



Department for
Communities and
Local Government



HM Treasury

Bolder, Braver and Better: why we need local deals to save public services

The Government's Response to the Service Transformation Challenge Panel Report



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Foreword by the Chief Secretary to the Treasury and the Secretary of State for Communities and Local Government

Over the past five years Councils and their partners have started to radically transform local services for people in greatest need.

The £448m invested in the Troubled Families programme has enabled 105,671 families to turn their lives round. The £5.3 billion Better Care Fund has created a single pot so that people can benefit from joined up health and social care and be supported to live at home for longer. Both of these programmes are based on the principle that locally joined up services can better meet the needs of local people.

If we are to meet future challenges, we need to help places go further. We know that nearly half of people claiming Employment and Support Allowance have mental health issues which cost £105 billion a year in health, police, welfare benefits and sickness absences. This can only be tackled by different agencies in a place pooling their resources, intelligence and efforts.

Some places are already going further.

The Transformation Challenge Award has awarded £89.6m to 32 local places to change the way a range of public services are designed, organised and delivered to residents. The Public Service Transformation Network has been working with 16 places to drive better outcomes through whole system reforms that build on the earlier community budgets pilots. We are starting to see better outcomes for people and potential savings to the taxpayer.

It is because we have seen the benefits that these radical reforms bring to people that we set up an independent panel to advise on what change is needed to enable places to go further.

Their report does just that. It provides a blueprint for places and Whitehall to make local services work better for people who need them. It tells us that with the right government

support and the right leadership in places we can build on the success to get better outcomes everywhere.

We therefore very much welcome the Challenge Panel's report and congratulate Panel members on their excellent work.

A handwritten signature in black ink, appearing to read 'Danny Alexander', with a long horizontal flourish extending to the right.

THE RT HON DANNY ALEXANDER MP

A handwritten signature in black ink, appearing to read 'Eric Pickles', with a blue flourish above the 'P'.

THE RT HON ERIC PICKLES MP

Foreword by Joanna Killian, Chief Executive of Essex County Council and Chair of SOLACE

Transformation means reducing costs and improving lives. We can do both. We are doing both. But we need to do more.

Local places have made great strides in transforming services over the past five years. In Essex, right now, we are making significant financial savings whilst also improving the lives of some of our most vulnerable residents. And as Chair of SOLACE, I know that many places around the country are doing the same.

But the challenges confronting public services are not going to go away or get any easier – an ageing population; a 24-7 digitally-enabled society; new statutory obligations; and less money. These are structural issues that demand long-term solutions, not short-term fixes. We need to recognise that the way we have worked in the past – at both a national and a local level – is unlikely to be the right model for the future. And we need to place people, not organisations, at the heart of our public services.

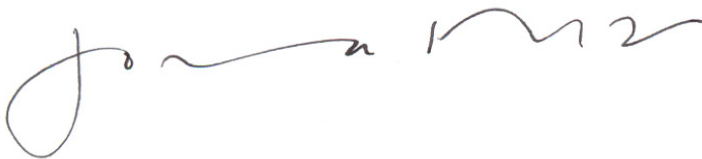
I am immensely encouraged by the work of the Transformation Challenge Panel. Firstly by the fact that the Treasury and DCLG jointly commissioned the Panel to undertake its review in the first place. Second, by the depth and range of experience of the people on the Panel and the way in which they conducted their work – travelling around the country to see what is actually happening on the ground. And thirdly by the outputs of the Panel – a set of 20 recommendations based on insight from around the country and drawing on the public service experience of its Members.

The findings of the Panel will resonate with many people who work in public services in whatever sector. The Panel is right to press for longer-term funding settlements and broader public service deals with places that have the appetite, leadership, governance and capability to deliver them. In that way we will create the longer-term investment horizons and funding flexibility that will give us the space to focus on early intervention and prevention. The Panel is right to focus on the potential of digital technology and smart data to transform the way in which people receive services and the depth of insight that public services can bring to bear for the benefit of their residents and communities.

But none of that will happen without public service leaders leading. The importance of collaborative leadership as the key to unlocking many of the solutions that will improve people's lives is rightly given much weight here. Public services are people services and relationships are key to making them work because people, not structures, change things. The Panel's recommendations are rightly challenging both to central government and to local government. Central government needs to see local places as genuine partners in transformation and be prepared to trust them with greater responsibility and freedoms. Local government needs to display the collaborative and forward thinking leadership and the continuing commitment to improvement that will deliver the better outcomes and savings that are needed to meet the challenges we face.

The "cyberpunk" sci-fi writer William Gibson once said, 'the future is already here – it's just unevenly distributed'. The Panel's report, based on what is already happening across the country, sets out a clear agenda for change. It is our collective responsibility to now make sure it happens.

