

DEMOS

TOTAL PLACE+

A LIBERATED APPROACH TO
FUNDING PUBLIC SERVICES

FUTURE PUBLIC SERVICES TASKFORCE -
DISCUSSION PAPER THREE

BEN GLOVER

DECEMBER 2024



**FUTURE PUBLIC
SERVICES TASKFORCE**
DEMOS

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ABOUT DEMOS

Demos is the UK's leading cross-party think tank producing research and policies that have been adopted by successive governments for over 30 years. We believe that the current system of policy making isn't working. It's either too partisan to address the big underlying problems we agree on, or too technocratic to find solutions that resonate for all. Our systems aren't trusted to improve people's lives. At Demos we believe that there is a better way: one which puts people first to achieve fundamental and lasting change and overcome divisions. We call this collaborative democracy. As a genuinely cross-party think tank, we work with all parties and none to find solutions that work for more people.

ABOUT THIS PAPER

This paper is the latest in a series to be published as part of Demos's **Future Public Services Taskforce**, which is producing a new cross-cutting public service reform strategy for central government. This strategy could be the starting point for the first cross-cutting public service reform White Paper since 2011. In May 2024, the Taskforce published its vision for public service reform, *Liberated Public Services: A new vision for citizens, professionals and policy makers*. We are now applying that vision to five policy workstreams:

- **Workstream One** - Governance structures and duties.
- **Workstream Two** - Accountability.
- **Workstream Three** - Funding models.
- **Workstream Four** - Workforce.
- **Workstream Five** - Citizens.

This Discussion Paper presents our analysis and the recommendations we are considering that came out of workstream three - funding models. The Taskforce's final report, *The Reform Divided: A Roadmap to Liberate Public Services*, further refines our analysis and presents our final recommendations. We welcome feedback, suggestions and comments on this Discussion Paper, in particular our proposed policy options. Please send feedback to ben.glover@demos.co.uk.

The paper's author is **Ben Glover**, Head of Social Policy at Demos, who leads the Future Public Services Taskforce.

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The views expressed throughout the work of the Taskforce are Demos' only. The Taskforce's Advisory Board members, Policy Advisors or funders do not necessarily agree with all the conclusions and recommendations within this report, and nothing in the report can be taken as directly representing their views.

Ben Glover

December 2024

EXECUTIVE SUMMARY

Demos's *Future Public Services Taskforce* is producing a new cross-cutting reform strategy for England's public services. This is based on our 'liberated public services' vision, which learns from innovative local practice and calls for public services to be liberated from an overly centralised state.¹ We are publishing a series of Discussion Papers exploring how central government can support the development of this vision. This paper focuses on how public services are funded in England.

OUR ANALYSIS

We find that central government funding of public services in England today is too often characterised by three features:

- **Short-termism.** Public services are too often hamstrung by short funding cycles, though it is encouraging that the new government is taking steps to address this with respect to local government. Similar challenges exist in other areas of public services, including the NHS, schools and policing. Short-term budgets make the day-to-day running of services on the ground more difficult than is necessary. They also hamper **experimentation** in public services: it takes time to know whether an innovation works. Finally, short-termism hampers **prevention**, given the benefits of preventative spending often accrue years, or even decades, into the future.
- **Fragmentation.** We see two types of fragmentation in the funding of public services which unhelpfully reinforce each other. First, at a national level, funding of public services is highly fragmented. Twenty different departments often work in siloes, alongside a highly complex array of different regulators and inspectorates. This is reinforced by local fragmentation: too many local actors, funded by different funding streams, often working in isolation and/or across different geographies. This makes **joined-up services** harder to deliver on the ground and works against **prevention**, given the benefits of preventative spend in one service area is likely to spillover to other service areas. Third, there is a distinction between the core settlement for local public services and the funding of innovation programmes, providing an artificial distinction between 'day-to-day' working and innovative practice.
- **Inflexibility.** At the start of the 2010s, a large part of council funding was largely unringfenced, granting local areas a wider degree of discretion over spending. However, by 2019-2020, the unringfenced grant had significantly declined, making up just 5% of councils' core spending power, compared to around half at the beginning of the decade. This is compounded by an explosion by the number of small, purpose-specific and typically

¹ Ben Glover, *Liberated Public Services: A new vision for citizens, professionals and policy makers*, Demos, 2024. Available at: <https://demos.co.uk/research/liberated-public-services-a-new-vision-for-citizens-professionals-and-policy-makers/> (accessed 9 October 2024).

ringfenced grants distributed by central government. These features restrict the scope for experimentation in public services; crucial for unlocking the innovation identified as the key improvement driver for 'liberated public services'.

OUR PROPOSALS

We need to shift to a new, liberated approach to public service funding, summarised in Table One below.

TABLE 1
THREE FEATURES OF LIBERATED FUNDING

	DESCRIPTION	RATIONALE FOR 'LIBERATED PUBLIC SERVICES'
Long-term funding	Move away from short-term funding models (e.g. annual budgets) towards multi-year funding. Relatedly, flexible budgets (see below) can support longer-term decision making, for example ability to flex budgets between financial years.	Supports experimentation: benefits from innovation often only appear in the medium to long term, leading to innovative practices or programmes being abolished early. Supports public service efficacy by allowing more longer-term planning.
Joined-up funding	Move from nationally siloed budgets funding a patchwork of local agencies and institutions, to joined-up, place-based budgets.	Supports collaboration: crucial for liberated public services to be effective.
Flexible funding	Move from tightly defined, strictly annualised, ringfenced budgets to more flexible budgets.	Supports experimentation: giving local policy makers and practitioners more discretion over how funds are spent can spur innovation.

Source: Author's analysis

These are not new principles: they reflect a longstanding awareness of the need to move towards a funding system resembling *Total Place*, New Labour's place-based budgeting pilot scheme. However, we should not simply 'revive' *Total Place* and conduct more pilots. *Total Place* was effective and there is a broad consensus around the principles of the initiative: joined-up, integrated, place-based budgets. This is supported by positive lessons from over two decades of place-based budget pilots.² Action, not pilots, are needed today.

Second, England's governance landscape has evolved significantly since the days of *Total Place*. Regional Development Agencies are no more. Local Authorities are in a perilous state financially. More positively, though, in our view, we do have a new, democratically elected middle tier in England, in the form of Mayoral Combined Authorities. Inspired by this development, we argue in this paper for **Total Place+**: place-based budgets at a Combined Authority level.

² Shared Intelligence, Learning from 20 years of place pilots, Local Government Association, 2023. Available at: [https://www.local.gov.uk/publications/learning-20-years-place-pilots#:~:text=Shared%20Intelligence%20\(SI\)%20was%20 commissioned,over%20the%20last%2020%20 years \(accessed 4 November 2024\).](https://www.local.gov.uk/publications/learning-20-years-place-pilots#:~:text=Shared%20Intelligence%20(SI)%20was%20 commissioned,over%20the%20last%2020%20 years (accessed 4 November 2024).)

The Taskforce's first Discussion Paper set out proposals for 'Public Service Reform Boards'. Chaired by a Combined Authority Mayor, these boards would bring together the relevant council leaders of the combined authority, alongside other key public sector leaders. This would likely include the NHS Integrated Care Board Chair and relevant Multi-Academy Trust leaders, alongside other relevant local leaders from the public and charitable sectors. Over time, these 'Public Service Reform Boards' could become 'Strategic Commissioners', whereby all public services in their geography have to refer to the strategy of the relevant 'Public Service Reform Board'.

