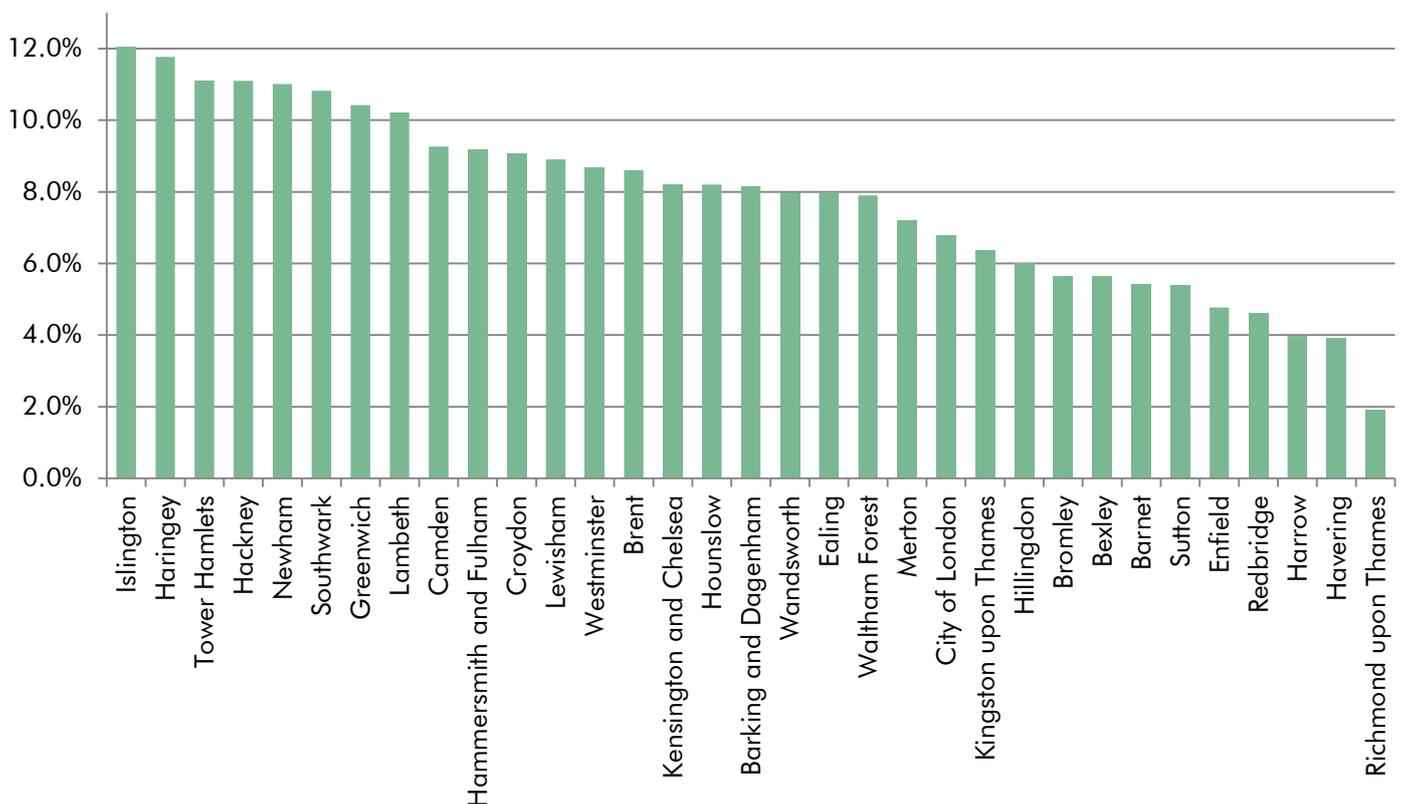
Local authorities nationwide have seen enormous budget cuts, having been disproportionately hit by the government’s austerity measures. In the 2010 Comprehensive Spending Review, they received a front-loaded 28% reduction in grant from central government, compared with just 8% across Whitehall.²⁵ The Office of National Statistics reported that 270,000 public-sector jobs were lost in 2011.²⁶ The impact has fallen hardest on the most deprived areas, which were most dependent on government grant (see Figure 2, below).

The 2013 Spending Review announced a further 10% cut for the Department of Communities and Local Government²⁸, and while other budget envelopes such as public health may partially offset losses, welfare reform will doubtless mean higher demand from citizens in deepening need.

Against this backdrop, a whole range of public services will need to embrace reform if they are to survive.

