

# A Magna Carta for Localism

Three practical steps to make localism real

COLIN BARROW, STEPHEN GREENHALGH AND EDWARD LISTER





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Stephen Greenhalgh became leader of Hammersmith & Fulham Council in 2006. Since then the Council has cut its council tax bills by 3% each year and had the biggest increase in satisfaction and value-for-money scores in the country from its residents. He is currently Head of the Conservative Councils Innovation Unit. For over 20 years he has enjoyed a successful business career and is currently Managing Director of BIBA Medical Ltd.

Edward Lister has been leader of Wandsworth Council since 1992. Wandsworth Council was an early advocate of market testing of services and calculates the current cumulative benefit of this approach at over £200 million a year. Wandsworth's average local tax bills over the last 25 years have been the lowest in the country. In a 2008 national survey it recorded the highest satisfaction and value-for-money scores in the country from its residents. The council has raised in excess of £1 billion from strategic asset management policies and is virtually debt-free.

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## SUMMARY

- The UK is one of the most centralised states in the developed world. Even after devolution, central government accounts for nearly 70% of spending in the UK (a higher figure than in any country in the OECD other than New Zealand).
- Trials in devolving more power to local authorities should be held in a number of sympathetic and well-managed local authorities (“Foundation Councils”). These trials would focus on three areas: local support for the unemployed; local provision of community care; and local prevention of crime and anti-social behaviour and rehabilitation of criminals.
- **Local administration of benefits and tackling unemployment** could reduce fraud and encourage and support individuals back to work. Foundation councils could provide a one-stop shop for jobs and benefits to yield savings in benefits administration, savings from the reduction in fraud and error and savings from reduced welfare dependency. These are estimated at £4.4 billion if implemented nationally.

- **Local care services** could be led by Foundation Councils. This would include long-term care services and services for vulnerable children. Rather than multiple organisations providing local health and social care services only the Foundation Council would commission these services. All other primary care and acute services would continue to be delivered by the National Health Service. Savings are estimated at £5.1 billion if implemented nationally.
- Similarly, **beat policing, combating youth anti-social behaviour, tackling troubled families and offender management** could be devolved to Foundation Councils. Savings are estimated at £4.4 billion if implemented nationally.
- These practical proposals would enable national politicians to devolve power and authority to locally accountable, locally responsible politicians. They would deliver savings and improve services.
- Local councils know and can serve their citizens and families in a more responsive and less bureaucratic way than central government. Local government can set priorities and implement local policies in a way which is impossible at a national level and in a way which meets local priorities. Diversity of supply – also known as the Postcode Lottery – should be regarded as a good thing (subject to minimum national standards), encouraging innovation and the spread of best practice.
- This programme will reduce government spending by an estimated £13.9 billion a year once implemented on a national scale.

## 1. THE CENTRAL STATE WE'RE IN

The United Kingdom is one of the most centralised states in the developed world. Even after devolution in Scotland, Wales and Northern Ireland, central government accounts for nearly 70% of spending in the UK. This is higher than in any country in the OECD other than New Zealand.

Yet localism has become a political buzzword. All the major political parties *espouse* greater localism in some form or other. They *say* that decisions should be made as close to the citizen as possible. But delivering this localist rhetoric has eluded successive national governments.

Why? Because Whitehall convinces ministers that local government cannot be trusted to deliver services of national importance. Because Ministers will always be accountable for all aspects of public service performance. Because the Treasury holds the purse strings and the Budget provides a single point of fiscal accountability.

Whether it is education in Manchester or a pothole in Rochdale, ministers can always be asked questions on the floor of the House of Commons and will never want to say that it is the



responsibility of the local council or the health service. The Opposition bewails the postcode lottery. “Something Must Be Done!” clamours the media. The Permanent Secretary sets out some options: strengthen guidance, call for an enquiry, send in a hit squad, set targets, create a quango, form a regulator (with teeth, of course). And so on. Each time local people and their democratically elected institutions lose another little bit of power.

Few people stand up to the forces of centralism. Too many local government leaders appear supine. Last December the Communities and Local Government (CLG) Select Committee called for a shift in the balance of power to local government and for local government to become more ambitious. Disappointingly, in response the Local Government Association (LGA) informed the CLG Select Committee that “we have not come here today to ask for more legislation. We have not come here to ask for more powers.”

### **Barriers**

Local government faces four main barriers to providing public services that deliver value for money to local residents:

- The command state
- The inspection industry
- Service silos
- Financial dependency

Together, these barriers have led to the centralisation of the delivery of local public services. A raft of restrictions and a lack of powers now prevents local government from delivering innovative and good value solutions.

### *The command state*

Compared with other major western democracies, local government in the UK has extremely limited powers. There is no power of “general competence” and a number of key activities to tackle employment, health and housing are mainly outside the remit of local government. In the US, Germany and Sweden, local spending is around 50% of total government spending, compared with just 27% in the UK.

In England almost every aspect of local service delivery must conform to a centrally imposed framework, driven by a combination of legislation, targets, and funding restrictions. The aim of these levers is to avoid the “postcode lottery”, but the way they have been enforced inhibits local government’s ability to respond to local needs, priorities and preferences. It has led to a sameness of provision, rather than services which reflect the individuality of different places.

This lack of local control has eaten away at resident satisfaction with councils and with local democracy itself. Despite the numerous “democratic engagement” initiatives prescribed from above, levels of participation in local politics continue to fall, precisely because the powers of local authorities have been severely restricted.

### *The inspection industry*

English local government suffers from probably the most onerous regulatory regime of any western country. As well as external inspections, audits and formal targets, there are also numerous soft controls, including grant conditions and guidance from various government departments which act to micro-manage local affairs. Additional burdens are also imposed on local authorities through legislation relating to the workforce, commercial undertakings and structures. In contrast,

in France, Germany, Sweden and the US, the oversight regimes are much more “light touch” with an emphasis on financial probity, rather than all-encompassing performance regimes and associated league tables.

The National Audit Office (NAO) estimates that the overall cost of monitoring local government is in the region of £2 billion each year.<sup>1</sup> Not only is this a huge cost on the taxpayer and a bureaucratic burden on local public services, it also has detrimental consequences for local service delivery. By imposing standards and targets, the regulatory regime stifles local innovation and efficiency and has resulted in policy being led by inspection. Compliance with the inspection industry has almost come to define the core business of some local authorities that seem to seek their legitimacy from the Audit Commission and the Government, rather than the local electorate.

