

Overview

1. Community Budgets are working – they were launched as planned on 1 April in the first 16 areas and are on track to turn around the lives of all troubled families in their area. The Community Budget Group is considering plans for how to support continued implementation in the first areas and rolling out nationally Community Budgets for Families with Multiple Problems. This paper responds to the Group's request to explore further how Community Budgets may be widened and deepened – how might we secure a more radical and ambitious future for Community Budgets? The paper sets out details of two new strands of work covering neighbourhood level Community Budgets and how a Community Budget might comprise all public funding in an area, which could form the backbone of the second phase of the Local Government Resource Review.

Purpose

2. The Group is asked to consider and comment on:
 - a. Initial plans to test neighbourhood level Community Budgets (paragraphs 4 to 6 and annex A);
 - b. Initial plans to test the development of a single budget for a place (paragraphs 7 to 11 and annex B); and,
 - c. The draft Terms of Reference for the second phase of the Local Government Resource Review (annex C).

Consideration

3. Many areas have ambitions to extend the Community Budget approach to new client groups (e.g. older people) or issues (e.g. environment). Local areas are, in many instances, rightly able to pursue their ambitions without Government input. On occasions, it can be helpful for areas to have a dialogue with Government about busting barriers that are preventing progress and this is already starting to happen. The Local Government Group and DCLG will work together over the summer to seek to clarify the assistance and support that such areas want from Government and the LG Group and bring a paper to the Group's meeting in September.
4. On 17th March the Secretary of State announced that the second phase of the Local Government Resource Review would look at Community Budgets. This second phase will chart a radical future for Community Budgets through two new strands of work which are discussed in the remainder of this paper. Annex C sets out draft Terms of Reference for the second phase.

Neighbourhood Level Community Budgets

5. The Government intends to devolve power and control to the lowest possible level. So, in addition to national Community Budgets coverage, we should be pushing budgets down below the local authority area level to neighbourhoods.

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6. Since the Spending Review, DCLG and Cabinet Office have been working with 13 areas on a radical form of community-led budget where residents co-design their services with providers and fund them via a single locally-managed budget (e.g. Local Integrated Services - LIS). This concept lies at the heart of decentralisation and public service reform. Our work has generated useful learning but, with only one exception leadership of the approaches has come from local authorities rather than the community.
7. The second phase of the Local Government Resource Review should push this work further and faster than we have been able to so far. We will work intensively with two areas to enable the local community to genuinely co-design (with relevant players from central and local public sector organisations) the service solutions for their priorities and to shape budgets around them. This strand of work will firmly put communities in the two areas on the front foot to shape and control the services that matter to them – they will be equal, not junior, partners with public agencies. Annex A sets out further details.

A single budget for a place

8. Local areas and successive Governments have recognised that local services can be fragmented, focused around the needs of bureaucratic organisations rather than communities, and fail to deliver the outcomes communities need and expect. Initiatives like City Challenge, Public Service Agreements, Local Area Agreements and reward grant and Total Place have improved joint working but stopped some way short of a transformatory way of delivering public services.
9. These initiatives have followed a top-down approach to finding solutions. But, Community Budgets present an opportunity to use a different, thoroughly localist, approach to test the theory, long held by many, that developing a single budget for a place that is used to deliver locally-defined outcomes could be a better way to drive transformation in local service delivery.
10. The second strand of the review will test a collaborative co-design approach in two areas to develop outcomes, service solutions and a Community Budget comprising all public funding in these areas. Communities, VCSE and private sector will be fully engaged and opportunities to devolve and to open up services will be an integral part of the scope. Officials from agencies in the area and Whitehall will work intensively, over a sustained period, as part of a single team to work this through on a tightly defined timetable. A central budget will be pulled together to pay for local and Whitehall officials to be backfilled to enable them to participate solely in this project. Those in the team will need to be senior, empowered, crusading for change and skilled to think and work in a different way. The output will be an Operational Plan that will describe how a single budget could be implemented in each place – what would need to happen locally and what would need to be changed centrally. Government will then be able to decide if, and to what extent, this could be agreed, allowing implementation in April 2014. Annex B sets out further details.
11. As the backbone of the second phase of the Local Government Resource Review, this proposal would allow national and local partners to explore options in a 'live' low risk environment for how we might devolve more power to the local

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level. We will be putting into practice an approach for how an area might be able to challenge Government for a different way of doing things.