If we do that, transformation won't be a buzzword, it will be a testament to how we have improved the life chances of so many people and helped them to contribute to the greatness of our country.

A handwritten signature in black ink, appearing to read 'Joanna Killian', with a large loop at the start and a wavy tail.

Joanna Killian

Introduction

This government has been clear that there is a need for a radical reform of public services. At the heart of this have been two central priorities – improving services so they achieve better outcomes for people, and reducing the cost of providing those services.

At the beginning of this parliament we set out an ambitious programme to open up and transform public services, incentivising greater collaboration between frontline services in order to meet the needs of local communities and the most vulnerable people in them.

Many areas have taken up this challenge. Places are working across organisational and geographical boundaries to make the best use of skills, resources, new powers and funding to improve services through new delivery models. This includes work to involve local communities in the design and delivery of services at neighbourhood level, making services more responsive to local needs, building them around local people and families.

But more still needs to be done if we are to achieve a stronger economy and better services. We need to take the learning from these experiences and continue the transformation over the next five years, and beyond.

The journey so far

This government has taken significant steps to radically reform services to better support vulnerable people. The four Whole Place Community Budget pilots laid the foundations by trialling different ways to tackle some of the biggest local challenges, from domestic violence and care integration to skills and employment. In each of those four places, public services, business, the voluntary sector and communities started to work together to develop new and innovative responses to local challenges.

The Troubled Families programme, which has so far turned around the lives of 105,671 families, demonstrates what can be achieved when central government and places work together and create tailored services that focus on the individual, not the organisations working around them.

The Better Care Fund has taken local understanding of what people want their care to be when they get older to a national scale. From 1 April 2015 we will see £5.3 billion worth of pooled funding bringing together health and social care services so that people can stay out of hospital and in their own homes wherever possible.

Social impact bonds have been supported, which engage the know-how of civil society organisations and the finance and skills of social investors, in preventative interventions on some of the most entrenched social issues, such as homelessness, youth unemployment and children in care. The UK now has 30 such pilots, more than the rest of the world put together.

Over the last five years, the number of public service mutuals has grown from nine in 2010 to over 100 today, delivering well over £1.5bn of public services. Moving to the mutual model has brought substantial benefits to these new businesses, as well as realising savings across the public sector. The Mutuals Support Programme has been launched - a

£10 million fund to provide bespoke support and professional services to staff groups considering spinning-out into mutuals. To date, the fund has supported over 50 live and emerging mutuals to realise this ambition.

The government is driving collaboration between the emergency services, as demonstrated by the investment of over £70 million dedicated to blue light collaboration projects, to deliver more effective services and better value for money for the taxpayer. There are already good examples of collaboration, many of them government-funded and those examples need to become the norm.

By introducing Police and Crime Commissioners, we have given everyone a direct say in policing in their area, bringing crucial direct local accountability across crime and justice issues. Since coming into post, Police and Crime Commissioners have taken the lead in providing an impetus to public service reform in crime and justice and beyond, innovating across a number of service areas including blue light collaboration and the provision of services to victims of crime.

To tackle entrenched worklessness, the government is testing out different approaches through a number of local employment initiatives to support individuals and families with multiple complex needs, including mental health issues. We need to understand and identify the best approach to getting these groups back into employment and these innovative delivery models using a collaboration of partners, local commissioning and key worker approach are helping to develop the evidence base on what works best to achieve better outcomes and better value for money.

All of this work has shown the need to put the person at the centre of service provision.

Government is grateful for the excellent work of the Service Transformation Challenge Panel in proposing how these approaches can be spread at scale and pace. Their [report](#), published on 26 November 2014, now provides a toolkit for both central government and local places to use to tackle the challenges facing our public services.

Below is set out what further work government will do to drive transformation further and faster, in support of many of the Panel's recommendations.

Leading a person-centred approach

The government recognises that vulnerable people with complex and multiple needs cannot be supported effectively if local and national agencies do not work together.

Building on the principles underpinning the Troubled Families Programme, government is interested in identifying the total cost of providing support to individuals and families with multiple complex needs. This will include specific groups of individuals, for example people furthest from the labour market and repeat offenders, as well as others requiring the most interventions at the highest cost. Many may not require significant help from any one public service area, but the multiplicity of their problems means their total cost to the state is nonetheless high. This work will inform thinking ahead of the next Spending Review to enable us to integrate funding, commissioning, delivery and accountability regimes and thereby improve the effectiveness of the support available.

Government departments also need to join up more effectively and work with regulators, inspectorates and local places to ensure multi-agency integrated services are able to focus on delivering better outcomes for their local community, not a large number of separate priorities set nationally.

