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# PLACE-BASED PUBLIC SERVICE BUDGETS

Making public money work better for communities

John Denham and Jessica Studdert

*"This paper sets out a practical and necessary reform of public policy in England. We can't go on as we are, with Permanent Secretaries in Whitehall ostensibly responsible for outcomes in the lives of people in places they don't know and don't understand. It is well beyond time to put budget control and accountability where it properly belongs, at the local level, where public money can be aligned with the real needs of communities."*

Philip Rycroft, former Permanent Secretary at the Department for Exiting the EU and previous head of the UK Governance Group in the Cabinet Office

*"People and businesses in the UK are held back by short-termism and a lack of co-ordination by central government. There is an urgent need for a new model to ensure that long-term investment that meets local needs, and place-based public service budgets would enable that."*

Diane Coyle, Bennett Professor of Public Policy at the University of Cambridge

*"Place-based budgets should be at the heart of a new partnership between national and local governments. Our communities have enormous power and capacity which our over-centralised system too often bypasses by design. Our public services need to be forged around human relationships not transactional processes, and rewiring the funding to enable this to take shape would be a massive catalyst for change".*

Cllr Georgia Gould, Leader of Camden Council, Chair of London Councils and Policy Advisory Group member, Future Governance Forum

## **About the authors**

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## Executive summary

**Severe challenges face public services in England. Austerity has created a 'doom-loop' whereby the short-term urgency to respond to crises prevents the development of long term solutions to underlying problems.<sup>1</sup> Top-down efficiency initiatives no longer produce real savings, while weak public finances, record levels of taxation, slow growth and debt repayments constrain the possibility of new investment in the immediate future.**

The government of the next Parliament will have no choice but to find new ways to make better use of existing spending. Our paper argues that this can also be an opportunity: an ambitious new approach to better coordinating all public spending in a local area would enable new ways of designing and delivering services that better meet people's needs.

Inspired by the Total Place pilots of the last Labour government, and informed by locally-led practice which work with the assets of communities, we set out how pooling existing public service budgets across a place can be a more effective use of resource which would transform the way communities are supported to thrive. By repurposing the system to focus collectively on outcomes that are meaningful for people to live a good life, it will be possible to overcome the waste and fragmentation inherent in the dominant model of provision.

## Problems with the current system

Our public services are provided by and accountable to separate government departments: health, education, welfare, local government, policing, for example. Fragmentation is hardwired by design: each department is funded separately by the Treasury and subject to separate reporting to departmental Accounting Officers. This means each service is bound by different funding priorities, policy frameworks and performance measures. This creates systemic barriers to coordination and collaboration at both national and local levels.

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<sup>1</sup> Hoddinott, S. et al (2023) *Performance Tracker 2023: Public services as the UK faces a General Election*, Institute for Government.

There are four core ways this model of resource allocation and accountability contains inherent costs and is not achieving maximum impact:

1. **Money is wasted by inefficiency and duplication in services that are fragmented and difficult to navigate.** People with complex needs may be forced to interact with numerous overlapping professionals whilst others will find no support at all. Challenges that cross agencies, such as families in need or offender rehabilitation, struggle to find a coordinated response.
2. **Centrally directed services and structures respond badly to the divergent needs of communities and places.** For example, the NHS works primarily to nationally set priorities and has failed to prevent rising health inequalities between postcodes. The match between the public spending allocated to local areas and their needs is weak and inconsistent.
3. **Too much money is spent responding to problems instead of preventing them occurring in the first place.** A 'prevention penalty' disincentivises joint investment, because often a different service would need to invest up front in preventative support, when reduced demand which might lead to savings would show elsewhere in the system. For example, investing in youth provision might alleviate pressures on welfare benefits or the criminal justice system, just as appropriate mental health support might save policing or A&E being the last resort picking up crises.
4. **The current model of public spending creates barriers to working with communities to design and deliver support to better meet their needs.** A wide range of local practice demonstrates the impact of working with communities in ways which draw in their insight and work with their strengths to generate sustainable outcomes. The dominant approach of working in vertical siloes facing upwards to Whitehall departments undermines the conditions for community-powered practice.

## The case for place-based public service budgets

The idea behind place-based public service budgets is simple:

- The total public spending in each local authority area is identified.
- Different services work together and with local communities to establish priorities; identify how well current needs are being met; and set out how public money could be better used to those ends.

- All relevant local and national agencies delivering public services are empowered and required to collaborate financially and in the delivery of services to produce better outcomes.

In this report we set out five principles for this new vision for place-based services in England. These underpin an approach to forging better services within the same spending allocations, and more effective accountability for spending public money well:

- 1. Counting:** All public spending in each local area should be identified, including directly from Whitehall departments, social security, and through national and regional agencies. The starting point would be 'upper-tier' unitary, county or metropolitan borough authorities, and layered with district level in two-tier areas. This mapping of public spend will require more than publicly available datasets and will require proactive engagement and leadership from Whitehall.
- 2. Collaboration:** Agencies should work together to share data and identify the needs of the populations they collectively work with. This will inform the development of joint Local Public Service Plans which will address core challenges in the area with the aims of improving outcomes for all and narrowing inequality gaps. The ability to pool budgets and the expectation to coordinate service delivery will enable more effective responses. This should also begin a shift towards more investment in prevention as upfront risk and longer term reward are aligned in joint approaches and progress from a spending baseline can be tracked.
- 3. Community power:** Place-based budgets provide a firm foundation for new ways of working that work with existing local assets and involve communities more directly in decisions over the support that would make a difference in their lives. They would enable more holistic provision that is better adapted to local circumstances and community priorities, including more sustained investment in local community and voluntary provision.
- 4. Accountability:** As responsibility moves from individual government departments to local areas, new approaches must ensure value for money. Public services in a place should be collectively held to account for achieving agreed outcomes in their Local Public Service Plans. Local public accounts committees should have the power to scrutinise all public spending across a place. The fragmented system of department Accounting Officers should be replaced with place-based accountability and a new statutory audit service with intervention powers.