We believe that the government should explore Total Place-style funding - **Total Place+** - for 'Public Service Reform Boards', once these bodies have been established. Instead of budgets being set separately by negotiations with different central government departments, instead the budget for the relevant Board would be set through negotiations with MHCLG, with the Board itself being responsible for allocating the budget within their geography. This would bring a number of potential benefits:

- **Joined-up working between public services.** Throughout the Taskforce we have argued that liberated public services will only work with greater joined-up working between services. Pooled, place-based budgets would support local cooperation between public services.
- **Integrating social and economic policy at the sub-regional level, unlocking prevention.** With Combined Authorities playing a leading role in public services through the creation of *Public Service Reform Boards*, one tier of government would be responsible for considering economic and public services policy in the round. **Total Place+** budgets would allow financial resources to be moved between economic spending and public service spending, unlocking the ability to deliver 'true prevention': considering the impact of public policy in the round and the benefits (and costs) of different interventions accruing to one budget holder.
- **Scale.** *Total Place+* budgets would be large. This is deliberate: we think that the fragmentation of funding pots can lead to a lack of direction; the ability to align in one direction around a small number of goals (or missions). Large, joined-up, place-based budgets would address this, provided they are accompanied with new accountability mechanisms.
- **Accountability.** The introduction of quasi-markets has increased the complexity of public services locally, making it harder for both the public and decision makers to correctly identify lines of accountability. This 'patchwork quilt' can make it hard, often very hard, for different parts of the system to hold each other accountable, and even harder for citizens to know whom to hold accountable. By putting significant budgetary power in 'Public Service Reform Boards, chaired by directly-elected (in most instances) Mayors, we hope to boost local accountability, while recognising additional steps are needed to strengthen MCA accountability (see below). This would also address the fact that twenty or so different government departments do not use standard geographies; over time they could begin to be aligned under our proposals.

DELIVERING LIBERATED FUNDING - POLICY OPTIONS

We consider below what policy changes would be required to bring this change about and support this new approach to place-based budgeting.

POLICY THEME	POLICY OPTION
<p>Total Place+: a new approach to place-based budgets for England</p>	<p>Policy Option 1: The government should develop proposals to move towards Total Place+ funding: single pot funding for all public services in a sub-region. These budgets would be held by newly-established Public Service Reform Boards, chaired by Combined Authority Leaders and bringing together all relevant public services in a sub-region.</p> <p>Policy Option 2: The government should consider making Combined Authority Chief Executives Accounting Officers for their Public Service Reform Board, accountable to Parliament for Total Place+ spending decisions. This could, among other benefits, mitigate Whitehall concerns about accountability for public spending.</p> <p>Policy Option 3: Public Service Reform Boards should conduct 'Public Service System Reviews' - PSSRs - identifying duplication and overlap in terms of local public service delivery. This should be informed by deep engagement and co-design with families and households in receipt of public services, to identify a person-centred picture of overlap.</p>
<p>Government as a foundation</p>	<p>Policy Option 4: The government should establish a 'Service Experimentation and Innovation Fund' - SEIF - within UKRI.</p> <p>Policy Option 5: The government should increase support for social investment, given the ability for social funding to liberate the frontline and join-up local public services.</p>
<p>Wider reforms to central government funding of public services</p>	<p>Policy Option 6: The government should introduce a new category within Department Expenditure Limits: Preventative Departmental Expenditure Limits (PDEL). This would classify preventative investment, injecting long-termism into public spending and enabling us to track preventative expenditure.</p>

INTRODUCTION

Rising waiting lists. Crumbling buildings. Exhausted professionals. It's increasingly clear that Britain cannot get back on the right track without a public services renewal. The new Labour government appears to understand the need for change. HM Treasury's *Fixing the foundations: Public spending audit 2024-25* document, published in July 2024, indicates that the government will put a strong emphasis on public service reform:

*"The government will use the Spending Review to change the way public services are delivered by embedding a mission-led approach, driving forward public service reform and making the best use of technology to better deliver services."*³

NEW PUBLIC MANAGEMENT, THE LAST NATIONAL VISION FOR PUBLIC SERVICE REFORM, HAS RUN ITS COURSE

Before embarking on a new reform agenda, however, the government needs a clear sense of what it is trying to achieve.

The last national vision for public service reform was inspired by New Public Management (NPM) - a governing philosophy which sought to inject markets and private sector managerialism into public services. NPM's policy prescriptions have often been described as the Three Ms: Markets, Managers and Measurement.⁴ Through Thatcher's 'Next Steps' initiative in the late 1980s, John Major's 'Citizen's Charter' and waves of reform under New Labour, this powerful vision shaped reform in the UK for decades, underpinned by a powerful cross-party consensus.

Over time, however, the limitations of this agenda have become clear. We have seen the effectiveness of its policy prescriptions weaken. Targets, where used inappropriately or excessively, can lead to gaming. Markets have been very challenging to build in public services. Today's public services struggle to tackle, multifaceted challenges, such as obesity or poverty. Finally, it has led to unintended consequences, from demoralised, exhausted workforces to the deepening of service delivery siloes. It's clear that we need a new approach.

³ HM Treasury, *Fixing the foundations*, July 2024. Available at: https://assets.publishing.service.gov.uk/media/66a793cba3c2a28abb50d8a1/E03171937_-_Fixing_the_foundations_-_public_spending_audit_2024-25_-_Final_Web_Accessible.pdf (accessed 7 October 2024).

⁴ Louise Dalingwater, *Post-New Public Management (NPM) and the Reconfiguration of Health Services in England*, *Observatoire de la société britannique*, 16 | 2014, 51-64.

WE HAVE NOT HAD A NEW NATIONAL VISION, BUT WE HAVE SEEN A LOCAL REVOLUTION IN THINKING AND PRACTICE

However, we have not seen a move to a new, coherent *national* vision for public services. The last cross-cutting public service reform strategy for the UK was the Coalition Government's *Open Public Services* agenda, launched in 2011 and then dropped a few years later. There have been piecemeal attempts to reform individual public services nationally, but there has been no shared vision animating such changes. This means that any attempts to reform one service are inevitably undermined by a lack of alignment in other areas.

However, during the same period without a clear national vision, we have seen a revolution in thinking at a local level. Often responding to external pressures, such as austerity, councils, charities and providers have been experimenting with a new approach across the country. This has challenged many of the key tenets of New Public Management, primarily:

- **Designing for complexity**, acknowledging that the world is not simple and linear.
- **Understanding human behaviour as intrinsically motivated**, rather than responding best to external motivators, for example punishments and rewards (e.g. targets, sanctions etc).
- **Building resilience to unlock prevention**, not always seeking to deliver more efficiency.
- **Experimentalism**, not command and control.

A NEW NATIONAL VISION: LIBERATED PUBLIC SERVICES

Inspired by that local revolution, in May 2024 we set out a new national vision for public services, which we call *liberated public services*. Inspired by Gateshead Council's pioneering 'liberated method',⁵ we call for public services to be liberated from New Public Management across four domains:

- **Citizens** are liberated to bring their whole selves to services and seen as a resource to be worked with.
- **Professionals** are liberated from extensive pressure from the centre: excessive targets, compliance regimes, rigid service specifications and monitoring.
- **Communities** are liberated to partner with public services, whether formally or informally.
- **Policy makers in central government** - ministers, advisors and civil servants - are liberated from day-to-day micromanagement of services and providers to a broader, strategic role supporting learning and best practice.

⁵ Mark Smith, *The Liberated Method - Rethinking public service*, Changing Futures Northumbria, 2023. Available at: <https://www.changingfuturesnorthumbria.co.uk/rethinking-public-service> (accessed 4 November 2024).

In our vision paper we describe three principles to deliver that vision, summarised below:

TABLE 2
SUMMARY OF DEMOS' 'LIBERATED PUBLIC SERVICES' PRINCIPLES

FEATURE	NEW PUBLIC MANAGEMENT	LIBERATED PUBLIC SERVICES
What is the goal of public service reform?	To deliver more efficient public services.	To improve the lives of citizens and create strong social and economic foundations, which underpin the government's broader economic and social missions .
How should different parts of the public services ecosystem interact?	Through competition , to deliver improvements through the principles of free market economics.	Through collaboration , to respond to the fact of complexity and the need to join-up services around the user and their communities
What role should policy makers at the centre play in improving public services?	Use command-and-control techniques (targets, sanctions, service specifications) to ensure efficiency and maintain standards.	Encourage experimentalism throughout the public services ecosystem, supporting learning and innovation.

Source: Author's analysis

POLICY WORKSTREAMS

We are now applying this vision to five policy workstreams:

- **Workstream One:** Governance duties and structures.
- **Workstream Two:** Accountability
- **Workstream Three:** Funding Models
- **Workstream Four:** Workforce
- **Workstream Five:** Citizens

METHODOLOGY

Each workstream is informed by a multi-stage research and policy development process:

1. Desk-based research

First, Demos researchers undertook an analysis of the relevant key academic, policy and government literature. We generated a number of key findings on which to base the rest of our analysis and policy development.

2. Advisory Board

Demos researchers then tested our key findings and emerging recommendations with the Taskforce's Advisory Board in a private discussion.