Adopting a model based on the German system will reduce these burdens. This would involve requiring the Audit Commission to focus on auditing expenditure and the unit cost of service delivery (as opposed to specifying how local public services should be delivered). In addition Comprehensive Area Assessments (CAAs) should be abolished (except for poorly performing councils).

These proposals would greatly simplify the inspection regime while still providing the essential local information that councillors need to ensure services are managed efficiently.<sup>2</sup>

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<sup>1</sup> Department for Communities and Local Government, *Place Shaping: a shared ambition for the future of local government*, March 2007 (known as the Lyons Report).

<sup>2</sup> It is estimated that they would also halve the £2 billion estimated in the Lyons Report as the annual bill for monitoring local government.

### *Service silos*

Under the current system, local authorities are not responsible for the majority of local public spending in their own areas. Total public expenditure in London is around £74 billion (or just over £2 billion per borough per year). This money is channelled through over 30 central, local and regional agencies and bodies.

Many local services, such as transport, fire and the police, are delivered through single purpose bodies. Others are provided through government departments and related bodies (health, job centres etc) and yet more through government-funded quangos.

This creates complexity, duplication and overlap. Each delivery body looks to a different 'master' in defining its priorities. In addition, the definition of success differs between agencies. As a result, costs and bureaucracy increase, innovation is stifled and the ability of local public services to serve local people is reduced.

While central government acknowledges the need to integrate services locally, in practice it has failed to provide an effective means of doing so. Co-ordination is required through Local Strategic Partnerships and Local Area Agreements, which involve numerous agencies. However, co-operation is essentially voluntary and driven from above. Even where there are synergies between local authorities and government agencies it can be difficult to define roles or realise cost efficiencies given the differences in constitution and accountability. Targets and priorities can also differ. As a result, there is significant duplication locally and no effective means of delivering integrated services.

### *Financial dependency*

In most western countries, local authorities have significantly greater access to locally raised taxes than in the UK. The UK is

unusual in being dependent on a single tax – the council tax, which made up only 13% of local authority gross income in 2007/08).<sup>3</sup> Non-domestic rates, while collected locally, are redistributed nationally. Due to the equalisation mechanism, local government has only a limited share in any growth of the housing or business tax bases.

Local authorities receive the bulk of their funding from central government from a pot of money that is known as Revenue Support Grant (RSG).<sup>4</sup> Most of this central government allocation is handed down in the form of a Formula Grant – a sum of money that is calculated according to population and the assumed needs of that population, estimated on the basis of local demographics. Theoretically councils can spend this money as they see fit. But in practice they have to meet their statutory obligations with regard to housing, social care and education provision which takes up most of that funding.

A proportion of central government funding, however, is ring-fenced by the funding department for a specific purpose. The receiving council has little or no choice as to what it should be spent on. These are often tightly tied to government requirements, targets and expectations. The Lyons Report found that 23% of revenue was in the form of ring-fenced and other specific grants, even before the introduction of the ring-fenced grant for schools. The Area Based Grant is a small step

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<sup>3</sup> In Germany and France, the equivalent figure is over 60%.

<sup>4</sup> The proportion of a council's revenue budget that comes from central government, rather than from council tax and other locally generated funds, will vary from one authority to another but the average split for authorities in England and Wales is 74% from central government and 26% from local taxation and charges.

in addressing this inflexibility. There are further central controls on capital receipts and their use; and the commercial operations that authorities are able to undertake are limited.

### **The case for foundation councils**

The localist approach is becoming increasingly politically acceptable. David Cameron was an early advocate.<sup>5</sup>

“If we want to make a reality of this post-bureaucratic era, an era only made possible by the information revolution... it’s clear to me that political leaders will have to learn to let go. Let go of the information that we’ve guarded so jealously. Let go of the power that we like to exert. And above all, let go of the idea that ‘we know best’ – that people can’t be trusted to run their own lives and their own communities...

Because if we get things right, we can now move confidently into a new, post-bureaucratic era... where true freedom of information makes possible a new world of responsibility, citizenship, choice and local control.”

The Conservatives are also proposing to introduce a much needed power of “general competence” which will free councils to carry out any lawful activity on behalf of their community.<sup>6</sup>

This is greatly to be welcomed. But more is needed. This paper puts forward some practical suggestion for devolving more power to local councils. Three areas are considered:

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<sup>5</sup> Speech on “The Post-bureaucratic age”, 12 October 2007.

<sup>6</sup> See David Cameron, “A radical power shift”, *The Guardian*, 17 February 2009.

- Reducing the level of local unemployment.
- Improving the standard of local community care.
- Tackling local crime and anti-social behaviour.

If localist rhetoric means anything, then responsibility for these areas should be devolved – in the first instance to successful, well-run councils. Just as Foundation Hospitals have been granted far greater operational freedom, so too could those councils which earn Foundation Status be given more operational freedom.<sup>7</sup> This will save money and result in services which will be more effective and more closely attuned with the needs of local residents.

Devolving powers to councils in these areas would mean that we could stop pretending that the jobless in North Shields have the same needs as those in Tunbridge Wells; that the social problems of Doncaster are the same as those of Harrogate; or that the local crime priorities in Brixton are the same as those in Newquay.

Each of these public services are currently provided by large, unelected and unaccountable public sector bodies. And yet in each of these areas, local delivery will be able to meet local needs better, will streamline and reduce the number of delivery agencies and will reduce costs.

To achieve this, some fundamental changes are required in the way local services are delivered. Broadly these are:

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<sup>7</sup> The concept of Foundation Councils was first mooted by Edward Lister in a 1995 Centre for Policy Studies paper, *Local Limits: cutting the costs of good councils*. It was also more recently suggested by Councillor Sarah Gore, Cabinet Member for Children's Services at Hammersmith & Fulham.

- Clear accountability.
- Removing as many layers of competing bureaucracy as possible.
- Creating financial systems that reward success in preventative work.
- Encouraging strong local leadership and political direction based on clear and strong local accountability.

Some councils have, with great effort, rolled back the forces of the central state. Progress has been made in each of the three areas discussed (and examples of these achievements are highlighted in this report). The result has been greatly increased satisfaction levels of local residents with the council, substantial savings and better services.

It can be done.