- 5. Reform at the centre:** Place-based public service budgets require changes to the culture and practice of central government. Based on recognition that this is a long term endeavour, there will need to be sustained leadership and commitment across government and a new national-local partnership framework.

## Recommendations for action in the next Parliament

We suggest three initial steps that will enable a new approach:

- 1. New powers:** to give local authorities and other agencies in England the powers and duty to identify local public service spending, to collaborate and pool budgets in order to better meet the needs of local populations; to set out Local Public Service Plans and to ensure central government supports the process.
- 2. Longer-term funding settlements:** to enable planning and joint investment between local partners, government should ensure spending across all agencies is aligned and over a longer budget cycle to realise returns from investing in prevention up front. The next Comprehensive Spending Review should begin to immediately embed this approach, including local government financial settlements for a minimum of three years.
- 3. A new framework for accountability:** this would enable local authorities to ensure that all agencies collaborate in developing Local Public Service Plans. It would also ensure locally agreed outcomes are delivered and money is spent well, while replacing the fragmented system of departmental Accounting Officers.

The full implementation of place-based public service budgets will require changes to the culture and working methods of many agencies and organisations. This work will take time to develop and years to mature. This is all the more reason for the next government to start at the beginning of its term of office.

## Introduction

The next government will inherit a combination of weak public finances and deteriorating public services.<sup>2</sup> The former will constrain the response to the latter – there is no easy option to increase public investment in the quest for improvement. Relying on “efficiencies” is also unlikely to be a solution – after over a decade of austerity and with many services still grappling with pandemic-induced backlogs, there is no obvious slack to drive out within the existing model of provision. There is a risk that pursuing further cost reductions and increasingly wishful productivity drives within siloes will simply perpetuate the existing ‘doom loop’ of chronic short termism.<sup>3</sup> This damages performance and creates more demand from unmet need which is simply shunted around the system between agencies.

Instead, the priority must be ensuring maximum impact from existing spending on public services. This will make it essential to rethink how services are collectively designed and delivered to achieve outcomes for people, supporting them to live the best lives possible. For too long, significant costs and wastage inherent in our Whitehall-led model of public service provision have simply been priced in and left unaddressed. Fragmented services working to separate remits amount to less than the sum of their parts within the places they operate. Our system is poor at responding to increasingly divergent needs of places and communities and it isn’t set up to work in ways which better draw in their assets and capabilities. And the widely recognised need to shift towards prevention remains more policy aspiration than practical reality.

This paper sets out a new approach to public service investment and reform in England. By identifying all public money spent within a local area, and enabling it to be used more flexibly, spending could be more closely aligned with communities and places instead of arcane Whitehall institutional boundaries. Rather than focussing on squeezing out *efficiencies within separate services nationally*, a renewed approach would consider how services could be more *effective by collaborating together locally*, around a shared understanding of population needs and community aspirations.

The ideas in this paper are ambitious but not new – they have a track record of development over the years. In particular, the Total Place pilots begun at the end of the previous Labour Government mapped spending in places across a range

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<sup>2</sup> Office for Budget Responsibility (2023), *Economic and fiscal outlook – November 2023*.

<sup>3</sup> Hoddinott, S. et al (2023).

of services. They identified how collective local leadership and redesign around identified needs could drive out wastage and improve outcomes. But a change of government meant austerity took over, which sought cost savings while leaving separate service siloes intact. As a result, the Total Place initiative never reached its logical conclusion to reorient public investment and decision-making across the system towards more and deeper join-up locally.

In the 15 years since, there are numerous local examples of initiatives to coordinate provision around the priorities and assets of communities, which demonstrate better value for public money and better outcomes for people. But lacking a consistent policy and funding framework, these have also not yet reached their full potential and remain relatively isolated, working against the incentives and structures of the wider system.

The memory of Total Place may have faded and local innovation all too often remains peripheral, but the need to think differently is more urgent than ever. This paper therefore sets out a case for shifting how existing spending on public services can be rerouted for impact, for implementation as soon as possible in the next Parliament.

## **The Whitehall-managed system of public services is inherently wasteful and inefficient.**

English public services are characterised by a separation of provision according to departmental boundaries: health; education; welfare; local government; policing, for example. Each is funded separately by the UK Treasury. By being primarily accountable to its 'parent' department and ultimately the respective departmental Accounting Officer, each public service is bound by separate funding priorities, policy frameworks and performance measures. These are largely detached both from each other within Whitehall and from the priorities of different places, creating systemic barriers to coordination and collaboration.

There are four core ways in which this model of resource allocation and accountability has inherent costs and is not achieving maximum possible impact.

### **1. Money is wasted by inefficiency and duplication in public services that are fragmented and difficult to navigate.**

The reality of people's lives does not fit into neat service siloes or professional specialisms. This is particularly so for those with the most complex circumstances, when agencies are often only equipped to support single aspects of problems that are inter-related. For example, successful offender rehabilitation involves prisons, probation, housing, employment, welfare and healthcare. From an



individual and practitioner perspective, the consequences of this fragmentation and failure to coordinate have been powerfully captured by Hilary Cottam.<sup>4</sup> She tracked the experience of families subject to interventions from up to 20 different agencies. In parallel she observed a social worker spending three quarters of his time on administration, dealing with ongoing assessment and referral.

