



Government response to the Communities and Local Government Select Committee Report: Community Budgets

Presented to Parliament
by the Secretary of State for Communities and Local Government
by Command of Her Majesty

January 2014

Cm 8794

£6.25



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You can download this publication from www.gov.uk/dclg

ISBN: 9780101879422

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID P02456789 01/14

Printed on paper containing 75% recycled fibre content minimum.

Government response to the Communities and Local Government Select Committee Report: Community Budgets

Introduction

The Communities and Local Government Select Committee (“the Committee”) conducted an inquiry into Community Budgets. Following the submission of written evidence and a number of evidence sessions, the Committee published its report on 23rd October 2013.

Committee Conclusions and Recommendations

The Committee made 31 specific recommendations. Set out below are the Committee’s recommendations from the report and the Government’s response.

Potential savings

Recommendation 1

A strong case that Community Budgets can deliver substantial savings is emerging, though the scale of those savings will depend on the initiative gaining national momentum. The necessity for savings has not, however, driven out other objectives. We welcome the outcome-based approach to Community Budgets which, built on increased integration and local independence, should decrease service demand, dependency and cost through prevention and early intervention. The outcome of the pilots and the future roll-out of Community Budgets should be judged primarily in terms of improved outcomes for service users. (Paragraph 12)

The Government agrees with the Committee that more integrated service provision, such as the ‘Whole Place’ approach taken by Essex, Greater Manchester, West Cheshire and London tri-borough, and the twelve smaller scale ‘Neighbourhood’ pilots demonstrate the clear potential for more effective public services tailored to local needs that provide better value for the taxpayer.

The Government is committed to supporting places to drive local service transformation. That is why it was one of the key principles of the 2015/16 Spending Round. There have been a number of measures announced this year to support local service transformation based on the evidence developed during the Whole Place and Neighbourhood pilots. These include:

- The £3.8 billion Better Care Fund to enable places to integrate the provision of health and social care and a commitment to make sure pooled funding is an enduring part of the framework for the health and social care system beyond 2015-16;
- The establishment of a national network of places and public servants working collaboratively to spread best practice and co-design better local services for less. The Public Service Transformation Network is working intensively with 33 upper tier authorities and their local partners, covering 22 per cent of the English population;

- A network of 14 integrated care pioneers based on the Whole Place co-design approach to develop practical long term solutions that others can adapt to suit local need;
- £4.3 million available to support at least another 100 areas to adopt a neighbourhood approach to service delivery;
- A commitment to consider legislative changes to improve information sharing and to establish a Centre of Excellence for better information sharing;
- Local Authorities will be given flexibility to spend up to £200 million in receipts from new asset sales on the one-off costs of service transformation ;
- the Treasury will work with departments to give local public services the same long-term indicative budgets as departments from the next Spending Review;
- Increasing local authority Housing Revenue Account (HRA) borrowing limits by £150 million in 2015-16 and £150 million in 2016-17, allocated on a competitive basis and agreed by Local Enterprise Partnerships (LEPs), and a review into the role local authorities play in supporting overall housing supply;
- An additional £10 million per annum for Jobcentre Plus to help young people find apprenticeships and traineeships, to be delivered in partnership with local authorities; and,
- The Government welcomes service reform proposals made by LEPs as part of the Growth Deal process to access funding from the £2 billion Local Growth Fund.

The Government agrees that success should be judged primarily in terms of improved outcomes for service users. Value for money for the taxpayer is also an important consideration.

It is early days, but progress to date to improve outcomes - built on increased integration and demand reduction - is promising. Government will help to share best practice with places and continue to build national momentum by sending an unequivocal message that we support all local authorities that want to deliver more integrated public services. Local government and local service partners also have a duty to share innovation and best practice.

Support from central government

Recommendation 2

The secondment of Whitehall officials to pilots has been particularly important, largely as a way of bringing about cultural changes in both local and central government. It would be unrealistic to expect central government departments to provide high-level secondees to all community budget areas. However, their deployment should be encouraged where possible—for example, with further pilots. At minimum we consider that all areas wishing to develop Community Budgets

should be matched with a named senior official within each department who would be responsible for coordinating co-production arrangements with their department and for providing support and guidance to the local authority. (Paragraph 15)

Recommendation 3

The Government must continue to send the clear message to all local authorities that it will support every authority wishing to introduce Community Budgets, and set out what support it will provide. Local authorities should not be held back or discouraged from going ahead with Community Budgets in their area because they are not part of a pilot scheme or knowledge sharing network. (Paragraph 16)

The Government agrees that the secondment of Whitehall officials has been particularly important in bringing about cultural changes in the way central and local government work together. The Public Service Transformation Network (Transformation Network) has officials seconded from a range of Government departments to work with places, and local government officers effectively seconded to Department for Communities and Local Government .