3. Expert Online Roundtable

We then further refined our analysis and recommendations with a wider group, encompassing Taskforce Policy Advisors and attendees of an expert online roundtable.

4. Discussion Paper - drafting and analysis

We considered the feedback received throughout the policy development process, we then iterated our analysis and recommendations through a series of Discussion Paper drafts, and shared for comment with a number of external experts.

PAPER SCOPE

Given public services are largely devolved to the devolved assemblies in Northern Ireland, Scotland and Wales, this paper focuses primarily on England.

CHAPTER ONE

WHAT ARE THE CHALLENGES WITH HOW PUBLIC SERVICES ARE FUNDED TODAY?

In this chapter we examine today's approach to funding public services in England and ask: to what extent does this help or hinder the development of 'liberated public services'?

CHALLENGE ONE: SHORT-TERM FUNDING

British policy making suffers from chronic short-termism. Indeed, Labour put the need to "end sticking plaster politics" at the heart of its election campaign, with a pledge to deliver 'mission-driven government'.⁶ Similar challenges also affect public services. As the Institute for Government describes:

"Policy makers have repeatedly prioritised short-term issues in public services at the expense of difficult decisions that would benefit services in the long run. Public services, and the public they serve, are now experiencing the consequences of that short-term thinking."⁷

Some drivers of short-termism are unresolvable; elections are always likely to shorten the time horizon of policy makers in a democracy.⁸ But some drivers are bugs not features. The short-term nature of funding for many public services appears excessively short even for a democracy.

6 The Labour Party, 5 Missions for a Better Britain, 2023. Available at: <https://labour.org.uk/wp-content/uploads/2023/02/5-Missions-for-a-Better-Britain.pdf> (accessed 4 November 2024).

7 Stuart Hoddinott, Short-term policy making has trapped public services in a 'doom loop', Institute for Government, 2023. Available at: <https://www.instituteforgovernment.org.uk/comment/public-services-doom-loop> (accessed 4 November 2024).

8 The Health Foundation, Overcoming short-termism in policymaking after COVID-19, 2020. Available at: <https://www.health.org.uk/news-and-comment/newsletter-features/overcoming-short-termism-in-policymaking-after-covid-19> (accessed 4 November 2024).

Although not their intention, fiscal frameworks can incentivise the Treasury and politicians to opt for cuts to capital spending. Between 2013/14 and 2019/20 faced with pressures on day-to-day spending, £3.9 billion was transferred from planned capital spending to meeting NHS running costs. In 2017/18, 18% of the NHS' capital budget was used to cover shortfalls in day-to-day spending. It may seem easier to cut investment projects than take unpopular decisions to reduce funding for core public services or increase taxes. Lord Darzi's recent review of the NHS for the Health Secretary describes how:

*"The NHS has been starved of capital and the capital budget was repeatedly raided to plug holes in day-to-day spending. The result has been crumbling buildings that hit productivity – services were disrupted at 13 hospitals a day in 2022-23. The backlog maintenance bill now stands at more than £11.6 billion and a lack of capital means that there are too many outdated scanners, too little automation, and parts of the NHS are yet to enter the digital era."*⁹

We have also seen prevention budgets reduced in tough times. Though prevention spending isn't tracked and measured in the same way as capital spending, examining specific areas of prevention spending in public services suggests some short decisions have been made.

Take two specific examples. First, the public health grant, which funds preventative health work undertaken by local authorities, such as smoking cessation, sexual health services and drug and alcohol services.¹⁰ Between 2015-16 and 2024-25, the public health grant was cut by 28% in real terms per person.¹¹ Second, early intervention spending on children, encompassing a range of activities including early years and family support.¹² Analysis conducted by Action for Children finds that nine in ten local authorities cut early intervention spending in children's social care between 2015-16 and 2019-20 in England, with overall spending on early intervention falling 21% in real terms.¹³

Similar issues are seen across different elements of the public services landscape. First, in local government funding there are examples of short-termism. One of the most apparent causes of this is that councils must work within single-year budgets, limiting their ability to plan effectively for the future as they have little certainty or stability in their financial planning. This short-term funding approach creates a reactive budgeting environment, undermining long-term planning and preventative spending. When senior local government figures were asked what would have a positive impact on council finances, 97% wanted multi-year financial settlements to replace the annual budgets that result in short-term planning.¹⁴ This lack of certainty has knock-on effects for service delivery in local areas, leading to inefficiencies and additional costs. The new government has committed to replacing annual budgets with a multi-year model but it remains to be seen how far into the future local governments will be able to budget following the changes.¹⁵

9 The Rt Hon. Professor the Lord Darzi of Denham OM KBE FRS FMedSci HonFREng, Independent Investigation of the National Health Service in England, 2024. Available at: <https://assets.publishing.service.gov.uk/media/66f42ae630536cb92748271f/Lord-Darzi-Independent-Investigation-of-the-National-Health-Service-in-England-Updated-25-September.pdf> (accessed 4 November 2024).

10 David Finch, Anna Gazzillo and Myriam Vriend, Investing in the public health grant, Health Foundation, 2024. Available at: <https://www.health.org.uk/news-and-comment/charts-and-infographics/public-health-grant-what-it-is-and-why-greater-investment-is-needed> (accessed 4 November 2024).

11 Nileema Patel et al, Options for restoring the public health grant, Health Foundation, 2024. Available at: <https://www.health.org.uk/publications/long-reads/options-for-restoring-the-public-health-grant> (accessed 4 November 2024).

12 Action for Children, Too little, too late: early help and early intervention spending in England, 2022. Available at: https://media.actionforchildren.org.uk/documents/Too_Little_Too_Late_Report_Final.pdf (accessed 4 November 2024).

13 Ibid.

14 Dr Greg Stride and Mike Woods, The State of Local Government Finance in England, Local Government Information Unit, 2024. Available at: <https://lgiu.org/wp-content/uploads/2024/02/State-of-Local-Government-Finance-in-England-2024.pdf> (accessed 4 November 2024).

15 The Labour Party, Change: Labour Party Manifesto 2024, 2024. Available at: <https://labour.org.uk/wp-content/uploads/2024/06/Change-Labour-Party-Manifesto-2024-large-print.pdf>

Furthermore, general uncertainty around council finances result in excessive short-termism. As Demos explored in the *The Preventative State*, substantial cuts to local authority budgets in the last 14 years have weakened their ability to invest in long-term services; council spending is reactive as there is insufficient fiscal headroom for foundational policymaking in town halls across England.¹⁶ To keep up with rising statutory requirements, many councils are selling off assets and taking money from their reserves. This is an inherently unsustainable and short term mechanism for funding regular services.

The Institute for Government gathered evidence from interviewees in local authorities who reported that the bulk of council “attention and funding is consumed by firefighting acute demand” at the expense of preventative services; this ends up being far more costly in the long run and with poorer outcomes.¹⁷ Statutory spending on adult and children’s social care is taking up an ever-increasing proportion of council budgets - from 59% in 2010 to 71% in 2022 - squeezing out expenditure on discretionary, preventative services and ultimately leading to greater and more severe demand in the long run across other aspects of the public sector. For instance, forced cuts to Sure Start centres across England has had a negative impact on health and educational outcomes.¹⁸ Short-termism in local government funding can be damaging across the public sector; creating more expensive and more structurally problematic issues in the NHS, employment and criminal justice system.¹⁹

Second, these issues exist in other areas of public services. Short-termism in public service funding extends beyond local government to critical areas like the NHS, schools and policing, where budgetary practices similarly hinder long-term planning.

The NHS budget is primarily determined through the central government Spending Review, which typically sets funding levels for a limited period, often three years. This restricts NHS bodies on a regional level from making sustained investments in place-based preventative care, staff training and infrastructure development. While nominal funding may increase, the real-terms growth often fails to meet the rising costs associated with an ageing population and increased demand for services. Short-term approaches to local government funding can have negative effects across the public sector, potentially leading to higher costs and more complex challenges in the NHS, employment, and criminal justice systems.

Similarly, state-schools are allocated funding on an annual basis, through a centralised National Funding Formula that determines each school’s total budget for the day-to-day running costs of a school, such as teacher pay, energy bills, minor maintenance and materials. The unpredictability of annual funding - combined with perpetual real term cuts - forces schools into a cycle of crisis management, where they prioritise maintaining operational budgets over investing in sustainable educational initiatives. Similarly to local authorities, cuts to budgets forces schools to make difficult decisions based on immediate budget constraints, leading to cuts in programmes such as extracurricular activities and support services that have long-term benefits for physical and mental wellbeing. Moreover, minor maintenance work can be deferred in order to keep up with immediately pressing needs, creating long-term infrastructure issues that are more expensive to address later on.

