

West End Partnership submission to City Growth Commission

Dear Chairman and members,

The West End Partnership Board is pleased to submit a brief response to the City Growth Commission.

The West End is the shop window of the UK's visitor economy and the powerhouse of UK plc, with GVA generation rivalling that of the City of London, over 500,000 jobs and c.£1.2bn per year generated in NNDR. Yet this has not been matched by a coherent, unified voice bringing together public and private interests to champion the area. The West End Partnership was established on the recommendation of the independent West End Commission which reported in April 2013. The Partnership brings together senior public and private sector and resident representatives with an interest in and influence on the West End, including the Commissioner of Transport for London; Deputy Mayor of London for Business and Enterprise; Professor Tony Travers of the London School of Economics; Chair of the Westminster Property Association Daniel van Gelder; and London First Board member and Chief Executive of Grosvenor Britain and Ireland Peter Vernon, in order to highlight the area's unique contribution to the UK's economic and cultural life and ensure that the West End is equipped to maintain and enhance its success for the benefit of the whole country. The Partnership is currently developing a vision for the area which will be published in the coming months.

A key priority for the Partnership is to explore the need for appropriate freedoms and flexibilities to manage the West End. Given the West End's dynamism, intensity of activity and confluence of interests and functions, there are a number of areas where piloting new approaches has great potential to bring significant additional economic benefit whilst also providing a strong proof of concept for other cities. There are several strands within this which the Partnership will be exploring over the coming months and some examples are detailed below.

The heart of the iconic West End lies within the City of Westminster, which has a longstanding track record of developing ambitious ideas and solutions to help drive growth and reform public services. Most recently Westminster has worked with its neighbours to form Tri-borough, which is on course to realise savings of £40m by 2015-16 through shared services and efficiencies, at the same time as bringing agencies together to deliver crucial services in innovative and more effective ways following the Whole Place Community Budget pilot initiative. Working with central London neighbours, wider London boroughs and the Mayor, Westminster has also played a key role in seeking to establish a 'Local Growth Deal' for London. A number of publications and documents are enclosed which we hope are of use to your inquiry.

We hope that this brief submission is useful and look forward to playing a part in the national debates around growth and devolution as the Partnership becomes more established. We would be pleased to provide supplementary evidence in person or in writing on any points of interest.

Yours sincerely,

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Leader, Westminster City Council

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Chief Executive, Grosvenor Britain and Ireland and Board Member, London First

Daniel van Gelder, Member, West End Partnership Board
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Kit Malthouse AM, Member, West End Partnership Board
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The West End: financial opportunities and challenges

Investing in success

The West End's success is crucial to the UK economy:

- To UK PLC – with an estimated £40bn annual GVA – comparable to the City of London at c.2.5% of UK total GVA
- To jobs – over 500,000 jobs (compared to c.400,000 in the City of London)
- To the public purse – an estimated £1.2bn generated in business rates per annum
- To enterprise – an estimated 5,660 business starts in the West End in 2011 (9% of London total)
- To London and the UK's reputation and offer – the West End is the 'shop window' for London and the UK and the majority of visitors to London visit the West End

Ensuring adequate investment in London benefits the whole country - it is not a zero sum game. For example, central London office development generates almost twice as much GVA and 80% more jobs outside London as it does within the capital ([PwC / London First 2013](#)). The London Finance Commission and the 'City Centred' campaign, which brings together London and the Core Cities to put the case for increased autonomy for city regions, have usefully highlighted the need to consider this question in the round and recognise the interconnections between areas, rather than implicitly or explicitly placing London and other cities and regions on opposite sides of a divide.

Meanwhile, central London is increasing in importance. 34 per cent of London's employment is concentrated in two per cent of its land area (London Finance Commission). The West End has the highest office rents in the world ([CBRE](#)) indicating the demand from business to settle here. The agglomeration benefits of central London, particularly for knowledge intensive business services, are unrivalled, with the density of private sector and knowledge intensive business services jobs in central London at around triple that in other UK city centres by jobs per hectare (ONS 2013) and cannot easily or quickly be recreated elsewhere. Rather than perceiving central London, and the West End, as a success story which does not require further devolution, policymakers should look to the benefits for other UK cities and for the UK economy overall of using the area as a test bed for innovation in decentralised decision-making, regulatory flexibilities and investment models.

Additional cost pressures

At the same time, as recognised by the West End Commission, the West End is subject to unique financial and logistical pressures. There are four main issues which the West End Partnership is exploring:

- The need for additional infrastructure and capital maintenance investment in transport, public realm and housing in and around the West End to meet demand and keep London functioning
- The impact of migration and the West End's transient population on the cost of service provision and the need for infrastructure
- The additional investment in services required to maintain a suitable environment for businesses, workers and visitors and innovative ways of funding this sustainably

- Addressing public authorities' inability to recover the full costs of services such as planning and licensing, exploring how national regulations could be varied to put these on a sustainable footing and improve the speed and quality of services for businesses

As a result of these factors, 2010 calculations by Westminster City Council suggested that the Council was providing in the region of an extra £51m of services to non residents, with the West End responsible for a significant proportion of this.

Pressure on infrastructure

- *Transport and streets*: Projected rise of 30 per cent in passenger numbers on the tube and rail between 2011/12 and 2020 (TfL). Projected increase in entrances / exits of 25-34% at West End stations from 2018 due to Crossrail, adding to the existing crowding which sees 520,000 weekday pedestrians on Oxford Street (TfL)
- *Utilities*: Water demand to outstrip supply in London by over 20m litres per day by 2015 (London Finance Commission); concerns about adequacy of electricity infrastructure in the West End and the lack of incentives for distribution network operators to invest ahead of anticipated demand (West End Commission)
- *Trends impacting on London as a whole*: e.g. social infrastructure need for London to 2041 projected as including 1069 GPs, 5781 hospital beds, 137 sports centres, 1540 hectares of children's play space (AECOM)

Short term migrants

- Concerns over adequacy of the census in accounting properly for the number of short term migrants in transitory areas such as the West End – Westminster City Council has made representations to ONS on this subject
- Short term migrants are responsible for a proportion of the pressure on the West End which is not accounted for in resource allocation

Additional services required

- Street cleansing is a highly visible example of a service provided in the West End where much of the cost will be attributable to visitors
- Circa half of street cleansing expenditure by Westminster City Council relates to the West End – c.£10m out of a total of c.£18m
- The proportion of non residents in the borough's daytime population is 77.2% and a high proportion of these are based in, pass through or make use of the West End

Services where full costs are not recouped

- Two key examples are planning and licensing

Potential ‘quick win’ reforms

As mentioned above, there are a number of areas in which some additional flexibilities, which could be implemented relatively rapidly as a precursor to wider changes, would have the potential to unlock growth and reform and deliver significant additional benefit:

Flexible planning fees to support development

In a nutshell – what we are calling for

The opportunity to pilot locally set planning fees in the West End, with business support, and demonstrate how this boosts the speed of development and improves certainty and quality of service for business.

