

**Evidence to the Public Administration
Select Committee on the issue of
Whitehall's capacity to address future
challenges**

Westminster City Council

October 2014

INTRODUCTION

1. We welcome the Public Administration Select Committee's call for evidence on the issue of Whitehall's capacity to address future challenges.
2. We believe that the single biggest challenge which Whitehall must develop its capacity to address is the **future sustainability of local public services**, specifically the development of a sustainable funding model that **enables local places to deliver the twin objectives of tackling complex dependency and creating the conditions for economic growth**. Westminster City Council, along with London and national partners, has been working constructively with Government to design, test and implement new approaches to public service delivery which are outlined in more detail below.
3. However, we believe that there are major constraints on Whitehall's capacity that produce a barrier to further and faster reform in a number of areas:
 - A. Certainty of funding and investment
 - B. Effective incentive frameworks
 - C. Alignment of local and national commissioning, priorities and outcomes
 - D. Multidisciplinary teams accessed through a single place-based point of contact
 - E. Effective pooling of data
4. We believe that if Government built its capacity to overcome these barriers, we would be able to progress major national reforms much faster. This would include:
 - Securing a sustainable financial deal for Troubled Families through multi-agency pooled budgeting and giving greater flexibility on Troubled Families criteria (beyond what has already been announced) in order to help more families more effectively and ensure a legacy for the Prime Minister's pledge to turn the lives of 120,000 Troubled Families around
 - Harnessing local expertise in shaping future employment support commissioning, such as Work Programme Plus, to be more effective for all groups
 - Reviewing how health and care organisations (for example acute trusts who are currently funded on an activity basis) are funded to ensure alignments of incentives to deliver more services in the community, reducing pressure on acute services, better serving the most vulnerable and generating savings

- Allowing local areas to realign the incentives within the skills funding system towards job outcomes and to share in the risk and reward of tackling worklessness in order to support more people to secure and progress in work
 - Moving towards local funding settlements that extend over a Spending Review period, allowing local areas to translate success into cashable savings and demonstrate how well-designed local interventions can pay for themselves
 - Consolidating success by negotiating '**public service reform deals**' with localities, tailored to local needs and requirements and setting out how public money will be pooled across agencies in pursuit of collaboratively agreed outcomes
5. In developing our thinking on these issues, we have worked closely with colleagues in Greater Manchester. London and Greater Manchester are very different areas politically, demographically and economically both are making progress in transforming services through working across council boundaries and spending silos.
6. Below we outline some of the key principles and success factors that are underpinning our work and demonstrate how, through removing barriers to the application of these principles and through collaborating to test flexibilities and exemptions, a commitment from Government to work together could help us to go further and faster on reform. Our proposals and ideas cover three areas:
- Progress to date in driving forward service reform
 - Areas where we in the short term pioneer flexibilities or exemptions from national policy and demonstrate clear outcomes
 - Areas of longer-term ambition around place-based budgeting

OUR REFORM AGENDA AND PROGRESS

7. We have a strong track-record of reforming local public services in order to improve lives and make our resources go further.
8. Through sharing services with the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith & Fulham we have:
 - Reduced the average length of care proceedings by 45% (from 49 weeks to 26 weeks), reducing the cost to our councils from £27k per case to £17k and helping children in need find a loving home faster
 - Turned around over 1,500 families' lives through our shared troubled families programme
 - Led the national re-design of re-offending prevention, commissioning a shared service that has delivered £1m of cashable savings and will achieve a 10% reduction in reconviction rates and reduce local spending on tackling re-offending by up to £6.1 million over five years
 - Shared foster and adoption placements across the three boroughs, avoiding the additional cost of having to use Independent Fostering Agency carers and helping find looked after children a permanent loving home faster
 - Introduced the one library card policy, giving residents, workers and students unprecedented access to more than one million library books and a range of specialist collections
 - Led the national charge for the integration of health and social care services through piloting a more sustainable basis for delivering better outcomes for our local population, particularly those who are elderly or have complex needs and are most at risk of being admitted to hospital or a care home. This is being funded nationally through the Better Care Fund.
 - Introduced a shared Multi-Agency Safeguarding Hub which has improved information sharing at the point of referral so that we make better quicker assessments about risk to children, as well as driving improved practice in relation to Child Sexual Exploitation and Missing Children
9. Through working collaboratively with the Department for Work and Pensions, Cabinet Office and the eight central London boroughs that make up Central London Forward (Westminster, Camden, Corporation of London, Lambeth, Lewisham, Southwark, Islington,

Kensington and Chelsea) as part of the London Growth Deal, we will look to test a locally integrated approach to supporting Work Programme leavers claiming Employment Support Allowance into sustainable employment.

