HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

Number 05955, 14 May 2015

Community budgets and city deals

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Summary

There have been many initiatives to join up or pool budgets between local authorities and other public sector bodies. These have taken various forms since the early 1990s. Under the 2010-15 Government, a programme of 'community budgets' was established, initially in fourteen neighbourhoods (within ten different local authorities) and in four 'whole place' areas across local authorities.

Community budgets were initially conceived as a means of taking a more holistic approach to 'troubled families', with complex needs across a range of public services. The second phase of community budgets from late 2011 onwards was not related to troubled families, but did focus on public service transformation. The 2013 Budget referenced the four 'whole place' community budget pilots and announced the creation of a national network to spread the lessons arising from them. The House of Commons Communities and Local Government Committee examined the issue in 2011 and 2013.

The initiative of 'city deals' has similar aims. It was driven by the Department of Business, Information and Skills together with the Deputy Prime Minister during the 2010-15 Government. City deals pass bespoke sets of powers and budgets to large city authorities or wider areas, following agreement on policies and targets.

1. Community budgets: a brief background

Community budgets are the latest incarnation of a policy issue which has been in existence for at least twenty years. This is how to reduce policy and spending based on government functions ('silo government') in favour of spending on people and areas (policy and spending based on territory). In the 1990s terms such as 'joined-up government', 'wicked issues', 'area-based initiatives' and 'partnership working' were used to refer to attempts to address this issue. The 2000s saw the development of local area agreements (LAAs), multi- area agreements (MAAs) and the Total Place initiative, plus the concept of regional 'strategic government'. Each of these aimed, to a greater or lesser extent, at encouraging different agencies to develop joint plans, pool budgets, and an area-focused approach:

> The doctrine that the solution to such wicked issues was to encourage or require partnership working was endorsed in both academic and political fora with widespread enthusiasm. … it was variously argued that partnership working would result in the more efficient and effective use of public resources and community empowerment. [1]

The Total Place initiative was piloted through 2009, with a report produced by HM Treasury in March 2010.[2] It stated:

> We will work with consistently high performing places to develop a 'single offer' for those places. This offer will give places a range of freedoms (freedoms from central performance and financial control as well as freedoms and incentives for local collaboration) for working in partnership with central government to codesign services and arrangements to deliver greater transparency, efficiency and value for the citizen and the public purse.[3]

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1 Martin Willis and Stephen Jeffares, "Four Viewpoints of Whole Area Public Partnerships", *Local Government Studies* 38:5, 539-556, p.542

2 HM Treasury, *Total place: a whole area approach to public services*, March 2010.

3 Ibid., p.6

2. Troubled families

2.1 Troubled Families pilot and roll-out, 2010-13

Sixteen local authority areas were selected to pilot community budgets in October 2010, as part of the Troubled Families programme.[4] This focused on families with complex needs who absorb a considerable sum of public money. The 2010-15 Government defined troubled families as:

> 'Troubled families' are households who:
>
> - Are involved in crime and anti-social behaviour
> - Have children not in school
> - Have an adult on out of work benefits
> - Cause high costs to the public purse
>
> The criteria for drawing up the families to be targeted by the Troubled Families programme therefore reflect these issues.[5]

The participating areas were:

- Birmingham
- Blackburn with Darwen
- Blackpool
- Bradford
- Essex
- Greater Manchester
- Hull
- Kent
- Leicestershire
- Lincolnshire
- London Borough of Barnet
- London Borough of Croydon
- London Borough of Islington
- London Borough of Lewisham
- The London Boroughs of Westminster, Hammersmith and Fulham, Kensington and Chelsea, and Wandsworth
- Swindon

The press release announcing the programme portrayed the use of community budgets as a means of breaking down silos and improving the efficiency of contact between a variety of public services and troubled families:

> Community Budgets, which the Government intends to roll out nationally by 2013-14, will put councils and their partners in the driving seat by pooling funds for tackling these families' needs into one budget so communities can develop local solutions to local problems….. By having one budget wrapping money and services around the needs of the vulnerable, councils and partners will be able to directly support those that need help with

4 DCLG Press Notice, *16 areas get 'Community Budgets' to help the vulnerable*, 22 October 2010

5 DCLG, *The Troubled Families programme*, 2012, p. 3

> education, health, anti-social behaviour and housing - instead of maintaining the service organisations.[6]

In a letter to local authority chief executives on 28 July 2011, Sir Bob Kerslake, then permanent secretary at DCLG, said that the department wanted to roll out the Troubled Families programme to about 50 areas by April 2012.[7] In the event the programme was rolled out to all local authorities, with a payment-by-results system of funding, in March 2012.[8] Since then it has been managed separately from the other community budget programmes outlined in this note.