The issue

- The complexity of the West End means that planning authorities are unable to recover the full costs of processing many of the applications received through centrally set planning fees. Westminster receives the highest volume of applications in the country – over 12,500 per year – of which over half (such as listed building applications and conservation area consents) attract no fee for consideration and determination.
- There is clear support from business to be able to pay more for a speedier planning service and more certainty around timescales – the planning fee is a tiny proportion of development costs and is not seen as a ‘tax’ or as a ‘tax on growth’
- Restricting cost recovery reduces speed of service for businesses and seriously impacts on developers, slowing down the planning process and introducing uncertainty – it also results in residents subsidising businesses
- Failure to recover costs also undermines the ability of the West End to manage its heritage to the benefit of the wider visitor economy

Our solution

- A pilot programme allowing flexibility over planning fee setting across a small number of contrasting areas, including the West End, with different circumstances and different business environments
- Revenues within the pilot would be clearly and transparently ring fenced for planning
- This proposal is backed by business organisations on the West End Partnership including the Westminster Property Association – representing 175 owners, occupiers and developers including a significant number of major national and international firms from all aspects of the property industry – London First, the London Chamber of Commerce and Industry and the West End’s Business Improvement Districts

Benefits to business

- Speedier planning decisions
- More certainty on timescales

Benefits to the UK

- Greater certainty for the development and construction industry
- Benefits to broader economy from West End taking a lead – Central London office development generates almost twice as much GVA and 80% more jobs outside London as it does within the capital (*PwC for London First, 2013*)
- Unlocking development that might otherwise be delayed or not progressed

- Pilot is low risk way of testing new approach

Licensing: a tweaked approach to the Late Night Levy

In a nutshell: what we are calling for

Alongside highlighting the fact that licensing authorities in the West End are unable to recover the costs of licensing processing and enforcement under the current system, we are calling for the ability to pilot a new approach to the Late Night Levy in the West End, based on a 'polluter pays' principle. This would, for example, allow premises to be targeted and the levy rate to be varied according to the nature and extent of problems which premises caused; allow premises to be targeted on a geographical basis to reduce crime and antisocial behaviour in known 'hot spots'; allow non alcohol-based premises to be targeted if they are causing problems and costs; and have local democratic oversight of how the proceeds are spent to improve safety, health and amenity.

The issue

The West End faces a unique challenge, with over 1000 licensed premises concentrated in one square mile at the heart of the West End and over 225,000 visitors to Leicester Square alone every Saturday night. As the Metropolitan Police's evidence to the West End Commission reinforced, this leads to uniquely high levels of alcohol-related crime and antisocial behaviour. The nationally set fee regime leads to an annual shortfall to Westminster City Council of nearly £3m – the difference between fees received and the costs of processing and enforcing licenses – whilst the additional costs to the local authorities in street cleansing and community protection are also significant and unfunded, reducing public agencies' ability to mitigate the negative consequences of the late night economy and realise the consequent benefits to health, public safety and amenity.

Potential solutions

In addition to providing a platform to introduce locally set licensing fees, which has not yet been used, the Police Reform and Social Responsibility Act 2011 allowed authorities to introduce a Late Night Levy on premises selling alcohol after midnight. The associated guidance set out some clear conditions for the application of the levy:

- The levy applies only to premises selling alcohol after midnight, with a national list of potentially exempt premises types (such as theatres), and no application at all to non alcohol-based late night premises such as fast food outlets
- The levy must be applied to late night alcohol sellers over an entire borough or not at all
- The rate of the levy is set nationally according to the rateable value of premises
- The split of revenue raised between the police and local authority is set nationally, with a 70:30 ratio in favour of the police. The police share of the proceeds need not be spent in the same area or borough in which they are raised
- The local authority may deduct specified administration, collection and enforcement expenditures from the gross revenue. The authority's 30% share must be spent on matters relating to the reduction of crime and disorder; the promotion of public safety; the reduction or prevention of public nuisance or the cleaning of any relevant highway or relevant land in the local authority area

These powers are clearly a step in the right direction, and an area in which some increased local discretion would help the West End to apply the legislation far more effectively. The West End Partnership is calling on Government to permit a trial of some slight variations to the approach in the West End, by far the densest area of licensed premises in the country. This would also act as a useful proof of concept for encouraging the uptake of the levy powers elsewhere, helping to reduce binge drinking and antisocial behaviour. Through introducing greater flexibility on the targeting of problematic premises and 'hot spots', it would be possible to achieve four main objectives which are not possible or highly constrained under current legislation:

- Establishing a clear 'polluter pays' principle to encourage corporate responsibility, charging businesses which are causing issues and costs and avoiding affecting those which are not
- Ensuring that sufficient funding is available to mitigate the negative consequences of late-night alcohol-oriented and associated entertainment activity in the West End, and on public transport services serving the West End
- Improving outcomes for residents and visitors by improving perceptions of safety, reducing binge drinking and increasing amenity
- Deterring problematic uses and encouraging uses which will make a better long-term contribution to the West End's economic, social and cultural offer

There are also areas which should be debated openly and seriously as potential quick win reforms:

Extended Sunday Trading

Issues

The West End is the World's top shopping destination. It is London's main visitor attraction with 200 million visits each year and over £7.6 billion spent on shopping alone. Retailing in the West End employs over 100,000 people.

Under existing Sunday trading laws stores in the West End over 280 square meters can open for just 6 hours on Sunday and only between 10am and 6pm. Most open from midday to 6pm. Every Sunday morning and evening the West End is closed for business. This is both a disappointment to many visitors and a lost opportunity for London's economy.

Since the current Sunday trading laws were introduced in 1994 the pattern of retailing has changed dramatically. Shopping on a Sunday has become both a convenience and a major pastime for many people. Traditional stores have now to compete with unrestricted internet shopping where consumers expect to be able to shop 24 hours a day, 7 days a week.