10. However, we know that more can still be done to reprioritise resources towards developing a more responsive and less bureaucratic offer to our residents; an offer which is also targeted towards prevention and helping reduce demand. This approach will ensure that local people are able to share in the fruits of growth by accessing the numerous employment opportunities in London, in the process reducing dependency, improving health outcomes and creating more resilient communities. For example, an average Employment Support Allowance claimant currently costs public services an estimated £8,831. Supporting this cohort successful into sustainable employment delivers not only huge benefits to individuals and our communities, but also significant savings to the Exchequer.
11. Building on the successes of the Public Service Transformation Network and the joint Cities and Local Growth Team, we believe that the Civil Service should develop the capacity to establish 'public service reform deals' that enable local places to re-invest the fiscal benefit we create for the Exchequer (by tackling complex dependency, supporting residents into jobs and driving our economies) into creating a sustainable basis for funding efficient and effective local public services.

KEY PRINCIPLES FOR REFORM

12. There are five common principles and proven success factors which have emerged through the reform work to date and resonate with experiences elsewhere, such as in Greater Manchester. These form a stable basis for investment in early intervention, reducing dependency and aligning budgets at the place level:
 - A. **Certainty of funding and investment**
 - B. **Effective incentive frameworks**
 - C. **Alignment of local and national commissioning, priorities and outcomes**
 - D. **Multidisciplinary teams accessed through single place-based point of contact**
 - E. **Effective pooling of data**
13. We have used these to structure our specific proposals and illustrate how developing the capacity for collaborative working across Government can help to build the conditions for growth, reduce dependency, slash costs and pioneer radical new approaches to public service delivery.
14. In building this capacity and applying these principles we advocate differential devolution approach. We recognise that the Government has already taken significant steps to implement national reforms but also that this approach is necessarily limited in the short term by the need to manage risk, as well as by the fact that the full benefits of reform can only be realised by a locally tailored approach. Working initially with London and a small number of other areas nationally offers Government a low-risk opportunity to test new approaches and build on the national reforms.

KEY AREAS WHERE CAPACITY NEEDS TO BE DEVELOPED TO SUPPORT REFORM

A. Certainty of funding and investment

The barriers to reform

15. Underpinning the proposals in the paper is a desire for certainty of funding over a Spending Review period. 1-2 year funding periods, the norm at the moment, restrict long-term investment and also result in a high proportion of time spent commissioning and decommissioning services rather than delivering. Yet, as demonstrated by our business cases across a whole range of policy areas, payback periods are often longer and long-term investment is essential.

Transforming justice

16. For example, the commissioning of Tri-borough's reducing reoffending pilot scheme was boosted by a two year budget commitment from the Mayor's Office for Policing and Crime (MOPAC) rather than the single year settlements which had previously been the norm, enabling greater certainty and more staff time spent delivering results rather than commissioning and decommissioning. The longer settlement has also enabled Tri-borough

to adopt a similar approach to tackling violence against women and girls, undertaking an evidence-based review which brings together disparate funding streams and leads to a commissioning approach which delivers demonstrable savings. A longer-term settlement, over the period of a Spending Review, would enable the period over which programmes are delivered to be aligned more closely to their payback period, making it easier to translate success into cashable savings and demonstrate how a well-designed local intervention can pay for itself.

Complex families

17. We welcome the Troubled Families Programme and the investment that Government has committed to dealing with families whose behaviour damage themselves, their children and the wider community. We have developed a new approach to deal with the TFP cohort that involves triage, case management and key worker support, provided at the level of intensity the family needs. Whilst welcoming the increased local flexibility built into the expansion of Troubled Families for 2015-16, we are concerned that in the short term nationally imposed targets that do not take account of local context (particularly in London) continue to put local delivery arrangements at risk. In the longer term, if the Prime Minister wants his pledge to turn round the lives of 120,000 troubled families to realise its potential as a driver of public service integration rather than remaining a short-term initiative, a deal needs to be brokered across the full range of relevant Government departments to secure a sustainable funding model for the programme – ideally adopting the principle of pooling budgets from departments in proportion to the savings they realise. This will require significant willingness on the part of Whitehall officials to work flexibly across teams and departments to recognise and seek to align the different frameworks of funding, outcomes and accountability operating in different areas of Government, an approach which has begun to see results through the City Deals and Local Growth Deals.