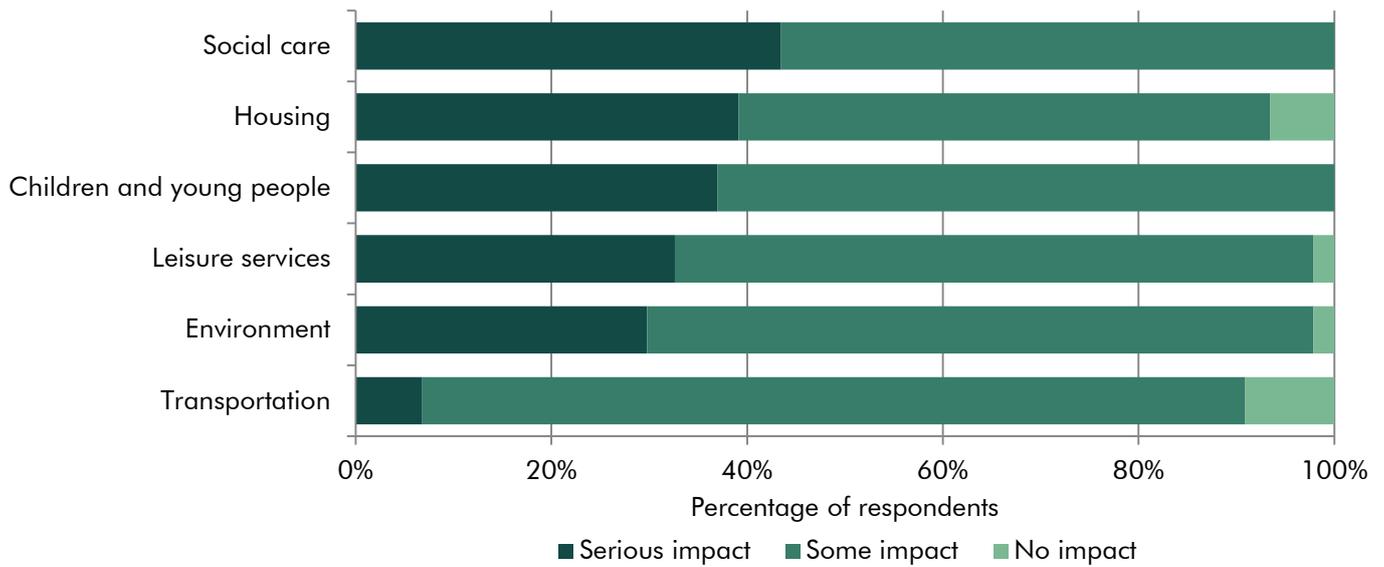
This was reflected in our recent survey, which recorded that the vast majority of respondents expected that the reduction in local authority budgets would have an impact on all services included in the survey. As Figure 3, next page, demonstrates, all respondents expected an impact on budgets for social care, and children and young people. More than a third of respondents also felt that their local authority would feel a serious impact in housing and leisure service budgets.

Figure 2 • London cash reductions in government grant 2011-12 settlement



Source: LB Islington (2012)²⁷

Figure 3 • How high an impact has the reduction in local authority budgets had on the following services in your area?

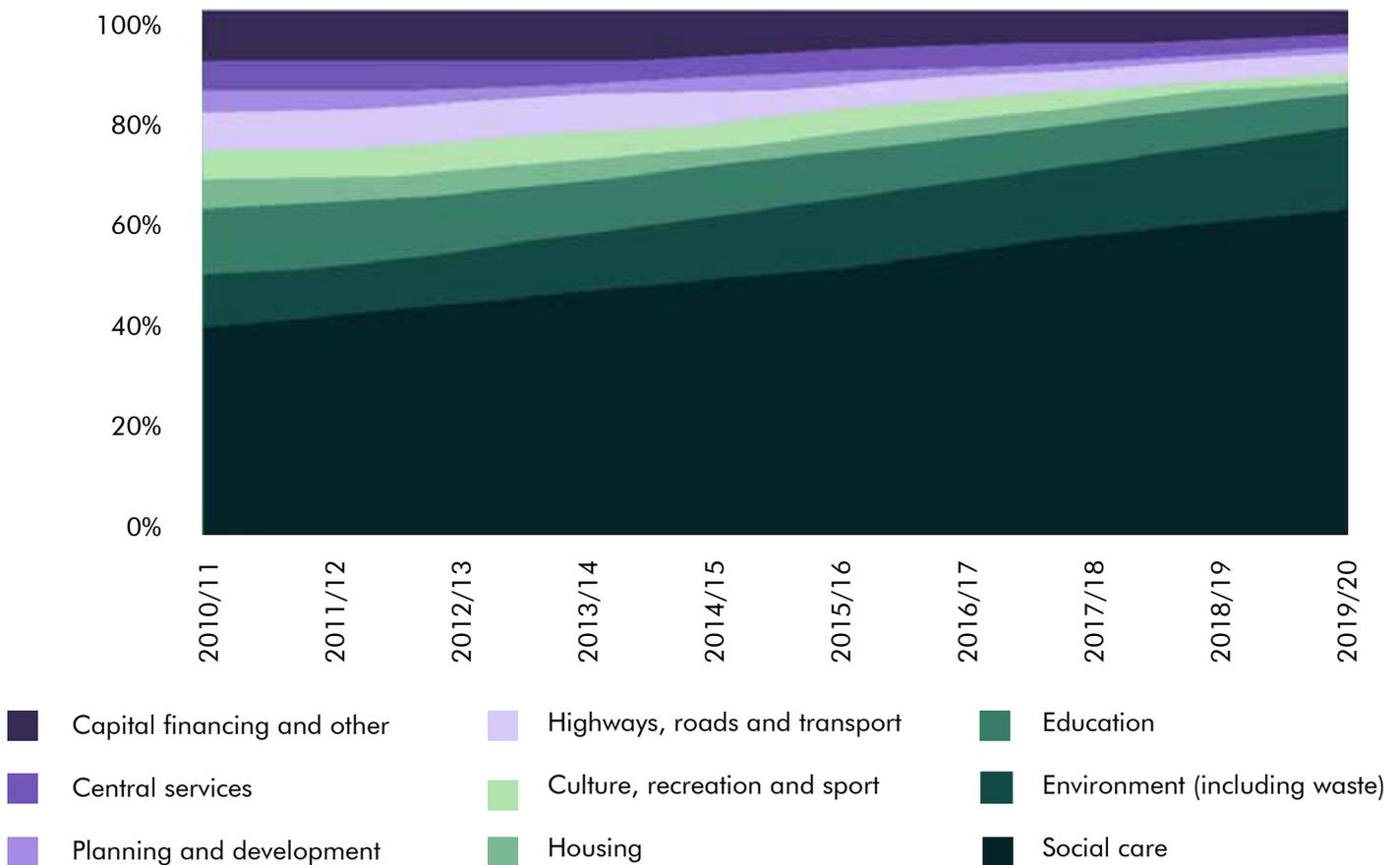


Source: Future of London (2012)²⁹

In particular, social care, children’s services and housing were identified as the areas at most serious risk from the impact of cuts. Recent Local Government Association analysis highlighted the severity of the funding challenges facing many lines of service across local government.