The impact of poor coordination between services creates a system less than the sum of its parts, with both human and financial costs. It leads to wasteful duplication from overlapping or poorly sequenced activity, as people bounce around the system without receiving the holistic support they actually need. Segregated service remits also create gaps through which people can fall into even deeper crisis, and especially in times of constrained resource can incentivise services to shunt costs between them instead of work together to provide more appropriate support.<sup>5</sup> Despite this, public service reform policy persists in prioritising efficiency within single services, rather than within the system as a whole: for example, in January 2024 the Department for Levelling Up, Housing and Communities launched a new requirement for local authorities to produce productivity plans intended to “improve service performance and reduce wasteful expenditure”.<sup>6</sup>

## **2. Centrally directed services and structures respond badly to the divergent needs of communities and places.**

Our system of public spending has been found to be poor at understanding the links between absolute funding levels, service provision, quality and outcomes. The Institute for Fiscal Studies tracked the £245 billion spent across five key public services in England in the year 2022–23: the NHS, schools, local government, the police and public health.<sup>7</sup> The research found that from the perspective of places, the funding allocation systems in each spending area were inconsistent to each other and not necessarily targeted on population needs. Because one area may face relative underfunding for one service and do relatively well in another, the report suggests “there may be benefits in providing greater flexibility to local leaders to move spending between service areas”. But currently, no such flexibility to adapt to variable circumstances exists, with services more accountable to Whitehall than they are to their shared population.

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<sup>4</sup> Cottam, H. (2018) *Radical Help*. Virago.

<sup>5</sup> For example, the Metropolitan police recently adopted a procedure whereby they will not attend mental health related call-outs, which have been rising as health and social care pressures have reduced access to mental health support. see Dodd, V. (2023) Met police to stop attending emergency mental health calls. The Guardian, 28 May. Available at: <https://www.theguardian.com/uk-news/2023/may/28/met-police-to-stop-attending-emergency-mental-health-calls>.

<sup>6</sup> Local Government Finance Update, Statement made to Parliament by Michael Gove, Secretary of State for Levelling Up, Housing and Communities, 24 January 2024.

<sup>7</sup> Ogden, K., Phillips, D. and Warner M. (2023) *How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending*. Institute for Fiscal Studies.

A centrally managed system is proving weak at responding to different circumstances of places and communities. For example, despite a universal health service run according to nationally set priorities, health inequalities are growing and there are stark differences in life expectancy across the country according to postcode. A man living in Blackpool can expect to live 30 years less than a man in Knightsbridge in central London.<sup>8</sup>

Meanwhile, our Whitehall model largely manages policy at the centre, which is then for local areas to implement directly rather than augment with their own understanding of their particular circumstances. Divorcing decisions from context in this way prevents the creation of more responsive feedback loops operating locally, which would be essential for developing new approaches to overcome challenges that manifest differently in different areas.<sup>9</sup> There is a fundamental design flaw at the heart of the civil service – it was set up to run industrial scale uniform provision. This singular technocratic approach is increasingly recognised as not able to respond to the complex, interconnected phenomena which occur in communities and are fundamental for individual outcomes, such as relationships, support networks and social bonds.<sup>10</sup>

### **3. Too much money is spent responding to problems instead of preventing them occurring in the first place, but a ‘prevention penalty’ disincentivises joint investment.**

Spending across public services is not allocated for maximum impact on outcomes and quality of life. There is systemic underfunding of preventative activity and as a result, overspending on provision that can only react to problems that have already escalated. Only five per cent of the NHS budget is spent on prevention,<sup>11</sup> while acute spending dominates. This is a widely recognised imbalance that needs correcting – for example the Hewitt Review into integrated care systems recommended the total share of NHS budgets within systems going towards prevention should be increased by at least one per cent over five years.<sup>12</sup> The costs of late intervention relating to children and

<sup>8</sup> A man in Knightsbridge in central London can expect to live 94.1 years, while a man in Blackpool’s South Promenade has a life expectancy nearly 30 years less, at 66.6 years – the lowest in England. See: Mahmood, S. and Santa Cruz, J. (2023) NHS at 75. Sky News. 5 July 2023. Accessed here: <https://news.sky.com/story/nhs-at-75-the-parts-of-england-with-the-highest-and-lowest-life-expectancies-as-figures-reveal-health-postcode-lottery-12913890>.

<sup>9</sup> Khan, H (2023) *Social R&D: The next phase of public service reform?* Bennett Institute for Public Policy.

<sup>10</sup> For a fascinating discussion of the limits of the Whitehall-led model to public service reform, see Kissack, P “Lives less ordinary: why government should embrace human complexity”, 23 October 2023, UCL Policy Lab Blog.

<sup>11</sup> Martin, S., Lomas, J. and Claxton, K. (2020) Is an ounce of prevention worth a pound of cure? A cross-sectional study of the impact of English public health grant on mortality and morbidity. *BMJ Open* 2020;10:e036411. doi: 10.1136/bmjopen-2019-036411.