£448 million of funding for the programme was made available in 2012-2015.[9] It was anticipated that this would form some 40% of the total spend on the initiative, with the remainder coming from local budgets and savings. An interim table of results of interventions as of December 2014, by local authority, is available on the DCLG website.[10]

2.2 Troubled families: second phase of the programme

The 2013 Spending Review announced an expansion of the programme, to work with 400,000 additional families between 2015 and 2020, with £200 million to be made available from existing budgets in 2015-2016.[11] Initial pilots were run with sixty-two local authorities which had performed well in the first phase of the programme.[12] Further details of the plan were published in August 2014:

> Work will begin this year in 51 of the best performing areas, ahead of a national 5 year programme from 2015 to help more troubled families who cost the taxpayer tens of thousands of pounds per year without intervention.[13]
>
> The scheme builds on the success of the current programme run by councils, which new figures show is now helping over 110,000 of the most troubled families in England. Of these nearly 53,000 have had their lives turned around thanks to the intensive and practical approach, which works with the whole family on all of its problems.
>
> While retaining its focus on reducing truancy, crime and anti-social behaviour, the expanded programme will apply this approach to a larger group of families with a wider set of problems including domestic violence, debt and children at risk of being taken into care.
>
> And the programme will continue to prioritise getting adults into work, with the Department for Work and Pensions providing 300

6 DCLG Press Notice, *16 areas get 'Community Budgets' to help the vulnerable*, 22 October 2010
7 DCLG, *Community budgets*, 28 July 2011
8 Details of the new funding system can be found at DCLG, The Troubled Families programme: Financial framework for the Troubled Families programme's payment-by-results scheme for local authorities, March 2012.
9 See DCLG, *Tackling troubled families*, December 2011
10 See DCLG, *Troubled families: progress at December 2014*, March 2015
11 See HM Treasury, *Spending Round 2013*, Cm 8639, 2013, p. 23
12 See DCLG, *85,000 troubled families have had their lives turned around*, December 2014, for a list of these authorities.
13 See DCLG, *Troubled Families programme expanded to help younger children*, 19 August 2014

specialist troubled families employment advisers who will also work with young people at risk of becoming unemployed.

In January 2015, the then Government announced that an additional 150 staff would be seconded from JobCentre Plus into local authority-led joint teams, in addition to an extra £10 million of investment.[14]

The criteria for the inclusion of families in the second phase is different from those used in the first phase. To be included, a family will have to face two of the following six issues:

- Parents and children involved in crime or anti-social behaviour.
- Children who have not been attending school regularly.
- Children who need help.
- Adults out of work or at risk of financial exclusion and young people at risk of worklessness.
- Families affected by domestic violence and abuse.
- Parents and children with a range of health problems.[15]

Annex B of the new financial framework provides more detailed definitions of each of these criteria, together with suggested sources for data on families which fall into them.

The new framework will provide a £1,000 'attachment fee', and a results payment of £800 per family to the participating local authority. The results payment will be available if the authority can demonstrate that a family has "achieved significant and sustained progress, compared with all the family's problems" or "an adult in the family has moved off benefits and into continuous employment".[16] In the former case, progress must be made against **all** of the problems that the family is identified as having, not just some.

In addition, the participating authorities will have access to a Service Transformation Grant of between £17,500 and £175,000, depending on the number of troubled families with which it expects to work.