## 2. TACKLING LOCAL UNEMPLOYMENT

There are now over five million people claiming out of work benefits in the UK, with the result that central government is now spending huge amounts on the jobless. In London alone, it is estimated that more than £5 billion a year is spent on benefits and services for workless people.<sup>8</sup>

At a local level, it is clear to see how current welfare to work and employment programmes are not working: for example, there are now 20,000 people claiming out of work benefits in the most dynamic, successful local authority economy in the UK, the City of Westminster. Worklessness in Westminster costs the taxpayer around £260 million a year (equivalent to over £13,500 a year for every job-seeker). A further £40 million is spent on initiatives to support people back into work through various national organisations such as JCP, LSC and the local authority.

Local authorities are expected by the Government to tackle worklessness. But they have responsibility for less than 5% of the total expenditure. There is no accountability to the local

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<sup>8</sup> London Councils, *Manifesto for Londoners*, 2010.

taxpayer on how money is spent or on whether this money is being used effectively as a result of the centralised control and management of programmes, primarily by DWP and HMRC.

The potential gains from a more efficient, localised system of addressing worklessness are immense: it has been calculated that the lifetime costs of welfare dependency can run into millions of pounds for one person alone. Localism offers the best way forward.<sup>9</sup>

### **Problems with the benefits system**

#### *Complexity*

The benefits system is difficult to understand and does not adequately incentivise work. Housing Benefit, Job Seekers Allowance, Childcare Tax Credits are all managed and paid by separate organisations. This creates inefficiencies associated with the separate management and a lack of flexibility to set payments linked to the cost of living or other local circumstances. There are now over 50 benefits with no obvious overall framework and with little consideration of the interaction of different benefits.<sup>10</sup>

This highly complex system of benefits requires manuals and guidance notes running to thousands of pages. The DWP issues

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<sup>9</sup> The London Borough of Barnet has calculated that the lifetime cost of a victim of child neglect and abuse, who herself has three children, can be as high as £5 million if all benefits, social care costs and loss of tax revenues are included in calculations. Every council will be familiar with such cases such as these.

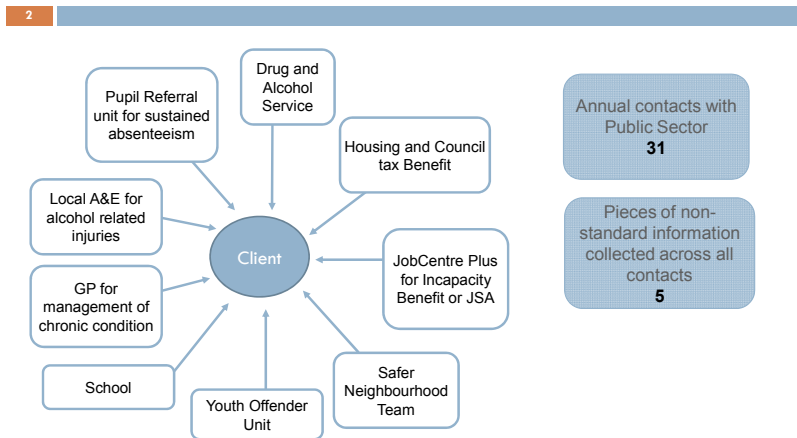
<sup>10</sup> For a detailed analysis of the problems of benefit complexity, see D Martin, *Benefit Simplification: how and why it must be done*, Centre for Policy Studies, 2009.

14 manuals with about 8,690 pages, Housing and Council Tax Benefits are covered by four volumes with over 1,200 pages, HMRC issues a 260 page tax credit manual and this does not include the additional information contained in guidance notes, circulars, legal statues and statutory instruments. Research carried out by the London Borough of Barnet showed that an unemployed person could have up to 31 annual contacts with officials who together collect only five pieces of additional information.

*Too many providers*

Too many agencies are involved in assessment and paying benefits (DWP, HMRC, local councils) and in employment support (DWP, RDAs, LSC, local councils, third sector). Jobcentre Plus and councils are both involved in assessing and paying benefits to the same clients. The result is repeated collection of data and disconnected benefits assessment and service provision.

## Benefits administration: Clients overwhelmed by contact



There is also a multitude of quangos, committees, working groups and other agencies which have been set up in an attempt to deal with various aspects of joblessness. The following bodies operate in London alone: the London Skills and Employment Board, Child Poverty Working Groups, Capital Ambition programmes, various London Council committees, several sub-regional partnerships, City Strategy Pathfinders and Local Strategic Networks. All receive public funding but have been largely ineffective.

Another example of the complex and overlapping range of government activity is how, in one six month period in 2008, bidding rounds opened for at least five different programmes directed to getting people back into work in Westminster:

- Flexible New Deal
- Working Neighbourhoods Fund
- European Social Fund (with three different sub-strands administered through LDA, DWP and London Councils)
- Child Poverty Unit,
- the LSC Adult Advancement Careers Service pilot.

Each funding organisation has its own targeting, outcome frameworks and performance management systems. They also operate different eligibility criteria. This level of complexity has many adverse consequences:

- The varying rules, entitlements, number of different benefits and complexity of funding flows increase potential for errors and miscalculations.

- The complexity of the benefits system and lack of integrated benefits assessment leaves the system open to fraud.
- The complexity of the benefits administration is expensive. Westminster Council estimates that the total cost of administering out of work benefits in Westminster alone is £8 million (or 3% of the benefit bill).
- The complexity of the system makes it difficult for claimants to estimate the impact of changes in their personal circumstances to their entitlements.
- It also provides a disincentive to work as marginal tax rates on earnings can be as high as 90%.

### **A proposal: a one-stop shop for benefits & employment support**

Given their role in the provision of housing benefit and council tax benefit, local councils could also take responsibility for all other benefit assessment and administration. By providing a one-stop shop in the assessment and provision of benefits, local councils would have the opportunity both to improve services for the end user and to realise significant cost savings and reductions in fraud.<sup>11</sup>

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<sup>11</sup> Some national politicians have suggested councils could be given incentives to reduce local joblessness and even to set their own benefits levels. Philip Hammond MP, for example, told the Local Government Network that: "Can we persuade people living in your area, for example, they would rather see the management of workless benefits in the hands of a local authority than in the hands of a national government setting standards nationally?". See "Tories may give councils power to set benefits, *The Guardian*, 27 January 2010.

Under these proposals, residents of working age would have all their benefits claims handled by a single adviser in a local agency with a comprehensive overview of economic and social conditions in their area. The DWP would continue to set the eligibility criteria but councils would be freed to fine-tune benefits or support packages both to the needs of the individual claimant and the circumstances of the local area. This could include a power to time limit benefits or adjust them to reflect the extent to which suitable opportunities were available or grasped.