<sup>12</sup> See Hewitt, P. (2023) *The Hewitt Review: An Independent Review of Integrated Care Systems*. Department of Health and Social Care. Although the government has not taken up this commitment, some local authorities including Camden have begun the necessary mapping and agreeing the baseline of spend at borough level on prevention that would progress this”.

young people experiencing difficulties in life have been estimated at £22 billion a year.<sup>13</sup> This is what's known as 'failure demand': pressures caused by another part of the system's failure to respond appropriately first time round.<sup>14</sup>

There is widespread recognition of this systemic weakness and increasing interest in big reforms to overcome it. Some, for example, have called for prevention spend to be identified as a separate funding stream for Treasury accounting purposes.<sup>15</sup> But the failure to invest in prevention is an inescapable consequence of the current siloed and centralised structure of spending. Prevention managed in the abstract at Whitehall within siloes will still create barriers to achieving it in practice, while the incentives to jointly invest across services in a place are limited. Effective prevention requires upfront investment by one service, while another might realise rewards of lower costs, and over a longer time frame. Without aligning those budgets and cycles, realising 'cashable' savings is impossible.

This 'prevention penalty' is demonstrated by learning from the impact of the Supporting Families programme, which involved investment via local authorities of £920 million targeted at 400,000 families at risk. Over five years this resulted in reductions in custodial sentences and jobseekers allowance claims – an overall financial return of £1.51 for every £1 spent.<sup>16</sup> The financial impact was not felt solely by local authorities tasked with prevention – but by criminal justice and welfare budgets, which would otherwise pick up the costs of failure to intervene early. The potential of embedding one-off programmes like this into the system is limited while the incentives to invest and save are split across different services and funding streams.

#### **4. The current model of public spending creates barriers to working with communities to design and deliver support to better meet their needs.**

The challenges of fragmented services, rigid structures and short term, reactive approaches all mitigate against the conditions for working effectively with communities. For people's needs to be met and priorities recognised, they need the opposite – services working together, capable of adaptation to local circumstances and able to plan long term for early intervention and support.

<sup>13</sup> These costs relate to acute, statutory and essential services. See Chowdry, H. and Fitzsimons, P. (2016) *The cost of late intervention: EIF analysis*. Early Intervention Foundation.

<sup>14</sup> The term was first coined by John Seddon – see Seddon, J. (2003) *Freedom from Command and Control: A Better Way to Make the Work Work*.

<sup>15</sup> See O'Brien, A. et al (2023) *Revenue, Capital, Prevention: A new public spending framework for the future*. Demos.

<sup>16</sup> A five year evaluation found important impacts, including in terms of reductions in juvenile and adult custodial sentences (38 per cent and 25 per cent) and an 11 per cent reduction in the proportion of adults claiming jobseekers' allowance. The evaluation estimated a financial return of £1.51 for every £1 spent (and £2.28 of wider economic benefits). See Ministry of Housing, Communities and Local Government (2019) National evaluation of the Troubled Families Programme 2015–20: Findings. Accessed here: <https://www.gov.uk/government/publications/national-evaluation-of-the-troubled-families-programme-2015-to-2020-findings>.

There is a wealth of evidence that community-powered approaches can improve wellbeing, support cohesion, enable prevention and generate savings.<sup>17</sup> This reflects the fact that communities, both as local neighbourhoods and as groups of people with shared experience or conditions, have essential insights into how public services could work differently to improve their lives. This expertise can bring new perspectives and deepen the impact of service interventions. The value of more relational, strengths-based approaches which can work with people in the context of their wider networks and assets is increasingly recognised as essential for public services to fulfil their core purpose to improve lives.<sup>18</sup>

Yet the logic of the current model encourages services to be accountable vertically to the centre, working to separate predetermined objectives. This is a barrier to the horizontal, place-based working which would enable more sustained opening up to the insight of communities to meaningfully engage them in the design and delivery of relevant, accessible, supportive provision.

Pioneering parts of the public sector, particularly in local government, are finding ways to work with communities to better understand the nature of key challenges and develop place-based responses. For example, deliberative and participative approaches like citizens assemblies and poverty truth commissions are being used to capture community insight about their experience of the local system, which naturally sits across different organisational remits. On a cross-cutting issue like poverty and hardship, a wide range of public sector agencies and voluntary organisations in places are focused on addressing the consequences.<sup>19</sup> These have the potential to be more coordinated to enable communities to influence the nature of support that would help them get on, and ensure they receive the right support at the right time.

## Achieving more impact from existing spending: Lessons from the Total Place initiative.

The immediate priority for the next Parliament will be to make more effective use of existing public spend. Even if the possibility of additional spending arises from future economic growth or tax changes, it will still be essential to drive out the excess costs inherent in a system of public services which works to artificial Whitehall boundaries. Key to this will be to identify all the public spending within a place and to consider the range of activity currently focused on the same

<sup>17</sup> Lent, A., Pollard, G. and Studdert, J. (2021) *Community Power: The Evidence*. New Local.

<sup>18</sup> Khan, H. (2023).

<sup>19</sup> Pollard, G. and Hashmi, I. (2023) *Designing out the most severe forms of hardship in local areas*. New Local and Joseph Rowntree Foundation.

population groups. Then, to give partners more flexibility to allocate that money, coordinate services more effectively for maximum impact and better outcomes.

The roots of this different approach can be traced back to the Total Place initiative in 2008–9. This was developed in the immediate aftermath of the global financial crash, recognising that “one-size-fits all solutions will not reach those furthest from economic opportunity”.<sup>20</sup> Thirteen places covering approximately 11 million combined population participated in pilot schemes. These involved mapping public service spending across different services in each place, including local government, healthcare, police and a wide range of third sector organisations. This mapping identified existing funding streams to public services that could in principle be pooled into single budgets or coordinated across services as though they had been pooled – this included, for example, £7 billion in Cumbria, £7.5 billion in Birmingham and £8 billion in Kent.<sup>21</sup> The pilots demonstrated how provision could be better aligned by starting from the perspective of the citizen and providing collective leadership across organisations to put people at the heart of service design. The findings identified significant potential to drive out the waste associated with duplicating, confusing and fragmented services, and ensure more effective investment of public money on holistic, joined up working locally.