The Government agrees that Local Authorities should not be held back or discouraged from going ahead with service transformation because they are not a named pilot.

The Transformation Network is promoting wider take-up of the Whole-Place approach and disseminating the lessons learned from the pilots to help all local places who want to transform their services. Thirty three upper tier authorities and their local partners, covering 22% of the population in England, are currently co-designing reforms with the Transformation Network.

Joint working

Recommendation 4

We were encouraged to hear of the progress being made towards joint working between some central departments and pilot areas, in particular by the Department of Health. It is clear that embedding joint working between local areas and central departments will not happen immediately. However, we expect further significant progress by central government towards this end over the next six months. The Government should also ensure that Neighbourhood Community Budgets are not left out of the process of developing new joint working arrangements because of their smaller scale. (Paragraph 23)

¹ The Transformation Network has a core team of 30 people from across seven Whitehall departments (Department for Communities and Local Government, Cabinet Office, HM Treasury, Home Office, Ministry for Justice, Department for Work and Pensions and Department for Health), local authorities and the Local Government Association and the NHS.

Recommendation 5

The Government must be willing to promote cooperation with Community Budgets within its own central departments and to ensure that the responsibility for promoting and shaping the Community Budgets initiative is not restricted to the Department for Communities and Local Government. We recommend that, when local authorities report problems with departments, there must be clear arrangements in place to resolve those problems. We recommend that, to facilitate this, a named official within each department should serve as liaison with Community Budget areas. Ideally this named official should also have the opportunity to work on secondment with areas operating Community Budgets as this would help to break down communication barriers. (Paragraph 24)

Each place working with the Transformation Network has an Account manager to provide policy and technical support and a gateway into Whitehall. Account Managers help to resolve issues that may arise with Departments, as well as clarifying the scope and flexibility of national policy frameworks and facilitating closer local partnerships to accelerate progress. Account managers can draw resources from the Network and other partners, as well as local representatives including the Department for Communities and Local Government Locality Managers, the Cabinet Office's Local Intelligence Team, Department for Business, Innovation and Skills Local, and Department for Work and Pensions' regional policy officials.

All of the other 30 or so places that expressed an interest in working with the Transformation Network have a named contact helping them to develop their approach to local service transformation and share lessons with others.

The Transformation Network has developed a tailored support programme for 2013-14, called 'Network Connections' that will enable places to share learning and expertise through a variety of methods, including:

- Virtual networking: enabling partners to share challenges, learning and resources;
- Workshops and events: bringing together partners in places to discuss challenges, approaches and learning;
- Action learning and peer-to-peer support: enabling public service partners to receive peer and partner expertise, challenge and mentoring;
- Policy and technical support from experts: from the Network core team and the wider network of partners and volunteers;
- Additional Resources: developing, compiling and signposting other resources, such as the Commissioning Academy.

The range of Whitehall departments represented in the Transformation Network demonstrates the shared responsibility and commitment across Government for promoting and shaping locally integrated services based on the principles that worked during the Community Budgets initiative.

In parallel, Whitehall officials continue to work with the 12 Neighbourhood Community Budget (now known as “Our Place”) pilots. These pilots are sharing their learning through a range of media and events and are mentoring new areas to adopt an “Our Place” approach to service delivery. Government is also making £4.3 million available to support at least another 100 areas to work in this way over the next 18 months.

Co-production

Recommendation 6

Building strong local leadership and developing working partnerships based on mutual trust clearly will not be achieved overnight. Co-production has presented some challenges for central government in that it requires central departments to alter the way they operate and behave and release some control over service delivery. However, both Whole Place Community Budgets and Neighbourhood Community Budgets provide a catalyst for the development of better working relationships by providing a real financial incentive for co-design and co-production of services. (Paragraph 29)

Recommendation 7

Community Budgets present an opportunity to share best practice for engagement across government. Engaging local communities with the way in which their services are delivered will be an important way of enabling them to identify and co-produce solutions to local problems and of kindling a clearer sense of place-based ‘ownership’ of public services. (Paragraph 32)

The Government agrees that the Whole Place and Neighbourhood Community Budgets pilots provide a catalyst for the development of better working relationships between central, local government and communities.