Incentivising further transformation

Government has provided a significant amount of funding over the last five years for service transformation. For example, though a competitive bidding process based on robustly costed business cases, the Transformation Challenge Award has provided over £100 million of funding to match contributions made by local partnerships. Based on the evidence provided, these proposals will save more than £10 for every £1 invested. Other initiatives have incentivised specific reforms, such as helping disadvantaged young people to participate and succeed in education or training through the £16 million Youth Engagement Fund, or incentivising collaboration and innovative delivery approaches to improve policing through the Home Office Police Innovation Fund.

A partnership between Surrey Police, Sussex Police, Surrey Fire and Rescue Service, Surrey County Council, East Sussex Fire and Rescue, West Sussex Fire and Rescue, South East Coast Ambulance Service and Surrey and Borders Partnership NHS Foundation Trust, is working to improve services to the public, reduce costs, increase resilience, reduce overlaps in service provision and increase the services ability to better align resources to meet demand. The approach is to 'get the right help to the public, faster, and deliver better outcomes for the people we serve'. A multi-agency unit, staffed by operational leads, focuses on collaboration. Surrey Police were successful in securing £750,000 from the Home Office's Police Innovation Fund. This has been used, in part, to support the introduction of the Multi-Agency Information Transfer (MAIT) system to link existing command and control systems to ensure there is a 'common picture' across emergency services. This is a crucial foundation for enabling greater collaboration.

In line with the Autumn Statement commitment, the government have taken steps to provide local places with greater certainty on funding by publishing [local service budgets](#) for 2015-16 on 18 December 2014. This will enable local providers to have greater certainty about entering into long-term strategic partnership with other services. It will also improve transparency, making it easier to get an overview of all public spending in a place.

Government, in partnership with the Local Government Association and SOLACE, is working on the Delivering Differently for Local Authorities programme, which is supporting councils to implement alternative delivery models for public services. Ten councils are developing new public service mutual, social enterprise, and community based models for services such as school improvement, adult social care, open space management and community safety. The learning from this programme will be used to help other authorities to adopt similar approaches, making services more sustainable in the longer term.

Critical to this effort will be building the right contracting structures for service innovation, particularly on complex social issues, where upstream interventions can prevent significant downstream costs. The government has pioneered the use of social investment backed

payment-by-results programmes – for example, social impact bonds – allied to greater transparency on the costs of social issues to the state. This creates new incentive structures, where public sector commissioners can take greater risk; civil society providers can innovate; and investors can better support social change. Multiple departments are working together on these approaches and, engaging with devolved structures and What Works Centres, can take them forward at bigger scale in the next parliament.

Following this successful track record, the government will work with local places and sector experts to examine how funding for transformation can be improved in the next parliament – considering, for example, simplification in the transformation grants available, the benefits of capitalisation and borrowing powers, and the role of social investment. This will work with the recently launched Mutuals Programme ‘Challenge Prize’, which is working with leading sector experts to explore transformative new models for the infrastructure to support the growth and sustainability of public service mutuals.

But transformation is not just driven by funding. Freeing up local areas from central direction is an important and necessary driver. On 16 December 2014, the government published a [command paper](#) on the implications of devolution for England setting out the options for ‘devolution on demand’ through which places would be able to take powers and responsibilities if there is local popular support.

The government agrees with the Panel that different places should receive different levels of responsibility for developed public services based on local leadership, accountability and capability to deliver better public services outcomes.

The government is already implementing devolution deals in Manchester, Sheffield and Leeds. It is clear from these places that the decentralisation of public services requires an ongoing process of co-design between central and local government, and between local government and communities, to develop bespoke local solutions. In each of these three places the level of devolution being sought reflects different local priorities, administrative geographies and types of services. The outcome of these deals will inform processes that will be established to devolve services to other places and communities in future.

Greater devolution will require transparent mechanisms to ensure local accountability for public spending, as well as appropriate governance arrangements that are capable of driving local delivery of shared outcomes. Government has been working with local authorities to develop workable options to enable greater place-based accountability mechanisms that could inform further devolution of public services. The appropriate approach to local accountability, including those identified by the Panel, is likely to vary from place to place depending on the nature of services and, or the nature of powers that are devolved. However, regardless of the agreed approach, day-to-day effectiveness of accountability and governance mechanisms will largely depend on local leaders’ ability to work collaboratively and hold each other to account for shared local outcomes, as well as the extent to which such mechanisms encourage genuine scrutiny by local communities.

The government established the [Public Service Transformation Network](#) to spread best practice and co-design better services with local government and local service providers. Initial, provisional, evidence from [13 of the transformation places](#) suggests that local service integration may deliver around £1 billion of fiscal and social value benefits by 2020, including £600 million of potential gross fiscal benefits to the public purse. Government

has set aside £5 million in 2015/16 to boost the Network's capability to facilitate the devolution of public services in deals agreed with Manchester, Sheffield and Leeds.

