

# Preventative Public Services

Policy Working Paper for Core Cities



October 2024



# Contents

	<b>Executive summary.....</b>	<b>3</b>
<b>1</b>	<b>The Core Cities will be central to national renewal.....</b>	<b>8</b>
<b>2</b>	<b>The opportunities to support growth and renewal: From childhood and for healthier adult lives .....</b>	<b>13</b>
<b>3</b>	<b>Local innovation is already leading the way .....</b>	<b>27</b>
<b>4</b>	<b>Local reforms work best when supported by well-designed national policies .....</b>	<b>30</b>
<b>5</b>	<b>Recommendations: A new deal to align reform with growth and investment .....</b>	<b>40</b>

# Executive summary



# Executive summary

The government has been elected with a commitment to a 10-year plan for national renewal and a policy programme structured around five missions. This new model for governance will be based on a partnership way of working.

In a tight fiscal environment, with the Chancellor announcing an inherited £22bn fiscal black hole in late July 2024, the emphasis will be on improving outcomes through innovation and better alignment of public services rather than through significantly increased expenditure. The Chancellor has committed to the first Spending Review of this government in 2025 taking a ‘mission-led, reform-driven and tech-enabled approach to improving public services’ alongside ‘a more empowered, accountable and sustainable local government system’.<sup>1</sup>

The next generation of reforms will need to move away from a playbook of competition, choice and marketisation and towards one focused on prevention, localism and long-termism. Central government needs to empower local and regional governments and health bodies to deliver a broad preventative agenda, based on an expansive definition of population health and promoting health through good-quality jobs.

In this paper we recommend a set of ‘Total Place 2.0’ tools that would enable this, starting with the impact that our Core Cities can make. We propose 10-year Local Prevention Plans alongside Local Growth Plans, with Prevention Deals agreed between national and local government for place-based system innovations. To make a long-term commitment to prevention for renewal, these should be backed by funding that starts with local government flexibilities to turn the tide of pressure now, and developing new ways to fund prevention innovation through local–national partnership and accountability.

One of the major effects of austerity on local government has been to hugely reduce preventative expenditure and the delivery of preventative programmes. In our Core Cities nearly 50% of all public expenditure is on the NHS, yet we know that the contribution of the NHS to population health outcomes is only somewhere between 10% and 20%.

If we could close the gap on public service outcomes and raise productivity per worker in our cities to levels more typical of European or US cities, we would see the productivity of Core City regions increase by almost one-third (bringing them more in line with London). This would mean a potential GDP gain of £230bn<sup>2</sup> and additional tax revenue of up to £55bn for HM Treasury while transforming life for the 20 million people who live in the immediate vicinity of Core Cities.<sup>3</sup>

Using a preventative toolkit based on real partnership between local, regional and national government can focus early intervention and innovation where it would make most impact. Scaling existing best practice and investing through local leadership and democratic accountability offers a

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<sup>1</sup> HM Treasury (July 2024), [Fixing the foundations: Public spending audit 2024–25](#).

<sup>2</sup> Analysis based on ONS (2023), [Gross domestic product \(GDP\)](#).

<sup>3</sup> Core Cities (undated), [Why Core Cities?](#)



new era of public service collaboration that supports the rebuilding of the foundations for long-term national renewal.

## Summary of recommendations

### Total Place 2.0 – long-term prevention

**We propose the introduction of new 10-year Local Prevention Plans – to be rolled out alongside Local Growth Plans.** We recommend that Local Prevention Plans are led by local authorities, with a supporting role for Mayoral Combined Authorities to provide shared services (including financing vehicles) where appropriate.

Each plan should set out a clear, prioritised list of place-based services to shift to prevention. These should be a blend of primary and secondary prevention interventions – some delivering a financial pay-off within a parliament, others within a decade, others still over the longer term.

Led by local government, key services including NHS integrated care system (ICS) healthcare services, schools and early years, Jobcentre Plus, and other public services should have a duty to cooperate in place, and to report into central government departments and Mission Boards.

The focus of plans should be on how place-based services can proactively support prevention and early intervention and transform outcomes in healthy working lives, the strongest start in life for children, and secure and affordable homes for all.

Each plan should set out a shared set of outcomes, signed up to by local leaders, mayors, ministers, government departments and national agencies.

### **Prevention Deals for public service reform should be agreed between government and each Core City on the basis of 10-year Local Prevention Plans.**

They should operate at local level as modernised Local Strategic Partnerships, including gainshares for public services, enabling places to accrue dividends to reinvest or build up local resilience funds for crisis preparedness.

Deals should include agreement between upper-tier local authorities and government on how local leadership will use innovative approaches to public service reform to test preventative delivery in priority areas, demonstrate changing outcomes and incorporate policy initiatives including devolved employment support.

In return, government should support the sharing of data, expertise and capacity from across government, and it should establish a National College for Public Services.

Reporting progress into central government Mission Boards, deals in places should start by expanding ‘trailblazer’ devolution deals and single settlements in the next Spending Review period to agree pilot Total Place-style budgeting approaches.

Outcomes-based accountability should be embedded into the delivery of programmes, linked to key missions, in order to shift incentive structures and reward success.

## **Funding for prevention**

**Local government should have funding flexibilities to turn the tide now.** Two currently acute examples are in providing temporary accommodation for people facing homelessness and asylum seekers and refugees, and in children's placements.

While revenue funding is core to people-centred services and enhancing preventative approaches, there is a role for investing capital now to prevent further revenue loss locally in addressing acute issues such as housing support.

Local authorities should have more flexibilities within their capital and revenue budgets to invest in solutions such as acquiring residences to lower the cost of temporary accommodation and should be able to prioritise revenue for other services.

### **Government should develop a range of possible approaches to funding preventative programming, including:**

- Central: a central Prevention Fund, with long-term time horizons, held to account by an external body (e.g. the Office for Value for Money), with a mission to save £2 for every £1 invested.
- Joint, centrally led: a 'central mandates' approach, with HM Treasury building in pooled budgets, a duty to cooperate and a requirement for a share of spend to go to prevention.
- Joint, locally led: a 'local incentives' approach, allowing and encouraging – potentially through non-binding financial incentives – the pooling of funding across silos in a place with ring-fenced budgets for prevention.
- Local: a 'creative financial vehicles' approach, mobilising private funding through contract-for-differences approaches, as in, for example, social bonds.

### **This should be backed by reforms to the architecture of public finances to deliver significant benefits:**

- Needs-based budgeting and a Fair Funding Review for local government.
- Transparent place budgeting, with a published place-by-place local authority and subregional breakdown of planned total public spending.
- Clear mandates to cooperate, with legal obligations on the NHS, Jobcentre Plus and other service leaders to partner with local authorities and combined authorities in England.
- New legal vehicles: ensuring that the legal powers are in place for local government and agencies to pool budgets; and establishing long-term funding settlements for prevention and a new framework for accountability.<sup>4</sup>

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<sup>4</sup> New Local and Future Governance Forum (January 2024), [Place-based public service budgets: Making public money work better for communities](#).

- Simplified Whitehall–local funding: building on Ministry of Housing, Communities and Local Government (MHCLG) funding simplification pilots for capital local growth pots, the government could simplify funding around outcomes (e.g. housing, children’s services, social care).

# 1

**The Core Cities will be  
central to national renewal**

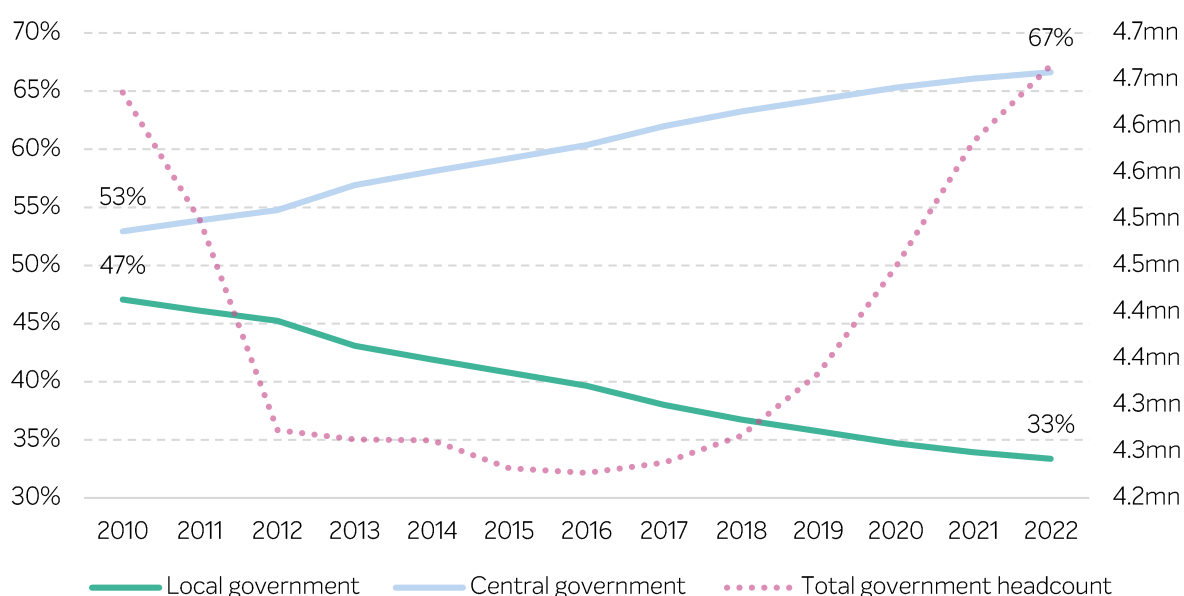


# 1 The Core Cities will be central to national renewal

The new government has inherited an economy and a public sector in need of a reset. Economic stagnation has left the Exchequer with billions of pounds less tax revenue than was expected even in the depths of austerity; and public services have shrunk to a beleaguered frontline.

The shape of the state has shifted over the last 14 years too. The balance of finance and labour force has moved away from local leadership and towards national and devolved governments. At the same time, a new tier of metropolitan governance is emerging through city deals and Mayoral and County Combined Authorities across the UK.

**Figure 1: Share of total UK government employment rates, full-time equivalent, 2010–22**



*Source: Centre for Progressive Policy (2023), [Funding fair growth: How to transform the UK economy](#).*

Now, the UK stands at a juncture. Without reform, we risk passing a tipping point, moving from stagnation to collapse. But with reform, we can realise a virtuous circle of faster growth, better services and rising wellbeing in all parts of the country.

The new government has placed growth at the forefront of its five missions for the country. In the medium term, growth and improved public services are inseparable: without healthy, well-educated communities, well connected to businesses, which are in turn enabled by the state, our growth ambitions will continue to fall short.

This means we need to act now on public service reform as well as growth – especially as some of the fruits of prevention will not be seen for years. And we must learn to reform in a new, more complicated landscape, with a more mature devolution settlement across the UK’s four nations and within England.

The good news is that we have managed it before, and – by working in partnership – we can manage it again, through a decade of national renewal.

## **Reversing relative decline: Cities can lead the UK’s economic and social regeneration**

The UK is 15 years into a relative economic decline, once more becoming the sick man of the OECD. Our productivity rates were catching up with France, Germany and the US during the 1990s and early 2000s. That catch-up came to a halt following the financial crisis. Since 2008, our productivity gap with those three countries has doubled – amounting to £3,400 per person per year in lost output.<sup>5</sup>

One of the widely recognised barriers holding back the UK is the weak productivity performance of our cities outside of London. The OECD has found that the UK is the only major country in the world that fails to demonstrate so-called agglomeration productivity benefits<sup>6</sup> – the gains from deeper labour markets and more complex supply chains as an urban economy grows in population. This is in part due to the hard infrastructure of our cities, with UK cities set to become more congested, much sooner, than in other countries.

In fact, the situation is worse than that. Not only are our cities failing to hold up the UK’s other local economies: they are in fact worse off than average – facing higher rates of deprivation and ill health, and struggling to develop the skills of children born and raised within their boundaries. Between a fifth and a quarter of all of the UK’s most deprived neighbourhoods are in the Core Cities – around twice the rate of deprivation of the country as a whole.<sup>7</sup>

As a result, long-term under-investment in our people and our infrastructure means (as Figure 2 shows) that the UK’s cities – even London – underperform economically relative to their counterparts in Western Europe, the US and Canada.