Health and social care

18. Alongside a realignment of incentives within the system, extending the principle of multi-year budgeting to health and social care would encourage investment in early intervention solutions that reduce demand on acute services. As part of the review of incentives it is important that the Government consider where risk and reward lie in the system. Currently, progress on the integration of health and social care could be hampered through the recent changes to the Better Care Fund which place more financial risk on adult social care, while the reward remains mainly with health partners.

B. Effective incentive frameworks

The barriers to reform

19. Our Whole Place Community Budget business cases showed how within five years we can create annual savings of up to £70m per annum across local public services. A large proportion of these savings will accrue not to the local authority but to other local services and central government departments. Meanwhile, current needs-based funding models

too often see a failure to invest in success, creating further disincentives to invest in reform.

20. In order to sustain this level of progress, the ability to retain a share of cashable savings and benefits over a longer period for reinvestment at a place level is crucial. Ensuring that payment by results programmes incentivise work across a range of connected issues, rather than being siloed by Government department, is also vital to making this work.

Health and social care

21. The current national tariff system for hospital care is based on outputs rather than outcomes, leading to continued pressure on acute services and little incentive to invest in community-based treatment. Tri-borough is working as part of the North West London grouping of eight boroughs and exploring a new reimbursement model that supports a move away from the tariff system to a capitated payment based on outcomes rather than activity and in adherence with contracting and competition regulations. Such an approach will far more effectively address the health and social care needs of the 20% of local people that account for around 77% of health and social care costs and enable savings of around £66m per annum. This will require greater flexibility to test new payment systems and contractual arrangements in a way which allows us to effectively manage risk.

Employment

22. We believe that an outcome-based payment model should be retained for tackling worklessness, but it should be a more nuanced one that recognises the need for up-front investment for the hardest to help groups and contain an element of reward for progression towards the labour market for those clients with the greatest challenges. Future provision should be based on an approach that segments those referred on the basis of need, rather than their primary benefit type. This would allow an assessment of clients' barriers to finding work to be reflected in the payment model, and would have the additional benefit of enabling the transition to Universal Credit. We believe that the civil service should look to develop its capacity to nuance nationally set payment models through applying local knowledge and analysis of cohort needs. We are looking to test some of these principles through our involvement in the Central London Forward ESA pilot as part of the London Growth Deal, and to use this experience to inform the future of Work Programme Plus through collaborative work with the DWP.

Skills

23. Skills are important to London employers – almost 40 per cent more jobs in London require Level 4 skills than across the UK and 24 per cent of London vacancies have been attributed by employers to a lack of skills, qualifications or experience on the part of jobseekers, compared to 16 per cent across the UK. Yet skills providers gain the vast majority of their funding for course completion, regardless of employment outcomes. Meanwhile, different skills programmes are measured and funded in different ways, with wide variations as to whether success is measured in terms of participation, course completion, outputs (e.g. qualifications) or outcomes. Tri-borough supports a realignment of the incentives in skills

funding towards job outcomes – varying how providers are paid so it is in their interests to focus on employment. In the longer term there is also interest in rewarding progression outcomes such as wage gain – supporting the Government in seeking to move people off in-work benefits. Again the London Growth Deal offers a limited opportunity to test some of these principles through a ‘payment by results’ pilot for skills, but accelerating and expanding this will require new approaches to collaborative working within Whitehall and Government agencies.

24. In the short term, there is more scope to reward colleges and training providers for taking on individuals from deprived backgrounds. Whilst the current formula contains a small premium, this is not large enough to cover extra costs and does not reflect the potential returns of individuals at risk of becoming NEET successfully gaining skills: ACEVO’s [Commission on Youth Unemployment](#) last year noted that an 18-24 year old NEET moving into work would save the Exchequer an average of £5,662 per year in benefit costs (for the two thirds who claim) and contribute a net extra £582 per year in taxes, without taking into account the broader economic effects of lost output and the ‘scarring’ effects on individuals’ future productivity.

C. Alignment of national and local commissioning, priorities and outcomes

The barriers to reform

25. In key areas of public service reform work, notably justice and employment support, large-scale national contracts are the dominant force within the marketplace. However, engagement of local partners with commissioning processes has often been late or absent and, once in place, national contractors have little incentive or obligation to integrate their provision with the work of local partners, leading to duplication, inefficiency and a confused customer journey.
26. Similarly, the use of procurement frameworks with exclusively large contractors has seen a situation where local third sector expertise and experience has not been harnessed effectively. A particular barrier to progress on reform is the difficulty of aligning national priorities with local knowledge, expertise and delivery mechanisms; rigid national targets and cohorts, often focused on single issues, make it more difficult for local agencies to work together to meet the needs of the target population and achieve savings, whilst also working against the principle of early intervention by specifying work with those who already meet a certain set of criteria, rather than those at risk.

