

# Reforming Public Services

March 2015

*London Councils, which represents London's 32 boroughs and the City of London, is proposing devolution and reform of London's public services in order to deal with the financial challenges of the next five years and to invest in the social and economic infrastructure that is vital to the capital's continued growth and success.*

## Context

It is clear that local government in London faces a period of prolonged financial austerity. By 2019/20, London boroughs could be facing a reduction in core funding of close to 70 per cent in real terms compared with 2010/11 (see chart below). Combined with a rapidly increasing demand for local services, they face funding pressure of more than £3.4 billion by 2020.

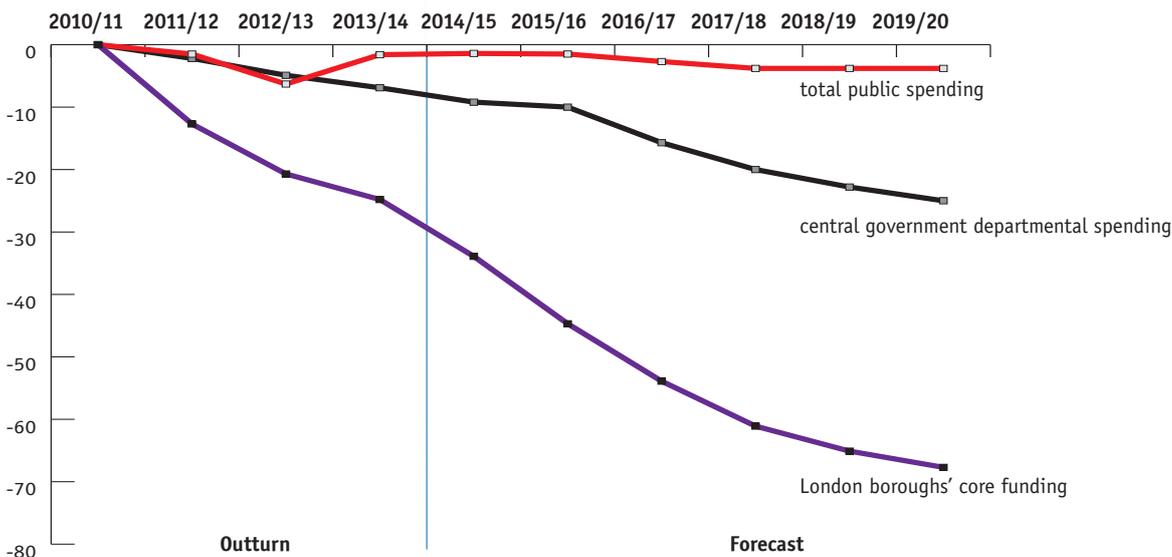
Local government is widely acknowledged as having led the way in terms of facing up to the challenge of public finance austerity. It has managed the largest reduction of funding, while protecting front-line services to communities and individuals, including the most vulnerable.

London's councils recognise the scale of the challenges that lie ahead. Tackling these will require a reform of public services that focuses on integrated, preventative services that help avoid the high costs of dealing with failure.

London boroughs have already begun to explore initiatives that show the potential for more effective ways of delivering outcomes for residents, and the role local authorities can play in bringing other public agencies together to tackle deep-seated challenges. But central government now needs to go further to help enable reform of public services and greater local autonomy which can be a springboard for a sustainable future.

**Challenge:** London local government faces a period of prolonged financial austerity at a time of rising demand

**Solution:** Devolve public services, give London's leaders the freedom to determine investment in vital infrastructure and reform the system of local government finance to provide a stable, transparent and sustainable approach that places councils at the heart of public service delivery



## What is the London Offer?

In January of this year, London's population passed its historic peak of 8.6 million and by 2020 the capital is forecast to be home to more than 9 million people. As a result, the capital faces a desperate need for infrastructure investment, particularly in transport, housing and schools. Following the recommendations of the London Finance Commission, we believe this investment must be determined by London's leaders - the Mayor and London boroughs.