A joint report from the Treasury and the Communities and Local Government department<sup>22</sup> published alongside the Budget in March 2010 used the analysis to propose rolling out this new way of working across England by changing the relationship between government and places.<sup>23</sup> The approach never got the opportunity to reach its logical conclusion – the incoming Coalition Government scrapped Total Place. Traces of its impact can be seen in certain initiatives that occurred since. For example, Whole Place Community Budget Pilots were carried out in four areas between 2011–12, which each place focused on a cross-cutting challenge such as families with complex needs or work and skills for people facing multiple disadvantages.<sup>24</sup> An evaluation estimated £9.4 to £20.6 billion five-year net benefit to the public purse<sup>25</sup> and the National Audit Office also reported on the benefits of such an integrated approach.<sup>26</sup>

<sup>20</sup> HM Treasury and Department for Communities and Local Government (2010) *Total Place: A whole area approach to public services*.

<sup>21</sup> Figures relate to costs in 2009.

<sup>22</sup> A predecessor to the current Department for Levelling Up, Housing and Communities.

<sup>23</sup> HM Treasury and Department for Communities and Local Government (2010) *Total Place: A whole area approach to public services*.

<sup>24</sup> Four areas were Greater Manchester, Cheshire West and Cheshire, Essex and the West London ‘Tri-borough’ councils. Each area produced an operational plan for change, supported by detailed business cases, around the central idea of aligning budgets to increase efficiency and sustainability of local services with a focus on social issues. See <https://www.local.gov.uk/publications/learning-20-years-place-pilots> for more detail on the programme.

<sup>25</sup> Estimated in 2013 rates. The findings identified a net one year benefit of £4.2bn – £7.9bn of a one year annual addressable spend of £107bn. See: Local Government Association and EY (2013) *Whole Place Community Budgets: A review of the potential for aggregation*.

<sup>26</sup> National Audit Office (2013) *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets*. Department for Communities and Local Government.

But the full potential of Total Place has never been realised. Austerity dominated policy towards public services after 2010. This reduced budgets and sought efficiencies within largely untouched siloes, even in the context of rising demand. Separate place-based initiatives have nonetheless been pursued ad hoc across different national administrations and learning over a span of 20 years of different pilots – Total Place and others – attests to their value.<sup>27</sup> But they have never been mainstreamed – the opportunity to generate more impact by adopting them wholesale has never been taken. Instead, multiple separate initiatives have been characterised as “bolt on, roll out and move on” which has fallen short of wider system change.

Within Whitehall itself, there has been no shortage of attempts to forge more integration across departments – in 2015 the Institute for Government mapped no less than 59 initiatives from 1997 onwards aimed at joining-up government.<sup>28</sup> The civil service could be forgiven for learning the lesson that ministers may soon lose enthusiasm or be replaced. All departments need to do is sit tight, do as little as possible to make the new policy work, and wait for the wind to change. Policy flux at the centre has a knock-on destabilising effect in places, which require long term certainty to foster effective joint working across services and with communities.

We have now reached a point whereby the challenges facing our public services require a completely different response. More of the same will not work – the pursuit of single-service efficiencies has diminishing returns, demand pressures on the system continue to rise and the workforce is under intolerable pressure being required to respond in a system not fit for the complexity it is faced with.

## Five principles for a new approach to place-based public services in England.

Our renewed approach to public services coordinated across places will require a long-term commitment from national government to fundamentally change the way funding flows within the system to achieve better impact. Total Place and other initiatives have been far too short lived to transform information sharing, culture and organisation. We will not get better value from public spending by grafting an initiative onto the edge of fragmented structures and siloed working practices of Whitehall. Reform must reshape the whole system.

<sup>27</sup> Local Government Association and Shared Intelligence (2023) *Learning from 20 years of place pilots*.

<sup>28</sup> Wilson, S. et al (2015) *Joining up public services around local, citizen needs*. Institute for Government.



We suggest five principles for place-based public services: counting, collaboration; community power; accountability and reform at the centre.<sup>29</sup> Taken together, they would inform a new approach across the system nationally and locally, capable of achieving more effective support aligned around local population needs and bringing about a shift to prevention in practice.

## 1. Counting

A deep understanding of the total spending from across different departments in each place is the foundation for change. A forensic mapping of existing spending should be conducted jointly between domestic Whitehall departments and local authorities, at an agreed place level. This is ideally upper tier local authority level at minimum and layered with district level in two tier areas. While cursory spend mapping can and has been conducted using public datasets, the more detailed mapping as a precursor to actual reform of policy and delivery requires a deeper level of sharing and coordination that Whitehall departments must engage with proactively and lead.

The *totality* of public service spending in each place needs to be understood, across all revenue and capital allocations, instead of simply within the different siloed spending lines. This mapping must include spending streams that are currently determined entirely at national level such as most social security benefits, which are often driven by the cumulative failure of other spending policies. By understanding its role in local spending, it may be possible both to reduce benefit spending (for example, through enabling more people to gain better paid work) and to ensure that the delivery of social security is better coordinated with, for example, housing support, mental health provision and access to adult skills.

Spending through arm's length bodies and other centrally accountable agencies, such as Homes England, the Environment Agency and school academy trusts should be included in this mapping. They play a vital role in public provision and investment locally, but operationally they can be detached from both national departments and local areas. The landscape of these bodies is complex, with often opaque accountability and insufficient data transparency, so to understand the nature of their spend at place level will require government direction to ensure participation.<sup>30</sup>

<sup>29</sup> The original Total Place set out three core principles: counting, culture and customer insight – these have been updated and extended based on learning developed in the 15 years' since.