In 2012 Sunday trading restrictions were lifted for the eight Sundays during the Olympic and Paralympics Games (July 22nd to September 9th). Professional research commissioned during this period showed that trade increased and visitors and employees showed widespread support for the move.

Solutions

Many stores in the West End would like to see artificial Sunday trading restrictions lifted to allow visitors to enjoy the stores throughout Sunday. Retailers consider that to compete as a world shopping destination, the West End needs to show that it is open for business for the millions of worldwide visitors to the district. Potential relevant measures could address restrictions nationwide or within certain geographical areas or key periods of the year.

Practical implications and concerns that now need assessment:

- the impact on the West End from the perspective of residents and other non retail occupiers
- the potential positive impact on employment, tax take and profitability
- all practical implications and costs of extended trading hours for all the deregulation options
- issues of employment on Sunday and any concerns by religious groups and other groups with an interest

Tax free shopping

Issues

- Tax free shopping is a major attraction for foreign visitors to the West End
- VAT on goods purchased by non-EU residents is reclaimed at border exits
- The quality of service and the waiting times for tax refund at ports and airports is unacceptable often leaving a poor impression on visitors as they leave the UK affecting reputation and return visits
- 80% of tax free refunds are made at Heathrow. This is a monopoly service and is run with little interest in the customer
- The service run by competitor destinations, such as France, has harnessed the power of internet payment solutions and offers a superior service to shoppers seeking tax free refunds

Solutions

- Acknowledge the importance of tax free shopping on the attractiveness of London as a world destination
- Introduce greater competition in tax refund service to encourage better customer care
- Introduce computer based system (as Singapore)

Longer term reforms

In the longer term there are a number of areas for reform in which the West End Partnership is eager to play a key role alongside partners including the Mayor, given the area's iconic status and economic importance.

The West End Partnership fully supports the report of the London Finance Commission, which takes a measured and realistic view of how financial devolution could be achieved across a range of areas. Two examples of areas in which a strong, united West End voice would be crucial are the reform of the business rates system and improvement of assurance frameworks for investment in infrastructure.

Westminster will generate c.£.1.8bn in business rates (NNDR) in 2013/14 – around 8% of total receipts for England – of which the West End area produces c. £1.2bn per year. Of this the authority will retain only c.£73m under the Business Rates Retention scheme.

From Westminster's most recent business survey, two thirds of businesses state that affordable business rates is the most important factor in making an area a good place to operate a business. However, beyond business rates, there was significant business demand for improving transport links (further to the advent of Crossrail), clean and safe streets, efficient planning services and the availability of skilled employees. In theory a key determinant of the local authority's ability to invest in the business environment now relates to business rate receipts. However, the business rate retention system introduced under the Local Government Finance Act excludes growth in rateable values which might result from public investments in infrastructure, public realm and other aspects of the commercial environment. This reduces the potential for capturing and reinvesting business rate growth in densely built-up areas such as the West End, where there is very little available land to allow significant increases in floorspace.

A key consideration is meaningful business engagement: currently, at least half of Westminster businesses think that the City Council sets business rates (WCC Business Survey, 2012) and ensuring that businesses enjoy representation in return for taxation is an important opportunity when considering revisions to the system. The West End Partnership is keen to support further exploration of how the system could be shaped to improve engagement and better incentivise investment in the business environment leading to enhanced productivity and growth.

Related to this, infrastructure investment is a key consideration. The London Finance Commission highlighted the importance of investment in London's infrastructure to the whole UK economy. Nowhere is this more crucial than in the West End and again this is an area in which the Partnership is ambitious to carry out further work, connecting with the work of partners such as the GLA.

Previous relevant work by Westminster City Council

City Finance Commission

This 2011 independent commission, chaired by Sir Stuart Lipton and brought together by Westminster alongside Manchester City Council, Birmingham City Council and Central London Forward, sought to demonstrate the ambition of cities to become more autonomous and the benefits of such an approach to the country, as well as to put forward some practical ideas and solutions for how this could be achieved. Two issues flagged are the link between public service reform and growth – currently being explored in the work of the Tri-borough and others, most notably Greater Manchester – and the need to take a serious look at business representation as part of any recasting of business taxation.

- [City Finance Commission report](#)

Business rates

Though some updating would be helpful following the passage of the Local Government Finance Act, these publications from 2012 set out some key principles around the reform of the NNDR system to ensure that the mechanisms and incentives exist for local partnerships to reinvest the fruits of growth in driving further growth, particularly in areas where raw floorspace growth is less viable.

- Business rates work on ‘Local Investment Zones’ [enclosed] and [Centre for Cities ‘urban outliers’ paper](#)

Tri-borough – ‘Doing the Deal’ (October 2013)

This publication showcases some recent work on growth, public service reform and neighbourhood engagement from the Tri-borough, highlighting the need for ‘Public Service Reform Deals’ to allow areas the freedom, on an earned autonomy basis, to take a flexible approach to public service reform through aligning budgets, targets and working practices on a place basis.

- [Tri-borough ‘Doing the Deal’ report](#)

Tri-borough submission to HM Treasury (October 2013)

Accompanying the ‘Doing the Deal’ report, this paper gives a more detailed overview of progress to date following the Whole Place Community Budget pilots in areas including transforming rehabilitation, employment and skills and health and social care integration and highlights barriers to progress and opportunities to go further and faster with the support of Government. [enclosed]

All Party Parliamentary Group on Local Growth, Local Enterprise Partnerships and Enterprise Zones: ‘Rising to the Challenge’ (October 2013)

This cross-party group of Parliamentarians, for which Westminster provides the secretariat, seeks to raise the profile of local growth issues in Parliament and bring decision-makers

together with those driving growth on the ground. The group's third report makes a number of recommendations to support Government, LEPs and local authorities in making the most of the potential of devolution to functional economic areas and particularly the ongoing local growth deal process. Among the report's recommendations (Recommendation 8) was the point that a more ambitious approach to financial devolution would necessitate an overhauled approach to the way in which Government conducted Spending Reviews, involving local bodies in presenting developed and costed alternative approaches to investing in growth for consideration and challenging departments to justify the retention of funding streams centrally on the basis of effectiveness.

- [APPG Local Growth 'Rising to the Challenge' report](#)

ANNEX 1

Improving the Local Government Finance Bill: Local Investment Zones

A new way of financing public works and enhancements of the commercial environment by capturing the value to businesses of improvements in their local area

Background

The Local Government Finance Bill was published just prior to Christmas and will provide the framework for a new system of funding local authorities based on the principle of allowing councils to retain a proportion of the increases in National Non-Domestic Rates (NNDR) yield attributable to *physical* growth, i.e. new floorspace.

