

## Community Budgets: the offer to local areas

1. The Spending Review set out the Government's commitment to creating genuinely new approaches to pooling funding at local levels, to be trialled through Community Budgets in 16 areas. Provided these are successful, the intention is to roll the approach out to all areas from 2013-14. Community Budgets have the potential to play a vital role in delivering the system reform that will support the Prime Minister's stated ambition to 'turn around every troubled family in the country'. The initial set of Community Budgets is being focused to support families with multiple problems. It is only through genuine system reform that we can increase, over time, support for these families, reduce avoidable costs and the burden that these families place on local services.
2. Government is making radical changes to the way frontline services are funded, which will mean that the approach advocated by Community Budget partnerships becomes easier in all places. We have sought to ensure that budget holders at local level have the freedom to pool and align funding to deliver better outcomes, and expect local budget holders to use this freedom, engaging with communities and other local delivery organisations.
3. For councils, Government has reduced the number of separate core grants from 90 to fewer than 10, and ended ringfencing of all revenue grants from 2011-12, except simplified school grants and a new public health grant from 2013. This includes over £2 billion a year from DfE across England – unringfenced - to support early intervention.
4. Together with reforms in the way that other agencies are funded, with Government giving frontline professionals and delivery bodies more discretion about how to spend funds, this will mean that all areas benefit from significantly more ability to align spending with local priorities. The Community Budget 'offer', however, needs to be significantly above and beyond the changes that the Spending Review put in place for funding in all areas to be credible and to enable the benefits of this approach to be compared to those from the wider flexibility for all places.
5. To support Community Budget areas to go further, we are providing a 'menu' for local partners, set out in the annex to this note. This covers the departmental funding that we consider likely to be most suitable for pooling or alignment to support families with complex needs in Community Budget areas. This represents a clear commitment that relevant departments and their agencies will engage positively with local partnerships to agree how elements of these funding lines

can most usefully support Community Budgets, including through pooling at source, local pooling as well as improved local alignment and sharing of resource (eg staff, assets). By pooling at source, we mean an up-front agreement, for the SR period, that funding allocated to specific organisations will be applied to tackling families with multiple needs to provide certainty over this funding and to enable the total sum of funding to be governed by one mechanism (which places will need to define) that identifies services and delivery models and oversees performance. We will wish to consider how this can be systematised once we understand what sort of budgets are emerging from the local discussions.

6. The menu is not designed to be a final set of options nor set out specific 'deals' for places. But it does set out those areas of spend which are clearly relevant to tackling families with multiple needs and which can be called upon in order to deliver locally designed services. It also provides a clear basis for local, and local/Whitehall discussions about pooling, and also aligning and coordinating budgets and delivery processes at local level to support shared outcomes for these families. As discussions progress, where Community Budgets are able to make further efficiencies in spending, departments may wish to consider additional means of supporting innovative new approaches beyond those set out here, including through other sources of funding. The DG champions will have a vital role in supporting this process.
7. The Spending Review set out departmental allocations by broad area. Departments are now working to clarify how these funds will be allocated to local areas and on what basis. In general terms funding has been made significantly simpler with fewer specific lines of spending. As this continues to become clearer, we anticipate that departments will be able to provide further details to support Community Budgets in coming weeks and departments will ensure that Community Budget partners receive up to date information on progress.
8. The intention is not to prescribe from the centre the specific funding mix that should support each Community Budget. Nor is it intended to imply that all funding from a particular budget line will be appropriate for each Community Budget – this will depend on the scope of the services being funded through the Budget. The menu is therefore not designed to be exhaustive or to rule out pooling of other funds but to form the basis of further discussions with each of the Community Budget partnerships.

9. To secure efficiencies and remove duplication, it is vital that we inject flexibility into delivery chains so that barriers to effective joint working are removed. The role of Community Budgets in developing a shared accountability to local people, between different agencies, is as important as the funding mix. Discussions with councils have reinforced the importance of supporting Community Budgets not just through pooled funding, but also through contributions in kind from local partners, particularly in terms of flexibility about the way that services to the public are delivered. Clearly, this will need to take into account normal priorities around value for money. but it is important that departments signal to their delivery organisations that flexibility is a key part of their role and that departments will address barriers (from legislation, guidance, objectives etc) that stand in the way of this flexibility. The menu sets out departmental commitments to help ensure that this takes place.
  