Councils would be incentivised to achieve performance targets and service objectives. Claimants could have named advisers and personalised budgets for purchasing support as part of their back to work plan.

But the real prize lies beyond the immediate objective of streamlining services and running them more efficiently. The great asset that councils bring is their knowledge of their local area. If services are to be delivered with a purpose then the added urgency offered by this local dimension is vital. Councils know their disadvantaged communities through their different roles as the local housing, education or social services authority. They use this knowledge every day to prioritise area investment programmes and maximise services. This places them at the centre of all the local networks including health and social care, drug and alcohol rehabilitation services, carer support and homelessness prevention. They will already be targeting intervention for known risk groups such as single parents who might need flexible child care, people with learning disabilities or mental health needs, and young men with specific training needs.

Yet local authorities can still find themselves on the outside looking in when it comes to JCP programmes. It means that instead of harnessing their power as strategic coordinators they are often just another agency trying to make sense of a plethora of different programmes and work streams.

Existing Jobcentres could thus be replaced by localised 'one stop' shops which combine other services accessed by job-seekers. There would be single benefit payment for job-seekers which is administered locally.

This one-stop shop approach would reduce administration costs, and reduce the time. According to the Total Place Luton & Central Bedfordshire Pilot, this could result in savings on administration costs of around 40%, a 25% time saving in processing time, and a reduction in time to payment of about 25 days.<sup>12</sup> It is also probable that greater integration and use of information gathered by other council services would reduce fraud.

To work effectively, all the various programmes for helping the jobless should be unified at the local level. This would mean combining LDA, DWP, European Funds and Skills Funding Agency grants together with existing Flexible New Deal budgets and discretionary pots to tackle long-term unemployment. The combined fund would be administered by the local authority (or a group of local authorities) who could give an enhanced voice for local employers.

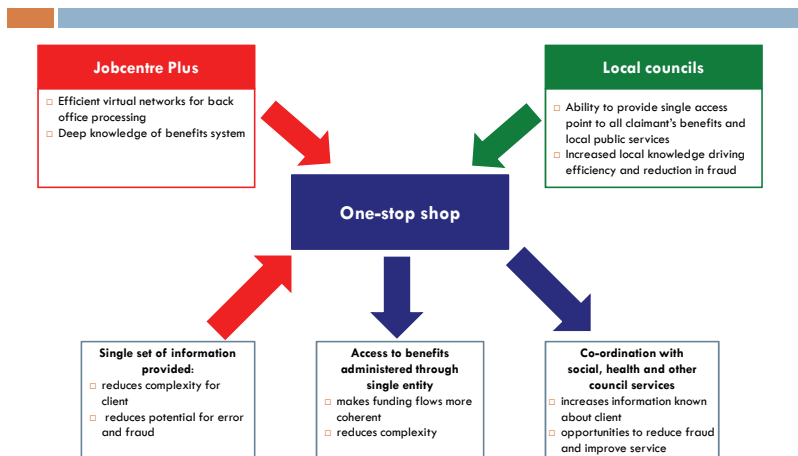
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<sup>12</sup> PriceWaterhouseCoopers, *London Councils, Total Place: towards a new service model for Londoners*, January 2010.

### Allowing diversity

Local authorities could decide to replace the existing Local Employment Partnership Teams at Jobcentre Plus with brokers based with business partnerships, landowners and developers. Or they could consider successful initiatives such as the “Westminster Works” model (where each job-seeker is assigned to a personal adviser). Authorities could also develop individual ‘into work’ budgets combining training, employment support and benefits and based on individual circumstances.

### Benefits administration: Integrated provision



### Tailoring of services

These types of approaches would put the job-seeker at the centre of a programme to tackle unemployment. It would allow discretion to pilot new ways of working. This could involve incentivising local employers through business rate reductions or tax breaks for those employers that take on unemployed residents. It could also involve employee incentives to



encourage job-seekers to stay in work (these could be linked to intermediate or private housing). Similarly, councils could offer tailored programmes for troubled families, prolific and other priority offenders and the long-term unemployed.

## **Savings**

This approach could yield significant potential savings of around £4 billion a year. This is derived from:

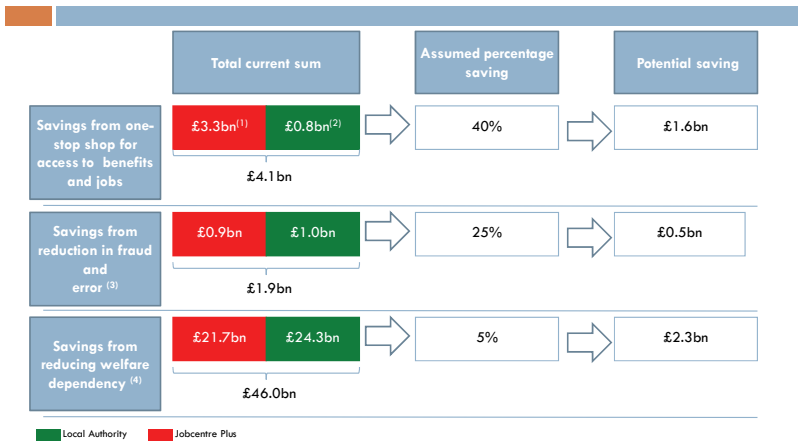
- A 10% efficiency saving on JCP and Skills Funding Agency programmes, derived from targeting overlapping programmes and management.
- A 40% efficiency saving on other employment programmes This is an area with significant overlaps in provision and multiple tiers of contracting and associated management costs.

## **JobCentre Plus: the perspective from Wandsworth**

The problems of worklessness in a London borough have their own unique characteristics. A single parent in the capital is likely to be out of work longer than in other parts of the country. Young unskilled men tend to experience additional barriers to work. The capital still has a lot of jobs but access to them is complicated in a volatile labour market. Pay levels may be higher than the national average but so are transport and living costs.

In Wandsworth around three-quarters of unemployed people live in council housing. This provides a ready focus for social intervention and area-based programmes. Almost half the borough's benefit claimants live in one of seven wards: Furzedown, Tooting and Graveney in Tooting, Latchmere and Queenstown in Battersea and Roehampton. Put simply, the council knows the worst affected areas and it knows the people who live there.

