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## **Whole Place Community Budgets**

### **Purpose of report**

For discussion.

### **Summary**

This note updates the Finance Panel on taking forward whole place community budgets.

### **Recommendation**

Members are invited to discuss community budgets and how they feature in our work on local government funding and the Spending Review – officers will update members on the latest developments at the panel's meeting.

### **Action**

LGA Officers to proceed as directed.

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## **Community Budgets**

1. At the LGA Executive meeting on 10 January, members discussed:
  - 1.1. the conclusions of Ernst and Young's review of the potential for aggregating the impact of community budgets on a national scale;
  - 1.2. the prospects for striking the necessary bargain – or contract – between central and local government to ensure the preconditions for implementing the four pilots' proposals can be met;
  - 1.3. the support that might be needed to help other areas make progress with this approach to public service reform.

## **The Aggregation Study**

2. The Ernst and Young aggregation study, commissioned by the LGA and the pilots sites aggregates the cost/benefit analyses in the whole place community budgets pilots' final business cases to a national level. Each of these cases proposes service reform on issues including health and social care, work and skills, troubled families.
3. The report shows the potential financial benefits of adopting the pilots' approaches across the country and makes the case for putting the national and local conditions in place.
4. This national aggregation model reflects the fact that each pilot has taken its own approach to service redesign, and that the same kind of variety is likely to be found as the result of a wider roll-out. It therefore shows the potential financial benefits as a range. It has also adopted a number of extremely cautious assumptions about the figures: they have all been adjusted downwards by between 10% to 33% for optimism bias, for example.
5. The aggregation model also only generates figures for projects where three or all four of the pilots have produced a broadly comparable business case. It therefore only aggregates figures for
  - 5.1. health and care integration;
  - 5.2. skills and employment;
  - 5.3. troubled families.
6. Across the pilots, work has also been undertaken on issues such as early intervention, early years, reoffending, drugs and alcohol treatment. Savings from wider rollout of that work would be in addition to the figures in the aggregation model.
7. The model estimates that the five-year net financial benefit from national roll-out of the three themes would be between £10 billion and £20 billion at a 2012-13 net present

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value. In-year net financial benefit would reach between £5 billion and £10 billion (rounding up) by the fifth year and the pilots' businesses cases indicate that savings would grow after year five. This represents between 2% and 13% of the relevant spending across all the organisations involved.

8. The share of the benefits attributable to local government is – on average across the themes – about one-fifth. The table below sets out the figures:

| Theme                       | Net annual benefit £bn | Annual addressable spend £bn | % of addressable spend | 5 year net benefit £bn |
|-----------------------------|------------------------|------------------------------|------------------------|------------------------|
| Health and social care      | 2.8 – 5.0              | 56.7                         | 5-9%                   | 5.8 – 12.0             |
| Families with complex needs | 0.4 – 1.2              | 9.0                          | 4-13%                  | 0.5 – 2.7              |
| Work and skills             | 1.0 – 1.7              | 41.4                         | 2-4%                   | 3.1 – 5.9              |
| Total                       | 4.2 – 7.9              | 107.1                        | 4-8%                   | 9.4 – 20.6             |

9. The net financial benefits reflect the balance between upfront investment and savings. Each pilot shows a different profile of investment to achieve the savings, with some more heavily loaded towards the earlier years.
10. There are three obvious but very important provisos that emerge from the Ernst and Young work:
- 10.1. first, any financial benefits from adopting the community budgets approach take some years to materialise and require accompanying investment;
- 10.2. secondly, the benefits are contingent on the pilots' new models actually being adopted, which means that preconditions such as enabling changes to central Government systems must first be met (more discussion on these preconditions is in the next section of this paper);
- 10.3. thirdly, benefits on the national scale set out in Ernst and Young's modelling are only available if the capacity exists everywhere to adopt the community budget approach. While many places are working in a similar way and have the preconditions for implementation in place, others are not at this point ready. They would need to capacity development to take this approach.

**Meeting the preconditions: next steps**

11. The pilots' business cases identify dozens of separate changes in processes or rules within central Government agencies which are necessary to implement the joint working models they have devised. The Government's announcement in the Autumn Statement that it expects local areas to proceed with the community budget approach

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strongly implies that it is predisposed to make those changes. The decision-making process or processes by which that will happen in general have yet to be made clear, though.

12. In some areas, there is a definite process in train which addresses the pilots' preconditions. For example:
  - 12.1. we understand that it is the Government's intention for the pilots' requests for greater local decision-making over what skills provision should be funded, and for pooled local capital/infrastructure budgets, to be addressed as part of the Government's response to the Heseltine Review, which made parallel recommendations;
  - 12.2. the Department of Health has committed to making progress on health and care integration in ten places, which in principle suggests that the four community budget areas could and should be included in that exercise.
13. But there is at this point no explicit process by which the Government will address the preconditions identified by the community budget places. We are in active discussions with the Government about how the preconditions will be addressed.

**Support: next steps**

14. Both the implementation in the current four pilot areas and wider roll-out of community budgets are contingent on the necessary capacity being there in places. The particular success identified by the pilots include the maturity of local partnerships and leadership of place, the use of teams drawn from across local public services, analytical capacity, especially financial, and the deployment of secondees from Whitehall departments. Not every place will be ready to develop its own community budget without capacity support of this kind.
15. At the same time, a number of support offers relevant to the main community budget themes already exist, provided either within the local government sector or elsewhere. These include in particular the Leadership Centre's leadership of place offer, capital and assets pathfinders, and offers around health and care integration through Health and Wellbeing Boards. Any targeted support around community budgets should not duplicate or create confusion around these, but rather signpost places to them and help places draw on them. It also needs to build on what the existing Challenge and Learning Network<sup>1</sup> has done to share learning from the pilots and establish a core of other places interested in taking the same approach.
16. As members will be aware, supporting and promoting community budgets is a key theme in the emerging draft LGA business plan for the coming year. We will need to ensure that the spending round for 2015-16 recognises the potential of community budgets and that the measures are put in place which will enable the next full Spending

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<sup>1</sup> The Challenge and Learning Network is made up of the 14 councils that applied to be a whole place community budget pilots but which were unsuccessful.

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Review to ensure that community budgets become the “normal” way of delivering public services. The Panel is invited to consider how the community budgets narrative should be reflected in our wider work on local government funding and the Spending Review.