10. Where local partners wish to, we envisage that Community Budgets could be supported by a form of agreement ors MOU between relevant local partners and departments. Government would work with local partners to help put this in place. The MOU could set out the accountability arrangements, funding agreements and key priorities for each Community Budget. We want to see local partners working to agreed priorities and will expect partners to work towards broad support for the proposed services and Community Budgets. To support this, we see crucial roles for the Whitehall champions and their supporting colleagues in leading the process of agreeing Community Budget agreements at Whitehall level – where this is necessary - and tackling national and local barriers and issues.
  
11. Some Community Budget partnerships have said that they want to explore formal agreements with departments and agencies to redistribute savings generated through new approaches to service delivery, or through ramping up existing successful models, enabled through pooled funding through the Community Budget. Any such agreements could also be specified through MOUs agreed between relevant agencies and departments. Where local partners have proven methods of delivery, it may be possible for partners to support some up-front investment in order to scale that up. Clearly, the ability of all parties to do this is likely to be constrained by budgets which have been reduced to support the need to reduce the national deficit.

## Menu of Government support options for Community Budgets

Budgets included within the menu should not be seen as exclusive and other proposals from individual areas will be considered. The intention in naming specific lines within the 'menu' is that elements of them are likely to be suitable for pooling, but in most cases it would be unlikely for the totality of the named funding line to transfer into a Community Budget. The specific amounts will be subject to further discussions at a local level, supported by the Whitehall champion. There are some examples of funding streams with more than one contributing department. For the sake of clarity, we have listed these once - for example, funding which now sit within the new Early Intervention Grant

Department	Potential resource support for Community Budgets	Related supporting activities
DWP	<p>District Managers will be able to pool and align elements of <b>Jobcentre Plus discretionary funding</b>, where welfare to work objectives and priorities are improved by Community Budgets.</p>	<p>DWP will write to Jobcentre Plus district managers setting out expectations around supporting Community Budgets.</p> <p>In-kind Jobcentre plus support through case workers / outreach support and secondment of staff to support work with families.</p> <p>Where it would be legal and proportionate, sharing data – via informed consent – to provide a more aligned and holistic customer offer, or to support the monitoring of outcomes.</p> <p>Co-location of Jobcentre plus or other premises will be supported where estates business cases are proven.</p>
	<p>Prime contractors are free to pool and align <b>Work Programme funding</b> in Community Budgets.</p> <p>Councils and other Community Budget partnerships are able to act as sub-contractors, for example, to supply niche provision for eligible members of complex families.</p>	<p>Government is supporting engagement between local bodies and Work Programme providers, including the scope for councils to act as sub-contractors to Work Programme prime providers</p>
	<p><b>European Social Fund</b> A proportion of the ESF provision to be targeted on families with multiple problems.</p>	