## Local approach to worklessness: savings of £4.4 billion



JCP currently is a centralised service which establishes local partnerships and commissions programmes and welfare to work services such as Flexible New Deal from a mix of providers. In Wandsworth it has been active in tackling unemployment in the Nine Elms regeneration area (for example, running the Job Shop at the Battersea Power Station site).

There have been individual successes. But more could be done. One of the most common complaints levelled at JCP-led programmes is the lack of a real local perspective. JCP teams are focused exclusively on central targets. Good local managers are regularly frustrated by the narrowness of their brief. The top-down system allows no flexibility to work towards locally-set priorities. Partners express frustration when simple, robust information on outcomes is not readily available. And many JCP initiatives are introduced without local consultation.

Although designed to help those without work, these initiatives are often launched without recognition of what works best for people in relation to all the support available locally. This confusion can lead to perverse outcomes where unemployed people are switched from suitable programmes offered by other partners just because another mandatory JCP programme becomes available.

The council tries to make the current system work. Reducing the number of people without jobs is a key pledge in the Sustainable Community Strategy. It set up the Wandsworth Employment and Skills Partnership (WESP) to make this happen. Members include representatives from JCP, learning and skills, the health services, local colleges, Wandsworth Chamber of Commerce and voluntary-sector training providers. The different partners on the WESP work together to cut jobless totals, improve claimants' access to learning and encourage employers to offer jobs. This includes action to sharpen outreach work and provide better information on local employment, training and education opportunities.

Making a single lead agency responsible for achieving top-line targets would be a huge step forward. And who better to be held to account for performance than the locally-elected council? Local authorities already live in this performance management culture. They know how to do it and can be held to account for their results.

Also, through their economic development teams, councils are likely to have better, more productive long-term relationships with the local employers than the JCP officials. And councils are in touch with thousands of small and medium-sized businesses. This includes coordination and support for local employment partnerships and social enterprise initiatives.

### **3. LOCAL COMMUNITY CARE**

Primary care falls into two parts: medical care and care. Medical care embraces all the services that are commissioned by a doctor – medicines, treatments, surgery, acute care, hospital. This is rightly the province of the Primary Care Trust (PCT) and the NHS.

All the rest, however, could be the province of local government. This would include residential care for the elderly or infirm, or mental health patients, home care, maybe associated nursing care, benefits and welfare payments, the direct payment regime and occupational therapy.

Funding for health and social care services is substantial. For example, in Westminster in 2008/09, the PCT spent £390 million on commissioning services and the Council spent a further £127 million on health and social care giving a combined budget of over £500 million. In Hammersmith & Fulham, the PCT spent £9.2 million on commissioning services for vulnerable children while the council spent another £5.6 million. For community health and social care (including supported housing), the PCT spent £55 million while the council spent £85 million.

The efforts of the PCT and the local council often overlap. Given that many of the people who receive social care services also receive local health services, combining these budgets into a single pot would provide an opportunity to reduce cost and improve service delivery. A range of professionals from GPs to health visitors to environmental health officers interact with residents to provide services that can improve long-term health.

*Joint financing is not the answer*

Formal joint financing arrangements are provided for under Section 75 of the NHS Act 2006. However, the Audit Commission has reported that only 3.4% of the total health and social care expenditure is jointly financed.<sup>13</sup> Moreover, joint financing arrangements are predominately used for a limited range of services: learning disability services; mental health services; and community equipment services. Barriers hindering the use of Section 75 flexibilities include incompatible finance and information systems and the complexity of the current rules. Inefficiencies result because management of budgets, monitoring and reporting are kept separate. The need to negotiate agreements for the delivery of integrated services also pushes up costs.

Nor does joint funding necessarily deliver better outcomes for customers. The Audit Commission also found that in relation to outcomes for patients:

“Performance of those with joint financing arrangements for older people is no better than for those without”.

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<sup>13</sup> Audit Commission, *Means to an end: Joint financing across health and social care*, October 2009.

Indeed, the cost of running two separate organisations is considerable. Not only are there two sets of management costs, there is duplication in a range of areas including HR, communications, data and performance, policy, property and procurement. Property and other corporate costs account for around 10% of a PCT's overall budget. In Westminster, the PCT has around 30 public buildings and the Council 150 core properties. A more integrated approach enable this property holding to be rationalised with considerable savings.

There is a clear case to go further. It makes sense for one organisation, the local authority, to be responsible for commissioning all personal non-medical care.

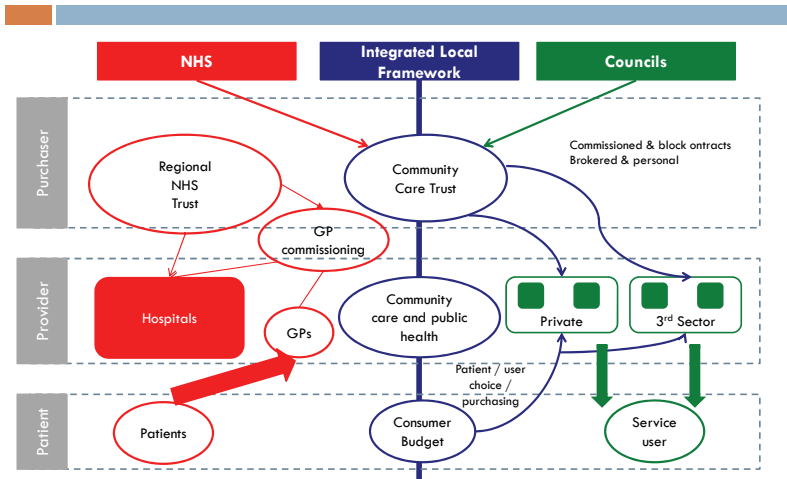
### **A proposal: a one-stop shop for local community care**

For Foundation Councils, a local public health service, including long-term care services and services for vulnerable children, should be led by the local authority.<sup>14</sup> A joint local authority and PCT board could ensure a joined-up approach to care. So, rather than two organisations providing local health and social care services there would just be the local authority commissioning these services. All other primary care and acute services would continue to be delivered by the National Health Service. This would increase accountability and transparency from the citizens' perspective.

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<sup>14</sup> The need for greater personal control over community health services is recognised – at least to a limited extent – in some Conservative Party proposals. For example, these excerpts come from its Draft Manifesto, *Our reform plan for the NHS* (2010): “Many patients with long-term health conditions want greater control over their care. We will preserve disability living allowance and attendance allowance and give patients with chronic illnesses or a long-term condition access to a single budget that combines their health and social care funding which they can tailor to their own needs.”

