

Community Budgets and payment by results

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LG Group Leadership Board

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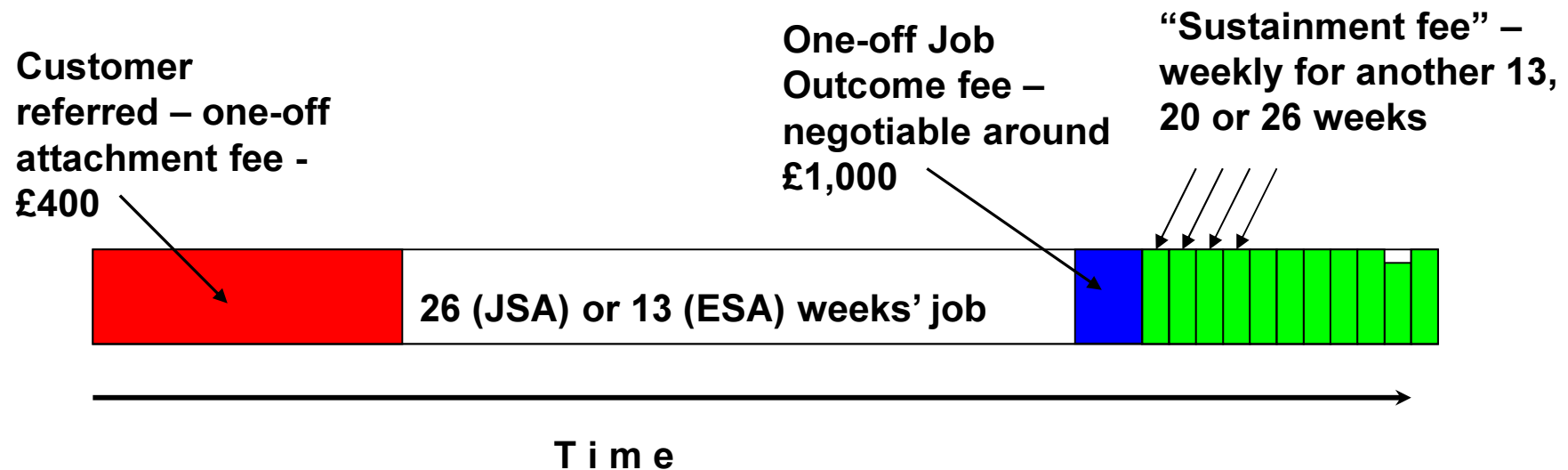
- What is “payment by results”?
- What has it got to do with community budgets?
- What should our approach be?

What is payment by results?

- The government is very interested in shifting public spending towards rewarding outcomes rather than paying the costs of failure;
 - It is also keen to diversify the provider base and encourage more private, voluntary and community organisations to deliver services;
 - Paying after the event, for results delivered, is one way Ministers think they can encourage both kinds of change.
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What is payment by results?

- The Work Programme provides an example of a PbR policy that's already in place;
- It works like this:



What is payment by results?

- Other examples of Payment by Results include:
 - Pilot reoffending scheme in Peterborough, financed by a “Social Investment Bond” (launched September 2010);
 - Pilot drug treatment schemes in 8 places, financed by local partnerships (launches September 2011);
 - Proposed pilots for payment by results in Children’s Centres (under consideration)
 - Discussion of possible PbR models for families with complex needs and for early intervention in DfE and through Graham Allen’s review.
 - (Doesn’t this feel a bit silo-ish?)
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What is payment by results?