<sup>30</sup> The Rt Hon Lord Maude of Horsham (2023) *Independent Review of Governance and Accountability in the Civil Service. Modernisation and Reform*. Accessed here: <https://www.gov.uk/government/publications/review-of-governance-and-accountability>.

## 2. Collaboration

Armed with an understanding of the totality and flows of spending at place level, partners should collectively develop a Local Public Service Plan. The area level and more granular understanding generated by 'counting' would provide a clearer picture of how spending reaches or doesn't sufficiently reach different communities and demographic groups. To enable this, national departments would need to actively promote data-sharing between agencies to develop deeper insight into their shared population profile, layering their population level data and wider community understanding to generate a 360 perspective of people and place. The mapping will enable the identification of significant cost pinch points within local systems caused by demand pressures, where there is potential to develop a more coordinated approach. Over the 15 years of constrained budgets and rising demand pressures since Total Place, local authorities have evolved a much clearer understanding of their cost drivers, which can help inform interpretation of the identified spending totals.

Local Public Service Plans would use a collective assessment of needs and opportunities to identify existing outcomes across the local population and the specific nature of inequality gaps in that area. The plans would set out common goals that cut across service remits and focus on improving outcomes from their context-specific starting point. It is at this place level, across shared populations, that new ways of working can be forged to improve the nature and sequencing of support. This is where the potential lies for new models of provision designed to offer early intervention and preventative support, facilitated by joint workforce and skills plans. For example, an area could identify low employment participation rates amongst particular groups or neighbourhoods, and then put in place specific strategies to make progress based on a more sophisticated understanding of circumstances – which may be related to health, early years provision or skills. The foundation of pooled place budgets should facilitate more effective partnership working with voluntary and community organisations, which may in many cases be suited to holistic support closer to identified needs.

This process should be enabled by new legal powers to create pooled funding and to exercise greater flexibility from national targets. The well-established joint commissioning of health and social care provision between the NHS and local authorities provides one model of how this might work. Place partners can then track baseline spending and the impact of joint up-front investment in preventative approaches in terms of demand reduction on formal, statutory provision. This is how, over time, increased understanding and trust in the impact



of such approaches within a local system can be proven, and the case for increasing the balance of shared investment in prevention can grow.

This approach emphasises purpose-led collaboration through the shared Local Public Service Plan. New structures or leadership forums which risk being talking shops should be avoided. Instead, the focus should be on using data and wider insights to support a new culture of collaboration across agencies in a place, built on identified areas for budget pooling and developing new ways of working to generate more impact with local populations. Forging a shared culture across organisational remits will take time – opening out to the insight of communities is an opportunity to build a shared approach.

### 3. Community power

There is real potential to adapt the original Total Place approach to build in and mainstream new ways of working with communities that have developed in some local areas in the 15 years since. New Local has identified the role of community power as a significant feature of much locally led public service innovation. This is based on a range of pioneering approaches which recognise the insight and potential of communities, developed in different places and within a variety of contexts but sharing similar features.<sup>31</sup> They are all anchored in communities and share an emphasis on seeking active participation and asset-based, relational ways of working that recognise wider community strengths and networks.

For example, prototypes in Gateshead and Northumbria are testing a new “liberated method” for generalist frontline workers to establish real relationships with people and more flexible support aimed at sustainable life turnaround, tapping into specialist provision when required. The impact has been significant: 70 per cent of people supported in this way achieved a “positive upturn” in their lives.<sup>32</sup> In Sussex, an NHS physiotherapy team held a “community appointment day” for everyone on their waiting list to access a range of strengths-based advice and wider wellbeing support, including from community groups. The approach had a direct impact on demand pressures, reducing waiting list lengths by a third overnight, as many people were linked to non-clinical support which met their needs.<sup>33</sup>

<sup>31</sup> See, Lent, A. and Studdert, J. (2019) *The Community Paradigm* and Pollard, G et al (2021) *Community Power: The evidence*. New Local.

<sup>32</sup> Smith, M. (2023) *The Liberated Method: Rethinking public service*. Changing Futures Northumbria.

<sup>33</sup> Lent, A. and Oglethorpe, K. (2023) Joint venture: how an NHS physio waiting list was shrunk in just two days. New Local. 30 August. Available at: <https://www.newlocal.org.uk/articles/community-appointment-day/>.

The prospect of pooled place-based budgets would provide a stable foundation for new ways of working that involve communities more directly in decisions over the support that would make a difference in their lives. This would invert the logic of vertical accountability up to Whitehall departments and promote horizontal collaboration across agencies in a place. This is a precondition to working closer to communities, being directed by their priorities and evolving alongside wider networks and assets. When developing Local Public Service Plans, it will be important to identify both communities of place (for example deprived neighbourhoods or estates) and communities of experience (such as those sharing common demographic characteristics or conditions) as part of shared population analysis.

In developing Local Public Service Plans, the qualitative insight of communities should add texture to the quantitative data shared between agencies, to build a truly multidimensional view of people and place. Deep community insight should be actively sought using ethnographic techniques which emphasise open conversations and listening, and deliberative discussions.<sup>34</sup> These would seek a deeper understanding of people's current journey through the system, what barriers they face and how shared or more consistent working across existing provision could be designed and deployed to better meet identified needs.