The Home Office allocates funds based on a funding formula that doesn’t align with the current needs of the police, being introduced in 2006 and partially relying on data from the 2001 Census. Moreover, the emphasis on specific performance targets, such as response times and

16 Polly Curtis, Ben Glover and Andrew O’Brien, *The Preventative State*, Demos, 2023. Available at: <https://demos.co.uk/wp-content/uploads/2023/04/the-preventative-state.pdf>

17 Stuart Hoddinott et al, *Fixing public services: Priorities for the new Labour government*, Institute for Government, 2024. Available at: <https://www.instituteforgovernment.org.uk/sites/default/files/2024-07/Fixing-public-services.pdf>

18 Stuart Hoddinott, Nick Davies and Darwin Kim, *A preventative approach to public services*, Institute for Government, 2024. Available at: https://www.instituteforgovernment.org.uk/sites/default/files/2024-05/preventative-approach-public-services_0.pdf

19 Localis, *Moving through the gears*, 2023. Available at: https://www.localis.org.uk/wp-content/uploads/2023/02/053_MovingThroughTheGears_AWK.pdf

crime statistics, pushes police departments to allocate resources towards immediate results rather than long-term community engagement. This focus can lead to the implementation of short-term initiatives that address current issues but do not contribute to sustainable improvements in community safety.

CHALLENGE TWO: SILOED FUNDING

Throughout the Taskforce we have argued for greater joining up of public services; for greater collaboration between different arms of the state. This is because of the fact of complexity: given the environments in which public services are operating are often governed by complexity, this means a siloed approach will often fail, given the interconnected nature of social and economic forces. It's also about improving the experience for the citizen: engaging in numerous services that do not themselves engage with one another can be a disappointing experience. Sadly, this is too often the case when it comes to the funding of public services in England, where we see high degrees of national and local fragmentation.

National fragmentation

There remains significant fragmentation of funding within and between government departments. This is in part a reflection of the siloed nature of the structure of Whitehall departments; twenty different departments which often work on shared issues, in a non-joined up fashion. A recent study by the Grant Thornton and IPSOS for the MHCLG found:

“Different departments provided multiple awards in the sample policy area. For example, DESNZ and DLUHC both providing business support grants; DLUHC and DHSC providing support in relation to homelessness and rough sleeping; and DESNZ and DCMS providing funding in relation to net-zero and energy efficiency.”²⁰

As a result, the need to get departments to work together on shared issues has been acknowledged for some time now. For example, New Labour developed its 'joined-up' government agenda.²¹ More recently the Johnson government's 'levelling up' agenda attempted some degree of joined-up working between departments. Indeed, researchers have gone as far as describing the many attempts to enable joined up working as “‘initiativitis’”, identifying at least 55 occasions in the last twenty five years when central government has sought to join up local public services.

While there have been some successes on these fronts, sadly these are largely exceptions to the rule, such as the Shared Outcomes Fund (see case study). As a National Audit Office study of joined-up government concludes, “...there is little incentive for departments to invest in programmes which deliver benefit elsewhere in government.”²² Despite many attempts to increase the number of joint submissions to the Spending Review, which would encourage joined-up working, at the last Comprehensive Spending Review just 38 joint submissions were made, with most bids remaining along departmental lines.²³

20 Grant Thornton and IPSOS, Partnerships for People and Place Programme, DLUHC, 2023. Available at: https://assets.publishing.service.gov.uk/media/66156c4f2138736672031ba8/Partnerships_for_People_and_Place_Programme_learning_and_evaluation_report.pdf (accessed 4 November 2024).

21 Christopher Hood, The Idea of Joined-Up Government: A Historical Perspective, 2005, <https://doi.org/10.5871/bacad/9780197263334.003.0002>

22 National Audit Office, Lessons learned: Cross-government working, 2023.

23 Olly Bartrum, Ben Paxton and Rhys Clyne, How to run the next multi-year spending review, Institute for Government, 2024. Available at: <https://www.instituteforgovernment.org.uk/sites/default/files/2024-07/how-to-run-spending-review.pdf>

CASE STUDY

SHARED OUTCOMES FUND

Launched in 2019 to support cross-department projects that address complex, systematic issues by encouraging various branches of government to work together on pilot projects, with a focus on long-term impact, evaluation and breaking down operational silos across the public sector. The SOF funded over 60 pilot projects that address a variety of policy challenges such as homelessness, criminal justice and healthcare integration.

One of the key strengths of the SOF was its ability to stimulate innovative problem-solving. Projects like the installation of broadband cables through water mains, and the coordinated effort to reduce drug use by linking law enforcement, health services and prisons, demonstrated the value of cross-departmental working.

However, a significant problem was the lack of incentives for departments to collaborate, as civil servants are often judged on the success of their own departments rather than joint outcomes.²⁴ In 2024, the Treasury recognised that it would have to work from the top down to encourage departments to submit joint bids as the current incentives were insufficient. Departments, naturally are focussed on their own priorities and - especially given austerity - are predisposed to utilising their departmental funding on their objectives rather than those of another department. While it is true that cross-departmental collaboration can create better outcomes for each participating department's objectives, it is difficult for civil servants to see this in advance; the incentives point them towards focussing on their own schemes before worrying about others in Whitehall.

Furthermore, data-sharing issues and capacity constraints limited the scalability of some projects. Evaluations showed that while some pilots were successful in improving outcomes in specific areas, others struggled to demonstrate measurable long-term impact due to these structural barriers.²⁵

The principle lesson from the Shared Outcomes Fund is that cross-governmental working does not come naturally to departments and government bodies. Even when policy priorities align, strong incentives are necessary to encourage the pursuit of collaborative policy making and delivery across government.

²⁴ Institute for Government, How to improve collaboration across government, 2020. Available at: https://www.instituteforgovernment.org.uk/sites/default/files/improve_collaboration_across_government.pdf (accessed 5 November 2024).

²⁵ Committee of Public Accounts, Cross-government working, 2024. Available at: <https://publications.parliament.uk/pa/cm5804/cmselect/cmpubacc/75/report.html> (accessed 5 November 2024).

Local fragmentation

While funding for public services is allocated by different bodies nationally, locally this problem is compounded by different organisations receiving funding and there often not being overlap between these. This is clear from Table Three, which identifies some of the common local agencies or institutions in receipt of funding for public services. What is clear is that there is a lack of alignment in terms of responsible organisation or geography. This presents further challenges for joined-up public services.

TABLE 3
PUBLIC SERVICES AND FUNDING AGENCIES

SERVICE	WHO IS FUNDED ALLOCATED TO?
Public health	Upper tier local authorities
Schools	Schools and local authorities
NHS	Integrated Care Systems (ICSs)
Police	Police Force Areas (PFAs)

Source: Institute for Fiscal Studies, *How much public spending does each area receive? 2023*

National and local fragmentation reinforce one another

Additionally, national and local fragmentation can reinforce each other, further complicating an already complex situation. This is illustrated by analysis conducted by Grant Thornton and IPSOS, which examined total grant awards from central government departments into Durham. The analysis found a picture of complexity with 229 grants to 1,279 recipients.²⁶

What's wrong with fragmentation?

Fragmentation harms collaboration, which we have seen is crucial for delivering 'liberated public services'. Budgets organised around vertical delivery siloes make working together across those siloes more challenging. This in turn harms prevention, given that preventative activity in one service area often delivers savings beyond that service area. It also weakens citizens' experience of public services; people fall through the cracks and services fail to interact in a helpful way.

Second, it can lead to a lack of scale and direction in public services systems. Directionality is the idea that changes are being made in the direction of addressing a wider societal challenge, for example reducing health inequalities or tackling climate change. NPM's narrow focus on efficiency means it often didn't take into account such ambitions, assuming that market forces will lead us towards a better world without the need for state-driven direction setting.