Transforming justice

27. We support the Government’s policy shift to provide targeted rehabilitation to short sentence prisoners on release from prison but believe that the new provision must be co-commissioned with local authorities. The proven success factors incorporated into the design of Tri-borough’s reducing reoffending programme – projected to reduce reoffending by 10% and save £6.1 million over a 5 year period – include early, personal engagement with an offender and assessment of their needs and motivation to change; a consistent key

worker able to broker access to local services appropriate for the offenders' needs such as improving skills or overcoming substance misuse; and clear and credible sanctions, integrated clearly with local functions such as policing and housing, for those who continue to offend and do not engage with the service. To deliver sustained savings, Tri-borough should be able to work with Government to take a more flexible approach to the Ministry of Justice's national commissioning arrangements, ensuring a clear role in co-commissioning and inclusion within the supply chain, so that we are able to contribute the best local knowledge to the service design process and integrate nationally mandated provision with wrap-around support offered by the full range of public services in our area.

Employment support

28. The experience of the Work Programme has demonstrated how early engagement of local partners in co-designing programmes, rather than only at the contract letting stage, is critical to delivering effectively on the ground and achieving the most sustainable outcomes. Increasing contractual commitments to partnership working would enable large providers to work with sub-contractors and other public-sector commissioned services to develop the right services for clients. The ability to integrate locally defined outcomes and commissioning expertise into a nationally-determined framework would strengthen the case for pooling local resources with national funding, increasing central Government's reach and potential to deliver outcomes.

Complex families

29. Whilst welcoming the increased local flexibility built into the expansion of Troubled Families for 2015-16, the programme has significant further potential to assist many families who do not meet the criteria but are nonetheless experiencing problems and costing the public purse significant sums of money, and others who are at risk but not yet meeting the criteria. Sustainable multi-departmental funding for the programme is needed in the longer term to underpin this holistic approach.

30. Improved integration between troubled families and other commissioning, including employment support and probation, is another key aspect of making the programme more effective. The DWP-commissioned ESF for Families programme has significantly underperformed due to a lack of effective integration with existing local programmes and a mismatch of incentives and target cohorts. Within Tri-borough, in Kensington and Chelsea no outcomes have been registered for several months due to delays on the part of the prime contractor in appointing a subcontractor. In Westminster, the local organisation subcontracted to deliver the programme has pulled out on the grounds of financial viability. The conversion rate (from starts on the programme to validated job outcomes) for this programme has been 14-15%; validated performance outcome data from the prime contractor shows that only 15 sustained jobs were achieved within a seventeen month period and whilst the cohort is recognised to be some distance from the job market, only 25% of all those engaged with the programme progressed to other development opportunities such as volunteering and further education.

31. Channelling the ESF funding through a co-commissioned approach between DWP and local troubled families teams could see a significantly better return: a previous programme run within Westminster with a similar cohort - the Local Authority Innovation Pilot – co-located employability advisors with children’s services, linked parents to a multi-agency ‘team around the family’ and secured a conversion rate of 27%. It will be essential for ESF opt-in organisations within central Government’s control to prioritise local integration and alignment with the Troubled Families Programme in finalising service specifications – a process which cannot happen successfully within single departmental silos.

D. Multidisciplinary teams accessed through a single place-based point of contact

The barriers to reform

32. The ability to deploy a range of expertise to work with an individual or family, whilst also providing the stability and trust arising from a single point of contact, is fundamental to the delivery model across several areas. The relative ease of achieving this is a key advantage arising from design and commissioning of interventions at the place level and enables a range of issues to be resolved through a single mechanism rather than relying on relationships between siloed organisations, which are often patchy and dogged by difficulties such as regulations around sharing personal data and, increasingly, commercial confidentiality. In some areas centralised approaches are continuing to be followed that are not able to realise the benefits of this approach.

Employment support

33. Employment Support Allowance (ESA) claimants cost the Exchequer an estimated £8,831 per person per year and a total cost of £216m per year. Mental health is the biggest single cause of ESA claims, but many clients have a variety of complex needs that prevent them from easily obtaining and holding on to employment. Success rates through conventional services such as the Work Programme are very low.