Flaw in current proposals

The fundamental flaw in the current proposals is the failure to reward local authorities for growth in business rate yield that is attributable to increases in rateable values of *existing* commercial premises. By rewarding councils only for new buildings and floorspace the new system will severely disadvantage urban areas in which business density is already high and has the potential to incentivise unsustainable development as a more attractive financial proposition than redevelopment of existing areas. This issue was highlighted in the *Urban Outliers* paper published recently by the Centre for Cities thinktank and by the London Chamber of Commerce and Industry in the April 2012 publication, *Driving Local Growth: the Business Case*.

The new regime places too much emphasis on the planning process whilst neglecting the other things that local authorities do to enhance the commercial environment for the business community. There will be no incentive, for instance, to invest in public realm schemes, community safety and infrastructure improvements which increase rateable values and are greatly valued by existing businesses.¹ Furthermore, qualitative research carried out by the MVA Consultancy in conjunction with Design for London found that retailers in particular favoured cleanliness, good lighting and footway surface quality when considering the requirements for a successful public realm. Likewise, developers consider it an important factor when making investment decisions.

During the largely economically buoyant period of 2005-2009, London as a whole saw its *physical* business rate taxbase decrease by 0.1%. Of the six (out of 33) showing physical growth above the national average of 0.8% at least three can be directly linked to vast strategic, and one-off developments of national or regional importance e.g. Westfield London in White City in the London Borough of Hammersmith & Fulham and Heathrow Terminal 5 in Hillingdon.²

At the same time as this new system will be introduced, the money available to local authorities for investment in business services and the commercial environment is being squeezed with many councils' reductions in capital budgets likely to be continued in the near future. Within the framework of the proposed system, the Government could allow for some local authorities or LEPs to nominate a specific zone within which growth in rateable values at the time of revaluation is captured for the benefit of those who have invested

¹ A survey by London Chamber of Commerce and Industry found that the most important areas that businesses wanted to see prioritised by councils were 'investing in infrastructure (62%)', 'improving community safety (40%)' and 'maintaining the built environment (35%)'. 'Easing planning restrictions' received support from 29% of respondents (*Driving Local Growth: The Business Case*, LCCI, April 2012)

² Data from London Councils

Solution: Local Investment Zones

Local Investment Zones (LIZs) could help reward local government and private sector partners for targeted investments in the public realm. This proposal represents a new and innovative way of financing improvements depending on its value to businesses. The Tri-borough authorities have proposed piloting such zones as part of its involvement in the government's Community Budget initiative.

Local authorities, in partnership with private partners and landowners/landlords, would be able to invest in the area in the knowledge that all – or a proportion of – above average rateable value increase attributable to the investment in the public realm. This would be captured using local commercial rents as a metric. This has two major benefits:

1. Ultimately the costs are borne by those who receive the most benefit via the market i.e. firms pay more in rates because the area is a more attractive commercial locality; and
2. Local authorities, and partners, will only recoup money if they invest in the services, infrastructure and projects deemed of value by businesses. This will help to encourage better communication between councils and local wealth creators and make local government more responsive to business needs.

LAIzs could be used in any area with the type of investment selected to best suit the local business demographic. Investment would need to be focused on services and improvements that are likely to bring about the most positive change in rental values for existing businesses. This may include upgrading infrastructure, public realm improvements or enhancements of the communications capability in the vicinity, e.g. through the roll out of superfast broadband.

The benefits of this approach can be seen in the results of targeted investment in the Harrow Road area of Westminster between 2006 and 2009 which resulted in a safer, more prosperous environment, reflected by a 47% increase in rateable values in the area. Should such a designation have been assigned in that instance, Westminster City Council and its partners would have been able to recoup some of the investments made in 2006-8 over the period 2010-2015. As public finances face a further squeeze, this model of earnback could be the difference between a project getting off the ground or remaining on the drawing board.

Assessing the quality of the built environment: Pedestrian Environment Review System

The Pedestrian Environment Review System (PERS) was developed in the 2000s by TfL as a means of assessing the relative performance of streets.

Research conducted by MVA using regression analysis and with a 95% statistical confidence, found that when one of the following most important attributes³ were improved by a single increment the effect on local retail rents was +1.14% or +£5 per square metre.

To provide a real-life example, MVA analysed the impact of improvements to The Cut in Waterloo. Investment included widening and resurfacing of pavements, improved

³ The four most important attributes were found to be 'Personal security', 'Lighting', 'Quality of Environment' and 'Maintenance'.

lighting, the planting of trees and new pedestrian signing. The researchers concluded that the improvements to the street as measured on the PERS scale could be found to have contributed to increase in rateable values of around £200,000 amongst the local businesses. This would equate to approximately £90,000 per annum based on current multiplier levels.

Timescales

If the Government gave the go-ahead to this proposal for a pilot the timescales would be thus:

2012: Identification of zones and approval from Government

2013: Plan and consult on investment projects

2013-March 2018: Investment period

2018: New valuation ratings made by Valuation Office Agency

2020: New rateable values come into effect

2020-2025: Earnback period

Benefits

- **For local authorities and their private sector partners** LAIZs would provide a new source of funding capital projects but only those with an emphasis on investment that is valued by businesses and which they are then prepared to pay for through higher rents.
- **For businesses** investment in the business environment will be focused on projects that deliver commercial value to businesses. There would be an expectation, therefore, that councils engage the business community to ensure the best possible focus.
- **For government** there will be no effect on overall funding whichever method ministers chose to adopt and there will be significant benefits arising from the increase in employment brought about by the public realm projects that would not otherwise take place.
- **For landowners and landlords** there will be a long-term increase in rental prices in the area if the investments are successful. They would be expected to be contributors and collaborators in any project.

Method and practical considerations

Ratings made in 2018 (for the 2020 listings) would be compared with the ratings made in 2013 (for the 2015 listings) and above average uplift within the designated zones would be captured and an annual 'earnback' sum would be calculable for the period 2020-25 and the earnback period would be limited to the five years after the 2020 valuations come into effect.

Method 1: Adjusting the multiplier

The principle of 'Equalisation' lies at the heart of the business rate system and the Government has indicated a desire to retain it as part of the new system. In simple terms, equalization means that despite any rises in aggregate rateable values (RVs) across the country, the total yield will remain constant (+inflation).