12. We will not, at this stage, be committing to implementing any particular outcome but committing to test the hypothesis, which central and local agencies frequently return to, that a single budget in a place is the best way to deliver defined outcomes. We might find that the approach has merit or is, quite simply, unworkable – either outcome will be valuable learning. We will, however, be collectively committing to supporting and driving forward this work as part of our shared ambition for decentralisation and localism.

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WORKSTRAND 3: Neighbourhood Level Community Budgets

Objective:

- Intensive support for two neighbourhood level Community Budgets based on the Local Integrated Services (LIS) approach, but allowing for local variation. LIS is a radical form of neighbourhood level budget where local people determine priorities for local service transformation and co-produce this change with local partners.
- Learning to see how LIS-type approaches can operate at a very local level and to enable community-led budgeting more widely.

Product:

- Neighbourhood level Community Budgets ready to operate in two areas from April 2012, with Operational Plans developed by December 2011;
- The development of case studies and learning to inform local authorities and communities; and,
- Strong alignment between neighbourhood level Community Budgets, LIS and the wider work on Community Budgets including participatory budgeting.

How:

The approach would involve:

- Identifying two areas to co-design with Whitehall how a community-based Community Budget and LIS approach could be implemented. We could intensify the work with two of the more advanced LIS areas that we (Cabinet Office supported by DCLG) are already working with, or invite new areas to come forward. These would need to be areas where:
 - There is a neighbourhood that wants a Community Budget and has strong infrastructure and capacity on which to build (e.g. an organisation with the potential to manage the budget and co-commissioning);
 - The local authority is committed to the concept, is willing to act in an enabling role working across other relevant services, has the will and capacity to set up the approach by April 2011, and is prepared to change its role (e.g. by de-commissioning services that are not working).

We would involve the Local Government Group and VCS colleagues in selecting the two areas.

- Agreeing a package of support for each area to enable it to accelerate progress and overcome barriers. This is likely to involve community development support and facilitation for local residents and VCS to shape the proposal around what they want – this would need to be provided by a suitable professional organisation.

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- Each area would then start to develop an Operational Plan, manage the co-design process, secure agreement from the relevant local agencies to a single cash/in-kind budget for the area, deal with any Whitehall barriers, identify outcomes and steps needed to redesign services.
- The co-design work would need to explore:
 - The level of control wanted by the community, e.g. direct management of a pooled budget or control over a pooled resource managed by (say) the local authority;
 - Which services should be included;
 - The right spatial level for the approach to be effective;
 - Balancing community 'demands' against wider area considerations, for example, could a community demand a care home in its area?
 - The scope for matching the cash element of the Community Budget with community resources like volunteers, tools, equipment, secondments, use of local buildings etc;
 - The potential to develop new funding arrangements like community shares;
 - Governance and accountability;
 - What sort of community capacity is needed;
 - Cost-effectiveness of the approach.
- With LG and VCS colleagues we would develop a mechanism for areas to benefit from the best information and case studies on very local control of budgets and services.

WORKSTRAND 4: A Single Budget for a Place

Objective:

1. To test out how Community Budgets comprising all public funding in any area might be implemented in two areas to test the efficacy of the approach. This work to comprise part 2 of the Local Government Resource Review (LGRR).