The DCLG stated that "if a local authority and its partners identify more families than its mutually agreed share of the overall 400,000, families should be prioritised on the basis of need and those with more than two problems should be offered support first".[17]

2.3 Evaluations of the Troubled Families programme

The National Audit Office reported, in December 2013, on both the Troubled Families programme and the similar programme run by the Department for Work and Pensions, funded by £200 million from the

[14] DCLG, *Government puts rocket boosters under plans to get troubled families back to work*, 18 January 2015
[15] DCLG, *Financial Framework for the expanded Troubled Families programme*, November 2014, p. 7
[16] Ibid., p. 25
[17] DCLG, *Financial Framework for the expanded Troubled Families programme*, November 2014, p. 12

European Social Fund.[18] It stated that not all local authorities had made full use of the funding available through the payment-by-results mechanism, and that there had been limited co-ordination between the two programmes.

In March 2015 Eric Pickles, then Communities and Local Government Secretary, provided a progress report on the Troubled Families initiative. Mr Pickles said 105,671 families with complex needs had benefited from the support provided by local authority teams by February 2015, "putting the programme firmly on track to achieve the Prime Minister's goal of turning around 120,000 by the end of the parliament." He added that "new figures showed that the programme had already saved taxpayers an estimated £1.2 billion, from a maximum government investment of £448 million."[19]

Of those 105,671 families, 95,163 had achieved a crime/antisocial behaviour/education result as defined in the Troubled Families Financial Framework (see section 2.2); and 10,508 had achieved a continuous employment result, in which one adult in the household had moved off out-of-work benefits into continuous employment.[20]

DCLG's findings were based on figures from local authorities reporting their progress within the programme. These were collated from the latest quarterly returns submitted to DCLG's Troubled Families team from all 152 upper tier local authorities in England in February 2015. DCLG noted that these figures "do not constitute official statistics."[21]

In a blog post shortly after the DCLG made its announcement, Jonathan Portes of the National Institute of Economic and Social Research (NIESR) criticised the department's methodology and conclusions. It said:

> We have, as of now, absolutely no idea whether the TFP has saved taxpayers anything at all; and if it has, how much…TFP is a complex, multi-agency intervention with a fuzzily defined target group and very diffuse costs and benefits. Evaluating its impact is a tough job.

DCLG published a cost-benefit analysis of the programme's first phase.[22] The department took seven "exemplar areas"[23] and compared expenditure on troubled families in the year before intervention with

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18 NAO, *Programmes to help families facing multiple challenges*, HC 878 2013-14, December 2013. A review was published of the DWP programme, *ESF Support for Families with Multiple Problems – December 2011 to January 2015* , which concluded in April 2015.

19 See DCLG, *More than 105,000 troubled families turned around saving taxpayers an estimated £1.2 billion*, 10 March 2015

20 See DCLG, *Troubled families: progress at December 2014*, March 2015; and DCLG, *The Troubled Families programme: Financial framework for the Troubled Families programme's payment-by-results scheme for local authorities,* March 2012.

21 Ibid.

22 See DCLG, *The Benefits of the Troubled Families Programme to the Taxpayer*, March 2015

23 DCLG defined these as the seven "most advanced authorities". They were Bristol, Derbyshire, the City of Manchester, Redcar & Cleveland, Salford, Staffordshire and the London Borough of Wandsworth.

"fiscal benefits" in the year after.[24] It found the average spend in the year before was £26,200, while the average fiscal benefit in the year after was £11,200.[25] NIESR critiqued this approach, saying that it was not possible to base an assessment of the entire programme on a small number of self-reported estimates from participating authorities.

The Government commissioned Ecorys to evaluate the troubled families programme in 2013. An initial report was published in July 2014, with a further report expected in mid- to late 2015.[26] NIESR noted the department had commissioned an independent evaluation of the programme's impact, but added this evaluation had—as of March 2015—not produced any estimates of impact.[27] NIESR added that the independent evaluation due later in 2015 would include counterfactual studies.

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24 DCLG defined fiscal benefits as the gross amount of public money which may has been saved or whose expenditure has been avoided, before deducting any further costs.

25 DCLG, *The Benefits of the Troubled Families Programme to the Taxpayer*, March 2015. The department noted that a Troubled Families Programme evaluation would conclude later in 2015, when "further evidence will be derived from the work of a broader group of local areas and from the programme's national cost benefit analysis." This would appear to be the independent evaluation to which NIESR referred.