As Figure 4 below demonstrates, the LGA anticipate an ever-tightening squeeze on many service budgets up to 2020, as the costs of statutory social care continues to rise. The report forecasts potential legal challenges as a result of this pressure.³⁰

Figure 4 • Projected local government spending on services to 2019-20



Source: Local Government Association (2012)³¹

Complex service demands

The LGA analysis also reminds us that as budgetary concerns grow, so do demand and pressure on public services. London has uniquely complex demographics that make service provision more challenging than in other parts of the country.³² Demographic trends form a large part of this - London's population is projected to increase by over 2 million over the next 25 years.³³ A population that comprises more and more older people means greater pressures on social care budgets: the number of people over the age of 80 living in London is estimated to rise by 40 per cent by 2031.³⁴

On the other hand, London continues to be younger than elsewhere in England and Wales; in 2010, the average age of a Londoner was 37 compared with 40 for the UK as a whole.³⁵ There are more 25-34 year olds in London than the rest of England, a partial explanation for London's high birth rate, but also its higher level of single person households, lone parent and multi-adult households.³⁶

London's population will also continue to diversify. London already has the most diverse population in the UK³⁷, the fastest population turnover³⁸, the youngest population in the UK³⁹, the highest number of graduates in the UK⁴⁰, and yet young Londoners are more likely to be unemployed⁴¹. Black, Asian and other minority ethnic communities are expected to grow strongly as a result of natural growth and continued migration from overseas⁴². By 2031, eight London boroughs are likely to have a majority of their population from these groups, where currently it is two⁴³.

Box 2 • Life expectancy across London

Life expectancy varies considerably across London. A recent mapping exercise plotted average life expectancy on a London transport network map. It revealed decreases in life expectancy of up to six years between certain stations, with a maximum variation of 20 years across London. The Central Line is indicative, with the highest figure of 96 in central Oxford Circus, dropping to 77 in parts of LB Tower Hamlets, before rising again to around 80 in outer East London. It is a similar picture going west, dropping to 79 in parts of LB Hammersmith and Fulham, rising to 80 and above in LB Ealing and beyond.

Source: Mapping London (2012)⁴⁴

Part One: Summary

There is a strong imperative for local authorities across the UK to explore ways to improve and reform their delivery of public services. Against a backdrop of deficit-reduction efforts and public-spending cuts, it is clear that many services will face critical budgetary pressures over the years ahead, and may, in some instances, no longer be financially viable.

To offset this financial burden, the Coalition has enabled a radical new approach to delivery, with major implications for London boroughs. The approach favoured by Government centres on further decentralisation, empowering communities to expect more from their services. In some cases, this may even mean communities taking on responsibility for running those services themselves or outsourcing them to the private sector.

Whilst the role of the local authority is less clear than before, London boroughs recognise that a broad range of services will need to be provided for vastly less, or be funded by alternative sources. It is possible that by taking a proactive approach, these solutions may also improve performance and the standard of public services that residents receive.

The second part of this report provides some examples of the proactive approaches being explored across the Capital in response to this challenge. Although none are a panacea, they do demonstrate the range of approaches that could play a part in local service provision in London.

Part Two

Examples of Innovation

In this section of the paper, we illustrate the types of innovative work London boroughs are implementing.

They are split into themes:

1. Seeking efficiencies across boroughs;
2. Joined-up working within the borough;
3. Galvanising communities; and
4. Council as commissioner.

These themes are not mutually exclusive. In fact, considering the ongoing emphasis government has placed on tackling the deficit via the public sector, it is likely that boroughs will need to consider all of them. This is crystallised by the LGA's budget predictions through 2020, as shown in Part One. There must be no doubt that borough spending plans for the future must be entirely different from those of the recent past.

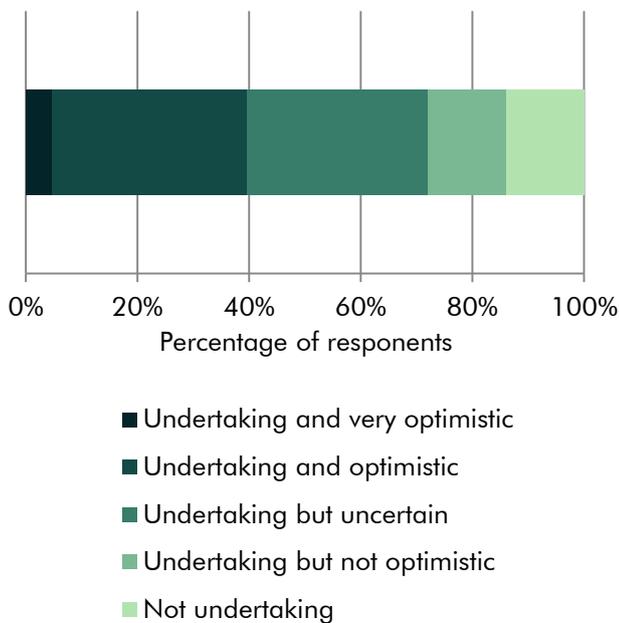
1. Seeking efficiencies across boroughs

This approach could mean enhancing existing partnerships, or building new ones. Collaboration could involve exploring ideas for efficiencies, such as sharing back-office functions, or sharing a service, leading to clear cost savings. Working across borough boundaries will be an important way to enable efficiencies of scale.