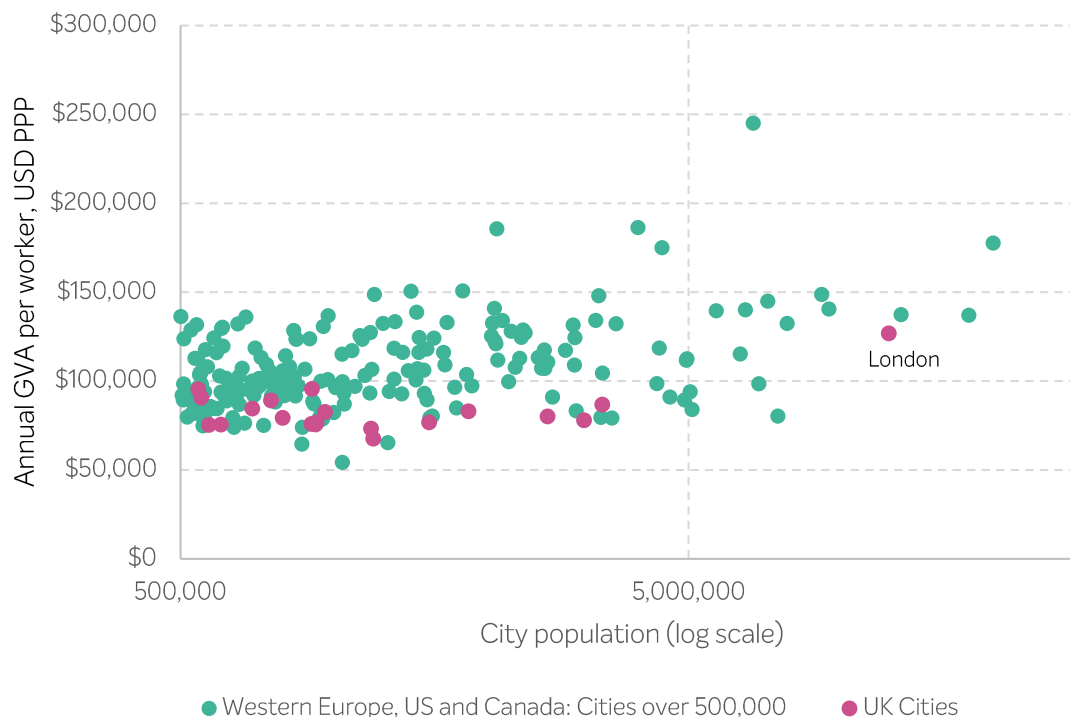
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<sup>5</sup> Resolution Foundation (December 2023), [Ending stagnation](#).

<sup>6</sup> OECD (June 2020), [Agglomeration economies in Great Britain](#).

<sup>7</sup> As measured by the Index of Multiple Deprivation’s top decile.

**Figure 2: Our productivity gap – driven by stubborn poverty and decades of under-investment – means *all* UK cities underperform**



*Source: author’s analysis of OECD (2019), [Functional urban areas data](#).*

The prize, if we can tackle our twin challenges of growth and social inclusion, is huge: realising the Core Cities’ agglomeration benefits would drive up their productivity by around 4%, or by nearly £30bn.<sup>8</sup>

But if we could close the gap on public service outcomes too, raising productivity per worker to levels more typical of European or American cities, we would see the productivity of city regions increase by almost one-third (bringing them more in line with London). Research by Core Cities and the RSA previously estimated that closing the productivity gap would mean a potential boost to GDP of £100bn per year in cash terms.<sup>9</sup> Analysis of more recent GDP figures from 2023 suggests a larger potential GDP gain of £230bn.<sup>10</sup> This would deliver additional tax revenue of up to £55bn for HM Treasury while transforming life chances for the 20 million people who live in the immediate vicinity of Core Cities.<sup>11</sup> And it is the best path to a fiscally responsible UK in which all places and people flourish.

<sup>8</sup> Based on Core City regions generating 26% of UK activity; a typical agglomeration elasticity of 0.04, as per OECD (March 2020), [Enhancing productivity in UK Core Cities](#); and an estimate that peak-time congestion and weak public transport networks holds back effective city size by 50%.

<sup>9</sup> Core Cities and the RSA (September 2023), [Unleashing the potential of the UK’s cities](#).

<sup>10</sup> ONS (2023), [Gross domestic product \(GDP\)](#).

<sup>11</sup> Core Cities (undated), [Why Core Cities?](#)



# 2

## The opportunities to support growth and renewal: From childhood and for healthier adult lives



## 2 The opportunities to support growth and renewal: From childhood and for healthier adult lives

### Reimagining public service reform for the mid-2020s: Putting prevention first

Public service reform is an umbrella term for a range of attempts to improve the performance of public services – by changing the way in which services are organised; the roles and responsibilities of different institutions in delivery; and the metrics that we use to define the success or failure of services.

Since the 1980s, public service reform has been associated with policy tools ranging from the use of clearer accountability targets for public sector employees; to greater transparency over these targets in league tables; to a focus on service users as consumers and importing the techniques of private sector consumer management; to greater use of the private sector in the direct delivery of public services.

After a generation of experimentation, these policy tools are being re-evaluated. The role of the private sector in provision has been called into question following several high-profile bankruptcies (such as Greensill) and concerns about the public sector's capacity to effectively draft and manage contracts, as well as the challenge that only easily measurable low-hanging fruit can be contracted for in the first place.

But, as we will argue in this paper, a broader critique has emerged that stresses the need for a focus on **preventative public services**, rather than simply more cost-effective delivery of existing public services. That shift to prevention, as we shall see, has a bearing on service delivery in turn – requiring longer-term, cross-organisation, relationship-based public services, for which the older approach to public service reform is less relevant.

Why preventative public services? One of the major effects of austerity on local government in England has been to massively reduce spending on preventative programmes and services.<sup>12</sup> Cuts to preventative budgets, paired with a broader lack of focus on prevention, has contributed to increasingly higher costs of delivering services, while outcomes have deteriorated.

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<sup>12</sup> The King's Fund (November 2023), [Spending on public health](#).

The net effect of this has not been an overall reduction on expenditure – rather, it has led to a toxic combination of higher total expenditure and worse overall outcomes across numerous services.<sup>13</sup> Many services now see far higher costs paired with worse overall outcomes.

The general trend across many services is that a lack of capacity for early intervention upstream has led to higher costs flowing downstream, into more costly and complex ‘late intervention’ services. To take one example, estimates suggest that the annual cost of child poverty to the Exchequer has risen to around £39bn a year.<sup>14</sup>

This has been exacerbated in turn by national funding formulae in England. Research by the Institute for Fiscal Studies (IFS) has found that the distribution of funding for local government varies significantly relative to the needs of different areas – cities such as Sheffield, Liverpool and Bristol receive less in funding than their estimated need.<sup>15</sup>

## A conceptual toolkit: Primary and secondary prevention

The language of prevention is best known in the health sector. Under the standard definition, primary prevention is concerned with preventing the conditions for disease or ill health from developing in the first place, while secondary prevention is about detecting and managing early indications, before ill health can develop or escalate. Our proposal is that the same distinction can be applied to social issues outside of the healthcare system, and that this in turn ought to shape our approach to policy design and funding. In this interpretation, we can imagine primary and secondary prevention as:

**Primary preventative public services:** those investments we can make today to prevent social problems developing in the future – often led by local governments in their communities, enabling environments for people to live healthier lifestyles and improve long-term health, investing in education to raise employment prospects and income, and building social and cultural capital and infrastructure to keep communities safe and resilient.

**Secondary preventative public services:** investments we can make that will intervene early when someone has an issue, to prevent the issue from getting worse. These will often involve a person’s first contact with public services. They will often be what could be characterised as health interventions, or interventions that are necessary when a person changes status in a way that is strongly associated with escalating social and economic challenges – such as supporting care leavers or those who become inactive due to long-term illness.

All forms of prevention struggle in the face of demand to treat acute ‘symptoms’ of a social or economic problem. In turn, prevention at earlier stages sees relatively less investment, as its benefits are long term, harder to quantify and by definition invisible (a problem avoided).

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<sup>13</sup> National Audit Office (NAO) (November 2021), [The local government finance system in England: Overview and challenges](#).

<sup>14</sup> Child Poverty Action Group (CPAG) (March 2023), [The cost of child poverty in 2023](#).

<sup>15</sup> IFS (August 2023), [How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending](#).

Shifting to (earlier stages of) prevention is also a management problem, as whole professions, organisations and budgets have been designed around addressing symptoms. Even in healthcare, where the benefits of prevention are clearer and where savings can be internalised more easily within the NHS, these bureaucratic and political challenges prove almost insurmountable.

Take the example of healthcare. Especially in Core Cities in England, NHS general and acute spending has risen sharply in real terms over recent years (see Figure 3).

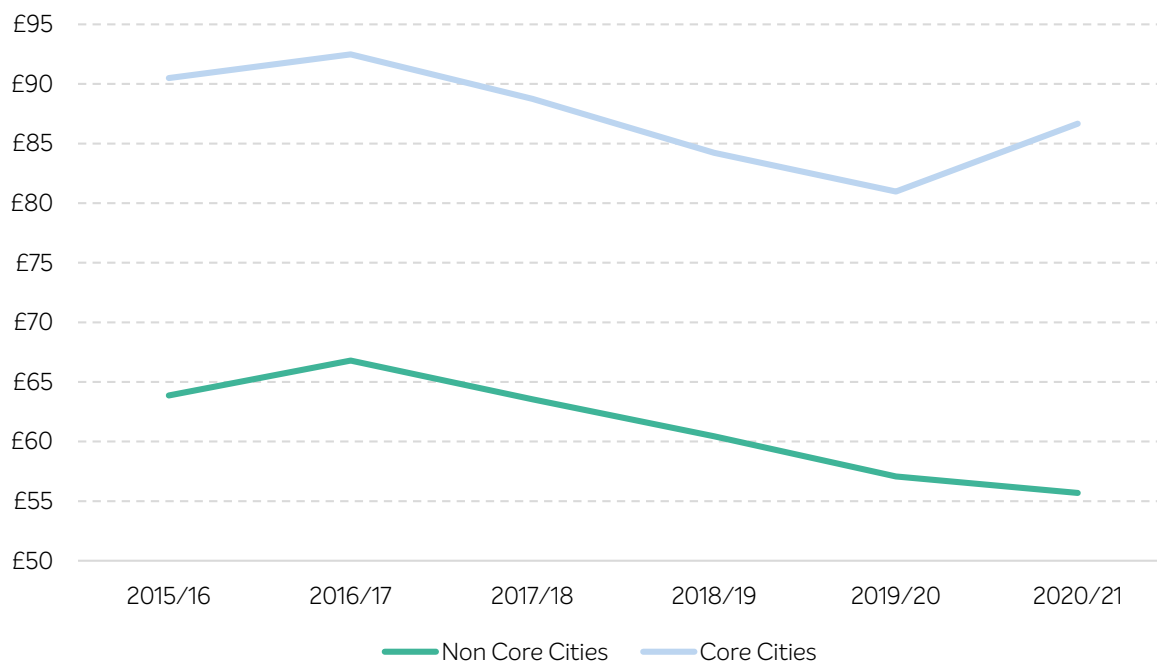
**Figure 3: Spending on NHS general and acute services per head across England, with the Core Cities matching the national trend (real terms, GDP deflator)**



*Source: author's analysis of HM Treasury (2024), [Public expenditure statistical analyses \(PESA\)](#); NHS England 92024), [Allocations](#).*

At the same time, spending on prevention – as proxied by the Public Health Grant – has fallen in real terms, as spending on the NHS has surged (see Figure 4).