34. Through Central London Forward we are developing a new model for supporting the cohort based on dedicated caseworkers who provide clients with intensive support to tackle the issues that are inhibiting their path into employment. Caseworkers will be the key point of contact with the customer throughout their time on the Pilot and will:

- carry out an in depth assessment to identify a customer’s barriers to employment, including health needs, drug and alcohol addiction, family issues and financial and digital capability
- cross-reference existing support services with which the individual has already engaged
- develop an action plan with the individual

- act as the key-worker, assessing needs, making and coordinating appointments and facilitating “warm handovers” to the relevant local support services according to the individual’s needs and agreed action plan
- be the key point of liaison with regard to employment and employability, track the client and manage relationships with local services (such as health, housing, substance misuse specialists, skills, employability and employment provision), as the individual progresses towards employment
- maintain contact and provide in-work support to the customer once they are in work, and if appropriate, support to the employer
- ensure a suitable handover to other services if the customer does not secure employment at the end of their period on the programme to ensure some continuity of support

35. The design of the model has been informed by best practice from the Individual Placement and Support service delivered by the Central North West London Mental Health Trust, the Family and Community Employment Service (the employment arm of the Tri-borough Troubled Families Programme), and the Family Coaching model, as well as detailed quantitative and qualitative analysis of the client group. It will be characterised by low caseloads, allowing intensive engagement that addresses the full range of clients needs e.g. better management of medication, access to child care, resolution of housing issues, support from community health trainers, free college courses for those on work-related benefits and support from employment mentors and peer groups. A key feature of the delivery model will be the integration of such support so that it is delivered at the optimum time for the client.

36. The development of the model has involved significant joint work with Government departments, particularly the Cabinet Office, the Department for Work and Pensions and the Public Service Transformation Network. The process of co-design and negotiation that has been the basis of the Growth Deals offers a range of learning for wider integrated working across Whitehall and is worth examining in detail, both in its positive and negative aspects, when considering Whitehall’s capacity to meet future challenges.

E. Effective pooling of data

The barriers to reform

37. The effective pooling of data is another barrier to reform that cuts across all key areas of public service reform. A particular difficulty is obtaining information on a cohort basis to allow for data matching, e.g. to determine what proportion of attendees at accident and emergency are already known to social care services in order to help design an alternative, more effective and less costly pathway for these individuals or families. The harmonisation

of data collection across agencies, with a clear focus on individuals and families, also needs to be addressed, with the increasing number of organisations involved in service delivery in key areas such as employment support and probation further fragmenting the data landscape. This has a direct impact on the ability of public service reform programmes to realise savings and is a major barrier to the implementation of true place-based budgeting, as distinct from time-limited cash injections for cross-cutting programmes such as Troubled Families. There is also concern about the potential effects of new Government regulation around data security on this agenda.

Transforming justice

38. The experience of the Tri-borough reducing reoffending pilot has been that ensuring that the right data were collected on short sentence prisoners and brokering access to police, Ministry of Justice and Home Office data has been time consuming and often only partly successful. Local involvement in co-designing data collection and data sharing requirements for Transforming Rehabilitation is essential to ensure that this experience improves.

Health and social care

39. Changes introduced in the Health and Social Care Act have disrupted the painstaking process of agreeing information sharing protocols between increasingly stretched and nervous partners. Additionally, the new health and social care coordinators are required to agree information governance processes with each organisation holding relevant data, including multiple health trusts, individual GP practices and any independent or third sector providers. This is further complicated by patient consent issues. The lack of a culture of information sharing impacts on direct care – limiting the scope of proactive services which seek to identify issues and offer help before crisis – as well as on partners' ability to align information on local population need and risk profiles in order to design integrated services that most effectively meet the needs of those groups most likely to benefit from joined-up care. Tri-borough is working on a data sharing framework as part of the North West London grouping, and working with Greater Manchester to share good practice and insight.

CONCLUSION

40. The radical redesign of the totality of public spending is needed if local public services are to be put on a more sustainable financial footing.

41. This should be based on **public service reform deals** that enable local authorities to reinvest the fiscal benefit they create for the Exchequer (by tackling complex dependency, supporting residents into jobs and driving the city economies) into creating a sustainable basis for funding efficient and effective local public services.

42. To achieve this, Government needs to develop its capacity to deliver a place-based, non-siloed approach to local services that encourages innovation and delivery. This approach

would build upon the HM Treasury's commitment in the 2010 Spending Review Framework to "challenge departments, local government and delivery partners to consider fundamental changes to the way they provide vital services" and other proposals including the Barker Commission's recommendation for a single budget for health and social care.

43. Our proposals seek to challenge Government to recognise the threat to the financial sustainability of local public services from a 'business as usual' approach; promote greater responsibility by shifting power, funding and accountability into the hands of individuals and frontline professionals who are often better placed to allocate limited resources; and to consider the implications of this on the structure and remit of Whitehall in the medium term.