We have argued throughout the Taskforce for a greater focus on directionality, yet small and fragmented funding pots can deprive public services of that; making it harder to achieve common objectives and reducing the system's capacity to address challenging, long-standing social and economic issues. A consequence of so much fragmentation is that the system as a whole is delivering less than the sum of its parts. Take the People for Partnership and Places programme, a recent government programme which sought to improve local outcomes by

²⁶ Grant Thornton and IPSOS, *Partnerships for People and Place Programme*, DLUHC, 2023. Available at: https://assets.publishing.service.gov.uk/media/66156c4f2138736672031ba8/Partnerships_for_People_and_Place_Programme_learning_and_evaluation_report.pdf (accessed 4 November 2024).

strengthening collaboration between central and local government. An evaluation of the programme however found that:

“Across the 13 pilot areas 70% of the grants received by all bodies were less than £100,000. The picture is less extreme when looking only at grants awarded to the local authority. However, in one year a single authority is administering over hundred – and in some cases close to two hundred – individual grants of which around a third (33%) are less than £100,000.”²⁷

This no doubt adds significant wasted time, effort and resources to the system. Third, fragmentation adds unnecessary cost and complexity to the system, resulting in higher administrative costs, potentially depriving frontline public services of much-needed funding. In an examination of funding sources, Grant Thornton and IPSOS identify that:

“...the complexity of funding streams can be a barrier to effective strategy or policy implementation. It also results in significant time investment for local authorities to navigate overlapping streams and meet multiple reporting requirements.”²⁸

CHALLENGE THREE: INFLEXIBLE FUNDING

The ringfencing of various central government grants to local authorities is intended to ensure that vital services such as social care, education and public health initiatives receive necessary support. However, despite having the clearest picture of specific local trends and needs, ringfencing significantly limits local authorities’ discretion in allocating funds. For instance, if a local authority receives a substantial grant for adult social care, it may be unable to shift funds to address pressing public health or housing challenges, leading to gaps in service provision.

At the start of the 2010s, a large part of council funding came through the Revenue Support Grant (RSG), which was largely unringfenced and granted local administrators a wider degree of discretion over spending. This allowed local authorities to distribute funds based on local needs and priorities that they could identify on the ground as opposed to spending according to national targets or algorithmically determined central government estimates of what local people need. However, by 2019-2020, the unringfenced RSG had significantly declined, making up just 5% of councils’ core spending power, compared to around half at the beginning of the decade. In contrast, by 2020, ringfenced grants, particularly those targeting social care and public health, became more dominant. For example, retained business rates (31%) and social care grants accounted for a much larger share of local authority funding.²⁹

Similarly, between 2015 and 2019, the number of small (around a quarter were worth under £1m), purpose-specific and typically ringfenced grants exploded, with councils receiving 448 individual grants annually, compared to only 61 in 2013/2014.³⁰ Many of these were highly conditional, tying councils’ hands in terms of spending and leading to “an increasingly fragmented and reactive use of public funding” (Local Government Association).³¹ Moreover, this increased centralisation and decreased flexibility in funding is a growing trend. In 2024-25,

27 Grant Thornton and IPSOS, Partnerships for People and Place Programme, DLUHC, 2023. Available at: https://assets.publishing.service.gov.uk/media/66156c4f2138736672031ba8/Partnerships_for_People_and_Place_Programme_learning_and_evaluation_report.pdf (accessed 4 November 2024).

28 Ibid.

29 Kate Ogden and David Phillips, What is the outlook for English councils’ funding?, Institute for Fiscal Studies, 2024. Available at: <https://ifs.org.uk/publications/what-outlook-english-councils-funding> (accessed 4 November 2024).

30 LGA, “Fragmented” short-term government grants poor value for money, councils warn, 2020. Available at: <https://www.local.gov.uk/about/news/fragmented-short-term-government-grants-poor-value-money-councils-warn> (accessed 4 November 2024).

31 Ibid.

the majority of local authority grant funding is ringfenced or earmarked for social care, which now account for 14% of core spending power.³² Moreover, the overall share of council spending allocated to social care services has surged to 65% in 2023–24.³³

The Partnerships for People and Place (PfPP) programme brought together 11 central government departments and arms-length bodies with 13 local authorities for a two-year pilot of a new approach to designing and delivering public policy in which the local authorities had the scope and resources to identify hyper-local policy challenges that could benefit from improved central and local government coordination. The aim was to directly challenge the current model of ring fenced funding for certain services - examining whether granting wider discretion to local authorities would produce better outcomes for citizens.

The conclusions of the programme were that inflexible funding models are a significant barrier to achieving system change and genuine impact and that there was consensus across central government partners that it would be beneficial to combine funding streams for a wide variety of locally administered programmes including on substance misuse, housing and regeneration, green infrastructure, career pathways and funding for 14-19 year olds, fuel poverty and energy efficiency, community safety and crime and adult learning and skills. Finally, the challenges outlined above with respect to highly annualised budgets only worsen the picture with respect to flexibility of funding.

TOWARDS LIBERATED FUNDING OF PUBLIC SERVICES

The short-term nature of funding restricts the ability for experimentation and creativity, because the benefits of innovation also take a long-term to become apparent. We need a more **longer-term, patient approach** to funding public services. We've also seen that funding pots are often siloed or fragmented. At a national level, there can be insufficient coordination between different government departments, and sometimes even within the departments themselves. This demands a more **integrated approach** to budgets. Finally, we have seen that budgets are too often inflexible and ringfenced. Putting this right will require a more **flexible, outcomes-focused approach to funding**.

TABLE 4
THREE FEATURES OF LIBERATED FUNDING

	DESCRIPTION	RATIONALE FOR 'LIBERATED PUBLIC SERVICES'
Long-term funding	Move away from short-term funding models (e.g. annual budgets) towards multi-year funding. Relatedly, flexible budgets (see below) can support longer-term decision making, for example ability to flex budgets between financial years.	Supports experimentation: benefits from innovation often only appear in the medium to long term, leading to innovative practices or programmes being abolished early. Supports public service efficacy by allowing more longer-term planning.

32 Kate Ogden and David Phillips, What is the outlook for English councils' funding?, Institute for Fiscal Studies, 2024. Available at: <https://ifs.org.uk/publications/what-outlook-english-councils-funding> (accessed 4 November 2024).

33 LGA, "Fragmented" short-term government grants poor value for money, councils warn, 2020. Available at: <https://www.local.gov.uk/about/news/fragmented-short-term-government-grants-poor-value-money-councils-warn> (accessed 4 November 2024).

Joined-up funding	Move from nationally siloed budgets funding a patchwork of local agencies and institutions, to joined-up, place-based budgets.	Supports collaboration: crucial for liberated public services to be effective.
Flexible funding	Move from tightly defined, strictly annualised, ringfenced budgets to more flexible budgets.	Supports experimentation: giving local policy makers and practitioners more discretion over how funds are spent can spur innovation.

Source: Author's analysis

CHAPTER TWO

A LIBERATED FUNDING MODEL FOR PUBLIC SERVICES

It's clear from the previous chapter that we need a new approach to funding public services. In this chapter we describe how to deliver long-term, joined-up, person-centred, outcomes-focused, flexible funding for public services.

PLACE-BASED BUDGETS ARE ESSENTIAL TO DELIVERING A LIBERATED APPROACH TO FUNDING

Most of the challenges identified in this paper are not new challenges. Policy makers and researchers have been aware of these deficiencies for sometime. As a result, there have been countless initiatives at a central government level to address these; adding up to what some have called 'initiativitis': 25 years of attempts to join up public services in England.³⁴

We believe these experiences reveal an important fact: delivering a new, more liberated model for public services funding cannot happen in Whitehall alone. Efforts to create flexible, coordinated, and long-term funding pools at the national level often face significant challenges and can seem doomed to fail. To explain why, we consider the three features of liberated funding in turn and ask: can these features ever be delivered by nationally-held funding?

Joined-up funding

Whitehall can sometimes struggle to deliver coordinated funding between different government departments. The Institute for Government, in a review of the different attempts between 1997-2015 to join up local public services, concluded that these attempts "...failed to translate into system-wide change and collaboration between organisations still remains rare."³⁵

³⁴ Gibson, M., van Lier, F., & Carter, E. (2023). Tracing 25 years of 'initiativitis' in central government attempts to join up local public services in England. *Policy & Politics*, 51(4), 695-717. Retrieved Nov 4, 2024, from <https://doi.org/10.1332/030557321X16837266852569>

³⁵ Sophie Wilson, Nehal Davison, Molly Clarke and Jo Casebourne, *Joining up public services around local, citizen needs*, Institute for Government, 2015. Available at: <https://www.instituteforgovernment.org.uk/sites/default/files/publications/4564%20IFG%20-%20Joining%20up%20around%20local%20v11c.pdf> (accessed 4 November 2024).