**Figure 4: Per capita spending on the Public Health Grant in England (real terms, GDP deflator)**

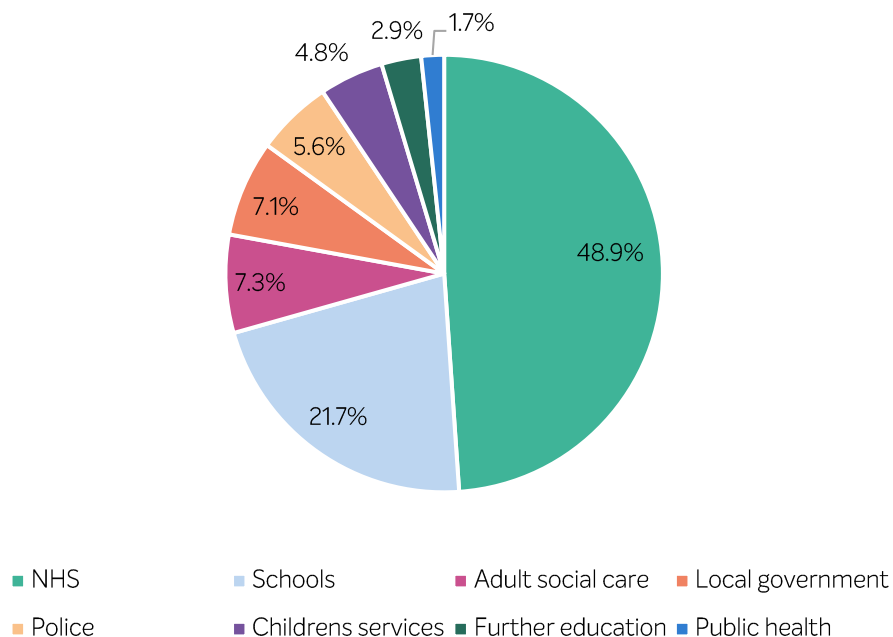


*Source: authors' analysis of MHCLG (2024), Local authority revenue expenditure and financing.*

As NHS budgets have risen while other public sector budgets have been frozen, spending on the NHS now accounts for just under half (48.9%) of broad public sector spending in English Core Cities (see Figure 5).<sup>16</sup>

<sup>16</sup> Note: while we cannot reliably estimate NHS spending per head in Belfast, NHS spending per head in Northern Ireland is broadly similar to spending in Great Britain.

**Figure 5: Breakdown of total public expenditure on select services across the Core Cities in England**



*Note: 'local government expenditure' excludes expenditure on public health, adult social care and children's services. Public service expenditure estimates are calculated by taking spending per service per head across each Core City, aggregating total spending across each city and then breaking down total spending as a proportion of the populations of all of the eight Core Cities in England.*

*Source: author's analysis of local authority revenue expenditure and financing; IFS (August 2023), [How much public spending does each area receive?](#)*

But all this additional spending on acute services has not led to better outcomes. More patients than ever are waiting for care, with over six million individual NHS patients waiting for treatment in England, over 300,000 of whom have been waiting over a year.<sup>17</sup>

The amount of time people spend in poor health has increased, as has the gap in healthy life expectancy between the most and least deprived areas, which is now nearly 20 years. Yet we know that the contribution of the NHS to population health outcomes is only somewhere between 10% and 20%: the rest is the result of social, cultural and economic factors, which are often the responsibility of agencies such as the police, schools or local government.<sup>18</sup>

<sup>17</sup> British Medical Association (BMA) (July 2024), [NHS backlog data analysis](#).

<sup>18</sup> Dame Clare Moriarty, NHS England (July 2023), [Acting on the wider determinants of health will be key to reduce demand](#).

In the story of our health service, we see the impact of previous cuts to prevention (driving higher costs and worse outcomes), the importance of working across policy areas within a place and the potential outcome efficiencies that could be achieved if we get reform right.

## Prioritising reforms

If the government is serious about investment and reform to deliver higher-quality, financially sustainable public services, where should it begin?

There is no precise technical answer to this question. The best place to start will be where there is a large fiscal prize, and where there is political and administrative capacity to act. Following engagement with our partners in local government, and our analysis of where the most promising cost savings may be found, we suggest the following focus in each category:

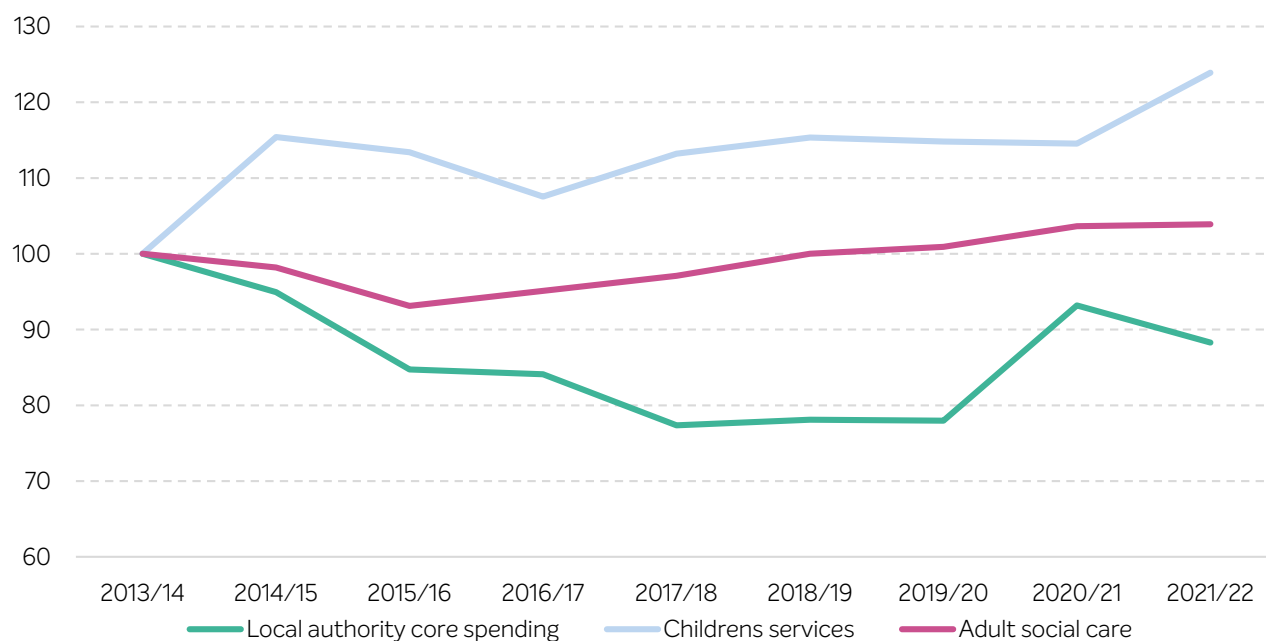
**Primary preventative public services:** investing in anti-child-poverty initiatives for prevention at the earliest intervention in life among public services.

**Secondary preventative public services:** drawing together secondary prevention between local government, health and partner services for healthier adult lives – investing in ‘WorkWell’ initiatives, designed to support people of working age back into employment, and services that impact wider determinants of health and life chances such as preventing homelessness.

## The case for primary preventative reform: early years and child poverty

Since 2013, local authority spending on adult and children’s services in England has steadily increased, at a time when the overall budget has fallen (see Figure 6).

**Figure 6: Children’s and adults’ services shares of English Core Cities budgets (2021/22 prices, 100 = 2013/14)**



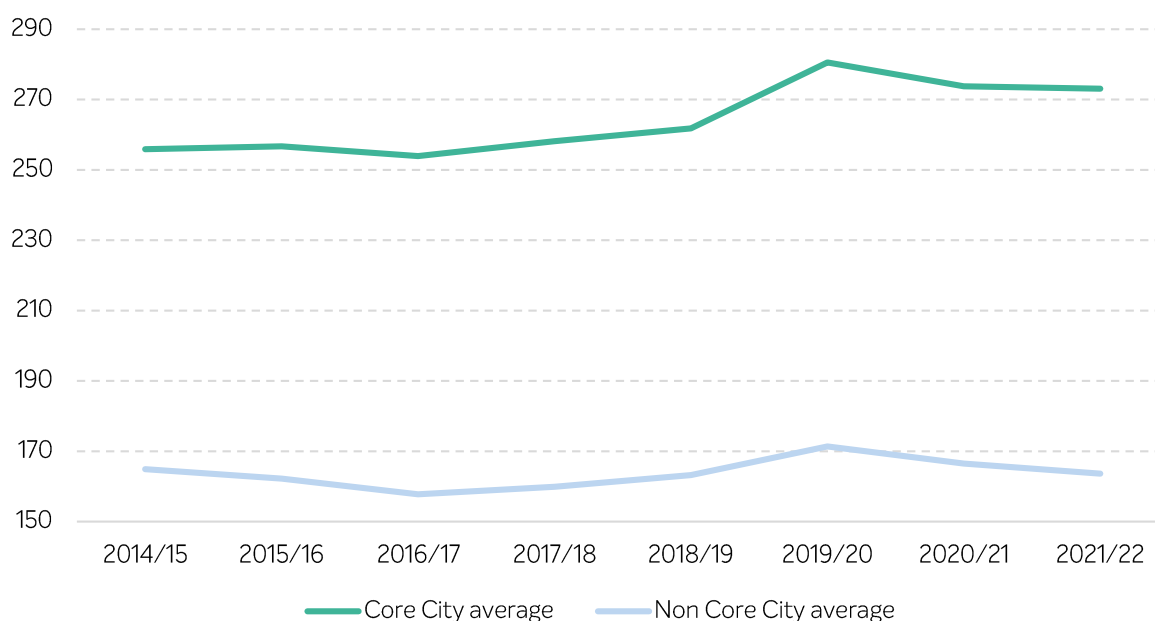
Source: author’s analysis of MHCLG (2024), *Local authority revenue expenditure and financing*.



In contrast to these real-terms rises in child (and adult) social care, the IFS has found that all other local government services have seen significant cuts, with the deepest (70%) being in youth services.<sup>19</sup>

Preventative services have again been cut in favour of acute support. Today, 80% of English local authority spending on children’s services is on ‘late interventions’, where children have already experienced or are at risk of harm, with spending on early intervention services having halved since 2010. As Figure 7 shows, levels of child poverty have been steadily increasing in recent years in the Core Cities while, on average, levels of absolute child poverty have remained broadly stable. Nonetheless, other measurements of child poverty – particularly those that account for housing costs – point to broader increases, felt widely across the population.

**Figure 7: Absolute child poverty rates, per 1,000 children**



*Source: author’s analysis of Department for Work and Pensions (DWP) (2024), Children in low-income families: Local area statistics.*

The costs of failing to curtail rising child poverty are economic as well as social. The Child Poverty Action Group (CPAG) has estimated the cost to the Exchequer of child poverty across the UK to be around £39bn per year.<sup>20</sup> CPAG estimates additional costs of around £4.5bn to the school system, £4.2bn to children’s social services and £3.5bn to health services as a result of persistent child poverty.<sup>21</sup> On average, children growing up in more deprived areas tend to achieve lower grades finishing primary school – with higher educational outcomes correlated with higher levels of local

<sup>19</sup> IFS (June 2024), How have English councils’ funding and spending changed? 2010 to 2024.

<sup>20</sup> CPAG (March 2023), The cost of child poverty in 2023.

<sup>21</sup> CPAG (March 2023), The cost of child poverty in 2023.