The National Audit Office noted that “the co-production approach between central government and local bodies in planning whole-place Community Budgets is a promising model for future policy design and delivery”.

The Government agrees that involving communities can result in better services. For example, police officers and the community in Balsall Heath (one of three Neighbourhood community budget pilots in Birmingham) have developed fortnightly street patrols with residents and other interventions to reduce crime and anti-social behaviour. Balsall Heath’s analysis shows that at a cost of £35,000 per annum, over five years, potential benefits of over £500,000 could be delivered. Local volunteer Health Champions in Poplar, East London could save the NHS a potential £4 million over 5 years by promoting healthy lifestyles and improving treatment of those at risk of diabetes – a priority identified by the community.

² Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets, 13th March 2013, National Audit Office.

Democratic engagement

Recommendation 8

Local services need to be designed around local needs, in order to improve outcomes and reduce demand, but direct democratic engagement is likely to require additional resources. Neighbourhood Community Budgets in particular will need to be properly resourced so that they can facilitate community involvement. Whole Place Community Budgets have less scope than neighbourhood community budgets to involve residents directly in decisions about the delivery and structure of services. However, both can improve local accountability for service delivery by encouraging locally elected Members to become involved in the design and delivery of Community Budgets. An example of good practice we highlighted in our “Councillors on the frontline” report was the community leadership programme developed by Sunderland City Council. (Paragraph 35)

The Government agrees that transformation of public services can improve local accountability for service delivery by encouraging locally elected members to become involved in design and delivery. For example, using the Our Place approach, community-led ward forums in Newcastle which include councillors, are taking decisions on local priorities and have a small pooled budget to commission services using a variety of participatory approaches.

Economic growth

Recommendation 9

Community Budgets have the potential to promote economic growth. We are disappointed therefore to hear that the Essex Whole Place Community Budget pilot experienced problems gaining the agreement of the Department for Business Innovation and Skills for some of its proposals. Barriers between the City Deal programme and locally developed growth plans are artificial and unnecessary. Central departments have to avoid perpetuating existing silo mentalities within Community Budgets. If communities are to reach their full potential to generate growth as well as improve services and produce savings, integration will have to go beyond those departments which have responsibilities for social matters and the involvement of Department for Business Innovation and Skills will be key to this. It is also important that the support available from the Department for Communities and Local Government and across central government for locally driven growth is not focused purely on urban areas, for example, through the City Deal programme. (Paragraph 38)

Recommendation 10

We welcome the creation of the Single Local Growth Fund but it is important that its use is left to the discretion of local areas to allow them to integrate Single Local Growth Fund and community budget based projects. (Paragraph 40)

The Government agrees that locally-led public service transformation has the potential to promote economic growth.

The Transformation Network is working with local places and a range of departments and partners, including the Department for Business Innovation and Skills, Job Centre Plus, the Skills Funding

Agency, and the Department for Work & Pensions, to develop and implement practical new approaches that make use of the flexibilities and opportunities that already exist. The evidence generated locally will inform national policy.

The Government understands the Committee's disappointment that the Essex Whole Place Community Budget experienced problems gaining the agreement of Department for Business Innovation and Skills for some of its proposals. However, the Department for Business Innovation and Skills welcomes Essex County Council's commitment to prioritise employer demand for skills, and it is possible that more can be done within the scope of existing Government policy.

For example, Essex County Council have established an Employment and Skills Board which will drive their approach locally and influence the £37 million currently allocated to local skills providers for 2013/14, including over £3 million that it directly receives from the Skills Funding Agency's Adult Skills Budget. The labour market intelligence Essex has developed has already influenced millions of pounds of capital investment in the local Further Education sector. And Tri-borough has developed a 'youth learning passport' that evidenced experience and skills in a format easily understood by employers.

Essex County Council also has the opportunity to work in partnership with the South East Local Enterprise Partnership in developing and shaping the local skills offer as part of the Local Enterprise Partnerships Growth Deal and in determining the use of other funding including the next round of European Strategic Investment Funding from 2014-20.

The Department for Business Innovation and Skills strongly supports and is keen to work with local places to better align the funding of work & skills provision and the outcomes delivered. BIS also welcomes views on how to improve the use of data in Further Education to help deliver better outcomes. The Transformation Network is working with Department for Business Innovation and Skills, and local places to co-design potential solutions.