Opportunities

- London local councils collectively spend around £8.8 billion on goods and services across more than 5,900 contracts⁴⁵. There are numerous options to explore, with real potential for innovative partnerships to reduce costs, particularly leading to efficiencies in areas like procurement and bulk purchasing.
- Councils are exploring whether the General Power of Competence in particular will allow them to build new forms of partnership and collaboration across borough boundaries, particularly through coming together to form trading companies for commercial opportunities.
- There is no question that in order to protect front-line services, there are important collaborations to be made across the 33 London boroughs. 86% of our research participants were looking at greater collaboration across borough boundaries (see Figure 5).

Figure 5 • As a result of the cuts, are you looking to work more across borough boundaries to achieve greater efficiencies? And how optimistic are you about this being successful?



Source: Future of London (2012)⁴⁶

- The fact that this approach has so many facets makes it flexible, and perhaps less daunting than some of the larger transformations.

Challenges

- There are important issues to consider when working towards such collaborations, including:
 - Accountability – where does the final decision-making lie? This needs to be decided in preparation stage.
 - Competing priorities – even when there is much commonality between boroughs at service scale, there are bound to be different priorities. Boroughs will need to be flexible and willing to compromise.
 - Scale and pace of change – some councils may be able to respond more quickly, some may have to make more efficiencies than others to align.
 - Consequences for workforce (job numbers, functions, terms and conditions) – these are important issues which could become politically sensitive for councils, and will require a period of structured change management.
 - Political control – what happens if political control changes or values diverge?
- It is debatable whether the savings that can ultimately be made are enough to make a dent in the budget deficit and ease the pressure. Indeed Peter Fleming, the LGA's Improvement and Innovation Board Chairman, said "Sharing services will not offset the cuts councils are facing, but they are being used to soften the blow".⁴⁷ A 2011 New Local Government Network report on shared services concluded that even in a best-case scenario, sharing back-office services would only provide an average 3.6% savings, with a more realistic expectation of 1.8%.⁴⁸ Comparing this with the 33% reduction in local government funding called for by 2015 – let alone the new 10% CLG cut – highlights the scale of the additional savings needed.⁴⁹
- However, more recently, LGA produced a report⁵⁰ quantifying the savings made from five shared-service arrangements nationwide. Together, the projects saved £30 million, with the majority of savings from staff reduction, and more modest sums from integrating and improving procurement. Whilst the report acknowledges that such savings will not be anywhere near enough to counter budget cuts, the payback period on set-up costs was less than two years for all, and some projects were projected to continue to make savings annually. There was also evidence of services improving once shared functions had been put in place, and, after the pain of redundancies, the changes had actually boosted staff satisfaction and morale.

Case studies

The following three examples involve London boroughs, to a lesser or greater extent, seeking improvements and efficiencies through collaboration and the sharing of functions:

Tri-Borough Partnership

Westminster City Council, the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea came together in February 2011 to with the aim of integrating £300m worth of their services to deliver better service models and efficiencies of scale. The three authorities set out 'Bold Ideas for Challenging Times' – a plan to share services and to combine back office and management costs. In April 2012 the first shared Tri-borough services – Libraries, Adult Social Care and Children's – went live and started to deliver against two original objectives: first, deliver a better quality of life to people through combined services; second, to make the money from the taxpayer go further by pooling expertise.

Since implementation began, the authorities have delivered a wide range of achievements. These include the creation of a shared fostering adoption service that is helping children find a home faster, a shared Youth Offending Service helping young people involved in crime to become responsible citizens, and a single library card making a million library books available to residents across the three boroughs.

The authorities are on track to deliver savings of £40m by 2015/16; and as of March 2013, just under £10m had been saved. The number of senior and middle managers has been reduced by 50%, dramatically reducing the cost of the executive pay bill.

Further Integration

In January 2013 the three authorities announced an agreement to overhaul HR and finance systems. The innovative deal with BT will mean a radical redesign of corporate human resources and finance services.

The deal, which will save the three councils £6m over the contract period, has also been structured to allow other London authorities to join. So far, a further 17 councils have expressed interest. Plans are also underway to complete other ambitious projects, including creating a shared IT organisation and a shared Total Facilities Management Service and the three authorities are actively demonstrating how joint procurements can create additional benefits and savings.

The three authorities also launched a Tri-borough Public Health function in April 2013 which has started working to drive health improvement, health protection and to drive innovation in the design of health services across the three boroughs.

Camden and Islington Shared Public Health Service

Plans announced in May 2012 have seen the two councils create a shared public-health service and a single Director of Public Health. From April 2013, in accord with the Health and Social Care Act, all local authorities have assumed responsibility for public health, which involves educating and promoting healthy lifestyles to communities, as well as influencing and informing wider health commissioning.

As well as being neighbours, Camden and Islington share a number of health challenges, from high levels of childhood obesity and smoking-related deaths to above-average levels of drug misuse.

They also both have a strong history of public-health work. Working collaboratively will enable both authorities to draw on each other's experience, expertise and learning, and allow for these similar challenges to be tackled jointly.

Although there are a number of upfront costs arising from the merger, the subsequent efficiencies to health provision should provide cost benefits, including a guaranteed saving of £100K by having a joint Director of Public Health, appointed in February 2013.