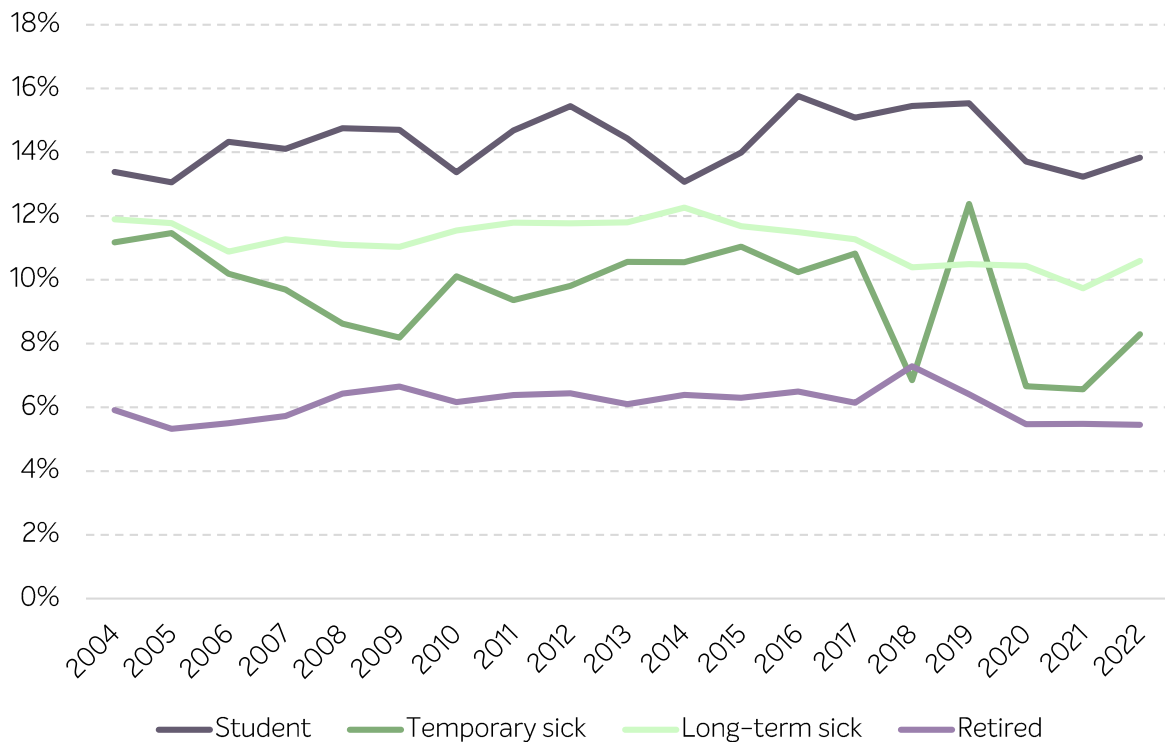
productivity growth and stronger local labour markets.<sup>22</sup> CPAG estimates the loss of future earnings due to child poverty at around £12.3bn per year.<sup>23</sup>

## The case for secondary preventative reform: Healthy adult lives and work

Poor health outcomes are constraining the capacity of UK cities to grow their economies. Core Cities estimates that 40% of low productivity in the Core Cities is linked directly to some form of deprivation.<sup>24</sup>

Increases in poor health have led to a surge in people becoming economically inactive due to long-term illness.<sup>25</sup> As Figure 8 shows, around 11% of those who are inactive due to long-term ill health live in the Core Cities, roughly in line with their share of the UK's population.

**Figure 8: Core Cities' share of UK economically inactive working-age population**



Source: author's analysis of ONS (undated), *Annual population survey (APS)*.

<sup>22</sup> Centre for Progressive Policy (October 2022), [New Horizons: Transforming educational opportunities to support inclusive growth](#).

<sup>23</sup> CPAG (March 2023), [The cost of child poverty in 2023](#).

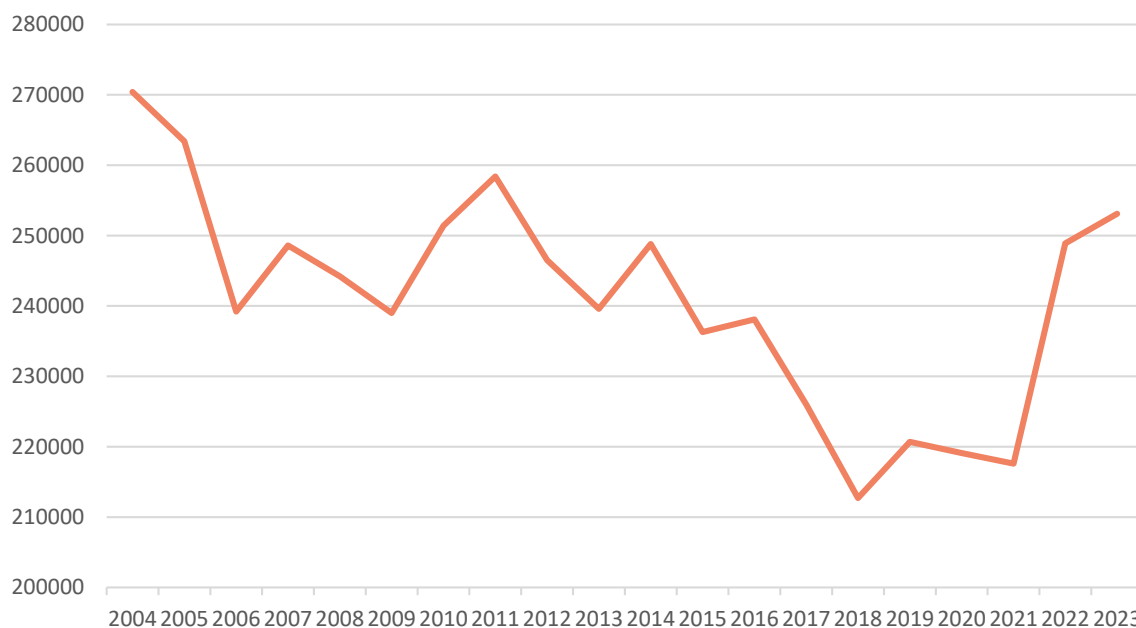
<sup>24</sup> Core Cities (April 2022), [Levelling up cannot happen without successful cities](#).

<sup>25</sup> Centre for Progressive Policy (July 2023), [The UK's worsening public health is hurting the labour market](#).

The UK has a higher incidence of preventable illness than comparable European countries, and the number of working-age people reporting multiple health conditions has soared in recent years.

In particular, there has been a significant rise in long-term sickness since the pandemic (see Figure 9). If inactivity could be reduced to 2018 levels in the Core Cities, creating 40,400 jobs, there would be a positive impact on the public finances of £600m net.<sup>26</sup> That creates a basic financial case for investing to support those closest to the labour market back into work.

**Figure 9: Economic inactivity levels due to long-term sickness in all Core Cities, 2004–23**

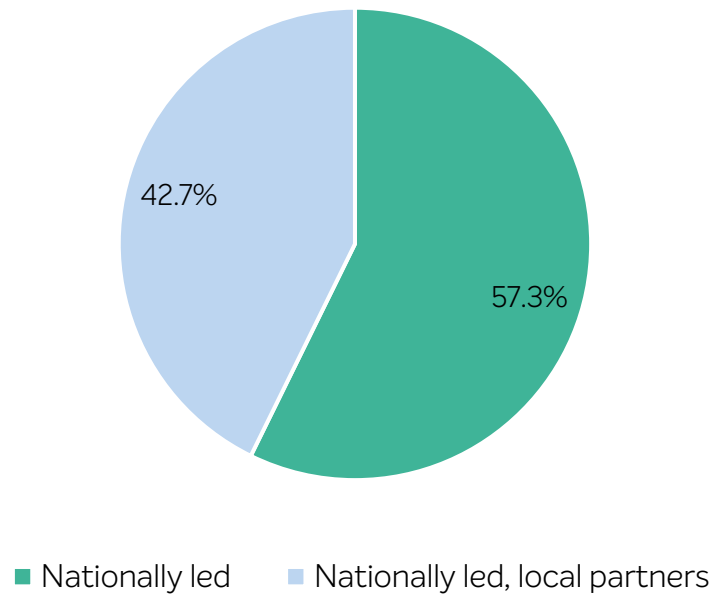


*Source: author's analysis of ONS (undated), Annual population survey (APS).*

However, any government seeking to act on health would face an administrative and policy environment that is fragmented and – in some places – hollowed out. Here too, we see the impact of budgets being held by different agencies and at different scales, with no shared strategy or approach for people in a given community (see Figure 10, on the national/local skew of employment and skills support).

<sup>26</sup> Note: according to the OBR's ready reckoner. A similar short-hand – of each person moved from inactivity into full-time employment generating £5,000 additional tax revenue and reducing the welfare burden by £10,000 – generates the same result.

**Figure 10: Breakdown of delivery models for employment and skills spending initiatives, 2021**

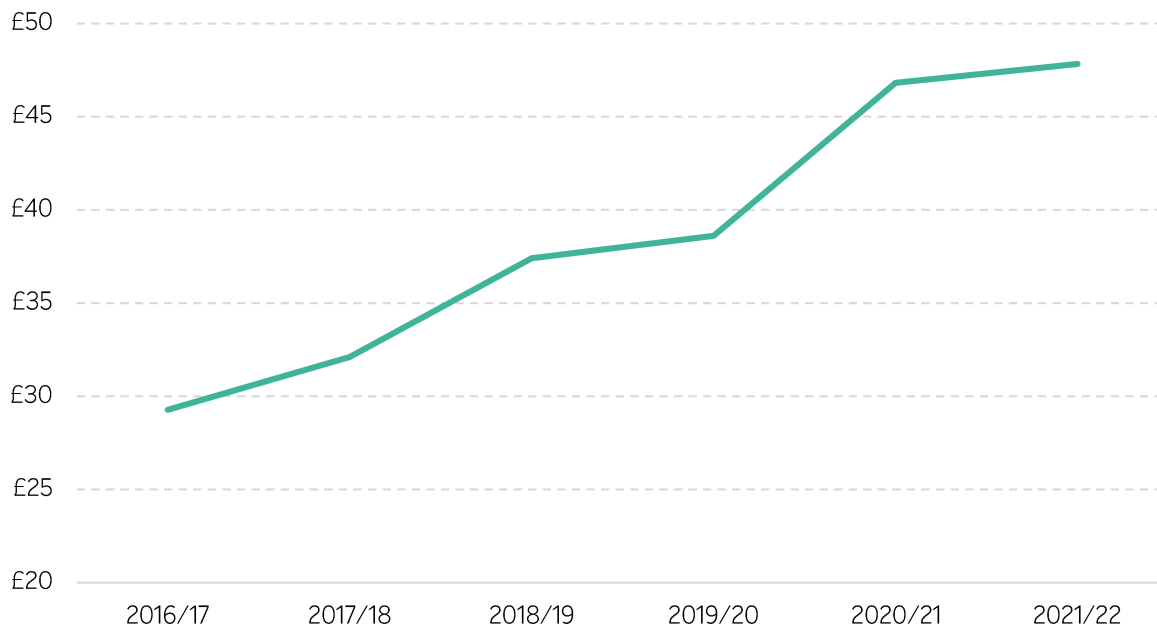


*Note: principal government bodies owning the majority of the nationally led employment and skills schemes spending portfolio are the Department for Education (DfE) and the DWP.*

*Source: author's analysis of 44 employment and skills initiatives collated in Local Government Association (LGA) (2021), [National employment and skills related provision](#).*

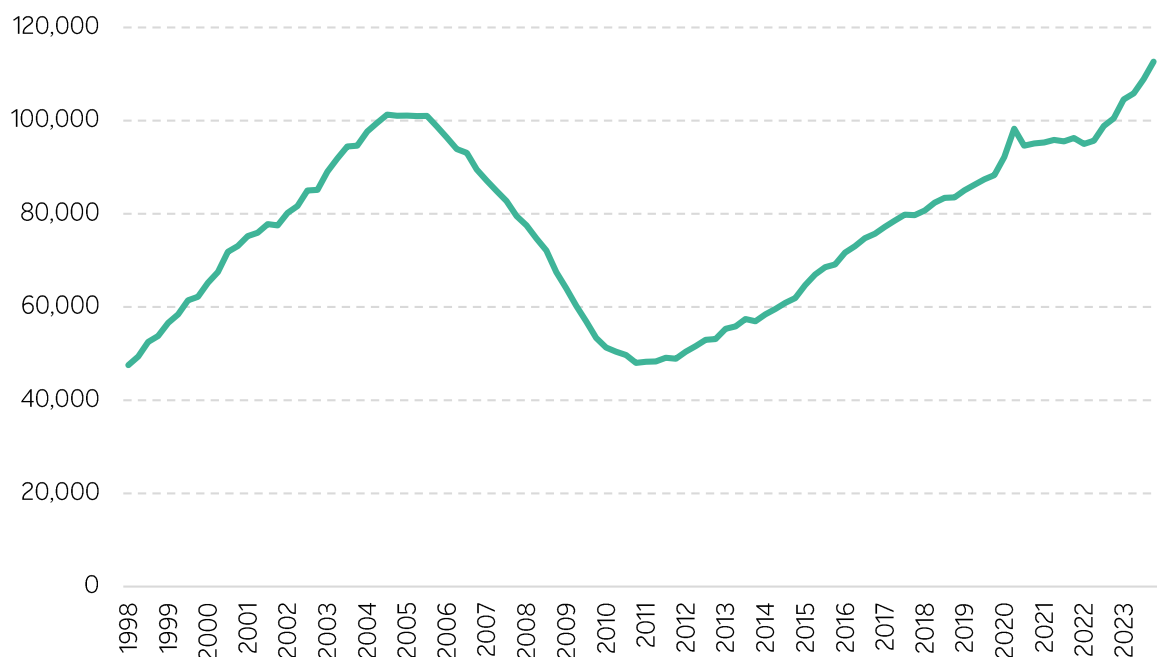
The rise in levels of homelessness, and particularly households living in temporary accommodation, since 2010 is stark. The costs of providing temporary accommodation, a statutory duty of local authorities have increased significantly (see Figure 11). This is because of both rising numbers of households being placed in temporary accommodation (Figure 12) and the relative shortage of affordable permanent housing – especially social housing – in large cities. As a result, homelessness levels across England are now at an all-time peacetime high.