The Government is working with Local Enterprise Partnerships and other local partners to finalise wave 2 City Deals and begin to agree Growth Deals, which will be underpinned by the strategic economic plans Local Enterprise Partnerships are currently developing. Growth Deals are now being developed with all 39 Local Enterprise Partnerships, allowing all parts of the country to negotiate bespoke agreements to promote local economic growth – and the Autumn Statement said that the Government would also welcome public service reform proposals from Local Enterprise Partnerships as part of the Growth Deal process.

The Local Growth Fund, £2 billion of funding for 2015/16, with a commitment to a minimum of £2 billion per annum over the life of the next Parliament, will be deployed as part of the Growth Deal process. The creation of the Local Growth Fund, along with giving Local Enterprise Partnerships responsibility for the €6.2 billion (£5.3 billion) of EU Structural and Investment Funds, means that Local Enterprise Partnerships have strategic influence over at least £20 billion in the years up to 2021.

Community Budgets and health

Recommendation 11

There is a clear need for those in the health sector to move away from using a deficit model of health and to focus investment on reducing reactive spending. It makes sense for health budgets to contribute towards improving health, social care and other services where that investment has the potential to reduce the demand on national health services. In this area the ability of Community Budgets to demonstrate the positive impact of such an investment will be key to persuading health bodies to use some of their budgets to address the wider social determinants of health. (Paragraph 42)

Recommendation 12

We conclude that Health and Wellbeing Boards will play a pivotal role in shaping spending across the public sector over the coming years. Central government should ensure that they have the flexibility to work with local partners and deliver locally agreed outcomes. This may mean that Health and Wellbeing Boards decide to spend a portion of their budget on facilities or services that are not directly health related. (Paragraph 44)

Recommendation 13

With the recent changes in public health local authorities are able to establish partnerships through new local public health bodies and develop joint working and collocation arrangements and to encourage pooled budgeting. Now is the time to act. Once the new local health arrangements are fully established it will become more challenging to persuade such bodies to break down emerging silos and invest their budgets in joint initiatives requiring health budgets to be spent on improving health and wellbeing in order, ultimately, to reduce reactive expenditure. Local and central government must communicate to health partners that Community Budgets are ultimately about improving services and by framing joint investment agreements in a way that protects frontline health spending. (Paragraph 47)

The Government is clear that our approach to investment and delivery of health and care services needs to change. Fundamental transformation is required to improve individual outcomes and to shift the focus from reactive services responding to crisis, to proactive support promoting independence and wellbeing.

In June, the Government announced the £3.8 billion Better Care (Integration Transformation) Fund, which will provide a substantial financial incentive for local health and care services to work together more effectively. For the first time, every area in England will have a joint budget that equates to a minimum of around 3% of local spending on health and social care. Local areas must agree a joint plan to deliver better joined up, person centred care.

Health and Wellbeing Boards will provide a pivotal forum for collaborative leadership for this new approach, shared by local authorities, the NHS, local Healthwatch, public health and wider partners. Health and Wellbeing Boards have a duty to encourage integrated working between commissioners of services across health, social care, public health and children's services. They will be the natural place for discussions on how local Better Care funds should be spent.

Whilst Health and Wellbeing Boards do not hold direct responsibilities for commissioning budgets, they can exert significant influence over commissioning decisions. Health and Wellbeing Boards will be responsible for signing off the local joint plan for funding from the Better Care Fund. Health and Wellbeing boards will play an essential role in shaping spending across the public sector and influencing the wider determinants of health such as transport and housing. The return of public health functions to local authorities provides a further opportunity to work with other local services to improve the health and wellbeing of local populations.

Across the country, many local areas have already taken steps to join up the way in which health and care services are delivered, drawing on the learning from community budget approaches and other local innovations. The Transformation Network is working with a number of local places to develop plans for the design and delivery of more integrated care, including with the network of integrated care pioneers announced by Norman Lamb, Minister of State for Care Services, in November.

