



APPG FOR REFORM, DECENTRALISATION AND DEVOLUTION IN THE UK BETTER DEVOLUTION FOR THE WHOLE UK

Westminster City Council is committed to ensuring public services and public spending in Westminster and London work in support of raising productivity and contributing in a meaningful and substantial way to reducing public sector net debt and putting spending reductions on a sustainable footing. In return, Westminster is seeking a package of freedoms and flexibilities that will enable these reforms and safeguard them for the future.

Westminster is the economic powerhouse of London and the UK contributing £55.7bn to national output. The City is home to 50,000 businesses and 700,000 jobs. The City leads the world in creative industries and is a global centre of professional services. We are custodians of what makes Britain great: a great place to start and grow a business, great national heritage – from the Houses of Parliament to Buckingham Palace and the other 11,000 listed buildings across the City – and the great culture of the West End. Westminster is also one of the most socially and economically diverse places in the country, if not the world. Just over half of Westminster residents were born outside of the UK (53%) and there are over 150 languages spoken in the City.

Local government has already made a significant contribution to deficit reduction whilst keeping council tax down. Westminster has led local government in demonstrating that Councils are capable of making tough choices to help put the public finances on a sustainable footing.

Analysis by the Institute for Fiscal Studies has shown that Westminster has seen the largest reduction in spending power per head of the population over the last five years – 46.3% compared to the median cut of 22.9%. To meet this challenge and to achieve a more efficient organisation, we have created a new, restructured, model for local government in the borough. Over the past five years this has delivered over £100m of budget savings while ensuring that vital frontline services continue to be provided for the most vulnerable, including:

- Leading the national charge for the integration of health and social care services through piloting a more sustainable basis for delivering better outcomes for our local population, particularly those who are elderly or have complex needs and are most at risk of being admitted to hospital or a care home. This is being funded nationally through the Better Care Fund to achieve **£3.2m worth of efficiencies**
- Promoting early intervention so that families receive the help they need the first time, thereby avoiding the spiralling costs of multiple interventions and children being taken into care to achieve **£2.5m worth of efficiencies**
- Harnessing the full potential of digital service delivery, enabling people to access for themselves the information and support they need without having to come to the Council for help to achieve **£5m worth of efficiencies**
- Rationalising and making better use of our property estate to achieve almost **£5m of efficiencies and additional income**



The Government's commitment to devolution offers an unprecedented opportunity for us to work together to achieve positive outcomes. Additional powers through devolution would provide Westminster with the freedom deliver jobs and homes, reform local public services and protect and enhance our unique heritage.

Our response focuses on the "Local Government" aspect of this inquiry, with the implications for the role of Whitehall as a consequence of devolution noted throughout our submission.

Devolution to London on an ambitious scale

Government should devolve powers and responsibilities to London Government at an ambitious scale to unlock the full growth potential of the capital.

In doing so, London Government will work together to deliver:

1. **Large scale mobilisation of the long term unemployed into jobs**, ensuring that all of London's communities are able to share in its growth and contributing to the goal of the UK having the highest employment rate in the G7. Key to this will be the creation of 'local hubs' to integrate the 'front door' to local employment-related services around the Universal Credit target operating model, with the aim of improving customer experiences and employment outcomes.
2. **A transformation of London's skills system to deliver in-demand skills from the best performing providers** driving up investment from individuals and employers in professional and technical training and enabling Londoners to access the basic and higher level skills they need to compete in London's thriving jobs market.
3. **An environment in London for the best entrepreneurs, innovators and SME owners to grow their business** supported by excellent, accessible advice, high quality tailored services, and targeted engagement.
4. **Lasting reforms to the policing and criminal justice system to secure for the future a safe city that brings business and investment to Britain.**
5. **Faster reform of health and social care services**, building on the proposals of the London Health Commission, to deliver swifter improvements in the health of Londoners and faster reductions on the cost pressures on London public services.
6. **Significant and sustainable home building across all types of tenure on a London wide scale, and a reduction in the costs on the public finances of homelessness and high cost housing**, contributing to the creation of an effective land and housing market for London, the South East and the UK as a whole that ensures the goal of homeownership goes with the grain of increasing the overall supply of housing rather than severely undermining it.