**Figure 11: Average per capita spend on housing services across the English Core Cities (real terms, GDP deflator)**



Source: authors' analysis of MHCLG (2024), *Local authority revenue expenditure and financing*.

**Figure 12: Number of households in temporary accommodation in England, 1998–2023**



Source: MHCLG (2024), *Tables on homelessness*.

The Homelessness Reduction Act (2017) introduced a statutory duty on local authorities to attempt to prevent homelessness. At the time of its introduction, however, it did not come with sufficient funding. It was only several years later, at the end of 2022, that a substantial sum of funding came in the form of the Homelessness Prevention Grant in England.

Many people experiencing homelessness have multiple complex needs. Getting to grips with their challenges will require integrating a wide range of local services: social care, probation, domestic abuse, mental health, youth, and drug and alcohol services.<sup>27</sup> Here too, we encounter the familiar problem of budgets and teams being kept in silos, leading to an individual facing multiple services that do not talk to one another.

While there have been numerous initiatives designed for homelessness prevention – for instance the Flexible Homelessness Support Grant, Homelessness Prevention Trailblazer and Rough Sleepers initiative – these have often fallen short of their potential due being short-term, cash-limited and capacity-intensive.<sup>28</sup>

Taking steps to alleviate housing constraints, and to support people at risk of becoming homeless in the first place, would therefore ease funding pressures on local authorities.

But local authorities face significant barriers to action, even following the welcome introduction of the Homelessness Prevention Grant. They remain limited in their powers to fund and develop new affordable housing directly. The majority of funding remains tied to a national delivery body, Homes England.

**Figure 13: Core Cities’ share of additional affordable housing supply in England, 1991–2023**



*Source: MHCLG (2023), [Affordable housing supply in England: 2022 to 2023](#).*

As Figure 13 shows, the Core Cities’ share of new affordable housing supply has been steadily falling since the early 1990s. The new government is committed to reforming planning policy to facilitate

<sup>27</sup> LGA (December 2020), [Rethinking homelessness prevention](#).

<sup>28</sup> LGA (December 2020), [Rethinking homelessness prevention](#).

higher levels of housebuilding, including social housing, but the detailed policy options for financing higher levels of social housing development in areas with acute needs are still in development.

There are significant economic and social benefits to alleviating homelessness and, more broadly, the housing crisis. Reducing levels of homelessness will not just reduce the costs borne by local authorities on housing services: it would also ease pressures on other related services, as discussed above. More broadly, efforts to increase housing supply across multiple tenures would help to lower costs – particularly among poorer households, which spend as much as three and a half times more on housing costs than richer households.<sup>29</sup> Nationally, it would help to reduce the amount spent on housing benefit – around £14.3bn in England last year, with the Local Housing Allowance (LHA) being raised to match the bottom 30% of private sector rents across local authorities.<sup>30, 31</sup>

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<sup>29</sup> IFS (November 2023), [Housing costs and income inequality in the UK](#).

<sup>30</sup> House of Commons Library (June 2023), [Estimates Day debate: The spending of the Department for Work and Pensions](#).

<sup>31</sup> Resolution Foundation (December 2023), [A temporary thaw: An analysis of Local Housing Allowance uprating over time](#).



# 3

## Local innovation is already leading the way



## 3 Local innovation is already leading the way

Much of the public service reform programme experience described in the previous section was initiated through central government policy. In recent years, the Core Cities have demonstrated local innovation within fiscal constraints, on their own and with partners including combined authorities in England and some with government support. They have led projects and programmes that approach public service delivery in a way that enables local leadership and services to collaborate and increase their impact on specific outcomes, including around employment support and children's services. Specific examples of city-led projects and their impact follow.

### Primary prevention: Early years and children's services

**Bristol** City Council leads the Keeping Bristol Safe Partnership, which has adopted a trauma-informed practice approach to frontline service delivery, starting with a prevention-first approach in children's services grounded in the understanding that trauma exposure can impact an individual's development. The person- and family-centred approach focuses on preventing harm to children and poor health, education and employment outcomes into adulthood. The partnership brings together the services of the city council, NHS Integrated Care Board and local police to join up services and physical spaces such as Family Hubs, to ensure that the approach provides services to children at every opportunity needed. The Partnership has reduced the number of re-referrals to children's services over recent years and has positively impacted outcomes including in improving children's health, reducing domestic violence, and enabling more care leavers to move into employment, education or training.

The five-year **Leeds** Children and Young People's Plan sets out for the city a clear set of missions for children to have the best start in life, as part of the city council's wider Best City Ambition. The five children-centred outcomes focus on wellbeing from all angles and galvanise action and partnership among services across the city including child protection, health, education and police services. Over a period of increased need for children during COVID and pressure on services, the approach has improved outcomes for children in school attainment, staying in education to age 19, health, and youth offending.

**Manchester** City Council, over a number of years, has worked with partners in the Greater Manchester city region on a preventative approach to public service reform with leadership in Our Manchester Investment Board. The city's redesign of children's services for an upstream approach to intervention has seen a reduction in the number of children in care since 2008, compared with a 35% increase nationally, alongside a 27% increase in the population of children and young people. The council created a complex safeguarding hub, codesigned with young people, which saw missing-from-home incidents among the cohort fall, from 94% before support to 22% after it.

## Secondary prevention: Employment support and healthy lives

**Liverpool** City Region's **Wealth and Wellbeing Programme** has been running since 2018 and aims to create a local economy that functions to not only stimulate growth but also support health and wellbeing. Activity relevant to this agenda has been in place across the six boroughs of the city region. This has included work on inclusive economies, health in the workplace, fair employment strategies, anchor institutions and other areas. The Wealth and Wellbeing Programme established, in the core thinking of the Liverpool City Region Combined Authority, that population health should not just be considered as a by-product of wealth generation but should be seen as a driver of shared wealth, and that good health is a valid economic goal. The route to that achievement lay in data analysis, wide engagement and advocacy.

**Manchester's** approach to public service reform targets improving priority outcomes including healthy life expectancy, children's start and attainment at school, and economic activity. Greater Manchester's Working Well programme, codesigned with HM Treasury, No. 10 and government departments, established devolved employment support and skills qualifications including wrap-around support and intensive key worker engagement with partner services and the voluntary sector. The city region has seen a 33% success rate among people who were furthest from the labour market and receiving health-related benefits, compared with a national average of 6%.

**Sheffield** City Council is leading the city's Changing Futures programme supported by government and bringing together the NHS, criminal justice, and voluntary and community sector partners. Government funding and National Lottery Community Fund support is boosting collective capacity to design person-centred interventions to support people experiencing multiple disadvantage, i.e. three or more of homelessness, substance misuse, mental health issues, domestic abuse and contact with the criminal justice system. Increasing capacity at frontline and strategic level across services is supporting an approach that tries new ideas and responds to learnings as they emerge, sharing and publishing insights on tackling specific issues. Two years into the programme, participants' levels of engagement, access to services and treatment, and wellbeing have all seen marked increases, with average cost to services per participant reducing particularly in acute health, safeguarding and criminal justice services. Sheffield is working with the NHS ICS to collaborate around its place remit on a neighbourhood approach across the city to local health and local preventative services, embedding lessons on what has worked well into a focus on community front-door access.

**Birmingham** has taken a proactive approach to homelessness prevention through its Homelessness Partnership Board, comprising more than 20 partners from across the voluntary sector including homelessness charities, registered landlords and the public sector. With Birmingham seeing one of the highest levels of rough sleeping among cities in the UK in recent years, the board seeks creative solutions among partners. These have included using vacant public sector buildings for temporary accommodation, preventing families from needing to be housed in bed and breakfasts and reducing service costs; working with housing associations and the voluntary sector to ensure safe provision of housing for vulnerable people, including care experienced; preventing increased housing out of area; and providing wrap-around support for people to access health, education and employment support services and remain in communities where they can build networks. The board works actively with the council, combined authority and government to raise emerging challenges and risks of individuals and families becoming homeless, working in partnership on how service and funding reform can further improve outcomes and efficiencies.

Greater **Manchester**'s homelessness prevention strategy sets out five missions that Greater Manchester partner organisations are committed to working towards to prevent homelessness. As well as ensuring joined-up support services across the city council, combined authority, public sector partners, and the voluntary and community sector, the strategy links into the wider housing strategy for the city region. The city region operates a Good Landlord Charter, a voluntary scheme for landlords who want to commit to higher standards than they are currently required to by law. This helps to work more closely with private landlords on providing high-quality housing across communities and to prevent no-fault evictions that would increase the risk of families becoming homeless.

## **Lessons from emerging best practice**

Experience in our Core Cities demonstrates lessons from individual projects and partnerships that can be scaled into a more preventative approach to place-based services:

**Local priorities need to be locally identified:** each place will have its own distinct local priorities and locally tailored initiatives. These priorities and the outcomes that should be agreed in relation to them should be locally determined.