Beyond this infrastructure, London also has to integrate services locally - across groups of boroughs and across London - to allow services to be better targeted on the needs of residents and businesses and to avoid the costs of failure. Those areas where reform would deliver significantly improved results include:

- Skills
- Employment and Complex Dependency
- Housing
- Health
- Community Safety and Justice
- Infrastructure

**Challenge:** Government spends £550 million on adult skills provision in London - yet London's employment rate remains lower than other regions and employers attribute 24 per cent of vacancies in the capital to skills shortages

**Solution:** Building on recent announcements by government, devolution of skills responsibility to align provision with the needs of the capital's businesses, demonstrated by the success of the Opportunity Sutton Programme

## Skills

The Mayor and boroughs will build on recent announcements by government to ensure that incentives for skills providers are set at London level to ensure that Londoners have the skills they need to succeed in the jobs market; and that businesses have the skilled workers they need to grow.

Decisions on incentives would be informed by local knowledge, with London boroughs co-ordinating data from local business using cross borough partnerships. This information would have a formal role in informing London's decision making on further education funding.

A similar model of pan-London decision making should underpin the new:

- London Careers Service
- London Apprentice Service.

**Challenge:** Very large amounts of public money are being spent on reacting to the problems of a relatively small number of people with highly complex needs

**Solution:** The Troubled Families Programme in Wandsworth alone has helped more than 560 families; and it has helped over 14,000 families across London. This model should be extended to support a much wider range of people with complex needs

## Employment and Complex Dependency

London government should co-commission with DWP the next phase of the Work Programme in London. This would result in better integration of mainstream employment services with other local support services and improve employment outcomes for the very long term unemployed and jobseekers with complex needs.

The introduction of Universal Credit is an opportunity for more systematic co-location of JCP and borough staff to increase efficiency, as well as integration of JCP staff and management with London local government in order to operate more closely with other welfare services.

The Troubled Families model for addressing complex needs, drawing on the pooling of departmental budgets to allow locally developed, personalised, 'wrap around' interventions, should be extended to other relevant groups of individuals with complex needs.

Further opportunities for extending the model would allow local government to provide targeted and integrated support for other families and individuals who also have complex needs.

**Challenge:** 450,000 Londoners who would like employment are out of work, yet nationally designed employment support programmes are underperforming in the capital

**Solution:** Locally designed programmes such as Central London Forward's 'Working Capital' are set to test out how to be successful in getting more Londoners into work

## Community Safety and Justice

By enhancing strategic leadership of the criminal justice system in London, the Mayor and boroughs can deliver significant savings and reduce offending. London should be free to co-ordinate, commission and co-design across probation, community rehabilitation, youth offending and other areas of the justice system. An integrated approach would ensure that local services can be aligned to provide the greatest impact and reduce high-harm offending. This is also an area with the potential to drive significant improvements in IT, joint working and communications. London's established governance model, including the London Crime Reduction Board, could be the basis of enhanced arrangements that focus on improving the running of the overall Criminal Justice System in London.

**Challenge:** For the past 30 years London's housing supply has failed to match household growth in the capital and between 2011 and 2021, 526,000 new homes will need to be built in London, just to keep pace with London's booming population

**Solution:** Working within existing constraints, councils such as Lewisham have developed innovative solutions to fund the building of hundreds of new homes. Freeing local authorities from unnecessary constraints on using existing assets and revenue streams would unlock the potential to build more of the homes Londoners need

## Housing

London is far short of the minimum number of new homes we need to keep pace with our growing population. In times of austerity, additional plans cannot rely solely on additional public funding. We propose that boroughs have:

- the ability to create value through change of land use as an essential part of any successful housing strategy;
- the ability to leverage existing assets to raise funds is a second essential route to provide resources when public funding is limited.

In addition, London government needs the power to ensure that different types of infrastructure – such as transport links and housing – complement each other in creating value.

To improve the supply of housing, central government should devolve to London boroughs:

- The ability to charge developers for provision of a better resourced and more effective planning services that meet pre-set targets for speed of decision making and technical competence.
- Freedom from limits (other than the Prudential Code) on borrowing against assets by London boroughs and TfL, including HRA assets and revenue streams.
- The freedom to exchange borrowing headroom between boroughs (if the Prudential Code is applied to the HRA) – aligning investment requirements with resource would create a real opportunity to build new homes.