Benefits of Community Budgets

Recommendation 14

Although they are still at the pilot stage, Community Budgets are already demonstrating the clear potential for more effective, cheaper, more integrated public services through co-design of services with central government and local partners as well as local partnership working towards delivering agreed work-streams. Achieving their full potential will require strong leadership at a local level as well as a commitment from central government to facilitate local partnerships and the flexibilities they need in order to develop local strategies and solutions to specific local issues. (Paragraph 48)

The Government agrees that the Community Budgets approach to transforming local services has the potential for more effective, cheaper and more integrated public services; and that continued commitment and flexibility from Government, as well as strong leadership locally and centrally is required in order to reach the full potential.

Data collection

Recommendation 15

Collecting and sharing information will be vital to the success of Community Budgets as without data demonstrating service improvements and better outcomes for service users as well as savings it will be difficult to attract local partners and support from HM Treasury. The collection of accurate and comparable data will require local resources and is also likely to begin well before any savings are realised. (Paragraph 53)

Recommendation 16

Local authorities will require access to information, resources and expertise to enable them to collect and share data that is comparable with pre-community budget spending. Local areas beyond the current pilots that choose to adopt Community Budgets may require assistance from central government departments in accessing, collating and analysing the data on current public sector spending. Such assistance could, in our view, take the form of guidance, loans of staff to work directly with local areas, or specific financial assistance. (Paragraph 54)

The Government also agrees that collecting and sharing robust evidence is essential to enable local partners to commit and invest in new delivery models, and gain national momentum for change. The Transformation Network is discussing with places how best to develop local capability to develop better evidence. It has already provided:

- technical cost-benefit analysis guidance for appraising proposals for local public service transformation;
- a database of the unit costs of different interventions as well as the specific reactive cost savings that may be realised;
- an introductory guide to evaluation;
- service redesign tools, techniques and approaches;
- Cost benefit analysis and cohort modelling classroom based training;
- Cost benefit analysis and service redesign workshops; and
- business case peer review and challenge sessions.

The Treasury led Technical Advisory Group is also providing methodological advice to places as well as providing a forum for collaboration between central and local government on the evidence base that underpins service transformation.

Data sharing

Recommendation 17

There is a culture in central and local government that is averse to sharing data which in part may be derived from existing data protection legislation, or perceptions about the legislation. This culture must not be allowed to obstruct the sharing of information needed for the development and operation of Community Budgets. We note the Secretary of State's view that barriers to data sharing are entirely artificial and not the result of the correct application of the Data Protection Act 1998. However, we recommend that, if methods of sharing data within the requirements of the Data Protection Act 1998 cannot be developed by central government departments working with local authorities, the Government bring forward legislation. We welcome the assurance given to us by the Secretary of State that he will address quickly any problems with data sharing arrangements that emerge. As we discuss elsewhere in our report the role of secondees in breaking down barriers and improving communication between central and local government will be an important part of changing the culture around data sharing. (Paragraph 57)

The Government thanks the Committee for highlighting the importance of better information sharing to make public service transformation a success. The Government would like to take this opportunity to reiterate to the Committee our shared commitment to unblock the barriers to better

information sharing so that places can design and deliver services in more integrated and efficient ways.

A Network of 'What Works' centres has been set up with the express intention of improving the dissemination and use of evidence to local places – from education to crime, early intervention to ageing and local growth. The Transformation Network, working with local authorities and other Government departments is setting up a Centre of Excellence for information sharing which offers an opportunity to help local places tackle cultural or operational barriers to better information sharing. It will also have a role to encourage consistency across central Government. In addition, the Cabinet Office is exploring options for legislation to remove potential barriers to information sharing.

To access their allocation of the Better Care Fund local areas must demonstrate how they will meet the national condition to ensure better information sharing across health and social care provision.

Financial accountability

Recommendation 18

Some questions remain about how arrangements to ensure the financial accountability for Community Budgets will work in practice, including accountability for spending within pooled budgets. Questions will doubtless be raised about accountability as pilot areas design their own arrangements for agreeing and monitoring spending. More questions about accountability for public money will arise if, as Community Budgets require, central budgets are devolved to, or pooled at, the local level. We have therefore written to the Committee of Public Accounts suggesting that it examine the financial accountability of Community Budgets. (Paragraph 61)

The Government continues to keep the current system of financial accountability that could accelerate better local integration of services under review and welcomes input from the Public Accounts Committee.