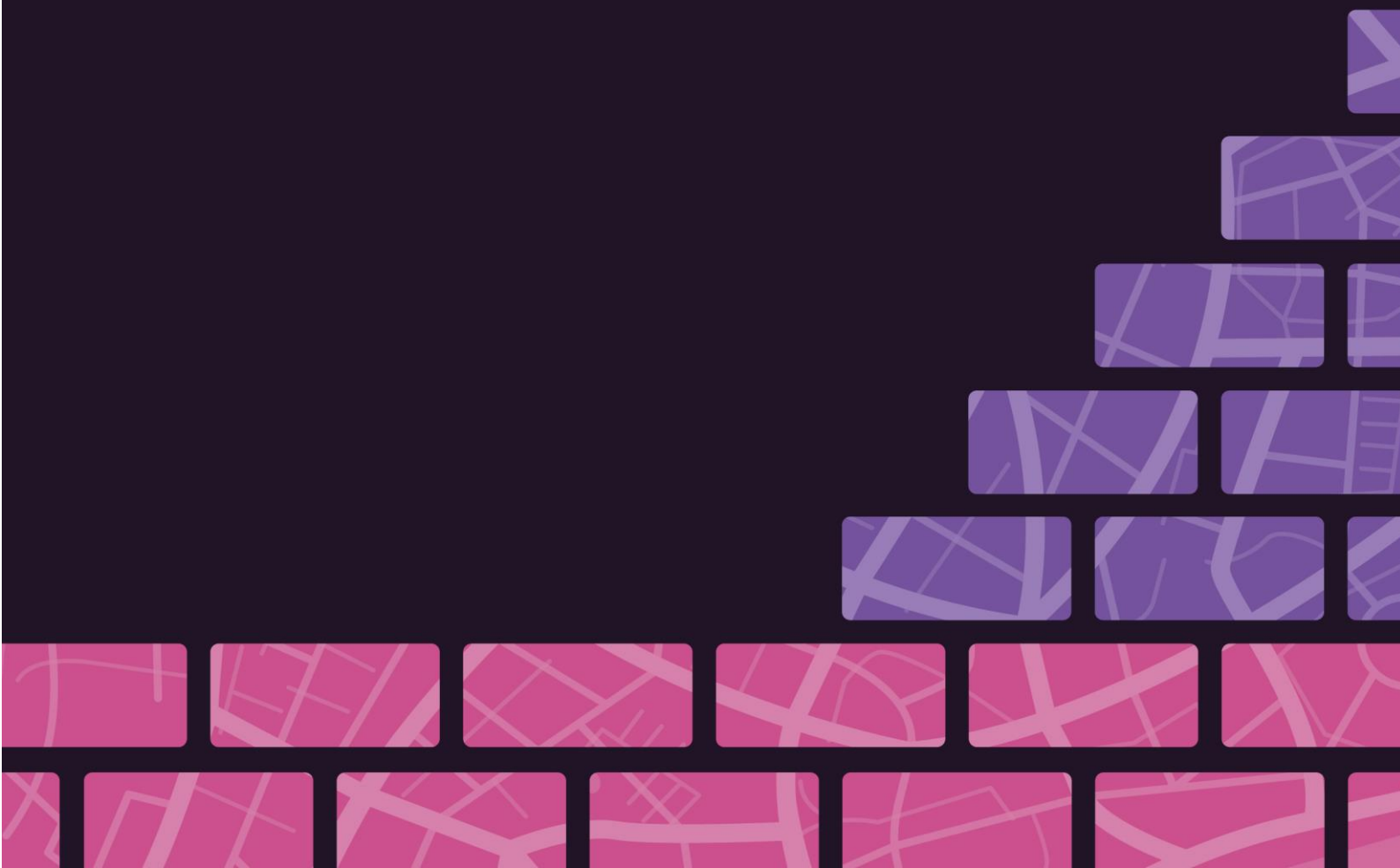
**System collaboration and partnership:** all successful programmes are multi-agency and multi-partner and need to be designed and delivered to reflect this. It's about how we can deliver prevention and improvement together, not just through councils or any other agency on their own.

**Impacts are measured over time:** These programmes deliver over years, not months, so they need long-term commitment and support.

**There is a scale challenge:** Many of the city prevention initiatives that have been taken over the last few years are quite small-scale. The challenge now is to increase their scale so that they benefit more of the local population, but without losing their disruptive and innovative design.

# 4

**Local reforms work best  
when supported by well-  
designed national policies**



# 4 Local reforms work best when supported by well-designed national policies

This section sets out lessons from select past public service reform programmes and draws on a review of policy research from prominent think tanks and thought leaders to suggest a set of principles on which to build public service reform in the new government from the mid-2020s, demonstrating how new programmes can learn from those which came before.

## Learning from the past

In thinking about how to make our public services work better for people and places, we are not starting from scratch. Government programmes such as Sure Start, Total Place, Whole Community Budgets and others have tried for decades to reform our public services to ensure higher-quality service delivery and better value for money.

### Sure Start

Sure Start is one of the longer-enduring preventative programmes, running since 1998. Evaluations find positive impacts, albeit with patchier data on individual take-up. Sure Start was established as a central government policy to support reducing child poverty and increasing early years support to improve school attainment later in children's lives. The programme was place-based and targeted better-joined-up services for young children and parents in communities experiencing high levels of deprivation. The programme was initially centrally rolled out, and then led by local authorities in later years.

The IFS found that Sure Start reduced the likelihood of hospitalisation among children of primary school age, with benefits increasing as children get older and accruing to those living in disadvantaged areas most. The poorest 30% of areas saw the probability of any hospitalisation fall by 11% at age 10 and 19% at age 11.<sup>32</sup> An additional IFS paper looking at the academic impacts of Sure Start found that children with greater exposure to Sure Start had higher educational attainment in primary and secondary school, improving their GCSE score by about one grade in one subject, and a reduction in special educational needs.<sup>33</sup>

Due to the lack of evidence on actual take-up of Sure Start programmes, the IFS's research could only approximate the impact of Sure Start by observing outcomes for children living up to 2.5km away from a Sure Start centre. The researchers estimated that the effect on those who actually used Sure Start was higher, improving attainment by approximately two to three GCSE grades at age 16.<sup>2</sup> This finding is the first in a research programme looking at the long-term benefits of Sure Start,

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<sup>32</sup> IFS (June 2019), [The health effects of Sure Start](#).

<sup>33</sup> IFS (April 2024), [The short- and medium-term impacts of Sure Start on educational outcomes](#).



with the next paper considering its impact on referrals to children’s social care and youth offending.<sup>34</sup>

Government removed the ring-fence in Sure Start funding for local authorities following the 2010 election. Faced with rising costs for statutory children’s social care responsibilities, spending on other services for the under-fives fell by 74% between 2010 and 2022.<sup>35</sup> The number of Sure Start (or equivalent) sites fell by over 40%, or by around 1,500 sites.

## **Total Place**

Total Place is an example of a whole-area approach to public services, where local public services work together to deliver better value to citizens by focusing on joint working and reducing waste and duplication. The goal was to improve outcomes and value for money by mapping local public expenditure and identifying how resources could be better aligned to deliver more efficiently and effectively.

The original pilot programme, which ran from 2009 to 2010, partnered with 13 places to address a specific local challenge (rather than being an all-encompassing ‘single pot’). Its approach brought together partners and funding under shared local leadership, encouraging innovation and risk-taking and providing a mechanism to support national peer learning.

These pilot programmes did not have the chance to fully develop, but early evaluation found benefits in breaking down silos, exploring new modes of delivery and understanding detailed funding in places. A government report found that if local areas were able to find, on average, an additional 2% in savings from 2013–14 on locally controlled elements of public spending, Total Place could generate savings in excess of £1.2 billion per year.<sup>36</sup> The benefits attributed to the pilots reiterate the need for a longer run time on projects in order to observe long-term outcomes.

Beyond longer run times, impact reports on Total Place stress the importance of counting, communication, codesign and commitment in public sector reform (PSR). Determining actual public spending in a place with local agencies/partners, breaking down barriers between local government and partners as well as local and central government, codesigning services in new ways with service users and residents, and commitment from senior local and central champions as well as working-level officers and those in joint project teams are key to shifting the way we deliver public services throughout our places.<sup>37</sup>

## **Whole Place Community Budgets**

Centred around the idea of budget aggregation, Community Budgets sought to reform public service provision to achieve desired outcomes with fewer resources by reducing duplication and waste and

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<sup>34</sup> IFS (April 2024), [The short- and medium-term impacts of Sure Start on educational outcomes](#).

<sup>35</sup> Institute for Government (IfG) (October 2023), [Performance tracker 2023: Children’s social care](#).

<sup>36</sup> HM Treasury and Department for Communities and Local Government (DCLG) (October 2010), [Total place: A whole area approach to public services](#).

<sup>37</sup> HM Treasury and DCLG (October 2010), [Total place: A whole area approach to public services](#).



increasing integration. This programme was piloted in Greater Manchester, Essex, West Cheshire and the West London tri-boroughs in 2012, with an initial cost to government of £4.8 million and important learnings for how joint working and resource alignment can improve the impact of public services.

It was observed that the potential for better outcomes and financial benefits from Community Budgets depended on the socioeconomic conditions of the local area (specifically, levels of deprivation and dependency), governance and leadership (including a history of partnership work and the maturity of collaborative governance structures), and local factors and national pre-conditions. The report also found that if the integrated service delivery approaches implemented by the four local areas were rolled out across England, there could be potential to deliver a net annual benefit of between £4.2bn and £7.9bn when fully up and running (generally after five years).<sup>38</sup>

An NAO report found that despite a history of initiatives with similar objectives, there is limited evidence of the contribution of joint working and resource alignment to improving the impact of public services. It concluded that longer term, achieving value for money would require the department and local areas to sustain commitment to careful implementation and robust evaluation to identify the actual costs and benefits of new, more integrated ways of working.<sup>39</sup> This supports several of the themes identified above, namely that PSR programmes need longer run times and sustained efforts at national and local levels of government to truly achieve impact.

### **Local Strategic Partnerships**

Local Strategic Partnerships (LSPs) were introduced in 2001 as non-statutory public, private, and voluntary and community sector partnerships, with, at one point, an important role in promoting economic, social and environmental wellbeing in a place. Their goal was to enhance community leadership, improve policymaking, improve services, increase stakeholder engagement, increase accountability and improve public confidence – a comprehensive public service reform agenda, deeply embedded in places.<sup>40</sup>

Their non-statutory nature means that national, regional, and local context matters for LSPs.<sup>41</sup> A review of LSPs tells us that, in theory, a virtuous cycle can develop when a LSP is embedded within local governance as a sustainable institution, necessitating political support. The LSP is most likely to succeed when it is inserted into a positive local context, with a history of strategic partnerships, trust and strong social capital. Without such traditions, engagement by partners in the LSP will be limited and superficial and the leadership ineffective. In this case, the LSP merely becomes a

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<sup>38</sup> LGA (January 2013), [Whole Place Community Budgets: A review of the potential for aggregation](#).

<sup>39</sup> NAO and DCLG (March 2013), [Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets](#).

<sup>40</sup> Equality and Human Rights Commission (2010), [The role of Local Strategic Partnerships and Local Area Agreements in promoting equalities](#).

<sup>41</sup> Office of the Deputy Prime Minister (ODPM) (August 2005), [Evaluation of Local Strategic Partnerships: Interim report](#).

bureaucratic hurdle, consuming time and resource without delivering outcomes.<sup>42</sup> This programme confirms the need for a supportive political context for public service reform programmes.

### **Better Care Fund**

The Better Care Fund (BCF) was established in 2013 to join up NHS health services and local authority social care for those who use both services, highlights the disincentives which arise for councils under this system. Combining principles of prevention and joined-up care, through the creation of a shared budget and joint planning processes, the goal of the BCF was to help people to leave hospital in a timely way and prevent hospitalisations where possible, through new planning and funding mechanisms which strengthened the connection between health and social care.

Importantly, the BCF was instituted nationally, with pooled funds and joint planning of activity common in all areas. Funding was allocated in accordance with the relative needs formula (RNF), which divides central budgets between local authorities based on need.<sup>43</sup> The downside to this is that places able to successfully ‘invest to save’ do not reap the rewards of delivering savings to the budget: the savings are invested elsewhere, based principally on need. This structure reduces local incentives to support reform.

## **Principles for reformers: long-termism, prevention, political coordination and ownership**

From past experience of reform and current policy research and literature, we can see a set of principles required for successful future public service reform. We broadly categorise this as: a focus on prevention, long-term projects, incentive structures rewarding innovation, and political buy-in.

### **Focus on prevention**

While some of the principles of public service reform remain the same as in past decades – driving efficiencies in delivery, providing more personalised and tailored services, focusing on prevention<sup>44</sup> – others will have to change. In particular, the old toolkit for rolling out and scaling best practice – marketisation – has come up short in many cases. While there is broad agreement on the inadequacy or incompleteness of the old approach, an antidote is still developing.

Public service reform for today and for the future will require investment in the right parts of the system, under the right leadership, with the right incentives. Cities today are facing increased need that has emerged particularly post-COVID around long-term sickness, economic inactivity, lower healthy life expectancy, labour shortages, and challenges in funding and providing early years and adult social care services. Preventative public service reform should include a specific focus on

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<sup>42</sup> Mike Geddes, Jonathan Davies and Crispian Fuller (January 2007), [Evaluating Local Strategic Partnerships: Theory and practice of change](#).

<sup>43</sup> NHS England (December 2013), [Annex to the NHS England planning guidance: Developing plans for the Better Care Fund \(formerly the Integration Transformation Fund\)](#).

