

Whole Place Community Budgets

Purpose of report

For discussion at the Councillors' Forum.

Summary

This note updates the Councillors' Forum on the whole place community budget pilots and invites a discussion on the sector's response.

Recommendation

Members are asked to discuss the proposed paper.

Action

LGA Officers to proceed as directed.

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Whole Place Community Budgets

Background

1. This note updates the Councillors' Forum on the whole place community budget pilots and invites a discussion on local government's response.
2. The whole place pilots (Essex, Greater Manchester, Tri-borough and West Cheshire) were announced in late 2011. This followed LGA lobbying for a serious examination of the potential of community budgets. We have long argued that place-based approaches to funding public services will deliver more efficient and better outcomes for local people.
3. The pilots were invited, with central Government departments and local partners, to co-design a whole place community budget proposing new ways of organising, funding and delivering public services. Over the last year they have been taking forward this experiment in local public service reform.

Whole place – where we are now?

4. Operational plans and business cases from the pilots (West Cheshire, Essex, Greater Manchester and the Tri-borough) were submitted to the Department for Communities and Local Government (DCLG) on 31 October.
5. There are several key issues for Government and the sector to settle:
 - 5.1 the response from Whitehall to the conditions necessary to unlock the pilots' proposals;
 - 5.2 the case that can be made to Whitehall to make those changes; and
 - 5.3 the extent and nature of the endorsement from Government Ministers.
6. There is also a crucial issue for the rest of local government and local partners – to what extent is there an appetite to follow or better the approaches to public service reform in the pilot areas adapting them to local conditions?

The pilots have made the case

7. The pilots have set out a hard-edged evidence base for what they could do. They are modelling significant service re-design and improvement in outcomes:
 - 7.1 all four have proposals on health and social care integration. Tri-borough can release £38 million by year five of net efficiencies in health and social care by reducing unplanned acute hospital and care admissions for the 100,000 people who are elderly and have complex needs;
 - 7.2 all four have proposals to promote growth, in particular improve people's skills, to raise productivity and reduce dependency on public services. Essex is proposing

Item 1

a local and employer led approach to vocational skills with a payments-by-results funding model creating 8,000 additional apprenticeships by 2020;

- 7.3 both Cheshire West and Chester and Essex are proposing new integrated approach to reduce domestic abuse including new perpetrator programmes; and
 - 7.4 all four have proposals for troubled families and Cheshire West and Chester and Greater Manchester have looked at intervening early to improve children's outcomes in later life. The troubled families programme in Greater Manchester will work with a larger number of families than those strictly falling within the Troubled Families Programme criteria with the potential to release much greater savings using new investment agreements to share costs across local partners.
8. The proposals on growth are essential to reducing dependency and improving resilience in communities. There is a virtuous circle of reducing demand, de-commissioning and re-investing in early intervention.
 9. However, the pilots have done more than look at specific themes where the issues are complex, cross-cutting and high cost.
 10. They have taken a whole system, whole place approach. There will be financial savings to specific new approaches and across the local public sector, for example:
 - 10.1 in Cheshire West and Chester, they are modelling a 5 year net financial benefit of £56 million across their plans of which £24 million accrues to the health service and £11 million to the local council; and
 - 10.2 in Essex, they are modelling £414 million of benefits across their plans of which £127 million are cashable savings.

Local partners cannot deliver this alone. Delivery depends on Whitehall changing.

11. The outcomes and savings depend however on Whitehall making a number of changes – in effect, agreeing to a potential public service reform contract. Taking just a few examples, the proposals depend on:
 - 11.1 the Department of Health agreeing to 3 year settlements for clinical commissioning groups (CCGs), variations to national tariffs and support for a new reimbursement funding model;
 - 11.2 the Department for Business Innovation and Skills (BIS) agreeing to local employer-led strategic direction over vocational skills budgets and new payment by result models that reward providers for the delivery of job outcomes in the local economy; and
 - 11.3 Investment from the Ministry of Justice (MoJ), Department of Work and Pensions (DWP) and Department of Health (DH) to scale up pilot programmes to reduce reoffending and troubled families.
12. This is the basis of the potential deal with central Government. Councils and their partners can make savings that help them cope with reducing public budgets and

Item 1

increasing demand for services if Whitehall itself takes new approaches to funding services. What has been a theoretical debate now has an evidence base.

Making the case

13. Against this background, the LGA is preparing with the pilots:
 - 13.1 a guide to the pilots approaches – which has been referred to as a “cookbook”. At an earlier meeting between pilot leaders and cabinet Ministers, there was strong interest from ministers in the potential for the reforms proposed by the pilots to be extended nationally. Ministers suggested a guide to enable other areas to follow the pilots' approaches adapting to local circumstance. The LGA is producing this document (and a website) drawing on the pilots' work; and
 - 13.2 the LGA has also commissioned with the pilots Ernst and Young to analyse the national financial impact of scaling up the pilots' proposals - they have built a robust methodology to aggregate the pilots proposals and are turning the pilots' business cases into an illustration of the potential financial impact of replicating what the pilots have done more widely.
14. Finally, meetings have been arranged to discuss the Government's response with Ministers. We expect the “cookbook” and results of the Ernst and Young analysis to be ready to publish early in the New Year if that is what members decide to do and will bring the Forum fully up to date at the meeting.