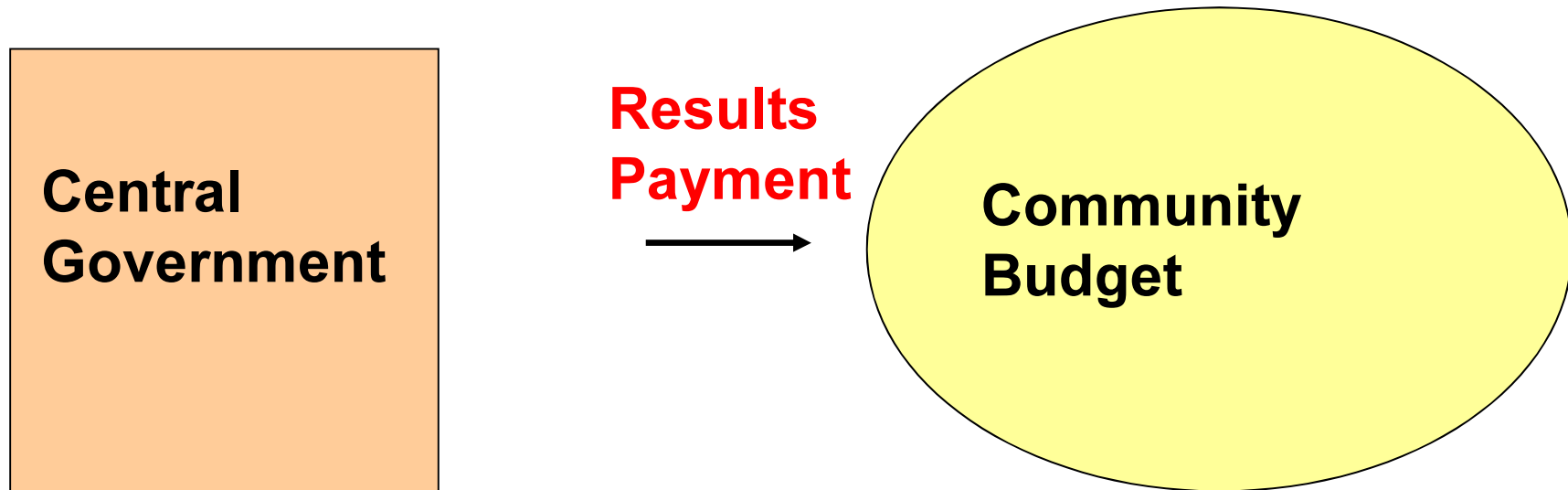
- **Risk transfer:** under PbR, providers finance service delivery and carry the risk of non-performance; they share savings with the taxpayer – but only if they deliver;
 - **Shift to prevention:** PbR incentivises investment in prevention – and by attracting external finance, makes room for prevention spending that otherwise wouldn't be there.
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What has PbR got to do with community budgets?

- Community Budgets are also about **the shift to prevention**;
 - Many community budget places want a mechanism for **sharing future savings** with the Exchequer;
 - Community budget places are looking at **new ways of commissioning providers**.
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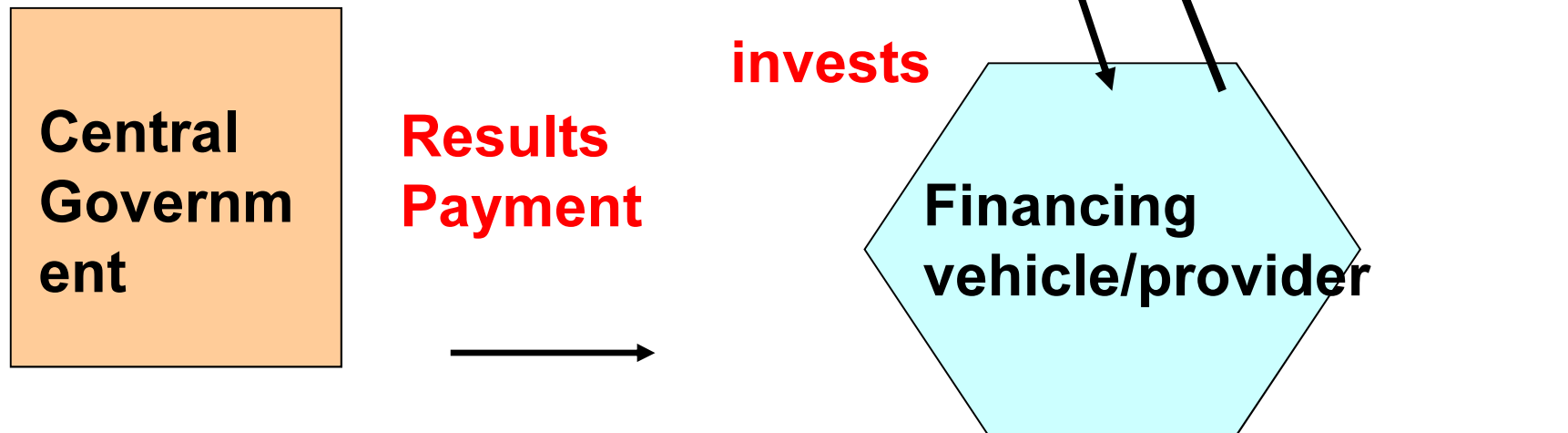
What has PbR got to do with community budgets?