Worked example

If the current total yield is £20bn from an aggregate RV of £40bn with a multiplier of 50p in the pound a rise in aggregate RVs to £60bn will see a reduction in the multiplier to 33.33p, excluding the necessary increase for inflation.

Aggregate national RVs x Multiplier = Yield

Worked example: £40bn x £0.50= £20bn

The national multiplier could be altered to leave outside any above average rateable value increases within the zones.

Removing a maximum of £10m in above average rateable value increases from the £68.7bn equalisation process would create the headroom to provide a return of approximately £3m in annual earnback payments for the Tri-borough authorities from 2020.

	Natl Aggregate Rateable Value for calculation	Required Yield (3.5% RPI)	Effective multiplier (inc. reliefs) (pence)	Annual benefit to pilot authorities
2011-12	62,520,823,235	20,895,711,410	33.422	
After reval (total 10% increase)	68,772,905,559	21,627,061,310	31.447	
After reval (total 10% inc.) minus £10m in RVs for growth zone	68,762,905,559	21,627,061,310	31.452	3,145,164

The table below illustrates the effect on the multiplier of leaving outside a maximum of £10m or £7.5m in rateable value growth, essentially imposing a maximum annual return of £3.15m or £2.36m respectively. This would then result in a total return of either £15.75m or £11.8m over the five year valuation period 2020-25.

Amount of RV growth left outside equalisation system	£10m	£7.5m
Difference made to national multiplier	+0.005 pence	+0.003 pence
Approx. annual benefit to councils from 2020	£3.15m	£2.36m
Total benefit 2020-2025	£15.75m	£11.8m

Method 2: using the surplus

An alternative solution could be to fund this pilot (with returns being paid from 2020 to 2025) using some of the business rate 'surplus' which will exist from 2014-15.⁴ The total amounts the boroughs (and their partners) would want to recoup would clearly depend on the scale of the schemes and projects embarked upon. It may even be possible to put in place an agreement by which the authorities receive a *proportion* of their earlier investment back between 2020 and 2025.

⁴ The 'surplus' is required to be provided to local government and will exist as national business rate revenue exceeds the value of formula grant

Harrow Road investment, 2006-2009

What has been done?

Between 2006 and 2009, as part of its Civic Streets programme to regenerate all of the non-West End shopping districts in the city, Westminster City Council invested £1.5 million in streetscape and transportation improvements in the Harrow Road area in the north west of the city. Transport for London matched this investment with a further £1.5 million.

The result was a wholesale transformation of one of the most deprived electoral wards in the country with unemployment levels above the national and London averages and twice the Westminster average. The effect of this investment and the safer, more attractive commercial environment it created includes higher occupancy rates, greater resident satisfaction and a less significant fear of crime. Unsurprisingly this has contributed to the increase in rateable values.

Under the scheme, the following improvements have taken place:

- New paving
- Facilitated a new street market run by local volunteers
- Movement and parking improvements to reduce pollution, keep traffic flowing and make it easier to park near shops
- New CCTV cameras to reduce anti-social behaviour
- Funding to make properties more secure
- Assistance for retailers in improving shopfronts and forecourts
- Better street lighting
- More seating

This investment has enhanced the commercial environment in Harrow Road, helped to reduce crime and improve the retail offer in the area.

- Despite the worsening economic outlook, between 2006 and 2011 retail unit occupancy rates in the area increased from 76% to 89%
- An 80% reduction in offences such as prostitution and drug-related crimes has been recorded in the area
- In a 2011 survey, 58% of local residents said the area is now 'much better' with a further 22% believing that it is 'a bit better'
- Rateable values in the area have increased by 47%

Harrow Road



ANNEX 2

AUTUMN STATEMENT 2013 **TRI-BOROUGH SUBMISSION ON PUBLIC SERVICE REFORM**

EXECUTIVE SUMMARY

1. We have been at the forefront of leading the reform of local public services to improve lives and make our public funds go further. However, much more needs to be done if we are to reduce the deficit and meet the rising expectations of our residents for affordable homes, jobs for young people, and support for the most vulnerable.
2. We are ready and willing to work with Government to design, test and implement new approaches to public service delivery. Our offer to work with Government is based around five principles and proven success factors arising from our experience (and that of colleagues elsewhere, particularly in Greater Manchester) which form a stable basis for investment in early intervention and reducing dependency:
 - A. Certainty of funding and investment
 - B. Effective incentive frameworks
 - C. Alignment of local and national commissioning, priorities and outcomes
 - D. Multidisciplinary teams accessed through a single place-based point of contact
 - E. Effective pooling of data
3. Government now needs to exempt local areas from national rules and practices and we will go further and faster. For example:
 - Secure a sustainable financial deal for Troubled Families through multi-agency pooled budgeting, and give us greater flexibility on Troubled Families criteria, and we will help more families more effectively and ensure a legacy for the Prime Minister's pledge to turn the lives of 120,000 Troubled Families around
 - Give us a role in co-commissioning national services for short-term offender services and we will make the programme effective and ensure return on investment (learning from the experience of the Work Programme)
 - Make us exempt from the national rollout of the Single Fraud Investigation Service and we will demonstrate how a joined-up, place-based approach generates tangible savings for the public purse
 - Work with us to implement alternatives to the national tariff system for hospitals and we will deliver a holistic system that reduces pressure on acute services, better serves the most vulnerable and generates savings

4. In the medium term Government needs to move closer towards place based budgeting. For example:

- Allow local areas to realign the incentives within the skills funding system towards job outcomes and give local areas a share in the risk and reward of tackling worklessness and we will stem the rising tide of NEETS
- Move towards local funding settlements that extend over a Spending Review period and we will translate success into cashable savings and demonstrate how well-designed local interventions can pay for themselves
- Consolidate success by negotiating '**public service reform deals**' with localities, tailored to local needs and requirements and setting out how public money will be pooled across agencies in pursuit of collaboratively agreed outcomes

INTRODUCTION

Alongside our recent publication [*Doing the Deal*](#), this paper sets out the ambitions of the Tri-borough partnership of the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster to take public service reform to the next stage. Building on our experience through the Whole Place Community Budgets, we are ready to work with Government to design, pilot and deliver radical new approaches to public service delivery which build the conditions for growth, reduce dependency and slash costs.