Alongside this, the Delivering Differently in Neighbourhoods programme will provide 24 local authorities with grants totalling £2 million and expertise to redesign services to be delivered at neighbourhood level by March 2016.

Using assets to support growth

Whether it is releasing land for growth purposes, or using existing assets more collaboratively so citizens can access services in a single hub, central government and local places can use assets to support and embed transformation. The One Public Estate initiative has already been working with 32 local places to improve the use of assets and is already projected to save £21 million in running costs, £88 million in capital receipts, generate around £40 million for local economies, and create an estimated 5,500 jobs and 7,500 new homes over the next five years.

The government also conducted a Strategic Land and Property Review and has identified scope to release £5–6 billion of government land and property by 2020. The Government Property Unit is acting as a strong strategic partner to help local places and central government identify options and deliver solutions. Following early success of the One Public Estate programme, the government will work with more areas on a range of projects to deliver local growth, efficiency and service transformation outcomes.

The government will consider whether any further steps are needed to achieve greater transparency over data on public sector land, in line with the initial government [response](#) to the Elphicke-House report.

Community asset transfers can generate more productive and socially beneficial uses for underused assets. Government has invested over £18 million to community led projects to acquire and make best use of local assets, including asset transfers from local authorities. Supporting partnership working with 50 areas will continue in 2015/16 with a further £1.5 million, from our Community Ownership and Management of Assets programme.

Hull City Council, a One Public Estate Pilot, has reduced council office properties in the city centre from 43 buildings to 29. A new city centre Customer Service Centre (The Wilson Centre) was built using the savings made.

Hull's programme has extended to include other public sector partners. The new NHS Bransholme Health Centre provides health and community services in one building, allowing the council to relinquish several expensive leases and integrate public services. In 2013/14 they terminated 13 leases, vacated 6 buildings, generated £971,000 in capital receipts and saved £292,000 in running costs.

Information sharing and digital technology

As reflected in the Panel's report, evidence from local places consistently shows that information sharing can be a barrier to transforming services and delivering better outcomes for people with complex and multiple needs.

Some of those barriers are cultural and some are legal. Cabinet Office has been seeking to understand the possibilities for new legislation in a number of discrete areas where better use of government-held data would enhance public service delivery. An open policy making process, bringing together public sector officials with civil society and privacy organisations, is jointly developing policy options and proposals. There are three key focuses to this work: Research and Statistics; Fraud, Error and Debt; and, Tailored Public Services. A broad consensus has been built around the drivers for better data use in these areas and significant collaboration and time has been spent considering how it could be done. These deliberations have resulted in joint proposals that are underpinned by robust safeguards. Further details and latest proposals are available at www.datasharing.org.uk

To support local places to be ambitious and innovative, and to challenge the risk-averse culture around information sharing, the government has established [the Centre of Excellence for Information Sharing](#). The Centre of Excellence works with local places that are focusing on cohorts with multiple and complex needs to support them to uncover barriers to information sharing, and to develop, capture and share local solutions. The Centre of Excellence is also working with government and national agencies to co-ordinate approaches to information sharing.

Digitisation will also help local authorities to transform their organisations and deliver improved, efficient services. A resilient digital infrastructure will support community empowerment and boost the wider digital economy and skills. The government is working with interested parties such as Nesta, local authorities and sector bodies, to establish digital clusters that will explore how to accelerate progress via the deployment of common standards and enhanced digital technology platforms.

Hampshire County Council's *Transforming Services Through Digital* is an ambitious programme in support of implementation of the council's [digital strategy](#). The aim being to deliver a new, modern digital infrastructure, providing digital tools and capabilities to enable service improvements - transforming business processes and services across the council and its partners. Delivery will facilitate future savings for all partners and contribute to Hampshire's target to save £100m by 2017.

Understanding what works

Service transformation is challenging. The government believes that access to credible evidence about which programmes and interventions are most likely to deliver better results for local people is an important requirement.

We are exploring whether additional capability is required locally and nationally to ensure that evidence of what works is used more effectively by local decision makers, commissioners and service providers. For instance, by making evidence available in formats necessary to influence policy and delivery decisions being made on front line service provision involving a range of local partners. The government is committed to work together with local partners to explore how to address these issues. This includes the [network of seven What Works Centres](#) that have been established to cover areas such as health and social care, local economic growth and wellbeing.

Even where interventions are proven to work, there is still the need for strong visible leadership on service transformation from central government, as well as within local areas. The government strongly supports the need to grow collaborative leadership skills for future public services and to give a national focus to this effort. In line with the Panel's recommendations, government will bring together sector leaders, civil service and other interested parties to establish how a national Virtual Leadership Academy can best add value to public sector leaders during the Spring, in order to take forward options for implementation in the next parliament.