East London Solutions

"Where we can share the machinery of local government, to reduce our running costs and help protect frontline services, we will do so."⁵¹ - ELS Memorandum of Understanding

East London Solutions ("ELS") is a London sub-region of six east London boroughs, which aims to take forward collaborative activity in order to drive savings, enable efficiencies and deliver service improvement. The core goals of ELS are to ensure the participating boroughs are aware of opportunities for collaborative services, and to maximise the benefits of the different programmes.

These aims run across a programme of work, and focus on finding efficiencies between the boroughs, such as running shared services, sharing resources, and undertaking joint procurements, and seeks areas where two or three boroughs can collaborate, rather than expecting all six to.

Structure

The participating boroughs are: Barking and Dagenham, Havering, Redbridge, Waltham Forest, Newham and Tower Hamlets. The management group consists of the CEO of Havering (Chair) with director-level representation from all six boroughs. They meet every quarter to oversee the work of the Programme Office. The Leaders of the six ELS boroughs also meet quarterly to oversee the strategic direction of the programme.

Seed funding of £338K was through London Council's Capital Ambition project; from 2011 onwards ELS has been core funded by the boroughs engaged.

Work to Date

The Partnership has been particularly successful in joint procurements with ten collaborative arrangements now let, ranging from Highways and Street Lighting to Short Breaks for Disabled Children. A number of joint procurements are ongoing.

Other collaborations include:

- Newham are providing translation services to ELS boroughs (as well as a non ELS borough, and Health partners) under a hosted Partnership Agreement.
- Three boroughs appointed a joint Principal Educational Psychologist, and have developed the East London Consortium of Educational Psychologists (ELCEP).
- Newham and Havering have a shared ICT arrangement.
- Two boroughs have merged print units, and are currently working with other ELS boroughs to review expansion opportunities.
- Three boroughs are working together on customer services systems and processes.
- A programme of activity agreed covering Children's and Adult's Services - including a procurement for IFA placements, SEN Category Management, Behaviour Services, Transitions, Learning Disabilities and Accreditation.

2. Joined-up working within the borough

This idea is certainly not new; the Total Place Pilots of the previous decade sought to understand the entirety of public service spend (by both central and local government and wider public bodies) in one area and understand how that money might be more effectively spent by better place-based pooling and targeting of resources, avoiding the duplication and silo-based approaches which hold back effective public services and waste money.

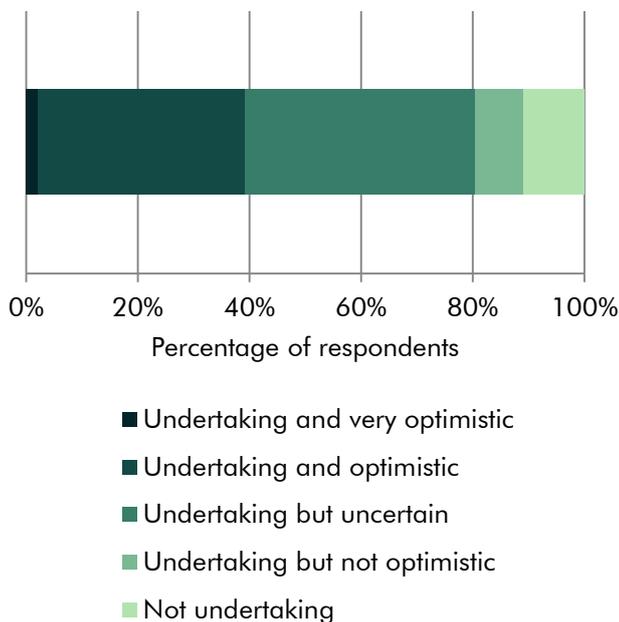
While this programme was not continued by the current government, there are important lessons to be learned from this approach, particularly in the current financial climate. Cutting services in the short term will not save the sort of money identified by Total Place pilots and may make longer-term transformation harder.

Opportunities

- This approach crosses agency boundaries and starts with the complex needs of the individual citizen or the community, which should deliver savings and provide better outcomes for people.
- It also speaks to the idea of a council being one unit serving the public, making it easier for people to engage with. Ideas such as LB Merton’s recently introduced ‘One Number, One Council for Everyone’ is squarely aimed at improving customer service across the board by being a single point of contact for all the council’s services.
- Executed successfully, this approach could reap similar efficiencies to that of inter-borough collaboration – eliminating duplication of work, and improving procurement.

There was clear recognition of the value this could provide among our research participants, with over 80% of respondents looking to join up better across local agencies.

Figure 6 • As a result of the cuts, are you looking at better joining up across agencies to achieve greater efficiencies? And how optimistic are you about this being successful?



Source: Future of London (2012)⁵²

Challenges

The financial climate could force a short-term approach to cutting services rather than seeking the longer-term transformation required, which often needs resource. If budgets are tight, there is a danger that partners may entrench and protect their own areas, rather than seeking greater pooling or across partner agencies.

“There is a long way to go in London before public sector organisations feel comfortable in working across boundaries and in partnership.” - Research participant

Box 3 • Community budgets

Community Budgets aim to give local public service agencies the ability to work together to redesign services around the needs of citizens, to remove duplication and waste, and potentially save significant sums of money.

The original Community Budget pilots were launched as part of the Spending Review in 2010 in 16 areas around the country, and were targeted on families with complex needs (now the ‘troubled families’ agenda, rolled out more widely). LB Islington, for example, pooled staff and £6m of funding from the Council, the NHS, Job Centre Plus, Probation, Police, housing and the voluntary sector to give intensive support to families facing particular problems in the area.