In developing our thinking on these issues, we have worked closely with colleagues in Greater Manchester. Tri-borough and Greater Manchester are very different areas politically, demographically and economically, and this is reflected in the governance and structures of the two partnerships; while the Tri-borough project has shared services to improve lives and make money go further, Greater Manchester authorities have shared some elements of sovereignty to fight for the tools to drive economic growth. Yet both are making progress in transforming services through working across council boundaries and spending silos.

Below we outline some of the key principles and success factors that are underpinning our work in Tri-borough and demonstrate how, through removing barriers to the application of these principles and through collaborating to test flexibilities and exemptions, a commitment from Government to work together could help us to go further and faster on reform. Our proposals and ideas cover three areas:

- Progress to date in driving forward service reform
- Areas where Tri-borough could in the short term pioneer flexibilities or exemptions from national policy and demonstrate clear outcomes
- Areas of longer-term ambition around place-based budgeting

OUR REFORM AGENDA AND PROGRESS

Our reform agenda is driven by a bold vision of a new way of working: shared responsibility for three distinct areas, retaining democratic voice and local choice but cutting management in half.

Over the past 18 months our shared services project has combined £100m worth of services across Libraries, Adult Social Care, Children's Services, Corporate Services and Public Health, delivering a better quality of life for communities and making the taxpayer's money go further.

Our Community Budget pilot built on this approach to tackle cross-cutting issues at geographical scale and across organisational boundaries. Through our pilot we showed how within five years we could create annual savings of approximately £70m across local public services within our three boroughs – driving growth, reducing dependency, building homes, creating jobs, lengthening lives and rehabilitating criminals.

We are ambitious to build on this strong track-record in order to meet the continued financial pressures on our three councils and the rising expectations of our customers. By 2017/18 our three councils expect a combined budget gap of £145m per annum. At the same time, many people are still worried about how the state can continue to afford to care for the vulnerable. Our Members and officers share a common resolve to meet these challenges head on through further innovation. In particular, over the next three years we will explore options to:

- Progress plans to create one corporate service across the three boroughs
- Jointly procure Temporary Accommodation and share housing advice and landlords services
- Expand our library service to other areas
- Bring all officers onto a single payroll, terms and conditions with a pay and reward system that properly rewards good performance and discourages poor performance
- Develop a social impact bond for families with complex needs with a particular focus on edge of care

Progress made on public service reform in Tri-borough

- We are **cutting the cost of our back office** while improving frontline services. We have:
 - a) Combined £100m worth of front-line services within 18 months, saving £9.5m and improving lives. We are on track to save £43m a year from 2015/16;
 - b) Combined facilities management services across nearly 2,000 buildings comprising 1.3 million square feet. This could reduce costs by a third and deliver annual efficiency savings of more than £2m annually to each of our three councils;
 - c) Agreed an ambitious deal with BT to radically re-design our managed services, including HR and finance systems. The deal has the potential to include a further 17 other London boroughs in a deal that could be worth up to £1.2 billion;
 - d) Launched a Troubled Families Programme across the three boroughs which will help 1,720 families with complex problems improve their lives over the next three years;

- e) Put in place arrangements to share foster placements across the three boroughs, avoiding the additional cost of having to use Independent Fostering Agency placements and helping find looked after children a loving home more quickly;
 - f) Launched the one library card policy, giving residents, workers and students unprecedented access to more than one million library books and a range of specialist collections;
 - g) Launched an employee-led mutual to provide management and ICT support services to schools across the three boroughs;
 - h) Reduced the number of middle and senior management posts by half.
- **We are *improving health and social care services*.** In June 2013, together with local authority and NHS partners from across North West London, we submitted to Care Minister Norman Lamb our application for health care integration 'pioneer' status. This application reflects the work we have already set in train to provide vulnerable people with more effective joined-up care in their home – bringing together social care, community care and mental health services to deliver better outcomes and experience of care as well as improved value for money. We anticipate that the first wave of sites working under this fully integrated approach will be live by spring 2014, working together under shadow integrated commissioning and provision arrangements to improve outcomes for the local population.
 - **We are *helping offenders get back on track*.** We have been awarded £1m from the Mayor's Office for Policing and Crime (MOPAC) for 2013 / 14 – 20% more than last year – match funded by Tri-borough Public Health, to support our new approach to tackling short-term offending. The new reducing reoffending service will run for two years from 15th October 2013 and reduce the reconviction incidents of this short term offenders by 10%. The contract for the new service has been awarded through a competitive procurement to a consortium led by the charity Turning Point in partnership with Catch22, St Giles Trust, London Probation Trust, Only Connect and Wandsworth and Wormwood Scrubs Prison Chaplaincy Service. Our service will complement the model proposed by the Ministry of Justice for statutory supervision of short sentenced prisoners that will start in Autumn 2014, by providing interventions based on risk of harm and risk of offending.
 - **We are *supporting stronger families*.** Our new Family Coaching Service went live across the three boroughs in December 2012 and to date has worked with over 800 families to help turn their lives around.
 - **We are *putting children first*.** We have cut the duration of care proceedings in the court system from 58 to 26 weeks and shown how we can reduce our legal costs by around £1.9 million.
 - **We are *helping school leavers get their first job*.** Our new Employability Passport was introduced in St Augustine's School in Westminster in March, and is now being piloted in six schools across the three boroughs. The passport makes employability a central element of

the curriculum and will support 3,500 students each year at an annual cost of less than £50 per pupil.

- *We are pioneering **new flexibilities to drive local growth*** – including securing Government commitment to reverse rules preventing us from classifying estate based employment support as welfare support, which will enable us to increase our investment in successful local programmes to help people into work.
- *We are **ending dependency through early intervention***. We have introduced integrated, local, multi-agency Early Help teams to work with first time teenage parents, troubled adolescents and parents. We are also looking at alternative ways of financing services, including exploring the feasibility of a Social Impact Bond to fund support that focuses on families with complex needs and in particular, those with children at the 'edge of care'.

KEY PRINCIPLES FOR REFORM

There are five common principles and proven success factors which have emerged through the reform work to date in Tri-borough and resonate with experiences elsewhere, such as in Greater Manchester. These form a stable basis for investment in early intervention, reducing dependency and aligning budgets at the place level:

- A. Certainty of funding and investment**
- B. Effective incentive frameworks**
- C. Alignment of local and national commissioning, priorities and outcomes**
- D. Multidisciplinary teams accessed through single place-based point of contact**
- E. Effective pooling of data**

We have used these to structure our specific proposals and illustrate how collaborative working with Government can help to build the conditions for growth, reduce dependency, slash costs and pioneer radical new approaches to public service delivery.