26 See DCLG, *National evaluation of the Troubled Families programme*, July 2014

27 Jonathan Portes, *A troubling attitude to statistics*, Blog, 15 March 2015

3. Whole Place and neighbourhood community budget pilots

3.1 Announcement of community budget pilots

Two pilot community budget schemes were announced by DCLG on 2 December 2011.[28] This followed a call for bids on the basis of the DCLG's Community budgets prospectus, published in October 2011. The 2010-15 Government selected four 'whole place' areas covering groups of local authorities:[29]

- Greater Manchester
- Cheshire West and Chester
- West London - Hammersmith & Fulham, Kensington & Chelsea, and Westminster (the 'Tri-Borough partnership')
- Essex

The then Government also selected ten 'neighbourhood community budget' pilots at ward or community level:[30]

- White City (Hammersmith & Fulham)
- Poplar Housing and Regeneration Community Association (Tower Hamlets)
- Trident (Bradford)
- Sherwood (Tunbridge Wells)
- Norbiton (Kingston-upon-Thames)
- Haverhill (Essex)
- Balsall Heath, Shard End, Castle Vale (Birmingham)
- Queen's Park (Westminster)
- Ilfracombe (North Devon)
- Cowgate, Kenton Bar, and Montague (Newcastle-upon-Tyne)

The launch of the scheme suggested that public sector agencies in the relevant areas would all work together to use a 'single pot' of funding, to better effect than was possible through 'silo-based' interventions. In practice, each of the pilot areas developed different business cases, concentrating on particular interventions to improve service delivery and outcomes in their areas.

3.2 Evaluation of pilots

The National Audit Office reported on the four 'whole place' pilots in March 2013.[31] The report noted that the four pilot areas decided to concentrate on specific areas of public services where desirable improvements in outcome could be identified. Substantial resources

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28 DCLG, *14 areas to pioneer scheme to pool and save billions*, 21 Dec 2011
29 For additional details see http://communitybudgets.org.uk/
30 See http://mycommunityrights.org.uk/our-place/
31 National Audit Office, *Case study on integration: measuring the costs and benefits of Whole-Place Community Budgets*, HC 1040 2012-13, March 2013

were committed to the pilot by DCLG, and technical advisory groups were established, around health and adult social care; criminal justice; families with complex needs; the economy; and education and early years. Substantial savings were envisaged as a result of the pilots:

> The Local Government Association commissioned consultants to examine the potential savings from implementing Whole-Place Community Budgets at greater scale. The consultants estimated that if the integrated service delivery approaches assessed by the four local areas were rolled out across England, there would be the potential to deliver a net annual benefit of between £4.2 billion and £7.9 billion when fully up and running (generally after five years). In some cases, the benefits may accrue over a longer time frame than the five-year assessment period typically used. As the consultants make clear in their report, this estimate is sensitive to assumptions around the effectiveness of local interventions, the ability of other local areas to replicate the projects, and the potential overlap with other efficiency measures that local and national bodies already have in train.[32]

DCLG produced an evaluation of the programme, entitled Neighbourhood Community Budget pilot programme, in July 2013. The Centre for Economics and Social Inclusion has argued that obtaining savings from community budget initiatives can be challenging:

> …the "savings" from successful interventions accrue roughly 80% to central government and 20% to local government. We found … specific examples of this in our own research. For example in one area, a more streamlined and refocused drug and alcohol programme had decreased demands in Accident and Emergency while freeing up police time. However, actually capturing those returns was proving far more problematic.[33]

The participating authorities also identified the need for co-ordinating assessment of people's needs, support for designing new delivery models, and continuing discussion of longer-term reforms.

3.3 Outcomes following the pilots

In the Budget of March 2013, the DCLG announced a £4.3 million funding package to support up to 100 further community budget programmes. This was accompanied by the publication of a DCLG guide to creating a successful community budget,[34] and the neighbourhood community budget programme was re-branded as 'Our Place!'.