Product:

2. An Operational Plan that sets out what a single budget in a place would look like and how it would work.

How:

3. Service transformation has been successful where there is clear line of sight between the budget holder and those in front-line delivery i.e. individual services. This project is about cutting across functional lines and establishing a different approach to policy making and delivery – a single budget to deliver a single set of agreed outcomes in a particular area, with services redesigned across functional boundaries to deliver them.
4. The Government would issue a prospectus inviting areas to submit outline proposals for how they are suited to being one of two areas to test the single budget approach and how they would take the project forward. Government would select two areas to work with against the criteria set out in the prospectus.
5. An Operational Plan would be developed for each area selected using the principle of co-design: the agencies in the area and officials from Whitehall working intensively, over a sustained period, as part of a single team. The single team would comprise a senior official from each of the key sponsoring Whitehall departments and officials from the local authority and other local partners (e.g. health, police etc). The team would work solely on developing an Operational Plan to secure a single place budget for the bounded geographic area, the outcomes it would deliver and the redesign of services that is required to deliver the outcomes. The work would need to:
 - a) Develop a shadow Budget for the place (mapping resources including assets);
 - b) Identify local outcomes;
 - c) Understand existing delivery chains (including VCS and private sector);
 - d) Use customer insight and visioning;
 - e) Develop and appraise options;
 - f) Identify local structures, governance and accountability;
 - g) Use business process re-engineering and service redesign to transform services;
 - h) Deliver a gap analysis: what is required to get from 'as is' to where the area wants to be;

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- i) Identify timescales;
 - j) Develop an implementation plan/approach.
6. The Operational Plan would be developed by 31st March 2012.
7. The Operational Plan would enable government to consider the future for this radical approach and how it might provide solutions to service funding issues arising from the new approach to business rates being taken forward under the LGRR.
8. The area(s) would need to have clear geographic boundaries i.e. based on a local authority area. It would be beneficial to have key services (e.g. health, police etc) co-terminous with these boundaries. This project is about proof of concept (i.e. a place-based budget and outcomes can be developed) so minimising complexity is a key principle at this early stage.

Second Phase of the Local Government Resource Review :
Draft Terms of Reference

The second phase of the Local Government Resource Review will test how Community Budgets can be used to:

- Give communities and local people more power and control over local services and budgets;
- Develop outcomes, service solutions and a single budget comprising all public funding in an area.

Neighbourhood Level Community Budgets

The review will involve inviting communities in two local authority areas to co-design with local services and Whitehall how a Neighbourhood Level Community Budget and Local Integrated Services approach could be implemented.

The co-design work will explore:

- a) The level of influence or control wanted by the community;
- b) Which services should be included;
- c) The right spatial level for the approach to be effective;
- d) Balancing community 'demands' against wider area considerations;
- e) The scope for matching the cash element of the Community Budget with community resources like volunteers, tools, equipment, secondments, use of local buildings etc;
- f) The potential to develop new funding arrangements like community shares;
- g) Governance and accountability;
- h) What sort of community capacity is needed;
- i) The cost effectiveness of the approach;
- j) Developing a mechanism for areas to benefit from the best information and case studies on very local control of budgets and services;
- k) How a 'right to a neighbourhood level Community Budget' could be defined.

A single budget for a place

This part of the review will involve two local authority areas working with Whitehall to co-design how a Community Budget comprising all public funding in an area might be

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implemented. The joint team will develop an Operational Plan for each area that sets out what a single budget for the place would look like, the outcomes it would deliver, the redesign of services required to achieve the outcomes and how the single budget would work. The intensive work will need to:

- a) Develop a shadow Budget for each place (mapping resources including assets);
- b) Explore longer term resourcing issues for local government identified in the proposed business rate reforms;
- c) Determine how a single budget for a place would be derived from Department budgets set in Spending Reviews;
- d) Ensure identified options for a single budget fit with the Government's on-going reform agenda and exploit opportunities within it;
- e) Identify and agree national and local outcomes that would be delivered;
- f) Identify and understand existing delivery chains (including VCS and private sector);
- g) Establish what local people want from their services, using customer insight and visioning techniques;
- h) Develop and adopt a robust methodology for appraising the costs and benefits of each option identified for implementing a single budget for a place;
- i) Identify effective local structures, governance and accountability arrangements;
- j) Identify any necessary changes to Central Government's accountability to Parliament;
- k) Use business process re-engineering and service redesign to transform services;
- l) Deliver a gap analysis: what is required to get from 'as is' to where the area wants to be;
- m) Identify timescales for practical implementation;
- n) Develop an implementation plan/approach.

Timescale

The second phase of the Local Government Resource Review will be completed by April 2013.