In working with Government to apply these principles more widely and remove barriers to reform, we advocate a differential devolution approach. We recognise that the Government has already taken significant steps to implement national reforms (see below) but also that this approach is necessarily limited in the short term by the need to manage risk, as well as by the fact that the full benefits of reform can only be realised by a locally tailored approach. Working with areas such as Tri-borough and Greater Manchester offers Government a low-risk opportunity to test new approaches and build on the national reforms announced at the 2013 Spending Round, including:

- **Troubled Families:** £200m in 2015/16 to extend the troubled families programme to a further 400,000 vulnerable families
- **Health and Social Care:** £3.8bn pooled budget for health and social care services to work more closely together in local areas, based on plans agreed between the NHS and local authorities
- **Greater budgetary certainty:** a commitment that both local government and Clinical Commissioning Groups are given their funding allocations further in advance, and that other frontline services receive indicative allocations more than a year in advance
- **Early Years:** commitment that DfE and DCLG will report in the autumn on how to improve outcomes, reduce burdens and drive efficiency in children's services
- **Worklessness and low skills:** commitment to test different approaches to support Employment Support Allowance work-related claimants to move closer to work, and consider how best to support young unemployed people with an evidence-based offer
- **Crime and justice:** £50m for police forces to work jointly with each other and local authorities on preventing crime and ensuring people feel safe
- **Public service transformation:** £100m collaboration and efficiency fund to help local authorities to cover up front costs of working with each other and £30m fund to help meet upfront costs of transforming the fire service

KEY AREAS FOR REFORM

A. Certainty of funding and investment

The barriers to reform

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

Transforming justice

The commissioning of Tri-borough's reducing reoffending pilot scheme was boosted by a two year budget commitment from the Mayor's Office for Policing and Crime (MOPAC) rather than the single year settlements which had previously been the norm, enabling greater certainty and more staff time spent delivering results rather than commissioning and decommissioning. The longer settlement has also enabled Tri-borough to adopt a similar approach to tackling violence against women and girls, undertaking an evidence-based review which brings together disparate funding streams and leads to a commissioning approach which delivers demonstrable savings. A longer-term settlement, over the period of a Spending Review, would enable the period over which programmes are delivered to be aligned more closely to their payback period, making it easier to translate success into cashable savings and demonstrate how a well-designed local intervention can pay for itself.

Complex families

We welcome the Troubled Families Programme (TFP) and the investment (until 2015) that Government has committed to dealing with families whose behaviour damage themselves, their children and the wider community. We have developed a new approach to deal with the TFP cohort that involves triage, case management and key worker support, provided at the level of intensity the family needs. We know that the model works – however, if the Prime Minister wants his pledge to turn round the lives of 120,000 troubled families to represent more than just a short-term initiative, a deal needs to be brokered across Government to secure sustainable funding for the programme post 2015, ideally pooling budgets from departments in proportion to the savings they realise.

Health and social care

Alongside a realignment of incentives within the system, extending the principle of multi-year budgeting to health and social care would encourage investment in early intervention solutions that reduce demand on acute services.

Short term: sustainable funding deal for Troubled Families

Medium term: commitment to funding settlements over Spending Review periods for areas in most need of reform including justice and health and social care

B. Effective incentive frameworks

The barriers to reform

In Tri-borough, we have shown how within five years we can create annual savings of up to £70m per annum across local public services. A large proportion of these savings will accrue not to the local authority but to other local services and central government departments. Meanwhile, current needs-based funding models too often see a failure to invest in success, creating further disincentives to invest in reform.

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

Health and social care

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

Skills

Skills are important to London employers – almost 40 per cent more jobs in London require Level 4 skills than across the UK and 24 per cent of London vacancies have been attributed by employers to a lack of skills, qualifications or experience on the part of jobseekers, compared to 16 per cent across the UK. Yet skills providers gain the vast majority of their funding for course completion, regardless of employment outcomes. Meanwhile, different skills programmes are measured and funded in different ways, with wide variations as to whether success is measured in terms of participation, course completion, outputs (e.g. qualifications) or outcomes. Tri-borough supports a realignment of the incentives in skills funding towards job outcomes – varying how providers are paid so it is in their interests to focus on employment. In the longer term there is also interest in rewarding progression outcomes such as wage gain – supporting the Government in seeking to move people off in-work benefits.

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

Employment support

Local authorities, including in Tri-borough, are running a range of highly effective employment support services with diminishing resources, supporting residents to turn their lives around while generating savings in the benefits bill for the Exchequer. Local partners are often well placed to provide specialist support to referrals from Work Programme primes, whose large case loads and incentive structures may leave them unable to tackle more specific or deep-seated barriers to employment. However, where this results in a successful job outcome, payment by results incentives accrue solely to national contractors. More broadly there is no mechanism for a proportion of nationally realised benefit savings arising from successful local programmes to be reinvested at a place level. There is an appetite within Tri-borough to move towards a model of shared risk and reward, with the devolution of responsibility for welfare spend a longer-term avenue to investigate.

Short term: tweak weighting of funding to colleges to encourage taking on individuals from deprived backgrounds; greater flexibility to test new payment and contractual systems in health and social care

Medium term: realignment of incentives on skills towards job outcomes; exploration of shared risk and reward model for financing locally-led employment support programmes

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

The barriers to reform

In key areas of public service reform work, notably justice and employment support, large-scale national contracts are the dominant force within the marketplace. However, engagement of local partners with commissioning processes has often been late or absent and, once in place, national contractors have little incentive or obligation to integrate their provision with the work of local partners, leading to duplication, inefficiency and a confused customer journey.

Similarly, the use of procurement frameworks with exclusively large contractors has seen a situation where local third sector expertise and experience has not been harnessed effectively. A particular barrier to progress on reform is the difficulty of aligning national priorities with local knowledge, expertise and delivery mechanisms; rigid national targets and cohorts, often focused on single issues, make it more difficult for local agencies to work together to meet the needs of the target population and achieve savings, whilst also working against the principle of early intervention by specifying work with those who already meet a certain set of criteria, rather than those at risk.

