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## **Community Budgets – update**

### **Purpose of report**

To update the Board on progress towards community budgets, and invite a discussion on an outline of the forward strategy.

### **Summary**

Sixteen places, involving over thirty councils, have now developed proposals for community budgets on complex families. Local government leaders from the pilot areas have met with ministers to discuss progress – the meeting recognized the links between: pooling resource and the ability of places to transform services, improve the lives of significant numbers of complex families and reform public services. We are now in the negotiation phase of the first pilots.

Looking ahead, there is a lot to do to build the case for devolving resource, encourage innovation, draw the link to wider public service reform and prepare the sector for a widespread adoption of community budgets

The Executive will discuss community budgets at their meeting on 17 March and we will provide an update on their discussion at the Board meeting.

### **Recommendations**

Members are invited to comment on the update.

### **Action**

Officers to reflect members' suggestions in future support to councils and communications and lobbying activity.

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1. In the Spending Review the government announced the first sixteen areas which will set up pooled budgets across different government departments (“community budgets”), and stated its intention that this model of accountability will be adopted across the country by the end of the Spending Review period. The Prime Minister’s ambition is to address all these families’ needs within the Spending Review period.
2. Over the last few months the sixteen areas have been developing their proposals within the broad theme of helping families with complex needs - proposals were sent to government on 28 February and areas are now in a negotiation phase.
3. Ministers, the Chief Secretary and Secretary of State for Communities and Local Government, Baroness Hanham, Parliamentary Under Secretary of State for Communities and Local Government and Tim Loughton MP, Parliamentary Under Secretary of State for Children and Families, met with local government leaders from the sixteen areas on 3 March to discuss progress.
4. We were seeking: a strengthening of ministerial governance, a shared recognition that pooling would unlock both innovation, a scaling up from pilot activity to system change and wider public service reform; and a further meeting to assess progress.
5. On the ministerial governance, there was agreement that ministers should meet to provide direction and momentum on the community budget programme with local government leaders. A further meeting is being planned for later this month which will again include Cabinet Ministers.
6. Baroness Hanham CBE, Parliamentary Under Secretary of State at DCLG, will provide the day to day political leadership. In that capacity, Baroness Hanham joined the last meeting of the high level officials group on community budgets chaired by Lord Bichard providing an important connection between the senior official and ministerial discussions.
7. The meeting with ministers also discussed the practical difficulty of pooling, including the cultural barriers, and the need for places to secure local commitment to pooling and to set out their “asks” of national government. The “asks” are currently being processed by officials and will be discussed at the next meeting of the Bichard Group.

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8. The discussion also covered the link between community budgets and wider public service reform, including the potential for a community budget to form the investment stake for a payment by results model, and the basis for commissioning from a more diverse supplier base.
9. Payment by results and community budgets share a number of objectives:
  - 9.1 to shift expenditure from mitigation to prevention and stop rewarding failure;
  - 9.2 to reinforce that shift with incentives by sharing the resulting savings between the Exchequer and providers (Payment by Results) or other local frontline services (Community Budgets);
  - 9.3 through a clearer method of commissioning providers, to diversify the provider base; and, as a result,
  - 9.4 to drive innovation in the way services are provided.
10. Community budgets could play a number of roles in payment by result models – as the funding for PBR models, councils bringing together finance from various private and philanthropic sources; or as part of a mixed funding package. The unique feature of community budgets is that they enable funding (and savings realisation) to be brought together across organisations.
11. We have begun to explore this issue with Cabinet Office ministers and have a seat in the Treasury group taking forward the work of Graham Allen MP.
12. The LG Group has agreed to help places develop their ambition and to move from pilot activity (in most of the sixteen areas) with a small number of families to service transformation at greater scale over the Spending Review period – recognising the link between scale, innovation and the extent of pooling. Places have also stressed the complexity of the transformation, and that it cannot be rushed.
13. We are planning a series of three events – over the next few months - at working level, with chief executives and then after the local election with leaders to help places share their thinking and for those councils who are further forward in their work with complex families to share their ambition, learning and approach with others.
14. We are also:
  - 14.1 working with Participle to take their pioneering family-led LIFE programme, (that supports change within families caught in a cycle of chronic crisis to build more independent lives, free from government intervention), to other

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Community Budget areas in order to build a strong evidence base that prevention works. We are at the stage of identifying the first six participating local authorities, who will receive a financial contribution from the LG Group towards the up-front investment in this cost saving programme.

- 14.2 Planning three projects to complement the work being done by the policy team around the Graham Allen review. These are intended to support three places, each with a different approach to the agenda, to work through the thinking around alternative funding options and determine whether different forms of financing might enable more effective or radical interventions to develop. The support will be tailored to each place and will likely consist of a short series of workshops. By comparing each place's experience, general lessons will also be gained to share more widely.
15. We are also developing a forward programme for 2011-12 which will be informed by the LG Executive at their next meeting.
16. The 4 key objectives here are to secure devolution of resource into community budgets, support innovation, develop thinking on the link with payment by results and prepare places for a widespread adoption of community budgets.
17. To support these objectives, we would include activity to:
  - 17.1 bring local government together with representatives of central government to discuss the development of the first phase of community budgets;
  - 17.2 champion the views of local government including ensuring that community budgets on complex families is part of a wider devolution of resource. For example, we are currently lobbying DWP to pool European Social Fund resources they have identified to help improve the employability of complex families;
  - 17.3 support places to develop community budget proposals by co-ordinating activity, supporting political leadership through events, identifying and sharing learning, providing technical support, encouraging innovation, for example building on the work with Participle;
  - 17.4 ensure that there is a strong case for the devolution of resource working with places and government to ensure there is a robust, but light touch, way to evaluate the impact of community budgets;

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17.5 bring together the other work on community budgets, including the Cabinet Office project on locally integrated services, the work of some departments with specific places on other issues, supporting developing relationships between GP consortia and local authorities, and the CLG led work to devolve budgets to neighbourhoods;

17.6 make the argument of the connection to wider public service reform.

**Financial Implications**

18. The costs will be met from within existing group resources. A costed programme plan for 2011-12 is in preparation as part of the business planning process.

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