## 2010 Health and Social Care Structure

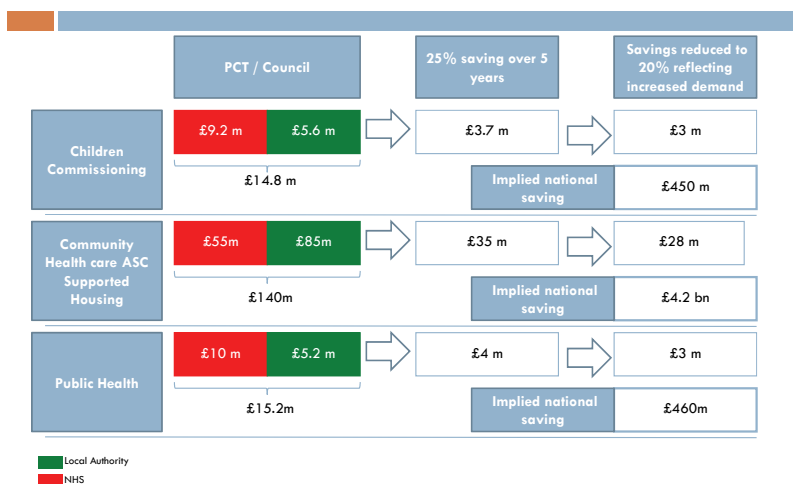


Residents would have a single entry-point for their health and social care needs. This would take the form of a single assessment to determine eligibility. This type of model should enable earlier intervention and result in better case management.

Pooling budgets across services that deliver public health benefits will enable local authorities to innovate. For example, investing more resources into improving poor quality housing or getting people back into work would improve health outcomes in the longer term. Pooling personal budgets across health and social care can be an incredibly powerful tool for preventative action.

And it can save money. It has been estimated that 15% could be saved from this approach across a wide range of services.<sup>15</sup> In health and social care, the potential savings are even greater: for example, by focusing on preventive services for people with diabetes there could be a saving of 20%.<sup>16</sup> This suggests potential savings of around £5 billion a year on a national basis from just three areas: commissioning for vulnerable children, long-term care and public health.

### Local approach to care: savings of £5.1 bn



<sup>15</sup> PriceWaterhouseCoopers, *London Councils, Total Place: towards a new service model for Londoners*, January 2010.

<sup>16</sup> Note that estimating spending on total public health is notoriously difficult. The Audit Commission has recently stated that the amount that has been spent in this area is unclear. The above figures are cautious estimates. See Audit Commission, *Healthy Balance: A review of public health performance and spending*, March 2010.



## **Managing long-term care: the perspective from Hammersmith & Fulham**

In the UK, resources for long-term care for the elderly are currently channelled through various government departments: the state pension and various benefits are the responsibility of the Department for Work and Pensions while state support for care in the community is shared largely between the Department of Health (which allocates funds to “continuing care”) and the Department for Communities and Local Government (which funds “community care”). To confuse matters further, housing related support for the elderly is funded by a ring-fenced grant called “Supporting People” (which replaced housing benefit as the way that those in sheltered housing paid for their care).

This means that there are three separate points of entry for those seeking health care, social care and housing-related support. As a result, community services do not touch most of the elderly until they see a GP or are admitted to hospital with a serious illness.

### *More services for more people for less cash*

In an effort to tackle this problem, Hammersmith & Fulham Council has, in the last year, been integrating the PCT and Council executive teams under one joint Chief Executive. This goes far beyond the Section 75 pooled funding arrangements. For the first time, it is amalgamating the PCT’s “continuing care” budget (where the PCT currently spends £55 million on healthcare in the community and other local health services) with the council’s “community care” budget where an additional £72 million is spent currently. It is also integrating home care and housing-related support services.

This has already led to innovation. Adaptation times (the time taken to adapt a property for the needs of elderly residents) have fallen from one year to three months. £150,000 has been saved. More elderly people are now able to control how their budgets are being used as the council rolls out its personalised care planning (which emphasises self care, supported by case management to ensure a preventative approach wherever possible).

This approach is in sharp contrast to the current system which is disproportionately focused on the provision of episodic care in hospitals.

The next stage includes proposals to re-commission home care services for all care groups. The council will move funding from sheltered schemes budgets to a targeted housing-related support service for older people available to older people in any tenure, including sheltered tenants. This will deliver more hours of help and achieve £260,000 savings.

More services will reach more older people for less cash.

## **4. CRIME AND ANTI-SOCIAL BEHAVIOUR**

Law and order falls into two parts. The criminal law is the rightful province of national government. Enforcing it belongs to the police. However the police cannot be everywhere. They have to choose which of the crimes designated by Parliament shall be enforced. Shall we tolerate car crime? Shall we show zero tolerance of speeding? Is cannabis use important? Shall we raid a brothel, a fence or a crack house tonight?

Locally elected politicians should be able to express the community's concerns to local police commanders and expect them to respond. Part of the police service should be responsive to these locally expressed views. No-one can tell the police how to do their job. But it is right that we ask them to do what could be done to help our communities.

And it is essential that the local authority's social services department and the National Offender Management Service work together with the police to combat recidivism. Ex-cons, particularly young ones, should be helped back into the frameworks of society, so that they do not fall back into the life of crime. Social services, DWP, Police, the YOT, the Courts and

probationary services all need to work together under the leadership of the local authority to combat crime and recidivism.

Most police work, after all, is local. Most London Boroughs have about 1,000 officers dedicated to local work, headed by a Chief Superintendent or Commander; the equivalent of an Assistant Chief Constable. Police spending in London averages £100 million a year per borough.<sup>17</sup> The police work closely with the local authorities who control housing, social services, youth services and schools. Warranted police officers are trained to be out and about, in the face of wrongdoers, enforcing the law. Social workers, teachers and housing officers know the families, and know what they need. All these parts of the public services must work together, sharing data and expertise, to mend broken lives and destroy the pathways to crime.<sup>18</sup>

### **Devolved beat policing**

Hammersmith and Fulham Council spends £2 million a year on its parks constabulary and neighbourhood wardens. On top of that, the council spends just around £2 million a year on 24/7

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<sup>17</sup> Total revenue spending for the Metropolitan Police was £3 billion in 2007/08. This is spread across 32 boroughs, suggesting an average spend of £100 million a year per borough.