Transforming justice

We support the Government's policy shift to provide targeted rehabilitation to short sentence prisoners on release from prison but believe that the new provision must be co-commissioned with local authorities. The proven success factors incorporated into the design of Tri-borough's reducing reoffending programme – projected to reduce reoffending by 10% and save £25 million over a 5 year period – include early, personal engagement with an offender and assessment of their needs and motivation to change; a consistent key worker able to broker access to local services appropriate for the offenders' needs such as improving skills or overcoming substance misuse; and clear and credible sanctions, integrated clearly with local functions such as policing and housing, for those who continue to offend and do not engage with the service. To deliver

sustained savings, Tri-borough should be able to work with Government to take a more flexible approach to the Ministry of Justice's national commissioning arrangements, ensuring a clear role in co-commissioning and inclusion within the supply chain, so that we are able to contribute the best local knowledge to the service design process and integrate nationally mandated provision with wrap-around support offered by the full range of public services in our area.

Employment support

The experience of the Work Programme has demonstrated how early engagement of local partners in co-designing programmes, rather than only at the contract letting stage, is critical to delivering effectively on the ground and achieving the most sustainable outcomes. Increasing contractual commitments to partnership working would enable large providers to work with sub-contractors and other public-sector commissioned services to develop the right services for clients. The ability to integrate locally defined outcomes into national commissioning would strengthen the case for pooling local resources with national funding, increasing central Government's reach and potential to deliver outcomes. Building on successful employment support programmes – including Westminster's Workplace Coordinator programme which has helped 95% of clients achieve a sustainable job outcome – Tri-borough is working to shape provision for Work Programme completers which will create evidence of how these principles and success factors of local public service reform can be applied to achieve better outcomes, and will seek to align this with similar work elsewhere including in Greater Manchester.

Complex families

The rigid national criteria for troubled families are holding back local authorities from assisting many families, including some who do not meet the criteria but are nonetheless experiencing problems and costing the public purse significant sums of money, and others who are at risk but not yet meeting the criteria. Increased local discretion over these criteria would enable more families to be helped more effectively.

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

Channelling the ESF funding through a co-commissioned approach between DWP and local troubled families teams could see a significantly better return: a previous programme run within Westminster with a similar cohort - the Local Authority Innovation Pilot – co-located employability advisors with children's services, linked parents to a multi-agency 'team around the family' and secured a conversion rate of 27%.

Short term: ensure local co-commissioning of Transforming Rehabilitation; negotiate local flexibility on Troubled Families criteria; co-commissioning of ESF employment funding to ensure more integrated family support;

Medium term: fundamental changes in commissioning practice cross-Government to make local co-commissioning the norm

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

The barriers to reform

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

Employment support

Tri-borough is proposing to test an alternative approach to supporting benefit claimants who have left the Work Programme without finding sustained employment, drawing on the evidence on multi-agency approaches gathered from the Troubled Families programmes and elsewhere to design provision that addresses barriers to employment on an individual basis. The design of the provision will draw on the recent Tri-borough Joint Strategic Needs Assessment of employment support for people with mental illness, physical disabilities and learning disabilities, which noted that half of Employment Support Allowance (ESA) claims in Westminster are made on mental health grounds, and that common mental illness is likely to account for a significant proportion of these. Additionally, frontline experience suggests the presence of a noticeable proportion of Jobseekers' Allowance (JSA) claimants who have common mental health issues (including some who may have been reclassified from Incapacity Benefit to JSA following a Work Capability Assessment) and whose needs are not necessarily being met within the Jobcentre Plus / Work Programme pathway.

The potential for realising savings and helping residents into work is considerable: as of March 2013, of the total of 3,140 Westminster residents across all benefit types who had been on the Work Programme for at least ten months, just 420 – 13 per cent – had achieved sustained work, and this proportion was far lower for ESA claimants. [2010 calculations by Inclusion / London Councils](#) suggest that the cost of out of work benefit payments for one year to an individual, single jobseeker with no dependents is just under £13,000. Based on the figures above, doubling the proportion of individuals achieving sustained work would reduce the benefits bill to the DWP by over £5m in Westminster alone. A key objective in both places will be to capture robust evidence, aligning with the cost-benefit analysis framework agreed through the Technical Advisory Group, in order to inform future national and local commissioning decisions.

Fraud

Fraud across Tri-borough costs the public purse approximately £15 million per annum and work is ongoing to explore the expansion of the bi-borough anti-fraud function established earlier this year to a Tri-borough service. There are fears, however, that national plans to establish a Single Fraud Investigation Service will destroy the benefits of local working across multiple areas of fraud – for example, the exchange of data between benefits and housing teams to identify social housing fraud, currently estimated as costing the public purse £1bn per year. Direct Payments in social services, and the interaction between Universal Credit and other areas such as council tax reduction, are other areas where the severing of benefits data will be highly detrimental to fraud detection. Local authorities will no longer have the experienced resources to investigate information from the highly effective National Fraud Initiative data matching service. The ability for local partners to bring together, on a place basis, data from sources ranging from education

to planning and council tax to trading standards is at the heart of public service transformation and national commissioning must build on this rather than seek to supersede it.

Short term: allow Tri-borough to continue pioneer place-based approaches to tackling fraud through exemption from the Single Fraud Investigation Service; support locally designed provision for Work Programme completers

E. Effective pooling of data

The barriers to reform

The effective pooling of data is another barrier to reform that cuts across all key areas of public service reform. A particular difficulty is obtaining information on a cohort basis to allow for data matching, e.g. to determine what proportion of attendees at accident and emergency are already known to social care services in order to help design an alternative, more effective and less costly pathway for these individuals or families. The harmonisation of data collection across agencies, with a clear focus on individuals and families, also needs to be addressed, with the increasing number of organisations involved in service delivery in key areas such as employment support and probation further fragmenting the data landscape. This has a direct impact on the ability of public service reform programmes to realise savings and is a major barrier to the implementation of true place-based budgeting, as distinct from time-limited cash injections for cross-cutting programmes such as Troubled Families. There is also concern about the potential effects of new Government regulation around data security on this agenda.

Transforming justice

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

Health and social care

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

Short term: allow Tri-borough to continue pioneer place-based approaches to tackling fraud through exemption from the Single Fraud Investigation Service; support locally designed provision for Work Programme completers

NEXT STEPS

Tri-borough is keen to work more closely with Government to pioneer radical new approaches to public service delivery which build the conditions for growth, reduce dependency and create savings. A Government commitment to collaboration on tackling barriers to reform can only help us move further and faster, ensuring that our practical work saves money, improves effectiveness and helps communities fulfil their potential whilst also creating the evidence base for a longer-term 'public service reform deal'.

We hope that the points and ideas above are helpful and look forward to further discussions.