<sup>44</sup> IPPR (December 2023), [Great government: Public service reform in the 2020s](#).

public health, including mental health, learning and employment to support healthier people, and labour markets, anchored within places.

Prevention-focused funding mechanisms are prominent in the literature, with a new IfG report being one of many to acknowledge that cuts to preventative services contribute to increased levels of acute demand, putting budgets under immense pressure.<sup>45</sup> There is support for encouraging invest-to-save models in future public service reform – enabling investment in building preventative capacity into public services and demonstrating a return into the system. However, there is also recognition that financial models from past decades that attempted to demonstrate precise financial returns may not always be helpful in demonstrating impact.

A new focus on invest-to-save approaches instead proposes stronger links to broader policy goals of a whole government and the social and economic outcomes a government sets out to achieve. The Institute for Public Policy Research (IPPR) proposes a new category of spending to support this – ‘preventative investment expenditure’ – to ring-fence long-term investment over a 10-year horizon to directly support long-term missions set out by an incoming government linked to agreed outcomes (supporting the five missions Labour has set out to steer its policy programme).<sup>46</sup> The Health Foundation and Demos propose a similar approach to ring-fencing funding for prevention from initial allocations in HM Treasury, suggesting that a new type of departmental spending focused on prevention – PDEL (preventative departmental expenditure limit) – be allocated in spending reviews alongside day-to-day planned RDEL (revenue departmental expenditure limit) and CDEL (capital departmental expenditure limit).<sup>47</sup>

Other research suggests a more place-based approach to longer-term preventative funding, with New Local and the Future Governance Forum proposing a replication of the Total Place approach, backed by longer-term funding settlements to enable investment in prevention and new powers for local government and partner agencies to pool public service budgets, with a new framework for accountability with government.<sup>48</sup> Localis proposes that local governments have access to single placemaking budgets with settlements agreed for a minimum of five-year periods, with the ability to plan and develop services in a place for prevention, overseen by local boards including partners and agencies.<sup>49</sup>

### **Flexible and collaboration-led service design**

Research emphasises that service design should be based in more relational dynamics between practitioners, service managers and users – an approach to personalisation that breaks with the market-based approaches of the past. Social Market Foundation research proposes approaches that

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<sup>45</sup> IfG (May 2024), [A preventative approach to public services](#).

<sup>46</sup> IPPR (December 2023), [Great government: Public service reform in the 2020s](#).

<sup>47</sup> The Health Foundation and Demos (2023), [Revenue, capital, prevention: A new public spending framework for the future](#).

<sup>48</sup> New Local and Future Governance Forum (January 2024), [Place-based public service budgets: Making public money work better for communities](#).

<sup>49</sup> Localis (July 2023), [Level measures: A modern agenda for public service integration](#).

are user-focused and shift management and practitioner mindsets from transactional to human, cutting organisational silos, empowering users in their own capabilities and delivering services through an adaptive learning process.<sup>50</sup>

The 2020 Public Services Commission set out that social value and public services outcomes should be coproduced, rather than delivered by institutions alone.<sup>51</sup> This notion, which the commission defined as social productivity, centred around relational and citizen-centred services and called for a shift in culture towards a conversation with a more responsible public, a shift in power towards devolution, and a shift in finance with a transparent focus on outcomes for people. These principles serve as a reminder of how integral public service reform has been to national policymaking for decades, and how it can be taken forward in today's context.

New Local and the Future Governance Forum advocate for joint Local Public Service Plans as the delivery route for strategy around investing shared budgets, service data, co-location and community accountability, while Localis and IPPR work on public service reform suggests that further devolution in England should be a tool to empower places to design and fund neighbourhood services more flexibly, and to test new models of delivery with less siloed central government departmental guidance. Centre for Progressive Policy research highlights the central role of NHS institutions in places and proposes that ICSs be supported by government to mature their place remits across England and anchor institution roles in places as service providers, employers and commissioners supporting healthier lives.<sup>52</sup>

IPPR's research on health and prosperity proposes the establishment of new 'Health and Prosperity Improvement Zones' in places with low health, employment and earnings levels. Run by local authorities and supported by funding from central government and local employers, these zones would support the integration of health and related public services, to improve outcomes in places.<sup>53</sup>

Policy proposals on how to deliver differently in places and break down silos focus on human capital and learning and development as drivers for different parts of the system to deliver on the above principles. Bennett Institute research focuses on social R&D (research and development) as a tool for building public service reform for the future. The research suggests that human capital is a major source of policy success or failure, and that embedding social R&D is a more ambitious use of innovation and improvement methods that can develop and spread better approaches. Human development should be a much more prominent focus for central and local government and delivery partners to achieve social goals in communities. Social R&D principles, alongside investment in social infrastructure, should be applied at a local level, where feedback loops between policy and implementation can be most effective.<sup>54</sup>

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<sup>50</sup> Social Market Foundation (January 2022), [Public service reform in the 2020s](#).

<sup>51</sup> Centre for Progressive Policy (2020), [The 2020 Public Services Commission: 10 years on](#).

<sup>52</sup> Centre for Progressive Policy (2023), [Replenishing our roots: How the government can promote healthier, more productive places](#).

<sup>53</sup> IPPR (2024), [Healthy places, prosperous lives](#).

<sup>54</sup> Bennett Institute for Public Policy (2023), [Social R&D: The next phase of public service reform?](#)

IPPR research highlights that building workforce capability includes driving a culture of learning and improvement, where public services are able to share data and learn together what approaches do and don't work, backed by investment in public service human resource.

Academic research on the economic benefits of devolution also points to the importance of devolving resources along with responsibility – the bigger the gap between political and fiscal decentralisation, the higher the impact on growth.<sup>55</sup> Getting serious about maximising the benefits of PSR and greater devolution must therefore recognise the importance of giving devolved authorities the resource backing necessary for them to deliver value locally.

### **Long-term delivery leveraging community power**

Research emphasises building shared approaches across agencies, such as workforce development, investment in shared facilities, combined governance arrangements, evidence-building and -sharing functions, and shared brands or public identities. These long-term efforts help to build trust and social capital among agencies, institutions and politicians and the public.

Many projects focusing on preventative services are too short term, with programming married to short-term funding settlements.<sup>56</sup> They focus on a limited set of outputs and are unable to address wider systemic barriers or join up with other complementary public services. A cycle of short-term programming leads to a focus on evaluation of process rather than outcomes, reducing system-wide understanding of what works.

As a result, short-term funding becomes the norm, meaning that – except where there are statutory duties providing greater certainty to workers and service deliverers – there is no certainty over the future of projects that may take long periods of time to deliver results.<sup>57</sup> This reduces investment in worker skills, operational competencies or common goods needed for transformative projects to reach their fullest potential.

Often, approaches to public service reform remain nascent, failing to exit pilot stages. The lack of scale-up of these programmes makes it difficult to realise their benefits more broadly. Total Place is an example of a whole-area approach to public services, where local public services would work together to deliver better value to citizens by focusing on joint working and reducing waste and duplication. The goal was to improve outcomes and value for money by mapping local public expenditure and identifying how to better align resources to deliver more efficiently and effectively.

These pilot programmes did not have the chance to fully develop, but early evaluation found benefits in breaking down silos, exploring new modes of delivery and understanding detailed funding in places. Government findings on potential value for money from longer-term commitment to Total Place or Community Budgets demonstrate that these projects were prematurely concluded.

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<sup>55</sup> Andrés Rodríguez-Pose and Miquel Vidal-Bover (2022), [Unfunded mandates and the economic impact of decentralisation. When finance does not follow function.](#)

<sup>56</sup> IfG (May 2024), [A preventative approach to public services.](#)

<sup>57</sup> The Health Foundation (2023), [Revenue, capital, prevention: A new public spending framework for the future.](#)



Running community-based pilots short cuts off the opportunity to leverage community power and build on assets and strengths. Empowering community engagement and innovation over longer periods would support more sustained innovation and solutions, creating a deeper understanding of what works and managing service demand through earlier intervention.

Supporting the fact that reform programmes need longer run times and sustained efforts at national and local levels of government to truly achieve impact, a report by the NAO concludes that longer term, achieving value for money will require government and places to sustain commitment to careful implementation and robust evaluation to identify the actual costs and benefits of new, more integrated ways of working.<sup>58</sup>

### **Incentive structures rewarding innovation**

Local leaders, delivery partners and government need to have clearly aligned incentives, with flexibilities and responsibilities linked to funding that enables local autonomy and innovation in reshaping service delivery.

Incentives are currently often misaligned, with leaders and places able to successfully invest to save failing to reap direct financial benefits, as seen in the example of the BCF. Most public spending, especially the NHS and welfare budgets, tracks need relatively closely but is centrally controlled and commissioned. Interventions made outside of these systems, particularly in local government, significantly contribute to achieving health and poverty alleviation outcomes alongside the NHS and welfare, but there are few locally directed levers to line up multiple services and funding behind these outcomes in places. Savings to those budgets through improved health or activity are pocketed nationally, reducing local incentives to support reform.

### **Political buy-in, leadership and democratic accountability**

Prevention services require shared, long-term political commitment from local and national leaders. To make that commitment credible, it should be backed up by some legal or financial mechanism.

A context-sensitive approach requires local leadership, recognising the importance of trust, social capital and histories of partnership working in success. This also implies a more modest yet still significant role for Whitehall and national political leadership, which will best add value by showing strong support, helping to develop new funding vehicles for local partnerships, sharing best practice, and maintaining clear lines of local and national democratic accountability for integrated services.

Politics matters. Centralisation means that national politicians have both initiated and frustrated public service reform in communities. National legal and financial barriers can prevent local initiative, even where local politicians want to take risk. Conversely, local political leaders may emphasise meeting their core statutory responsibilities over pursuing risky reform initiatives – especially when the national policy environment is uncertain and finances are tight. Shared local

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<sup>58</sup> NAO and DCLG (March 2013), [Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets](#).

and national democratic accountability should go hand in hand with shared service responsibility, and communities should have clear ways to engage with elected leaders on specific issues.

Reform programmes are focused on a specific theme or policy area, either by design or as a pilot, therefore struggling to receive widespread backing. They are rarely scaled up or applied beyond that initial area, often due to challenges with short-term funding settlements and capacity constraints. Public service reform has not taken the form of a wider organising philosophy or principle, at least since the heyday of New Public Management in the 1990s and earlier 2000s. Without sustained political support, lasting public service reform faces significant barriers.

# 5

## Recommendations:

**A new deal to align reform  
with growth and  
investment**





# 5 Recommendations: A new deal to align reform with growth and investment

The new government has been elected with a policy programme structured around five missions. This new model for governance will be based on a partnership way of working. The role of the political centre will be to set priorities and coordinate strategy, but delivery will inevitably be undertaken by local and mayoral government and the private and voluntary sectors. Public service reform with a focus on prevention can deliver impact through our cities, achieving progress across missions including around boosting economic growth, supporting NHS delivery, increasing opportunities for all and ensuring safer streets.

The next generation of reforms will need to **move away from a playbook of competition, choice and marketisation** and towards one focused on **relationships, localism, and long-termism**.

At the same time, central government needs to **empower local and regional governments and health bodies to deliver a broad preventative agenda**, based on an expansive definition of population health and promoting health through good-quality jobs.

Getting there requires new priorities, an integration of emerging strategies, and a funding settlement that drives collaboration across public sector bodies and the shift to prevention.

## Total Place 2.0: Long-term prevention

The new government has committed to Local Growth Plans for the economy, and Local Infrastructure Plans aligned with national industrial and infrastructure strategy. For these investments to maximise their value, they need to be supported by – and complement – plans for a preventative shift.

**We propose the introduction of new 10-year Local Prevention Plans – to be rolled out alongside Local Growth Plans and infrastructure plans.**

We recommend that Local Prevention Plans are led by local authorities, with a supporting role for Mayoral Combined Authorities to provide shared services (including financing vehicles) where appropriate.

Each plan should set out a clear, prioritised list of place-based services that will be prioritised for a shift to prevention. These should be a blend of primary and secondary prevention interventions – some delivering a financial pay-off within a parliament, others in a decade, others still over the long term.