## Health

The long term challenges faced by health and social care services, including demographic pressures and technological advances, cannot be met through simple refinements to the current system.

Given the vital role of social care and public health in providing the integrated responses needed to tackle these challenges, London local government will be critical to shaping sustainable, locally embedded solutions for health.

Central government should strengthen London boroughs' role in developing a sustainable approach to the health economy in London, by devolving to them the power to:

- Jointly agree health and care integration plans with the health sector as it impacts on their areas.
- Jointly agree plans for the local primary care estates, funded from underspend in the DoH capital programme.
- Jointly commission primary care services in their areas with the health sector via local Health and Wellbeing Boards.

**Challenge:** The NHS faces ongoing pressure and this winter a number of NHS hospitals were forced to declare a 'major incident' as they struggled to cope with lack of bedspace

**Solution:** Initiatives in Greenwich, Richmond and Newham, which enable social workers and NHS professionals to work alongside each other, have resulted in a consistent reduction in the numbers of people unable to leave hospital because their social care support is not in place

## Infrastructure

London's growing population will continue to place pressure on the capital's physical and social infrastructure, with the GLA estimating that total infrastructure costs are likely to double from an annual average of £16 billion in 2011-15 to £38 billion in 2016- 50. In order to address these challenges the London Finance Commission recommended giving London's leaders the power to determine infrastructure investment by: devolving property taxes such as stamp duty, council tax and business rates; providing greater freedom for London government to borrow prudentially; and, allowing local councils more flexibility in setting fees and charges.

## Schools

London has faced sustained demand for school places for nearly a decade, with rising pupil populations, spiralling building costs and a lack of available land placing increased pressure on London boroughs.

Our modelling estimates a need for 133,000 more primary and secondary school places by 2018. Central government underfunding means that between 2010 and 2016 London boroughs will have had to fund 48 per cent of new school places from their own resources. In light of the future financial outlook facing London local government this is not sustainable.

London needs a settlement that takes proper account of its unique challenges: funding should be based on the real unit costs of provision; investment to build new secondary schools should be front loaded before pressures becomes critical; and, new free schools should be prioritised for those areas facing particularly strong demand for places.

## Building on success

London's boroughs have a strong track record of collaborating with each other to share services, maximise value for money through joint procurement and create cross boundary solutions able to deliver innovation at scale.

In 2007, six West London councils (Barnet, Brent, Ealing, Harrow, Hillingdon and Hounslow) established the West London Alliance (WLA). Building on their success in developing a strategic approach to adult social care placements, children's services, asset and property management and housing the WLA is currently piloting a project to help residents with mental health challenges back into work through co-commissioning local employment interventions with Jobcentre Plus.

In 2009, six East London boroughs, Tower Hamlets, Newham, Redbridge, Waltham Forest, Havering and Barking & Dagenham, set up East London Solutions. The group has already achieved estimated savings of £20 million.

In 2010, three West London boroughs (Kensington & Chelsea, Hammersmith & Fulham and Westminster) established the Tri-borough project. The councils are on track to save £43 million a year by 2015.

In 2015, Wandsworth and Richmond councils announced their intention to create a shared staffing structure that will deliver substantial savings to preserve frontline services. It is expected to save up to £10 million per year for each council through savings to senior management, shared procurement and reducing duplication in back office functions.

The London Offer also builds on the foundation of the London Growth Deal, an agreement between London (the Mayor and the boroughs) and national government that broke new ground in launching collaborative approaches to tackling London's long term challenges in skills, employment and housing.

## Conclusion

The challenges of the next Spending Review period will be hugely significant for all public services, particularly local public services. Only by enabling reform, integration and more local autonomy to focus on prevention and the joining-up of activity, can a sustainable future be found. London's councils, working with the Mayor and with other public service partners across the capital, stand ready to pursue this opportunity with government after the general election.