The latest incarnation – Whole Place Community Budgets (announced in December 2011) – is closer to the original Total Place approach.

“We can no longer afford the luxury which left public investment idling to no purpose. We need a gear change that makes ‘silo control’ obsolete and starts a local service revolution that puts people at the heart of spending decisions and saves money....These ‘pool and save’ pioneers can bring about truly local services with one big local cheque that knocks out bureaucratic processes everywhere and upends Whitehall’s monopoly over public money that’s hemmed in frontline workers for decades.”⁵³ - Eric Pickles, December 2011

Case studies

Tri-Government Community Budget

The Whole Place Community Budget pilot ran from March to October 2012, with operational plans and detailed business cases delivered to DCLG in November 2012. The only London-based pilot was in the Tri-Borough area of Westminster, Kensington and Chelsea, and Hammersmith and Fulham – three boroughs which have a demonstrated track record of collaboration, as discussed in the Tri-Borough Partnership on page 13.

The ambition of the Community Budget pilot was to build on the Tri-borough approach to tackle complex cross-cutting issues at geographical scale and across organisational boundaries. The Tri-borough pilot showed how a bold 'local deal' between Government, local public services and business could within five years create annual savings of approximately £70 million per annum across local public services within the Tri-borough area and drive growth, reduce dependency, build homes, create jobs, lengthen lives and rehabilitate criminals. As the only whole-place pilot in London, the Tri-borough authorities have fundamentally rethought public service delivery – shifting focus away from empires, organisational constraints, geographical boundaries and ring-fenced budgets to focus on outcomes for people and place.

The result was a set of practical and deliverable propositions that set out smarter ways of working to tackle a range of complex social and economic issues. Proposals demonstrated how services could be built around people rather than organisations. They represent and have been recognised as a firm foundation and catalyst for further public sector reform.

The Government has pledged to announce plans to extend this approach nationally in the 2015/2016 Spending Round. However, for the plans to be successful, continuing collaboration between Whitehall and local authorities will be essential.

Turning Point's Connected Care in Hammersmith & Fulham

Turning Point is a social enterprise commissioned by Hammersmith and Fulham NHS, London Borough of Hammersmith and Fulham and the Department of Health. They facilitate and strengthen joint working across health, housing and social care to save costs and provide a more effective service. They are currently working on the White City and Edward Woods Estates.

Turning Point interviewed 900 residents, using 16 Community Researchers, to develop an in-depth understanding of the local population's needs. They and the Commissioners then used this information to assess their own particular strengths and weaknesses. This led to them exploring the benefits of working with other agencies to deliver more accessible, targeted and consumer-focused services. The project provides local people with the opportunity to contribute to problem solving which enhances their confidence in services in Hammersmith & Fulham. This has included setting up Community Champions – local residents who provide support and advice to their peers across the range of health and care issues identified in the research.

Working collaboratively with the community gives a more responsive service and a greater understanding of multiple deprivation's complex causes. Furthermore, Turning Point state that working in this way can save up to £2.65 for every £1 spent.

The results of the project aim to equip Commissioners with an understanding of changing needs, based on robust, easily accessible data. This includes knowledge of marginalised and disadvantaged groups.

3. Galvanising communities

This is the idea of not only involving communities more in service delivery decision making, but giving them the option to take the provision on themselves. This links most closely with the Community Powers aspect of the localism agenda.

In some cases, the community could take the provider role, as the private sector does in Barnet, whilst the borough remains commissioner. However, the arrangement may not always be so clean-cut, with communities needing a level of support throughout the process. Local authorities have a vital role to play in this, which has not been clearly acknowledged or defined by the localism agenda, as demonstrated by our survey result below.

If the state is entirely circumvented by localism, there is unlikely to be sufficient capacity or resilience within local communities. Furthermore, there is a key role for London boroughs in supporting and developing community capacity, building networks and resilience, and learning to communicate differently and co-produce/co-design services.

Opportunities

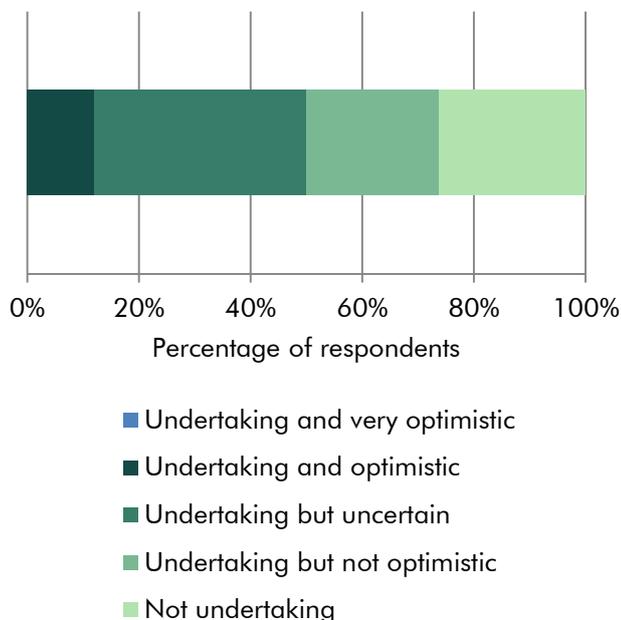
This approach could give people the ability to exercise more control and discretion over their own lives and, encourage greater self-reliance and the ability to identify and work towards achieving higher aspirations for themselves, their household and their community.

74% of our respondents were looking at using community capacity more, as illustrated in Figure 7 below.