<sup>18</sup> Conservative Party policy is moving in this direction. For example, the following excerpts come from its draft manifesto, *Crime: it's time to fight back* (2010): "The only way we are really going to change how Britain is policed is through a revolution in accountability – making the police answerable to the communities they serve. People want to know that the police are listening to them. [We will] give local authorities and the police much stronger powers over licensing, including the ability to remove licences from, or refuse to grant licences to, any premises which are causing problems. We will allow councils to shut down permanently any shop or bar found selling alcohol to children, and double the maximum fine for under-age alcohol sales to £20,000."

and enhanced town centre policing. The Metropolitan Police Authority spends a similar amount (£6.4 million) on safer neighbourhood teams and special constables in the borough. Working in partnership, the respective teams can share information and seek to co-ordinate some activities. But with separate bodies controlling their commissioning and operations, waste is inevitable.

By merging these resources and splitting the strategic commissioning from the operational delivery, better outcomes at less cost can be achieved. Only then can local policing priorities can be brought more in line with the priorities of local communities and local residents.

As the commissioning authority the local council should be responsible for budget setting. In an area outside London, the Government funding to cover the SNTs and PCSOs would be redirected from the local constabulary to the local council via the Area Based Grant. Performance could be monitored through existing resident satisfaction surveys; and the cost and benefits of integrating the services.

### **From youth offending to youth action**

In response to widespread concerns over youth offending, a wide range of national schemes have grown up over the last ten years. These include: Youth Inclusion Programmes, Youth Inclusion and Support Panels, parenting interventions, Safer School Partnerships and various mentoring programmes.

Having so many overlapping providers results in disjointed services for youth provision. The different public sector bodies, all with different and frequently conflicting objectives, are unable to offer a consistent, locally coherent approach to the problems of youth offending. This lack of integration limits the

possibility to leveraging local knowledge and to identify potential problems early.

Local schemes that recognise local factors could be far more effective, particularly in prevention. In Hammersmith and Fulham, the decision has already been made to unite youth offending services with youth services and “targeted youth support.” Collectively this group of services can target the general youth population, the young people who need additional help to succeed and then the group who get involved in crime. “Integrated youth services” can cover all the gaps through which young people have to fall through if they offend.

The services involved with youth crime comprise a wide group of agencies. Schools, youth organisations, and Connexions are mainstream providers for all young people. Children’s social care, targeted youth support, health services for drugs and mental health, Accident & Emergency and housing providers accommodate or tackle the problems of offender families. Finally, the law and order agencies – police, courts, youth offending services, probation and the custodial institutions are inevitably involved.

A new structure is needed that ensures effective local planning of the collective efforts of these organisations. This is likely to be in the form of a youth commissioning unit whose tasks would be to ensure that resources are spent on locally set priorities and cost effective services that prevent and therefore reduce crime. In effect the shift in focus must be from youth offending to helping problem families – all at better value for money.<sup>19</sup>

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<sup>19</sup> PriceWaterhouseCoopers estimates that anti-social behaviour and youth offending costs £650 million a year to the public purse in London. It also

## **Family Recovery: the perspective from Westminster**

Westminster's Family Recovery Programme is one example of how one particular council responded to two simple questions: why were 3% of Westminster's families responsible for around 80% of our social care spending?<sup>20</sup> And why, despite regular increases in public spending, did things not seem to be getting any better for these people?

Conventional thinking had it that these families had deep seated even intractable problems. The best that could be done, it was supposed, was to keep them contained and keep the children safe. The standard approach to these families was for the council to address each problem which arose on a case-by-case basis.

Westminster Council decided that this response did not meet the particular problems faced by its residents. The statistics of failure made that clear. So it was decided to turn this thinking on its head. It surely made sense to ensure that, in Westminster's case, these families – who in the past had been receiving various different services from various different agencies at various different times – were entitled to the best that Westminster had to offer: the Family Recovery Programme (FRP).

The FRP is a team made up of professionals from social services, education, the Police, the PCT, housing, drug misuse workers, domestic violence workers and benefits advisers. It

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suggests that 10% of efficiency savings could result from greater integration of the various services under local authority leadership and co-ordination. See PriceWaterhouseCoopers, *London Councils, Total Place: towards a new service model for Londoners*, January 2010.

<sup>20</sup> Westminster Council estimates that just 600 problem families – or just 3% of all families – account for 80% of all social care spending in Westminster.

aims to solve a family's problems in one intensive intervention. The team pools its expertise by establishing a single plan that addresses – in a single series of interventions – the underlying problems that are affecting the whole family.

Families tend to stay part of the FRP for around six months during which time the plan is backed up by intensive outreach work that is persistent and intensive. It aims for sustainable long-term change in behaviour that lifts them out of the culture of dependency and hopelessness. The team is supported by rigorous data analysis, measuring compliance with the plan on the part of all concerned, and holding the family and the surrounding agencies, to account.

#### *Does it work?*

Westminster is testing the effectiveness of the FRP not just in outcomes, but in value for money too. It seeks the answers to two simple questions:

- Does the programme work?
- Does it save money?

In terms of the first question, the FRP has, for Westminster, been successful: for example, more than half of those referred because of anti-social behaviour have stopped causing complaints. And 67% of those who have come through the FRP are now accepting health services for the first time.

A case study can illustrate the multiple potential benefits of the FRP. Family A was referred to the FRP through the council's child protection procedures as there were concerns about the children's education, domestic violence, the family's debt problems and a lack of engagement with the various services who had sporadically intervened in their lives.



When Family A entered the programme, the professionals in the team believed that there was an 80% chance that several of the children in the family would be taken into care. In Westminster that cost would be about £47,000 per year, per child. In addition, the educational attainment of the children gave them an 80% chance of not entering education, employment or training after leaving school. Government figures put that cost at around £60,000. The domestic violence issue, if allowed to continue and escalate, brought extra costs both human and financial. In total, the ‘do nothing’ option that would allow services to continue to fail, looked likely to mean that Family A would cost the public purse about £93,000 each year for several years.

Following the FRP, it was estimated that the chances of the problems of Family A spiralling had reduced from around 80% to 30%. In financial terms, Family A would now cost around £48,000 each year – a saving of nearly £45,000 per year. Given that this intervention by the FRP cost £17,500 over a year, that was a healthy return.