Home Office	<p><b>Drugs Intervention Programme</b> main grant can be pooled provided the management of drug misusing offenders from custody to sentence and post-sentence is being delivered and reducing reoffending outcomes are improved.</p>	<p>Around 85% of Home Office grant funding passes directly to <b>police forces</b>. The Home Office will write to Chief Constables in each of the Community Budget areas. This will make clear that Home Office will support police forces who wish to support local priorities through pooled funding and aligning delivery mechanisms where they consider it appropriate.</p>
	<p>Once <b>Police and Crime Commissioners</b> are in place the majority of central government funding for crime, drugs and community safety programmes will be devolved to them. PCCs will be able to pool resources and funding with local partners and will be supported by Government where they choose to do so.</p>	<p>Through Community Budget agreements, Government will:</p> <ul style="list-style-type: none"> <li>- Reduce central mandates specifying how funding should be spent</li> <li>- Reduce soft performance management controls</li> </ul>
Ministry of Justice	<p><b>Youth Offending Team</b> grant funding may potentially be pooled or aligned as agreed at a local level provided core youth justice services are being delivered.</p>	<p>MOJ expects that local partners in the 16 Community Budget areas to identify and agree opportunities for pooling and aligning funding and delivery mechanisms. The MOJ and NOMS will engage with these areas to support this and has already written to <b>Directors of Offender Management, Probation Trust Chief Executives and Prison Governors</b> to set out expectations. The Youth Justice Board will be also be writing to Youth Offending Teams (YOTs) shortly.</p> <p>Some of those areas will be involved in the MOJ project to test how partners in local areas can be incentivised to reduce the demand on the criminal justice system. This project will be taken forward in Greater Manchester and with a number of London boroughs.</p> <p>All local authorities have been asked whether they wish to be involved in the Youth Justice Reinvestment Pathfinder. Decisions on pilot areas will be made in Feb / March 2011.</p>
	<p>Some <b>Probation / NOMS interventions</b> funding streams and grants may potentially be pooled or aligned as agreed at local level.</p>	
	<p>MOJ has set out a commitment to testing payment by results approaches, including testing financial incentives for local areas in Manchester and London. For youth justice this includes: linking YOT grants to payment by results, and the Youth Justice Reinvestment Pathfinder initiative focusing on reducing the use of custody.</p>	
Department of Health	<p>During 2011-12 and 2012-13, NHS Primary Care Trusts will retain responsibility for delivering the NHS contribution to local health outcomes within their resource envelope. <b>NHS Primary Care Trust</b> funding is likely to</p>	<p>The Department of Health will write to PCT chief executives in Community Budget areas. This will emphasise the importance of the role that PCTs can play locally in supporting Community Budgets, including through pooling and aligning funds and contributions in kind as well as overcoming barriers</p>

	<p>be suitable for pooling, where PCTs wish to contribute, in 2011-12 and 2012-13.</p> <p>PCT funding from Government is not broken down into multiple streams; dependent on local Community Budget priorities, elements of PCT spend in a variety of areas are potentially suitable for pooling or alignment. This could build on successful existing examples of pooling in areas such as mental health, support for older people funding related to drug and alcohol dependence. Family Nurse Partnership and health visitor services and funding could also support Community Budgets.</p>	<p>to accessing specialist services including drug, alcohol and mental health services where appropriate. This message will be supported by Strategic Health Authorities.</p> <p>Health and wellbeing boards in local areas will provide a forum for partners to develop local priorities and strategy, and consider the best way to maximise the impact of their collective resources to improve local communities' health and wellbeing. An enhanced role for Joint Strategic Needs Assessments as well as obligations for the NHS with councils to engage in the development of joint health and wellbeing strategies, will provide a strong emphasis on the importance of joint commissioning and shared investment.</p>
	<p>From 2013, DH funding for local areas will go down three main tranches, to:</p> <ul style="list-style-type: none"> <li>- GP consortia (and the NHS Commissioning Board for some specialised services responsible for delivering the NHS contribution to local outcomes within their resource envelope</li> <li>- Local Authorities for health improvement</li> <li>- Local Authorities for social care</li> </ul>	<p>DH will write to all upper tier councils, including Community Budget areas, in January, inviting them to be early implementers of Health and Wellbeing boards. Community Budget areas are likely to be well positioned to take on this early implementation role. The National Treatment Agency for substance misuse is writing to local partnerships responsible for drug and alcohol treatment highlighting the scope for using ear-marked drugs money along with other pooled funds, including through Community Budgets.</p> <p>A rolling programme of GP consortia pathfinders, which began with an initial cohort of 52 pathfinders announced in December 2010, will be testing the issues involved in GP commissioning before consortia are established as statutory bodies (from April 2012 onwards) and take on full statutory responsibilities (from April 2013). Pathfinders will also take on increasing delegated responsibilities for NHS commissioning during the transitional period. Evidence of engagement with local authorities is already one of the criteria for becoming a pathfinder. SHAs and PCTs will also encourage pathfinders that are situated in Community Budget areas to discuss with local authorities the potential for joint commissioning arrangements with Community Budget partnerships</p>

Department for Education	The new <b>Early Intervention Grant</b> for local action vulnerable children, young people and families will be passed to councils in un-ring fenced form. Payment by results mechanisms covering all aspects of activity funded under the Early Intervention Grant will be piloted from 2011/12.	DfE will fund a small number of local areas to demonstrate and disseminate effective practice eg developing practitioner skills, preparing families with complex needs for entry to the work programme/employment.
--------------------------------	---	--