Challenges

Other challenges to this aspect of service delivery reform are broader concerns over the capacity of some smaller and less-experienced groups and organisations, a potential loss of accountability as services move further from elected representatives, and a more fragmented approach to service delivery. Boroughs will need to recognise that a key role will be to effectively manage the services, and ensure that they remain coherent and 'joined up'.

Figure 7 • As a result of the cuts, are you looking at using community capacity more to achieve greater efficiencies? And how optimistic are you about this being successful?



Source: Future of London (2012)⁵⁴

Case studies

Lambeth – The Co-operative Council

“Co-operative councils aim to rebalance the power relationship between the user and provider so that it’s more equal by co-producing services with the people who use them or who live in the communities affected .”⁵⁵ - Lambeth evidence to CLG Select Committee

This approach, embraced by several Labour-led authorities through the Co-operative Councils Network, aims to give local people choice and control over public services. It uses using local authority resources and expertise to support communities to make their own choices and use their own skills to make improvements and innovations.

Co-operative Councils are not about turning all services into co-operatives, nor are they designed to replace professionals with volunteers. Together with proper resourcing, this distinguishes the approach from the ‘Big Society’ model at a time when individuals and charities are under considerable financial and time pressure. Lambeth says it is difficult to quantify financial savings, but the main goal is to make the money spent more effective. This may result in some job losses at council level.

Work to Date

Examples of Lambeth’s work include:

- Lambeth Living Well Collaborative – a partnership platform comprising service users, carers, GPs, public service commissioners and providers (statutory and third sector) focused on transforming the services and support received by people with long term mental illness by adopting co-production practice in the design and delivery of services. The aim is provide better outcomes through more personalised support and reduced cost.
- The Young Lambeth cooperative (YLC) – already functioning as a lively clearinghouse for events and activities, the YLC is being registered as a community-owned membership organisation which will put citizens including young people at the centre of designing and commissioning youth services in the borough. Anyone aged 11 or over who lives, works or studies in Lambeth will be entitled to become a member. If approved by council, the YLC business plan will transfer responsibility for youth commissioning, including a budget of up to £6 million, to the YLC.
- The council has played a supportive and enabling role to establish the YLC and has worked with young people and members of the community to co-produce its development over the last year. There has been a very strong interest in the YLC, with over 1650 people registering their support for the YLC to date. The membership of the YLC will be launching in July.

Croydon’s approach to Special Education Needs (“SEN”) transport

Engaging citizens in co-design and co-production can also reduce costs by cutting demand for services. Croydon’s SEN transport services identified savings of between 15-20 % of budget in its first year by giving users more say on how to get their children to school. This includes approximately 8% of demand-led savings through recruiting travel trainers; these work with parents and children to encourage more self-reliance and help initiate personal budgets.

Croydon’s approach also includes a shift to enabling and facilitating services (such as parents’ groups) rather than delivering a one-size-fits-all service. It includes greater integration of the supply and demand elements of the council services, and integration of the budget in one place to ensure that communication costs and approaches are properly resourced and controlled as part of the service re-design. The process required the council to be ready to encourage citizens and clients to lead some of the change themselves, plus appropriate investment in communications and training.

Kingston's Neighbourhood-Level Community Budget

The Secretary of State announced in December 2011 that there would be 10 'Neighbourhood-Level' Community Budget pilots which are smaller in scale than the 'whole place' budgets. In London these are: White City, LB Hammersmith & Fulham; Norbiton, LB Kingston; Poplar, LB Tower Hamlets, and Queens Park, LB Westminster.

The Royal Borough of Kingston upon Thames was already one of nine pilot areas on Local Integrated Services, the initial focus being to tackle health inequalities in Norbiton, the Borough's most deprived Ward. The strategy was to map and pool partner budgets across the Ward, and direct them to community priorities – giving communities a greater influence in public service delivery. This required engaging with the Kingston Strategic Partnership, including the Police, NHS Kingston, Kingston Voluntary Action, Kingston College, Jobcentre Plus, Kingston Chamber of Commerce and Kingston University. However, the project had capacity and resourcing issues in addressing the mapping of resources.

Therefore, Kingston applied for Norbiton to be one of 10 pilots on the Government's Neighbourhood Community Budget initiative, and was successful. It was felt that this was a natural successor to the Local Integrated Services work and would add capacity to the project to maintain momentum and increase the extent to which the community could become more influential in service delivery.

The One Norbiton project sits within the Kingston Strategic Partnership and Council context, but is community led. A Ward based Community Working Group was established with a number of Action Groups set up for each of the issues that have been identified as initial priorities by the community. These are Housing, Environment and Neighbourhood; Policing and Safety; Youth Activities; Community Engagement and Employment and Income Maximisation.

The Borough received Government funding to progress the project, with the objective of mapping the extent of public sector spend at a local and national level and then designing a new model of service delivery. By aligning the resources available to local need, local communities should be empowered to take greater control of services in the area, leading to better use of public resources with more effective outcomes. The Local Government Information Unit has worked with Kingston to support this. Key priorities are working together to tackle NEETs and developing the local Neighbourhood Watch into a more sophisticated community network of support.

Now that the pilot period has come to an end, One Norbiton is moving to an operational phase in 2013/2014. Although the Whole Place Community Budgets have grabbed the big financial headlines, unsurprising given the scale of those projects, the added value of the Neighbourhood Community Budgets is the way in which they are building greater community involvement from the bottom up and therefore utilising local insight to achieve better alignment between public resources to the outcomes that matter most.

4. Council as commissioner

The fourth and final approach involves shifting service provision from the borough to the private sector. As stated at the beginning of this paper, London boroughs have been outsourcing services for years. Yet it marks a cultural shift for any Council, as their purpose moves from the traditional role of service provider, to one of commissioner and manager.