Business rates

Government should use the opportunity of its current review of business rates to commit to fundamental, root-and-branch reform to make the system fairer, more efficient and more accountable to business. This should include consolidating incentives to drive additional



growth through extending the opportunities for greater business rate retention beyond Manchester and Cambridge and reconsidering proposed arrangements for 'resets' within the retention system; enhancing and expanding local ability to leverage future income streams through tools such as Tax Increment Financing; and supporting local authorities in improving engagement with businesses around the expenditure of any additional local revenues.

Westminster City Council has a gross yield of £1.8bn in business rates (8% of national total). However, we retain just 4p in every £1 paid by Westminster's businesses. The Council strongly values its thriving business community – it provides jobs for our citizens and makes Westminster a thriving locality – businesses in Westminster generate over 3% of the nation's Gross Value Added.

The Government's welcome review of business rates, to which we have contributed both individually and alongside a broad coalition of business and interests, provides an opportunity to commit to fundamental reform of the system on a realistic timescale. As detailed in our responses (attached) we advocate reforms to provide greater certainty and transparency to businesses; support, incentivise and facilitate local investment in drivers of growth, such as infrastructure and skills (including in those key urban areas disadvantaged by the current system); enable a clear business voice on priorities for investment; and to move towards an internationally competitive regime of local business taxation. We also recognise that reforms must be underpinned by sufficient assurances for the Exchequer around levels of revenue to ensure an acceptable balance of risk and reward.

Opinion research suggests strong business support for investment in local services and capital projects which enhance the commercial environment and drive growth, such as transport links, clean and safe streets, efficient planning services and the availability of skilled employees. This strengthens the case for allowing local government to retain a greater percentage of new business rates in order to leverage investment in such drivers and stimulate local growth. Recent ComRes polling for the London Chamber of Commerce and Industry shows a significant majority of London business decision-makers support greater local retention and spend of business rate revenues.

Multi-year settlements

Government should introduce reforms that ensure local public services have the same long-term indicative budgets as departments which would support growth and reform.

In recent years provisional settlements have been determined a few months before the start of a financial year. 1-2 year funding periods, the norm at the moment, restrict ability to develop and secure long-term investment programmes and also result in a high proportion of time spent commissioning and decommissioning services rather than delivering.

2015/16 has seen significant in year cuts to public health which has been challenging and preventing investment planned in Public Health. Public Health investment is vital for prevention work to reduce demand on health and Council services and improve health inequalities. Reducing investment in Public Health is false economy in the long run. We are faced with huge issues – diabetes, obesity, addiction etc – reducing investment in these areas will increase demand and spend longer term.

Multi-year settlements were one of the main recommendations of the Independent Commission on Local Government Finance (ICLGF). The Commission recommended that



the government commits to full and clear multi-year settlements to enable effective long-term planning for local authorities and other public sector services.¹

Greater certainty of future budgets will provide local partners with the impetus to invest now in public service reform that will deliver future savings.

Place-based budgeting

Government should build on the success of Troubled Families and the Better Care Fund and devolve to local authorities a pooled fund to invest in ensuring those who need help the most get support at the right time and in the right way, stopping once and for all the costly, inefficient and bureaucratic ‘revolving door’ of local services.

Integrating budgets at a place level has the potential to deliver better outcomes and to realise substantial financial benefits.

Ernst & Young’s work on aggregation has demonstrated there is the potential to scale up the results of the whole place pilots, and there is a significant opportunity for net financial benefit for the taxpayer. Their analysis in 2013 predicted total fiscal and public benefits of between £10-20bn savings over a five year period if the approach were adopted across England.²

Since then the acceleration of the devolution agenda has led to several deals, most notably with Greater Manchester, that seek to integrate services on a far more ambitious scale including realigning mainstream budgets and incentive and outcome frameworks.