Pooled budgets

Recommendation 19

In the short and medium term progress can be made towards integrating services through Community Budgets without the use of pooled budgets but in the longer term they will be needed to complete the process of integration. Negotiations for the creation of pooled budgets should continue locally with the assistance of central departments where necessary. (Paragraph 66)

Recommendation 20

A key outcome from the Community Budget pilots will be a solution to the problem of what to do when one partner invests to the direct benefit of another agency. It may take some time before pooled budgets are used widely and a single 'invest to share' model may not be universally applicable. It is therefore essential that local authorities in Community Budget areas work with their partners and central government to develop model approaches for producing savings-sharing agreements within 12 months. (Paragraph 67)

Recommendation 21

We welcome the move towards pooled budgets in the 2013 Spending Round. The pooled funds available only represent the beginning of what will be needed in order to fully integrate public services. We expect to see significant expansion in the use and scale of pooled budgets before 2015. (Paragraph 68)

The Transformation Network is working with places to help develop locally based investment agreements and other tools which can improve financial accountability between local organisations.

The Government set out a variety of measures in the Spending Round and the Autumn Statement to incentivise more integrated provision of local services, as detailed under recommendation 1. Investing in community budgets

Recommendation 22

Following the success of the pilots at local level the Government must now assess how best to fund public services through the Community Budget model. We recommend that the Government create one cross-Whitehall system for incentivising departments to invest in Community Budgets, which will have the effect of allowing authorities to commission services on the basis of local need. This will require local authorities to be given maximum flexibility over their budget for public services. (Paragraph 70)

Recommendation 23

The likelihood is that significant savings from Community Budgets will accrue to central government which should therefore invest upfront in their development. Given the effectiveness of the use of central government secondees with the Whole Place pilots, funding an extension of this approach to other areas would be an effective form of investment. Departments should, in addition, respond constructively to requests from local government for pump priming funding for the implementation of Community Budgets. (Paragraph 73)

Recommendation 24

Some long-term investment agreements between local authorities and their partners within Community Budgets would be greatly assisted by the Government providing a clearer indication of funding levels into the medium to long term. Such indications— though necessarily provisional— would give public sector agencies confidence about their budgets and encourage them to invest

in service improvements. In addition, the ability to carry over spending from one financial year into another would enable agencies to be more strategic in the way they spent their budgets. (Paragraph 75)

As set out elsewhere in this response, the Government is investing considerable resource through the Transformation Network to help places develop and implement their local transformation plans.

Local government already has significant flexibility over the way it spends public funds and has certainty of allocations for the next two years. The Treasury will work with departments to give local public services the same long-term indicative budgets as departments from the next Spending Review.

The Troubled Families programme

Recommendation 25

We intend to follow the results of the Troubled Families Programme over the next few years and monitor its impact. (Paragraph 76)

Recommendation 26

The number of families encompassed by the Troubled Families Programme does not cover all the families and children that require support. We therefore welcome the expansion of the programme to cover an additional 400,000 “at risk” families. However we note that the new resources made available to the programme until 2016 are not proportional to this expansion. This additional workload is likely to challenge the capacity and resources of local areas. As a result it will be even more important than it has been for the Department for Communities and Local Government to carefully monitor progress and provide further resources if necessary. (Paragraph 81)

Recommendation 27

We fully support the work being done through the Troubled Families Programme and recognise that it is providing much needed resources to address the acute problems faced by some families. However, central and local government need now to begin to think about the way these families will be worked with after the Troubled Families Programme ends and how local authorities can maximise its impact by integrating the current programme and its results into their future plans. The Troubled Families Programme should not detract from work being done locally with the much larger pool of families with complex needs including children living in poverty and children who do not have a good level of development at five years old. (Paragraph 85)

The Government thanks the Committee for its continued support for the Troubled Families Programme. The Committee will wish to note that the latest quarterly progress information (up to the end of October 2013), was published by the Department for Communities and Local Government on Monday 25th November 2013. The figures, which reveal the current national picture, are:

- Over 92,000 troubled families have been identified
- Over 62,000 troubled families are being worked with
- Over 22,000 troubled families have already been turned around.

In June, the Government announced that the Troubled Families Programme will be extended from 2015, with an investment of £200 million announced for 2015-16. This is intended as the first year of a five year programme to reach an additional 400,000 families.

The Government is currently working closely with local authorities and other partners on the design of the expanded programme. That will incorporate discussions about preparations for successful implementation from 2015-16, including issues of local capacity and resources. Department for Communities and Local Government will closely monitor progress, support and challenge local areas as necessary.