There are obvious challenges around accountability, which causes suggestions of outsourcing to be unpopular, at least at first. However, in an environment where council run services are threatened by strained budgets, this approach could become more common. If service quality is maintained in the long term, it will also become more popular. However, London Boroughs do not have the luxury of time to see whether this is the case, and they will need to take risks.

Opportunities

- Likely to produce substantial cost savings from competitive private-sector contracts and council staff reductions.
- The saved costs could be used to make other parts of the council's service delivery efficient.
- Competition could drive innovation and wider consumer choice in service delivery. These innovations could be used by other local authorities, improving their own service delivery.
- For service provider professionals, it can stimulate a lively labour market in which they can seek the best reward for their skills and experience.

Challenges

- Private sector providers will know little about the communities they serve, meaning a step away from local responsiveness.
- There will be inevitable borough job cuts, plus people may decide to leave voluntarily due to strong feelings on the matter.
- Skills required in managing commissions may not exist in-house, and could require training.
- There are difficulties inherent in managing such a comprehensive cultural change, although reductions in staff could make this easier.
- Questions remain as to how success of outsourcing will be measured.
- This method leaves the council vulnerable to policy changes. It will be difficult to reverse the procedure once in place, as in-house resource will be so low.

Case study

One Barnet

LB Barnet is pursuing a radical restructuring of services, which considers what the role of the council should be long term. By outsourcing some of its services, Barnet shares financial risk with its private sector partners.

The borough is not new to the idea of trying to improve services, having previously tried 'Future Shape', a precursor to the current 'One Barnet' model. However, there is no doubt that the current funding situation (Barnet faces a funding shortfall of £35.6m over the next three years) has given Barnet the impetus to move into fairly radical territory. The council has adopted a 'Commissioning Council' model which has allowed services to be bundled up into several 'parcels' and then the most appropriate method of service delivery to be selected. These current include outsourcing, a Joint Venture, shared service and in-house.

Three principles guide Barnet's restructure:

- a new relationship with citizens;
- a One Barnet approach;
- a relentless drive for efficiency.

Barnet is currently implementing Phase 1 of the One Barnet transformation programme, and planning for Phase 2. Phase 1 includes several projects such as the outsourcing of the council's back office and customer services, and creation of a shared legal service with the Longon Borough of Harrow. Phase 2 will see waste and recycling services brought back in house from its current external provider.

Each bundle of services has been considered individually with the most appropriate solution selected with an emphasis on driving efficiency by commercialising the bundle. For Development and Regulatory Services, which includes planning, regeneration and environmental health this has meant the creation of a Joint Venture with Capita's property and infrastructure business. The projected financial benefit to the council of this Joint Venture model, through both efficiency savings and increased income over 10 years is £39 million. The Joint Venture will bring investment and has a growth agenda.

"We want to leverage the private sector's expertise in order to maximise the revenue and minimise the cost of the services, and, where appropriate to make them more "commercial" in order to further support the maintenance and development of the borough." - One Barnet in 2012

Barnet sought partners to form a 10-year relationship, with the option to extend by another five years. Procurement was through competitive dialogue following an OJEU advertisement. Capita won preferred-bidder status in June 2013, for the DRS contract with an initial value of £154 million.

Once the Joint Venture is given the green light by elected members, this contract will be managed in-house by a corporate hub or 'Commissioning Council' model. Ultimate accountability for services will rest with LB Barnet. In the event of a problem with a service, the provider will have to answer to the detailed contractual obligations agreed at the outset. For example, payment will be deducted, the service taken over by another party and the original provider covering the transfer costs.

Some elements of the procedure have been challenged. One Barnet's legality was called into question in a case brought by a resident claiming the Council failed to consult properly on the changes. Barnet Council won the original case in April 2013, when the case was ruled out of time, and the Court of Appeal upheld that decision in August. Further, in a movement self-defined as the 'Barnet Spring', community groups have set up in opposition, and at this writing, there was still a live petition to block the One Barnet programme.

However, assuming the programme is implemented, Barnet and its commissioned providers have the opportunity to set a precedent from which other authorities can learn. For its part, Capita has a real incentive to make Barnet a success story, as it builds a new business stream.

Box 4 • One Barnet's Development and Regulatory Services Structure

Strategic Services

- Regeneration
- Strategic Planning and Housing Strategy
- Highways Transport and Regeneration
- Highways Strategy

Operational Services

- Building Control and Structures
- Planning Development Management

- Land Charges
- Highways Network Management
- Highways Traffic and Development

Public Health, Consumer and Regulatory Services

- Environmental Health
- Trading Standards and Licensing
- Cemetery and Crematorium

Conclusion

None of the options implemented here have been completely smooth sailing; from the 2009 court case against using Local Authorities Mutual Ltd. to the 2013 court case against outsourcing through One Barnet, formal obstacles arise from all quarters. On the commercial front, contractor failings, savings that don't materialise or a lack of commercial expertise are risks. When it comes to simply getting things done, political manoeuvres, departmental resistance to change or resident apathy may be snarl even the best-laid plans. With more budget and demand pressure to come, there's even more riding on overcoming such obstacles.

That being said, as this report shows, boroughs across Greater London are realising savings, and finding ways to deliver services as well as, or even better than, before. Despite – and in part due to – ongoing budget cuts, local authorities are making increasing use of the powers and tools provided by service delivery reform.

If the boroughs continue to innovate and cooperate, there is a chance that this period of austerity could give Londoners a legacy of responsive local government that will outlast the hard times. Future of London will be following developments closely, and invites you to stay involved.

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