We would also seek to work with the Government to build on previous thinking at both central and local levels to develop and test robust place-based accountability models which would be capable of ensuring both departmental and public accountability for devolved or co-commissioned areas of spend.

For example, London is seeking to work with HMT, DWP and other Government departments (particularly DH, DCLG and BIS) to develop a model of ‘local hubs’ for employment and complex dependency aligned with Universal Credit; explore and implement co-commissioning of employment services for disadvantaged residents; and test an ‘invest to save’ element of financing whereby a share of AME savings arising from reduced unemployment amongst target cohorts is reinvested to help more people into work.

This joint work would also need to encompass instances in which nationally set criteria or statutory duties inhibit the ability of local areas to redesign support services to target those cohorts agreed with Government as being in priority need and representing a high cost across the public sector. This is particularly important for people with multiple needs who may not meet the threshold for any specialist service, but when looked at holistically their support needs, vulnerabilities and the risks they present are often greater than those who do qualify for specialist support. For example, people with Personality Disorder – of which there are an estimated 26,900 people in London⁵ may not qualify for Care Programme Approach – the system used by the NHS to assess, plan and co-ordinate services for people with mental health needs. Similarly, homeless individuals who have not been verified as sleeping

¹ Financing English Devolution, Independent Commission on Local Government Finance, February 2015

² Whole Place Community Budgets: A Review of the Potential for Aggregation, LGA, January 2013



rough may not be eligible for most supported homeless hostels. The silos created by nationally determined criteria create a major barrier to providing the right support at the right time and in the right way to systematically tackle the causes of complex dependency.

A framework for local responsibility, resourcing and accountability for defined cohorts would ideally be owned jointly between local government and CCGs, to drive the systematic engagement of the health service in promoting employment, supported by national action to make employment a key NHS England priority and forging a Better Care Fund-style joint pot to trial innovations in health-led employment interventions.

Future efforts to support those facing complex needs should be considered in the round, to avoid the risk of competing programmes and funding models across employment, rehabilitation, health and housing. This will build on best practice approaches drawn from conventional welfare to work interventions and Troubled Families approach.

A new approach to place-based accountability

Whilst central government has done a great deal to remove barriers, by abolishing the Comprehensive Area Assessment programme and significantly reducing levels of ring-fencing for example, there is still evidence of remaining barriers linked to accountability.

The limitations of the current system of national accountability, based on Departmental silos, in supporting the place-based reform and integration of public services have become increasingly apparent in recent years, made clearer as initiatives such as Whole Place Community Budgets, Troubled Families and latterly Local Growth Deals and the Better Care Fund have been developed. For example, the House of Commons Public Accounts Committee (PAC)'s 2012 report into accountability for public money noted concerns as to whether Departments' Accountability System Statements are able effectively to "deal with accountabilities which span more than one Department and how the different organisations interact to drive value for money". While the Community Budget pilots demonstrated clearly that improved outcomes can be achieved by working better together across traditional organisational boundaries, on the ground this tended to be done through working around, rather than confronting, the issue of how public money is accounted for.

Issues surrounding accountability make it difficult for partners to jointly invest resources and staff in new delivery models that can be tracked to demonstrate a reduction in demand for each partner. There are three major barriers which consistently recur when seeking to agree new approaches to public service delivery with partners:

- Different organisations are held accountable in different ways for public spending – both upwards to the Government and downwards to communities
- Different organisations are judged on different outcomes
- Different organisations experience different risks and rewards of adopting new approaches

There is a clear need for an authoritative local mechanism supported by all partners which can help to resolve these issues. The London Proposition set out a London wide view of how governance arrangements could be developed to oversee devolved powers in London.