## 4. Accountability

The core aim of place-based budget pooling is to demonstrate better use of public money, by understanding and allocating it more effectively at a local level. This will require both clarity of local leadership and robust accountability. One agency should have the convening power to bring all organisations together to develop Local Public Service Plans and, if necessary, to provide some challenge to recalcitrant behaviour.<sup>35</sup> As the only democratically elected bodies, local government should have a coordinating, 'first amongst equals' role in relation to other local agencies.<sup>36</sup> Without this, local collaboration may in practice be dominated by the largest and most powerful agencies, which currently happens within integrated care systems, whereby NHS service priorities dominate over social care or health inequalities.<sup>37</sup>

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<sup>34</sup> Khan, H. (2023).

<sup>35</sup> Total Place was founded on a model of voluntary cooperation between local agencies and with the centre. This was appropriate for a pilot scheme, but insufficient for a new national approach.

<sup>36</sup> This should be upper tier local authority level – metropolitan, unitary and county tiers, but on the basis of close collaboration with district authorities in two tier areas, and with the opportunity for districts covering densely populated small cities to take over a coordinating role where deemed appropriate. Where combined authorities exist, the role could be passed to that level if there was agreement to do so.

<sup>37</sup> House of Commons Committee of Public Accounts (2023) *Introducing Integrated Care Systems: Thirty-Fifth report of the Session 2022-23*.

On the basis of the Local Public Service Plans developed locally across partners and by actively involving local communities, places should then be held collectively to account for achieving their agreed outcomes. Provided the plans have been developed through active collaboration across agencies and demonstrably drawing in community insight, there should be a presumption that Whitehall accepts each area's plan as a basis for holding them accountable for progress. In this way, both stronger place-based accountability to local communities, and more intelligent national oversight can be developed in parallel.

For this to happen in practice, when plans have been agreed, the accounting officer functions currently exercised in Whitehall would transfer to the local authority chief executive for those services involved. The local authority and other relevant services would be required to report regularly on the delivery and progress towards outcomes of the plans to a single Whitehall department responsible for the collective interests of relevant departments. This would also reinforce a shift towards Whitehall becoming more strategic and joined up.

Stronger place-based accountability might be achieved by strengthening the existing system of local government scrutiny committees. In practice, however, they do not have the local visibility or power to provide value for money oversight across all public services in a place. An alternative might be the establishment of Local Public Accounts Committees (LPACs), a model first proposed by the Centre for Governance and Scrutiny, which has the potential to provide more effective oversight of complex public spending and impact across a place.<sup>38</sup> They would have a remit to follow the public pound, in the context of a more expansive definition of 'value for money' including wider social, environmental and equality outcomes from spend – value chains which are increasingly recognised as having real potential and impact locally but which are under-recognised by our national spending model.<sup>39</sup> This would shift the value for money interrogation away from narrow cost control or efficiency within siloes and offer a more effective whole system oversight of spending allocation and flows.

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<sup>38</sup> For further background about how LPACs might operate, see Centre for Governance and Scrutiny (2023) *Local public accounts committees: Dealing with the governance complexity at a local level*.

<sup>39</sup> See, for example the body of work by CLES who are committed to generating community wealth from local anchor organisations. *Community Wealth Building 2023: A guide for new council members* provides a good oversight.

LPACs would play an enabling role in the context of the direction of travel towards place based budget pooling, focused on developing the necessary culture and practice between institutions for shared outcomes across the totality of public spend. This means identifying risks, promoting cooperation, data sharing and new delivery methods, and driving openness and transparency across local partners. They might be hosted by, but operate independently of, local government, with an independent chair and majority elected councillors with a mix of non-executives from local authorities and other local organisations, plus co-opted experts with specialist insight.<sup>40</sup>

Local scrutiny would be supported by a new independent statutory local audit service. This would support local scrutiny with critical analysis in a way analogous to the relationship between the National Audit Office and the Westminster Public Accounts Committee. The local audit service would have powers of intervention in egregious cases of maladministration or potential fraudulent conduct without requiring the politically sensitive engagement of ministers. Whitehall would retain the power to intervene if plans were not achieving their agreed outcomes, or if the local accounting officer was failing to deliver their responsibility.

Moving towards stronger place-based accountability would require significant shifts in the way the centre operates, from micro-manager to a trusting enabler. This requires changes to the existing accountability model whereby permanent secretaries are Accounting Officers for departmental spending. The final principle considers this directly.

## 5. Reform at the centre

It will be impossible to realise the full potential of place-based public services in England without reform at the centre that changes the way Whitehall interfaces with local areas and which embeds a more strategic focus across departments.<sup>41</sup> While the approach in this paper might appear ambitious, there is already a wider direction of travel across many government departments towards a place focus. This is evidenced by formation of geographically focused integrated care systems and the evolution of devolution towards ‘single pot’ funding settlements creating stronger subregional oversight of certain economic development funding

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<sup>40</sup> Hammond, E. (2023) *Local public accounts committees: Dealing with the governance complexity at a local level*. Centre for Governance and Scrutiny.