- Community Budgets could enter into PbR deals with government;



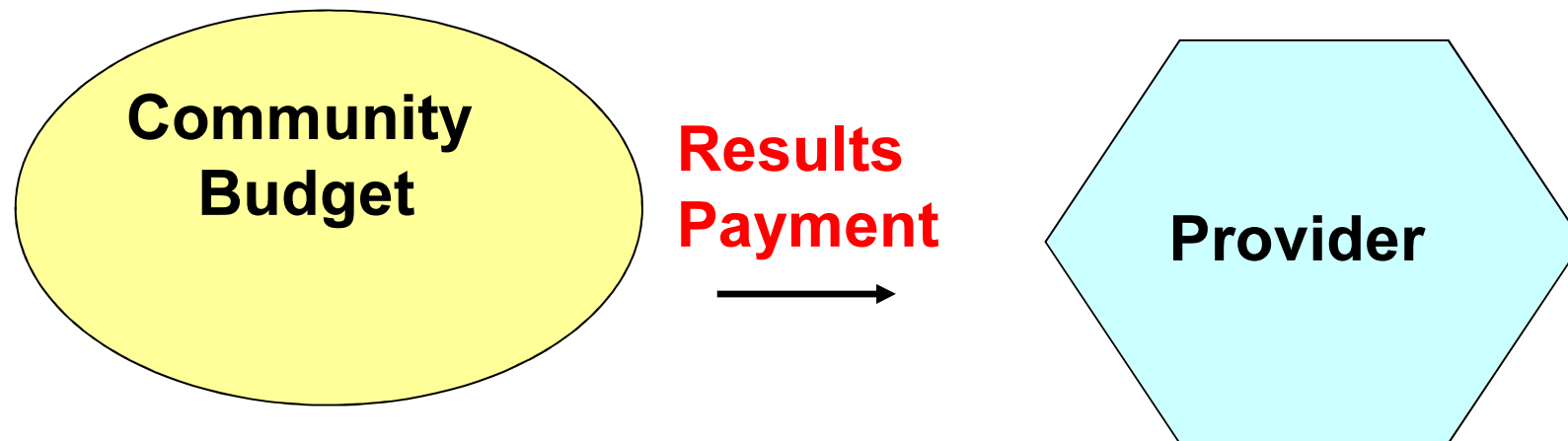
What has PbR got to do with community budgets?

Community Budgets could help to put together the upfront financing for PbR deals, providing risk capital alongside social and other investors;



What has PbR got to do with community budgets?

- Community Budgets could design their own local PbR models to commission providers.



What has PbR got to do with community budgets?

and

- The government will struggle to make a business case for Treasury-funded PbR in some areas – where payback periods are very long, or where many departments' budgets benefit and ought to be paying out;
 - In those cases, local bargaining within a pooled community budget can succeed in driving investment where government-funded PbR is unlikely to work.
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What has PbR got to do with community budgets?

And for what it's worth...

“Community budgets are an essential prerequisite for payment by results”

Graham Allen MP,
April 2011 (also recently heard from a senior
Treasury official)

Risks...

- It's important to understand exactly what results are going to be paid for
 - Government departments will find it hard to think about results that cut across silos
 - Treasury will find it hard to pay for results that don't happen until after the end of the spending review
 - This makes real-life modelling of costs and savings from joined-up action – such as Manchester and Westminster are able to demonstrate – vital
 - Or we'll get ...
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What should our approach be?

- We want local pooling of money across agencies through a Community Budget-style mechanism;
 - We want local taxpayers and services to benefit from savings achieved by local action;
 - We want a greater emphasis on prevention;
 - We want to see powerful local commissioning.
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What should our approach be?

- We should continue with the Group's support to community budget places, including where they want to explore results-based payment models;
 - We should continue to promote the potential of community budgets and locally-accountable solutions to solve broad public service reform challenges (especially in the context of the coming White Paper);
 - We should continue to help the places build an evidence base for the savings from preventive work;
 - We should warn Whitehall against undermining joined-up local decision-making by designing PbR solutions in silos.
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