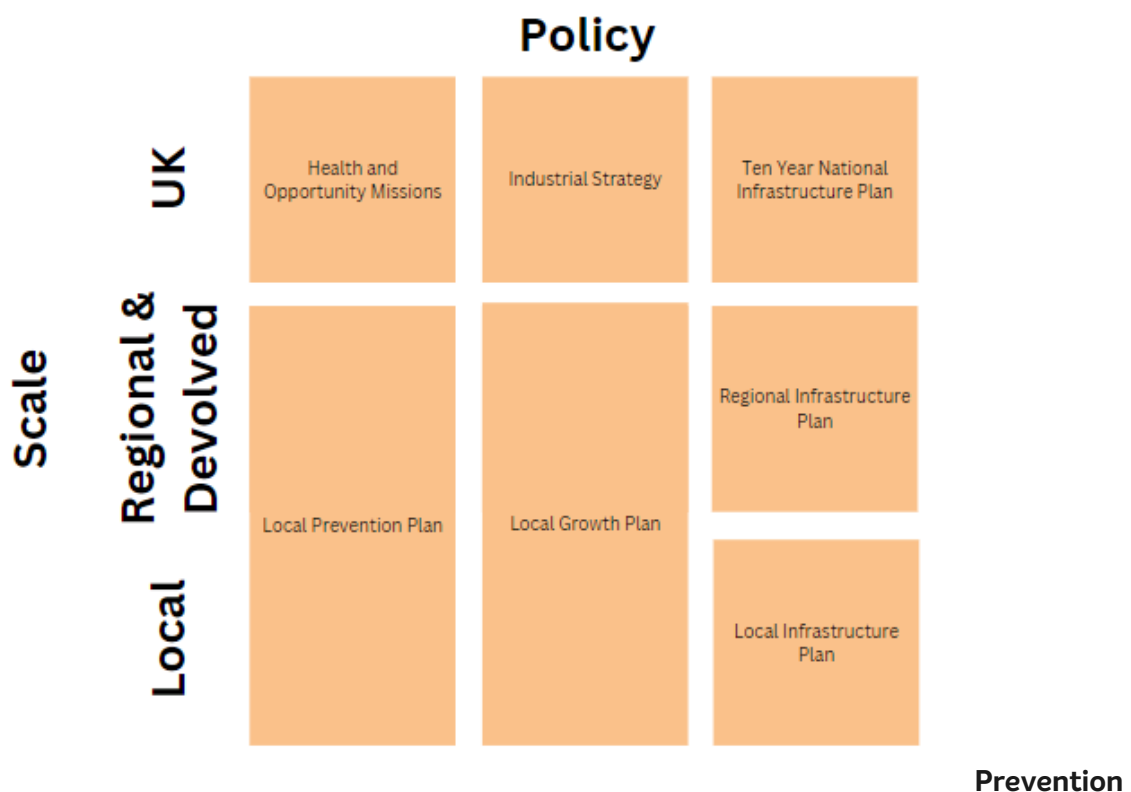
Led by local government, key services including NHS ICS healthcare services, early years and schools, Jobcentre Plus, and other public services should have a duty to cooperate in place, and to report into central government departments and Mission Boards.

The focus of plans should be on how place-based services can more proactively support prevention and early intervention and target interventions based on the need to transform outcomes. Long-term plans would be delivered by integration and stronger partnerships between national, subregional and local government – public services integrated in place on upper-tier local authority and neighbourhood-level geographic footprints that support communities. Plans should be collaborative in nature, backed by shared data and joint investment plans between central and local government, to maximise efficiency.

Plans should articulate clarity from local leaders and partners on priorities for prevention and transformed outcomes, including in the areas of healthy working lives, the strongest start in life for children, and secure and affordable homes for all. Local Prevention Plans that set out local priorities in these areas should support Local Growth Plans for the economy.

There are many population-level outcomes around economic inactivity, child poverty and ill health that have declined over more than a decade, and it will take time to reverse and improve this. Upper-tier local authorities and government should have shared clarity on the time needed to commit to preventative approaches.

Each plan should set out a shared set of outcomes, signed up to by relevant public bodies including national agencies (such as the NHS and the Jobcentre Plus network). **Ministers should direct local and regional civil servants to engage with and support the Local Prevention Plans**, including through a programme of secondments if necessary. Partners should in turn sign up to a shared investment plan, covering issues such as shared data and capital investment plans.



**Deals for public service reform should be agreed between government and places on the basis of 10-year Local Prevention Plans.**

They should operate at local level as modernised Local Strategic Partnerships, with anchor institutions taking an asset-based approach taking account of people’s choices and experiences, including gainshares for public services, enabling places to accrue dividends to reinvest or build up local resilience funds for crisis preparedness, which we know will become increasingly important in the future.

Deals should include agreement between cities and government on **how local leadership will proactively partner and galvanise innovative approaches to public service reform to test preventative delivery in priority areas**, demonstrating changing services and outcomes. In return, government should support the sharing of data, expertise and capacity from across government departments and agencies, and it should establish a National College for Public Services that would provide technical training to practitioners, building the evidence base on what works and directly funding research into more effective use of technology for public service reform.

Reporting progress into central government Mission Boards, place deals should start by expanding trailblazer devolution deals and single settlements in the next Spending Review period to **agree pilot Total Place-style budgeting and collaboration on local priorities**, bringing social policy into devolution with economic growth. Government should work on codeveloping expanding deals, including with governments and cities in the devolved nations.

Prevention Deals should incorporate policy initiatives that the new government is pursuing around employment support devolution and reshaping how Jobcentre Plus works in places with careers and employment support providers and the voluntary, community and social enterprise sector. Expanding the place remit of NHS ICSs should involve looking at how services can use assets and budgets to expand the preventative offer at the ‘front door’ in communities and neighbourhoods.

**Outcomes-based accountability should be embedded into the delivery of programmes**, linked to key missions, in order to shift incentive structures and reward success. An indirect implication of this is the need for improved data collection and interim, iterative evaluations across projects. This should expand beyond siloed lines of accountability by narrow policy area, and should also capture the co-benefits of long-term commitment to preventative services in terms of population- and society-wide outcomes, with recognition of, for example, the health, safety and economic benefits that accrue over time from investment in health- and education-centred early years care that supports all communities.

## Funding for prevention

Recent efforts make clear that shared strategies and partnerships will not be enough to drive a shift towards prevention. It needs clear funding vehicles, which may mean challenging existing bureaucratic practices or budget lines.

The Chancellor has identified a £22bn black hole in public spending<sup>59</sup> and announced a Spending Review to report in spring 2025. In a 2025 Spending Review, the government should mandate NHS, Jobcentre Plus and other service leaders to partner with local authorities and combined authorities in England, and it should codevelop an approach with devolved administrations to designing a Local

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<sup>59</sup> HM Treasury (July 2024), [Fixing the foundations: Public spending audit 2024–25](#).

Prevention Plan, including through central requirements to contribute to pooled budgets with other local agencies.

### **Local government should have funding flexibilities to turn the tide now.**

Public services, and in particular the roles that local authorities play, have been under growing pressure in recent years, with the costs of some services reaching newly unsustainable levels that are having a knock-on impact across outcomes. Two currently acute examples are in providing temporary accommodation for people facing homelessness and asylum seekers and refugees, and in children's placements in local authority care. The impact of rising housing costs, shortage of supply and jumps in rents over the past couple of years has pushed more people to seek support, and has added increased revenue pressure on local government in relation to these statutory services.

While revenue funding is core to people-centred services and enhancing preventative approaches, particularly for residents facing complex needs, and investing in primary prevention for the long term, there is a role for investing capital now to prevent further revenue loss locally in addressing acute issues such as housing support.

The principles in the previous government's funding simplification pilots for capital local growth pots could be expanded by MHCLG into the local government financial settlement. As part of the Spending Review process, upper-tier local authorities and mayors should work with MHCLG to assess across Whitehall which pots of funding this could include. In addition to funding simplification by policy aim (e.g. housing, children's services, social care), local authorities should have more flexibilities within their capital and revenue budgets to invest in solutions such as acquiring council-owned residences to lower the revenue cost of temporary accommodation, and they should be able to prioritise revenue for other services.

### **Government should develop new approaches to funding preventative programming.**

There are a number of avenues the government could consider. In addition to simply raising spending through higher taxes or borrowing (potentially enabled through tweaks to fiscal rules, such as changing the time horizon for social investments), government could also examine the case for underwriting private investment into social outcome contracts, or explore devolved tax-raising powers through e.g. reformed business rates. This leads to a range of possible approaches that the government could take to funding preventative programming:

- Central: a central Prevention Fund, with long-term time horizons, held to account by an external body (e.g. the Office for Value for Money), with a mission to save £2 for every £1 invested
- Joint, centrally led: a 'central mandates' approach, with HM Treasury building in pooled budgets, a duty to cooperate and a requirement for a certain share of spend to go to prevention
- Joint, locally led: a 'local incentives' approach, allowing and encouraging – potentially through non-binding financial incentives – the pooling of funding across silos in a place. This would include identifying possible derogations that Whitehall could make to enable local action.
- Local: a 'creative financial vehicles' approach, mobilising private funding through contract-for-differences approaches, as in, for example, social bonds.

- Our view is that a **strong signal from central government is required to catalyse action**, and that therefore the Autumn Statement should either announce ring-fenced budgets in local governments and national agencies for prevention with a duty to cooperate, as well as underwriting private investment into social outcome contracts; or should directly establish a central prevention fund linked to Prevention Deals or Local Prevention Plans.

**This should be backed by reforms to the architecture of public finances to deliver significant benefits. In particular, we recommend:**

- **Needs-based budgeting and a Fair Funding Review:** committing to restore the link between outcomes, need and local authority funding, recognising the reversal in outcomes over the past decade, as the foundation to deliver social and economic impact. Labour has committed to implementing multi-year local government settlements, and these should restore and expand the Public Health Grant as an important first step towards prioritising improved population health and reduced health inequalities.<sup>60</sup>
- **Transparent place budgeting:** government should publish a full place-by-place (local authority and subregional) breakdown of planned total public spending; the place-based splits of capital and revenue spending; prevention spending; and place-based spending plans across broad policy areas (health, education, care, etc.).
- **Clear mandates to cooperate:** with legal obligations on the NHS, Jobcentre Plus and other service leaders to partner with local authorities and combined authorities in England, and to codevelop an approach with devolved administrations in designing a Local Prevention Plan, including through central requirements to contribute to pooled budgets with other local agencies.
- **New legal vehicles:** ensuring that the legal powers are in place for local government and agencies to pool budgets; and establishing long-term funding settlements for prevention and a new framework for accountability.<sup>61</sup>
- **Simplified Whitehall–local funding:** building on MHCLG’s funding simplification pilots for capital local growth pots, the government could simplify funding around outcomes (e.g. housing, children’s services, social care). Within each budget, local authorities should have more flexibilities within their capital and revenue budgets to invest in solutions such as acquiring council-owned residences to lower the revenue cost of temporary accommodation, and they should be able to prioritise revenue for other services.

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<sup>60</sup> Centre for Progressive Policy (November 2023), [Funding fair growth: How to transform the UK economy](#).

<sup>61</sup> New Local and Future Governance Forum (January 2024), [Place-based public service budgets: Making public money work better for communities](#).

## About the Centre for Progressive Policy

The Centre for Progressive Policy (CPP) is an economic thinktank dedicated to understanding and delivering inclusive economic growth. We combine leading quantitative analysis with on-the-ground insights from our Inclusive Growth Network (IGN) to propose robust, grounded policy for local, regional, national and UK-level policymakers.

CPP was founded following the Royal Society of the Arts' Inclusive Growth Commission in 2016, itself established to understand what held back local economies across the UK – and how to make them more prosperous – in the wake of the EU referendum.

Our work spans a diverse range of policy areas – looking at how we understand and define inclusive growth, and at specific policy themes such as industrial strategy, health, childcare and early years, and fiscal policy. We host the IGN, a community of fourteen local and combined authorities across the four nations of the UK committed to pioneering new approaches to delivering inclusive growth at the local level.

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