This shouldn't be surprising. Whitehall departments have existed sometimes for centuries, with cultures shaped over a very long time and therefore hard to shift. As former Cabinet Secretary Mark Sedwill notes, "Whitehall structures would be familiar to Gladstone."³⁶ Cultures and behaviour built over decades are hard enough to shift, let alone centuries.

In a recent analysis of the challenges to reforming Whitehall, the Reform think tank identifies two important barriers. First, departmental fiefdoms. Despite many attempts to change this over the years, "From policy development through delivery to accountability, the department is the primary unit".³⁷ This is compounded by a second barrier: a historically weak Cabinet Office. This means that the centre of government, beyond HM Treasury, has lost its ability to set a direction for reform; a major concern when previous periods of successful public service reform were driven by dedicated units in the Cabinet Office, for example Blair's Delivery Unit and the Office of Public Services Reform.

Flexible funding

We have seen the need for a more flexible approach to funding, in which outcomes or missions are targeted, rather than outputs or activities, which can restrict the scope for experimentation at the frontline. Again, we think funding directed by central government departments is unlikely to enable a more flexible approach.

While Whitehall culture may play a part in this, there are also reasons relating to risk: if central government departments are 'on the line' for when things go wrong, there is a greater temptation to restrict and ring fenced funding. We believe that the emergence of Combined Authorities in England provides the opportunity to delegate some formal accountability and risk holding around financing, which we explore in more detail below.

TOTAL PLACE+: PLACE-BASED PUBLIC SERVICE BUDGETS

Having considered the argument that joined-up, long-term, flexible funding might be easier achieved through place-based not national budgets, we now explore how to achieve that in practice.

In doing so we revisit the Total Place experiment of the New Labour government (see case study for more detail). In 13 pilots across England, the initiative sought to understand how public services could be better delivered locally, crucially through eliminating waste and duplication, encouraging more joined-up working and focusing on prevention. While the pilots have much to commend them, we believe the time is right to move in a bolder direction now; to move from pilot to policy.

³⁶ Charlotte Pickles and James Sweetland, *Breaking Down the Barriers*, Reform, 2023. Available at: https://reform.uk/wp-content/uploads/2023/08/Barriers_Final.pdf (accessed 4 November 2024).

³⁷ Ibid.

CASE STUDY

TOTAL PLACE

Conceptually, Total Place is the idea of mapping all public spending in a specific town, city, region or administrative area, identifying how public money is spent across services and agencies; getting services to work together and with local communities to establish priorities; identifying how well current needs are being met; and setting out how public money could be better used to those ends.

The national programme involved 13 pilot areas and aimed to understand how places could provide better, lower-cost public services by eliminating the duplication of work and by breaking down silos among local governments and partners in the public, private and third sectors. Each pilot area was led by local politicians and senior managers and chose its own focus based on local needs with the goal of using public spending more flexibly to better align with the needs of the community. The areas of focus for each pilot area was chosen according to their specific needs and was not centralised like the NDC.

As well as joining up services, Total Place emphasised proactive, early intervention services (eg: early years care and support for former offenders) with the aim of avoiding reactive crisis-management costs. Overall, the Secretary of State at the time, John Denham, predicted that a shift towards Total Place could save the UK up to £20 billion within ten years.

The design of Total Place encompassed three complementary strands. First, the programme focused on mapping how much money was spent on what, and how effective that spending was in producing favourable outcomes. The cultural strand was concentrated on identifying and rectifying the system's cultural barriers that inhibited smooth communication and collaboration among multi-agency partners. Finally there was an emphasis on citizen insight and collecting feedback from local communities to shape priorities and boost community engagement and empowerment.

The accountability structures of Total Place forced areas to understand a place's services and financial flows. Without strong accountability structures - both governmentally and in terms of citizen feedback - service provision cannot be truly tailored to an area's specific needs. Cross-system collaboration demands buy-in at all strategic and operational levels to thrive. Preventative services can only function in the context of strong collaboration.

As discussed extensively throughout this report, many of the key arguments have been won and well-evidenced, both from Total Place and since then. But crucially, the governance of England looks dramatically different to when Total Place was carried out through the emergence of Combined Authorities as a new 'middle tier' for English government. We have argued throughout the Taskforce for Combined Authorities to play a bigger role in public services, centred on three key responsibilities. So the appropriate question today for policy makers is not 'should Total Place pilots be re-run?' but 'what do the principles of Total Place look like for an era of Combined Authorities?'

Usefully, policy makers have already begun to consider this question through the introduction of single settlement budgets for GMCA and WMCA. This new approach to funding settlements means that they will be treated like government departments, receiving for each spending review period a single funding settlement, reducing reporting requirements and giving local leaders greater flexibility over how funding is allocated.³⁸

We recommended in the Taskforce's first Discussion Paper that the government should create 'Public Service Reform Boards'. Chaired by a Combined Authority Mayor, these boards would bring together the relevant council leaders of the combined authority, alongside other key public sector leaders. This would be likely to include the NHS Integrated Care Board Chair and relevant Multi-Academy Trust leaders. Over time, these 'Public Service Reform Boards' could become 'Strategic Commissioners', whereby all public services in their geography have to refer to the strategy of the relevant 'Public Service Reform Board'.

We believe that the government should explore Total Place style funding for 'Public Service Reform Boards', once established. Instead of budgets being set separately by negotiations with different central government departments, the budget for the relevant Board would be set through negotiations with MHCLG, with the Board itself being responsible for allocating the budget within their geography. We therefore recommend that:

Policy Option 1: The government should develop proposals to move towards *Total Place+* funding: single pot funding for all public services in a sub-region.

These budgets would be held by newly-established Public Service Reform Boards, chaired by Combined Authority Leaders and bringing together all relevant public services in a sub-region.

Total Place+ could bring a number of significant benefits for the development of 'liberated public services'.

First, scale. We are aware that *Total Place+* style single budgets would be significant. This is deliberate: we think that the fragmentation of funding pots is a real challenge and that we need to take steps to address this. We are persuaded by the argument that the state has too often lost 'directionality': the idea that changes are being made in the direction of addressing a wider societal challenge, for example reducing health inequalities or tackling climate change. NPM's narrow focus on efficiency means it often didn't take into account ambitions, instead focusing on more open-ended outcomes, such as efficiency, and assuming that market forces will lead us towards a better world without the need for state-driven direction setting.³⁹ Powerful, large and joined-up local budgets could go some way to addressing this.

Second, integration of economic and social policy, unlocking prevention. Throughout the Taskforce we have strong arguments for the need to seek to achieve this. NPM viewed services

38 Duncan Henderson, Grant Dalton and Akash Paun, Trailblazer devolution deals, Institute for Government, 2023. Available at: <https://www.instituteforgovernment.org.uk/explainer/trailblazer-devolution-deals> (accessed 4 November 2024).

39 Mazzucato, M. (2016). From market fixing to market-creating: a new framework for innovation policy. *Industry and Innovation*, 23(2), 140–156. <https://doi.org/10.1080/13662716.2016.1146124>

as operating in isolation, yet the great insight of work such as Michael Marmot's is that social determinants such as the quality of local services, access to food and education shape health and wellbeing outcomes. Too often the challenges facing public services have been viewed as solvable by public services themselves. But if social and economic trends decline and drive demand for public services, then services will be overwhelmed; this is arguably the situation public services find themselves in today.

Total Place+ budgets could begin to effectively join up economic policy and public services. Today, Combined Authorities duties have mainly focused on economic functions, such as infrastructure and public transport. The creation of *Public Service Reform Boards* would begin to see policy join between these two previously discrete areas. *Total Place+* budgets would provide the final piece of the puzzle; the ability to move financial resources between economic functions and public services, unlocking the ability to deliver 'true prevention': considering the impact of public policy in the round and all the benefits (and costs) of different interventions accruing to one budget holder.

Third, accountability. The introduction of quasi-markets has driven the complexity of public services locally, making it harder for both the public and decision makers to correctly identify lines of accountability. As Elliott et al describe:

"Marketisation of services creates a 'patchwork quilt' of providers from the private, public, and voluntary sectors blurring lines of accountability. Providers come and go as contracts exchange hands, hindering long-term planning and making it difficult to establish the trust that is needed to secure 'joined up' working."