<sup>41</sup> This has been identified as a priority for the Labour Party in their proposal for mission-driven government. See: The Labour Party (2023) 5 Missions for a Better Britain. Available at: <https://labour.org.uk/wp-content/uploads/2023/02/5-Missions-for-a-Better-Britain.pdf>.

streams in a limited number of Mayoral Combined Authorities. Yet missing to date has been any shared cross-government commitment to or coherent definition of 'place', meaning reforms have been ad hoc across different functions and have increased rather than reduced operating complexity locally. Further impact will require strong political leadership committed to this approach as a long-term endeavour, to bring about a change in the culture and practice of the civil service, which is necessary for the full impact of place-based approaches to take effect.<sup>42</sup>

As this paper has argued, the current model of Whitehall accountability through fragmented accounting officers does not protect public money well. The Treasury dominates the flexibility of departments by reaching separate settlements which then constrain their use of funds, prizing cost cutting over deeper value for money across the system. To challenge this set-up is to counter deeply held institutional assumptions which protect this 'line of sight' even as it creates waste, inefficiency and reinforces a reactive stance which perpetuates demand pressures across the system when people's needs are not met. The next government will need to tackle this head on and drive through the reform to create place-based modes of accountability.

It is important to acknowledge that our political culture often holds national ministers accountable for the most local of actions and it is unrealistic to demand they simply 'let go'. Yet holding on to central power and reaching for traditional manifestations of 'change' such as new initiatives or performance targets, simply produces suboptimal services and exacerbates the very problems that fill up ministers' in-trays.

The process of creating stronger place-based accountability should be accompanied by a new partnership framework between national and local government. This would create new operating norms which would be aimed at shifting the deep centralised culture and practice of our Whitehall model. The working practices, ground rules and expectations of local and centre need to be developed jointly - addressing the legitimate concerns of ministers and civil servants reluctant to cede the control mechanisms they are familiar with.

Government at Whitehall needs to develop more of a strategic focus, with shared Cabinet-level collective responsibility influencing a more joined up approach between permanent secretaries and across departments. A crucial element of this is the way the Treasury allocates public service spending in England.

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<sup>42</sup> For a good discussion related to this, see Kaye, S. and Powell, R. (2024) *Devolve by Default: Decentralisation and a redefined Whitehall*. Reform.

Comprehensive Spending Reviews should create long term funding settlements for public services for a minimum of three years and should align allocations to all public services, which currently work to different schedules and requirements. This will provide local partners with the longer-term budget certainty from which to coordinate and plan collaboration, and make progress on overcoming the 'prevention penalty' in practice. The Treasury Green Book will need revising to recognise the value for money benefits of more flexible local use of public funds.

The combination of these measures is intended to recast the relationship between the centre and local areas, and in turn with communities themselves. The centre would move away from a stance that reinforces detailed performance targets combined with monitoring and compliance, towards a focus on higher level outcomes and supporting learning and unblocking to those ends. This would provide a secure foundation for local partners to face out and work with communities in ways which draw in their insight and are more responsive to their priorities and the complexities of their lives – providing much better value for public investment in the process.

## Recommendations for action in the new Parliament.

The full implementation of place-based public service budgets will require changes to the culture and working methods of many agencies and organisations which will take time to develop and years to mature. This is even more reason for the next government to start at the beginning of its term of office and we suggest three initial actions.

### **1. Introduce new powers to enable place-based public service budget pooling as a priority.**

New legislation, such as Labour's proposed Take Back Control Bill, should enable place-based public service collaboration and budget pooling. A new permissive framework should:

- Create a duty on all public bodies to collaborate on an ongoing basis to map public spending in places, including an immediate mandate to all local public spending bodies, and national agencies with local spend.
- Require all public bodies to contribute to the development of a Local Public Service Plan and to involve communities in this process, supported by guidance for effective participation and deliberation.

- Create a general ‘power of budget pooling’ to enable two or more agencies to collaborate financially to achieve shared objectives with a local authority or combined local authority area.
- Place a legal duty on all Secretaries of State (for England) to ensure that agencies under their control have the power and responsibility to enter pooled budget arrangements to achieve locally shared objectives and to deliver better value for money.

## **2. The first Comprehensive Spending Review should create long term funding settlements for public services.**

The first fiscal intervention of the new Parliament should signal a clear break from previous short term, siloed ways of allocating public spend, which has fragmented funding in places. To do this:

- Local government should receive long term funding settlements for a minimum of three years.
- Revenue funding allocated across all public services, including health, skills, employment support and probation spending, which currently work to different schedules and requirements, should be more closely aligned to enable joint investment in early intervention and prevention approaches at place level.
- Capital spending, including all housing delivery programmes, infrastructure and transport spend, should move towards a single capital pot of investment in a place.
- A new Whitehall function to understand value for money over public spending across departmental siloes should be established, and commissioned to update annually on progress towards pooled place-based budgets.

## **3. Develop a new framework for place-based accountability.**

Collaboration between central and local government should develop in the context of a new framework for place-based accountability. This should include:

- The creation of a statutory framework within which local and central government can agree the objectives and accountability of place-based budget pooling.



- Giving local authorities a statutory role as the convening power to bring spending bodies together and agree Local Public Service Plans.
- Establishing a framework for wider scrutiny powers over all local public service spending, through a Local Public Accounts Committee model.
- Creating an effective local audit body which is required to work with places in a context-specific way and focus improvement on supporting the development of place-based collaboration. This should have statutory intervention powers – possibly an extension of the newly created Office for Local Government.
- Reform the system of departmental accounting officers to a place-based system of accountability over services within local plans.

## Conclusion

The case for reform set out here is ambitious, as it would re-route the flow of public spending on services across England to align around places and be determined by communities rather than institutional boundaries. Yet the scale of the challenge facing our public services in the context of rising demand and constrained resource will only be matched by a far reaching reconfiguration in how our system of provision is incentivised, held to account and enabled to work with communities directly. Total Place as originally envisaged in 2009 was a bold undertaking. Fifteen years later, with public finances, service quality and outcomes for people all having deteriorated significantly further, the platform continues to burn. The case for radical change is stronger than ever – the next Parliament will need to deliver.





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