The Government agrees that there is no reason why the existing and/or expanded programme should detract from the good work local authorities are doing supporting other families. In fact the expansion of the programme to a much larger number of families provides local authorities with an excellent opportunity to embed and sustain the successful practice evident in the current programme into their mainstream service delivery.

Payments by results

Recommendation 28

We welcome comments by Louise Casey that, in the case of the Troubled Families Programme, sanctions should not be imposed too early in the Programme on local authorities that have failed to meet the payment by results criteria as this might affect the programme's overall outcome. In responding to our report we ask that the Department for Communities and Local Government clarify whether any local authorities have had funding withheld for failure to work with 75 per cent of the families they promised to in the first year. Department for Communities and Local Government should also monitor whether there are any perverse incentives generated by the use of payment by results within the Troubled Families Programme and take steps to address these if they arise. (Paragraph 89)

Recommendation 29

We see potential for Community Budgets to experiment with the use of payment by results mechanisms—set on a local basis—which may be particularly useful in motivating service delivery partners. However, the centrally driven and monitored Troubled Families Programme stands apart from Community Budgets. The programme's top-down ethos should not subvert Community Budgets which must be driven locally so that they can effectively address local needs. While payment by results by central government may be one method of assessing the potential of

Community Budgets to produce positive results, this approach also risks distorting incentives and its use should therefore be carefully considered. The decision to use payment by results on a local level for Community Budgets is therefore one for each local area to make. (Paragraph 91)

All 152 English upper tier local authorities have received their full Year 2 attachment fee funding as part of the Troubled Families programme's Payment by Results Scheme. This reflects local authorities' continued strong performance and support for the programme. The Government does not have any evidence at this time of perverse incentives having arisen as a result of the operation of the Troubled Families programme. If necessary, appropriate action would be taken to mitigate perverse incentives or unwanted consequences.

The Government agrees that there is potential for local areas to experiment with the use of payment by results mechanisms set on a local basis.

The future for integrated public services

Recommendation 30

Community Budgets should proceed in the form of further pilots with a view to rolling out the initiative nationally as soon as possible. Central government should, during this process, be supportive of local areas, outside pilots, wishing to begin their own work on Community Budgets. Government must give Community Budget areas a clear indication of the specific support it will provide them with. The continuation of pilots must not be allowed to slow momentum towards wider change. The pilot programme should therefore have a clear timetable and measurable outcomes. We expect further pilots to build on the work already done to demonstrate to central departments the merits of giving financial flexibility and flexibility over policy implementation to community budget areas. (Paragraph 95)

The Committee have suggested that Community Budgets should proceed in the form of further pilots with a view to rolling out the initiative nationally as soon as possible. The Government agrees. That is why the Transformation Network is now working intensively to co-design reforms with places that provide public services to 22 per cent of the English population. This collaboration builds on the best practice developed during the Whole Place pilots, but is also generating new innovation that other can learn from. The Transformation Network is also developing relationships with new places and in the process identifying effective new delivery models.

The consequences of not going ahead nationally

Recommendation 31

The Government should by no means underestimate the challenge for itself and for local authorities of introducing Community Budgets nationally. There will be some failures from which the Government must learn as well as from the successes. All parts of Government, central and local, need to work together towards the implementation of Community Budgets. Some areas such as the health sector currently have a golden opportunity to introduce Community Budgets. In other areas continuing silo mentalities will have to be broken down for Community Budgets to be effective. Without quickly and fundamentally changing the way in which services are delivered by increasing local autonomy and integrating services so as to reduce demand and dependency, the

reductions that are made to public spending on local services may simply result in more spending in the future on welfare, and judicial and emergency health interventions. (Paragraph 98)

The Government does not underestimate the challenge of building national momentum around delivering more integrated public services that deliver better outcomes for residents and better value for the taxpayer. There will be some failures as well as successes from which the Government and places must learn. All parts of government, central and local, need to work together towards the implementation of wider service transformation.

There is a lot that can already be delivered without additional flexibilities. By taking the initiative councils and local services can lead by example so that others will follow. Already this year Surrey, SE London, West London, Sheffield, Wirral, Bath and North East Somerset, Swindon, Hampshire and Dorset have committed, with the Transformation Network, to co-design better services for less by putting local people first. On behalf of their local residents, other forward thinking places are taking the initiative themselves. These include Staffordshire, Leeds City Region, Blackpool, Tyneside, Cornwall and Suffolk. The Government welcomes and actively encourages other places to take up the challenge.



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