This 'patchwork quilt' can make it hard, often very hard, for different parts of the system to hold each other accountable, and even harder for citizens to know whom to hold accountable. By putting significant budgetary power in Public Service Reform Boards - chaired by (often) directly elected Mayors - we hope to boost local accountability, while recognising additional steps are needed to strengthen MCA accountability (see below). This isn't about the state delivering everything itself; we should continue to procure goods from the best provider, whether that's state, private or civil society. But it's about local leaders asserting a greater sense of directionality over local public services spending.

Having considered the benefits, we must also outline the wider changes required to move towards this new approach, which we recognise is a very significant change and would require wider, accompanying reforms to make it feasible.

First, it would likely require a new approach to budgetary accountability. We recognise that this change would put significant responsibility in the hands of Public Service Reform Boards and with this responsibility it's appropriate that this comes with new accountability requirements.

Departmental Permanent Secretaries, the most senior civil servants in central government departments, are Accounting Officers, accountable to Parliament for public spending. We believe with this significant devolution of budgetary making powers that now is the time to consider proposals for local leaders to become Accounting Officers. This would provide more scrutiny and challenge, from Parliament, for how Public Service Reform Boards make budgetary decisions; an appropriate additional oversight given the new powers they would be accruing. We therefore recommend that:

Policy Option 2: The government should consider making Combined Authority Chief Executives Accounting Officers for their Public Service Reform Board, accountable to Parliament about public spending decisions related to *Total Place+* budgets. This could, among other benefits, mitigate Whitehall concerns about accountability for public spending.

There will also be much waste locally too: we saw earlier in the report that Grant Thornton and IPSOS analysis identified the scale of duplication with overlapping priorities between different public services, but a lack of coordination locally. *Total Place+* budgets provide an important opportunity for conducting this analysis: what waste and duplication is happening in local areas. Given this, we recommend that:

Policy Option 3: Public Service Reform Boards should conduct 'Public Service System Reviews' - PSSRs - identifying duplication and overlap in terms of local public service delivery. This should be informed by deep engagement and co-design with families and households in receipt of public services, to identify a person-centred picture of overlap.

GOVERNMENT AS A FOUNDATION

While we believe more funding decision should be taken locally, there is still a really important role for central government to play in supporting 'liberated public services', particularly in respect to innovation. Central government seeks to support public service innovation through funds such as the Shared Outcomes Fund or Life Chances Fund. We think that central government should continue to play this role, providing the funds are administered in accordance with our 'liberated funding' principles: long-term, flexible, joined-up. This is largely due to the fiscal firepower of central government remaining much greater than local areas, pending any significant fiscal devolution, which appears unlikely for the foreseeable future.

CASE STUDY

LIFE CHANCES FUND

In 2016, the Department for Digital, Culture, Media and Sport (DCMS) entrusted the National Lottery Community Fund to establish the nine-year long Life Chances Fund (LCF). This is a £70 million (originally £80 million) fund⁴⁰ committed to supporting the people who face the biggest obstacles to leading happy and productive lives by supporting the expansion of outcomes-based commissioning through the use of social impact bond (SIB) approaches.⁴¹ The LCF aims to tackle issues around six key themes: drug and alcohol dependency, children's services, early years, young people, older people's services, and healthy lives.⁴²

40 Department for Culture, Media & Sport. Life Chances Fund intermediate evaluation: data release. 2023. Available at: <https://www.gov.uk/government/publications/life-chances-fund-interim-evaluation-data-set/life-chances-fund-intermediate-evaluation-data-release>

41 FitzGerald, C., Hameed, T., Rosenbach, F., Macdonald, J. R., Outes Velarde, J. and Dixon, R. An Introduction to Life Chances Fund projects and their early adaptations of Covid-19: Life Chances Fund Evaluation Interim Report. DCMS, 2021. Available at: https://assets.publishing.service.gov.uk/media/62054280e90e077f7ca77850/An_introduction_to_Life_Chances_Fund_projects_and_their_early_adaptations_to_Covid-19_full_report.pdf

42 Government Outcomes Lab. Guidance for Life Chances Fund projects. Available at: <https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/our-role-supporting-life-chances-fund-projects/>

SIBs are at the core of the Life Chances Fund. They are a collaborative and innovative model⁴³ for the organisation and delivery of public services with the private and not-for-profit sectors.⁴⁴ The model brings together commissioners (often central, or local government), service providers (often from the VCSE sector) and investors or representatives (often social or philanthropic). The service is set out to achieve measurable outcomes established by the commissioner, and the investor is repaid if these outcomes are achieved.⁴⁵

Social Impact Bonds offer a number of benefits to public service delivery. By increasing the number of and scale of SIBs as well as by building evidence on what works, the LCF is designed to make it easier and quicker to set up SIBs in the future. As well as this, the LCF aims: to increase social innovation, increase the amount of capital available to a wider array VCSE sector providers to better enable them to compete for public sector contracts, to provide better evidence of the effectiveness of the SIB approach with the savings that are being accrued and finally, growing the scale of the social investment market.⁴⁶

Example: The Skill Mill - The Skill Mill programme was launched against the background of high recidivism rates amongst youth offenders. Stigma attached to criminal records has meant that young offenders struggle to access education, training and employment opportunities consequently being at risk of social exclusion. The Skill Mill programme seeks to break this cycle by offering young offenders 6 months paid work experience in environmental maintenance during which participants can gain nationally recognised qualifications. The LCF has supported the programme to expand their services in eight locations over four years in 2020. An evaluation of the programme shows that participants that took part averaged fewer and less severe offences than those who did not. In 8 years, 274 young people took part in the programme out of which 20 participants were reconvicted, offering a Social Return on Investment (SROI) of almost 12:1.⁴⁷

Yet there is no central, cross-government body focused on supporting public service innovation. While there are many innovation agencies in the UK, few if any focus on public services. UKRI focuses primarily on business-led innovation, thus excluding public services from most of its remit. We therefore recommend that:

Policy Option 4: The government should establish a 'Service Experimentation and Innovation Fund' - SEIF - within UKRI.

43 Carter, E., FitzGerald, C., Dixon, R., Economy, C., Hameed, T. and Airoldi, M. Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation. Blavatnik School of Government and Government Outcomes Lab, 2018. Available at: <https://golab.bsg.ox.ac.uk/documents/BSG-GOLab-EvidenceReport-20190730.pdf>

44 Department for Culture, Media & Sport. Life Chances Fund. Available at: https://assets.publishing.service.gov.uk/media/5e830040e90e0706ebaa81fb/LCF_FAQs_FINAL_DRAFT.pdf

45 Department for Culture, Media & Sport. Social Outcomes Partnerships and the Life Chances Fund. 2023. Available at: <https://www.gov.uk/guidance/social-outcomes-partnerships>

46 FitzGerald, C., Hameed, T., Rosenbach, F., Macdonald, J. R., Outes Velarde, J. and Dixon, R. An Introduction to Life Chances Fund projects and their early adaptations to Covid-19: Life Chances Fund Evaluation Interim Report. DCMS, 2021. Available at: https://assets.publishing.service.gov.uk/media/62054280e90e077f7ca77850/An_introduction_to_Life_Chances_Fund_projects_and_their_early_adaptations_to_Covid-19_-_full_report.pdf

47 Government Outcomes Lab. Life Chances Fund (LCF) Evaluation. Available at: <https://golab.bsg.ox.ac.uk/about/outcomes-based-contracting/life-chances-fund-lcf-evaluation/>

CASE STUDY

CHANGING FUTURES PROGRAMME

The Changing Futures programme is a 4-year, £77 million programme, launched in 2021, aiming to improve outcomes for adults experiencing multiple disadvantages – including combinations of homelessness, substance misuse, mental health issues, domestic abuse and contact with the criminal justice system.

The programme's funding model is based on the principles of partnership between local organisations; a whole person approach - treating people as individuals and sharing accountability and ownership of support across the system; usage of data to inform future policy and programmes; and collaborating with people who have lived experience.

Changing Futures not only aims to provide direct support but also serves as a testing ground for innovative multi-agency collaboration models. The core objectives include breaking down barriers within and across services and developing scalable service-delivery frameworks. With the long-term goals of improving the way that local services work; informing new services, government programmes, and policy; helping staff provide fair and accessible services; and promoting equality and diversity.