The FRP costs Westminster about £1 million each year, and has the capacity to help about 60 families. Based on an extrapolation of the results of the FRP from across the whole of Westminster, the potential national savings have been estimated at £1 billion in the first year, and £1.8 billion in the third year.<sup>21</sup> It demonstrates that with goodwill and expert help, the problems of a broken society can be addressed.

The major barrier to the further development of the programme is that the savings do not accrue to the local authority but to other

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<sup>21</sup> All data on the FRP are based on Westminster Council's evaluation of the first year's FRP operation.

parts of Government (such as the Home Office, which will avoid expensive incarceration, or the Health Service, which will avoid the long-term costs of addiction, or the DWP, which will avoid a long-term benefits bill). The local authority needs to have a share in the proceeds of success.

The Family Recovery Partnership is localism in action. It would not be appropriate for every local authority in England. But it demonstrates what can be achieved by pooling resources and unifying public services. It demonstrates that you can get more for less by abandoning the traditional boundaries of Whitehall and bringing services to people.

### **Local offender management**

The Criminal Justice System in England and Wales is both highly centralised and very expensive.<sup>22</sup> The prison population has grown dramatically in recent years and two thirds of adults are re-convicted within two years (as are three quarters of young offenders).<sup>23</sup>

The current system offers limited ability to address the problems of re-offending. Too many central agencies are involved in assessment and paying benefits (DWP, HMRC, local councils) and in employment support (DWP, RDAs, LSC, local councils, third sector). There is a lack of continuity and support through the whole process and limited focus on prevention or

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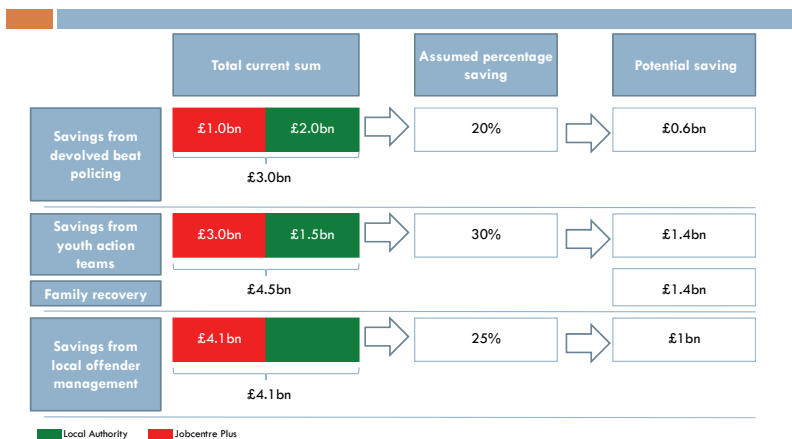
<sup>22</sup> The annual cost of the Criminal Justice System in the UK was estimated at £22.7 billion in 2007/08, higher as a percentage of GDP than any other OECD country. See Criminal Justice Alliance, *Transforming Justice: New Approaches to the Criminal Justice System*, December 2009.

<sup>23</sup> Centre for Social Justice, *Locked up Potential: A strategy for reforming and rehabilitating prisoners*, March 2009.

rehabilitation. And there are also limited incentives for local councils and other organisations to assist released prisoners.

It is local councils which are best positioned to take the leading role in assisting offender management. Local probation forces could work with other local public services within an integrated offender management programme. There needs to be a decentralisation of funding, with greater flexibility to focus on local priorities. Finally, there is an opportunity to leverage local knowledge (social services, housing, health) and tie in with local initiatives. A 25% cost reduction would result in a saving of £1 billion from the resource budget for offender services.

### Local approach to crime: savings of £4.4 billion



## 5. MAKING LOCALISM REAL

When two or more public authorities both have responsibility for the same issue, inefficiency is the result. Each body consults the other about all its strategic and tactical decisions. Each body needs layers of managers to handle budgets, governance and policy. This all detracts from front line work.

The proposals made in this report would greatly simplify these relationships. The NHS can concentrate on health, not care. The DWP can concentrate on benefits policy, not unemployment. The police can deal with crime, not social work.

Local authorities should concentrate on knowing and serving their most vulnerable citizens and families in a responsive and non bureaucratic way, pointing them to opportunities if they can take advantage of them; supporting them if they cannot.

Simplicity pays dividends. Rolled out on a national basis, the savings from the three areas analysed here could be £13.9 billion.<sup>24</sup>

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<sup>24</sup> Note that these figures exclude the savings (estimated at £1 billion) from a simpler inspection regime (see Chapter 1).

Local administration of benefits:	£4.4 billion
Integration of health and social care:	£5.1 billion
Local policing and crime prevention:	£4.4 billion

Note however that these estimates can only be indicative of what could be achieved. Indeed, at the heart of the proposals is greater local autonomy. What works well in one local authority will not necessarily apply to another. It is therefore impossible to say what could be achieved as different approaches and methods will be taken by different councils. Diversity, innovation and the post code lottery would all be welcomed.

The price of innovation is an increased risk of failure (at least in the short term). Whitehall and central government will have to be prepared to accept that risk. But trialling these initiatives through Foundation Councils could do much to overcome the scepticism of those who prefer to maintain the status quo.<sup>25</sup> The establishment of Foundation Councils would:

- limit the risk of failure to central government by transferring risk to local authorities;
- reduce the risk of failure by trialling in a small number of high performing Foundation Authorities with a track record of providing high quality services;
- demonstrate the potential savings possible from reducing the duplication of local and national agencies, identify the challenges and demonstrate the outcomes.

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<sup>25</sup> The leaders of Westminster, Hammersmith & Fulham and Wandsworth would all be delighted to see their own councils being nominated for such a trial.

The mechanics would doubtlessly require considerable negotiation with Whitehall. But it need not be complex. For example:

- For worklessness, the Treasury could commission directly with the local authority to deliver employment outcomes linked to the relevant PSA. The local authority would act as the accountable body for employment and skills within a single benefit programme.
- For social care and public health, an amendment of the National Health Service Act 2006, allowing a local authority to have control, may be required.
- The establishment of local neighbourhood policing may need an amendment to the Greater London Authority Act 1999 but it should be possible for the MPA to channel funding through to a local authority without the need for legislative change.

This is a bold vision for local government. The recommendation to devolve more powers to a select number of Foundation Councils would enable successful councils to lead the way in tackling welfare dependency locally, in delivering first class care services for people locally and in tackling crime and anti-social behaviour locally. Central government support for these trials would help to unleash an era of municipal entrepreneurship in the delivery of local public services, to the benefit of the whole country.



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