Prior research and government evaluations had identified that individuals with multiple disadvantages were underserved due to fragmented and siloed service provision. Traditional service delivery was focussed on attending to single-issue needs and was uncoordinated with other services - increasing risk and decreasing long-term efficacy.

The programme was funded by a joint partnership between DLUHC and The National Lottery Community Fund, with the money distributed to local partnerships across England, who design and deliver services tailored to local needs. Local authorities, health providers, criminal justice agencies and voluntary sector organisations formed the core of the partnerships, reflecting the shift towards localised decision-making and service customisation. The model aims to encourage the integration of statutory and non-statutory services to meet interconnected needs.

The hybrid funding model, incorporating government and third sector resources, blended public accountability with the flexibility associated with charity funding, creating the space for approaches that may be less feasible under government-only funding.

In 2000, then Chancellor of the Exchequer Gordon Brown launched the Commission on Social Investment, stating that: “I want to see more investment in the UK in social enterprises – projects which have social objectives, and not simply profit-orientated.”⁴⁸ This kickstarted a revolution in social financing and paved the way for the creation of Big Society Capital, now Better Society Capital, in 2012.

These include ‘Social Outcomes Partnerships’, formerly known as ‘Social Impact Bonds’ an alternative approach to commissioning public services, where upfront socially motivated capital from investors is used to fund local delivery organisations, with public sector funding released when certain outcomes are met. We are encouraged by the Treasury’s recent announcement that £550m of investment has been secured to tackle challenges such as the housing crisis.⁴⁹

CASE STUDY

ALLCHILD (FORMERLY WEST LONDON ZONE)

AllChild has supported thousands of children at the tipping point of need in some of the UK’s most disadvantaged neighbourhoods by intervening early to build the social, emotional, and academic skills they need to flourish. These children and young people are facing multiple social, emotional and academic challenges and are at risk of negative outcomes – exclusion, poor employment, mental health crisis, involvement in crime – yet they do not qualify for statutory services and/or struggle to access additional opportunities in their community.

AllChild (formerly West London Zone) mobilises private, public, and voluntary services to co-design support programmes delivered in-school through their Link Workers – putting a single trusted relationship at the heart of delivery and joining up fragmented local systems ‘around the child’. The results are significant - 95% of school leaders say AllChild has changed the trajectory of children at risk; 80% of children move out of risk in social-emotional health; half move out of persistent absenteeism.

As a Social Outcomes Partnership, AllChild brings together funding from schools, local authorities, public health, central government, local businesses and philanthropic organisations. This enables AllChild to join-up siloed services and deliver shared outcomes, providing a holistic experience for families who were unaware of or unable to access the different parts of the system from which they could benefit.

Focussing on outcomes instead of inputs – the default for public services – gives AllChild the flexibility to tailor their services to the child and place. Embedded in schools every day, AllChild Link Workers develop trusted relationships with children and the adults in their lives over two years, providing personalised, relational support (including ‘micro-commissioning’ specialist partners and linking to existing assets in the community).

48 Guardian, Cash Drive for deprived areas, 10 February 2021; quoted in <https://www.socialenterprise.org.uk/app/uploads/2022/07/Reclaiming-the-Future-Commission-on-Social-Investment-Report.pdf>

49 HM Treasury, Hundreds of millions of new investment secured to get Britain building again, 2024. Available at: <https://www.gov.uk/government/news/hundreds-of-millions-of-new-investment-secured-to-get-britain-building-again> (accessed 4 November 2024).

This is underpinned by a funding model that empowers people and systems to work differently:

- **All local:** pooling funding to embed support in the community and drive a shared strategic vision.
- **All together:** giving all stakeholders a seat at the table as ‘partial payers’, enabling targeted and meaningful collaboration between services and providing a ‘joined-up’ experience for families.
- **All in:** strategically leveraging philanthropy maximises resources and makes public money go further, while also making philanthropy more transparent and accountable.
- **All agreed:** co-designing a place-based outcomes framework, where payment is only made on evidence of outcomes achieved, reduces risk for commissioners and empowers practitioners.

According to independent analysis, AllChild generates an estimated average of £81,000 in financial savings and wider economic benefits per child – e.g. from reduced demand for higher-tier services.

AllChild shows that the way public services are funded shapes how people experience them. Funding models can incentivise isolation or collaboration; they can restrict practitioners or empower them; they can be top-down or bottom-up. Getting these conditions right is the first step towards a more relational, more community-based and more cohesive vision of liberated public services.

Throughout the Taskforce, and indeed this paper, we have argued that frontline flexibility and autonomy is required to unlock innovation, the key driving force of public service improvement under ‘liberated public services’. Social investment in public services can support that flexibility, with local delivery organisations often given more freedom with regard to delivery method, as long as the desired outcomes are aimed towards and hopefully achieved.⁵⁰ Alongside greater flexibility for frontline professionals, social investment can also help to join-up different public services.⁵¹ We therefore recommend that the government considers:

Policy Option 5: The government should increase support for social investment, given the ability for social funding to liberate the frontline and join-up local public services.

⁵⁰ Big Society Capital, Outcomes For All: 10 Years of Social Outcomes Contracts, 2022. Available at: https://bsc.cdn.ngo/media/documents/BSC_Outcomes_For_All_Report_2022.pdf (accessed 4 November 2024).

⁵¹ <https://www.newlocal.org.uk/network/our-members-and-partners/bridges-outcomes-partnerships/>

WIDER REFORMS TO CENTRAL GOVERNMENT FUNDING OF PUBLIC SERVICES

Preventative Departmental Expenditure Limits (PDEL)

Throughout this paper we have made a strong case for the need for longer-term budgets to unlock a more liberated approach to the management of public services. Reforming the government's spending framework, to focus more on prevention, could help achieve this.

Professor Brian Ferguson, former Chief Economist for Public Health England and Director of Public Health Research has made the point that in health and social care, we do not currently know how much the whole system spends on prevention. He notes that "a figure of 4-5% is typically quoted for England" on spending on prevention, but this roughly reflects the money spent on the public health grant and is a specifically identified funding stream.⁵²

It is also impossible to track whether we are spending more or less on prevention than we used to, although given cuts to public health grants and early intervention grants in recent years, we can assume it is significantly lower than previously. This is because we do not classify different forms of expenditure as 'preventative' and we rarely track whether the money invested into these programmes or initiatives.

We need to start by measuring prevention and having a transparent process of budgeting and accounting for prevention spending. In September last year, Demos proposed the creation of a new category within Department Expenditure Limits: Preventative Departmental Expenditure Limits (PDEL). This would classify and ring fence preventative investment, injecting long-termism into public spending. We remain committed to this idea and recommend that:

Policy Option 6: The government should introduce a new category within Department Expenditure Limits: Preventative Departmental Expenditure Limits (PDEL). This would classify preventative investment, injecting long-termism into public spending and enabling us to track preventative expenditure.

Reclassification of public expenditure has happened before. In 1998, the incoming government separated revenue (RDEL) and capital budgets (CDEL) in order to ensure that there was sufficient capital investment in the public sector. The Economic and Fiscal Strategy Report made the case for this reform because "[i]n the past, cuts in capital expenditure were made too often as a means of accommodating short-term pressures elsewhere."

In the following Comprehensive Spending Review, the Government introduced revenue and capital allocations for each government department. These are now known as Resource Departmental Expenditure Limits (RDEL) and Capital Departmental Expenditure Limits (CDEL).

52 B Ferguson, Investing in prevention: the need to make the case now, 22 February 2016

CONCLUSION

While political and media debate tends to focus on the *quantity* of public services funding, the *qualities* of that funding appear equally important. In a fiscally constrained environment, a fact that looks to remain the situation for the foreseeable future, the importance of considering the how of public service funding only grows.

We have made a case throughout this paper for a new, liberated approach to funding public services. Well aware that such a prescription isn't new, we hope to offer something that is new and that advances the debate; the concept of *Total Place+*: single pot funding for public services in a subregion to deliver better outcomes. That is because we profoundly believe that tinkering with national funding practices will never be sufficient; the only way to truly shift the dial towards long-term, person-centred, joined-up, flexible budgets is to make a once-in-a-generation shift towards place-based budgeting. ***Total Place+* would achieve that.**

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