The areas to be awarded the funding – 123 in total in the event – were announced in April 2014.[35] The Our Place website lists a total of 141. A map of the Our Place! locations is available.[36]

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[32] Ibid., p. 23

[33] Tony Wilson and Paul Gallagher, *Community works: putting work, skills and enterprise at the heart of Community Budgets*, 2013, p.37

[34] DCLG/LGA, *Local Public Service Transformation: A Guide to Whole Place Community Budgets*, March 2013

[35] DCLG, 123 communities to take control of neighbourhood schemes, 14 February 2014.

[36] This site also provides a description of all of the projects. This information is also available in more readable form from the Our Place! website.

The 2013 Budget also announced that a new network of local and national-level officials would be established to support the wider adoption of community budgets:

> 1.58 Ongoing reform of public services will also be required. The four areas that participated in the recent Whole Place Community Budget pilots estimate that they can save £800 million over five years by implementing their plans. To support the local adoption of similar approaches, the Government is establishing a new multi-agency network and will announce plans to extend the benefits of this approach across the country at the 2015-16 Spending Round.[37]

In February 2015 the DCLG announced a "£6 million funding boost" to its Community Rights programme in 2015-16, including money for 100 more neighbourhoods to use the Our Place approach.[38]

3.4 Public Service Transformation Network

In March 2013 the DCLG announced the creation of a "Public Service Transformation Network". This was intended to build on the Community Budgets pilots and to:

> …spread the innovation and share the learning from the whole-place Community Budget pilots, to support other places to deliver better services for local people for less money, and boost economic growth.
>
> The network will be made up of people with experience and expertise from across government departments, councils and local agencies. Their aim will be to secure improved outcomes by co-designing better services for less.
>
> Local areas will need to set out which service areas they want to reform, how they can succeed as the 4 pilots showed is necessary, and provide evidence that a range of local service partners are fully bought in. [39]

Nine pilot areas were announced in July 2013. These were:[40]

- Bath and North East Somerset
- Bournemouth and Poole
- Hampshire
- Lewisham, Lambeth & Southwark
- Sheffield
- Surrey
- Swindon
- The West London Alliance (Barnet, Brent, Ealing, Harrow, Hillingdon, Hounslow)
- Wirral

As of February 2014 the Network claimed to be working with 33 councils in total.[41]

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37 HM Treasury, *Budget 2013*, p. 25

38 DCLG, *£6 million new funding to give communities even greater local control*, 17 February 2015

39 DCLG, *Community budget pilots inspire new nationwide network of public service revolutionaries*, March 2013

40 DCLG, *Nine new places join next phase of local public service transformation*, July 2013

In April 2014 the Network set up a panel of experts from the public and private sectors to seek out the best examples of change in service delivery and report back to the government.[42] In response to the panel's November 2014 report,[43] the coalition Government formally approved the panel's recommendations and set out some next steps, including:

- plans to identify the total cost of providing support to individuals and families with multiple complex needs in order to inform thinking ahead of the next spending review;
- a review of how funding for transformation can be improved in the next parliament;
- agreement that different places should receive different levels of responsibility according to local circumstances; this commitment builds on the command paper on the implications of devolution for England published in December;
- £5 million funding to increase the Public Service Transformation Network's capacity to work with local areas including Manchester, Sheffield and Leeds;
- commitment to exploring whether additional capability is required locally and nationally to ensure that evidence of what works is used more effectively by local commissioners;
- [commitment to] work with interested parties on the creation of a national Virtual Leadership Academy.[44]

Reflecting in March 2015 on the first two years of the Network, its director Robert Pollock said an initial evaluation of some network places' new service designs suggested "over £1 billion of public value benefits, including more than £600 million of fiscal benefits, will be realised." He added that some integrated delivery models had the potential to be scaled up, including:

> West Cheshire: multi-agency 'workzones' in Ellesmere Port have got 400 people into work, saved £18.6 million and are set to be introduced across Warrington and Cheshire.
>
> Essex: an integrated approach to domestic violence has protected hundreds of victims and slashed inefficiency. A £5 million joint investment to make it county-wide will safeguard many more and deliver millions of pounds of social and fiscal benefits.
>
> Greater Manchester: Intensive Community Orders for 650 repeat offenders aged 18-24 mean they are likely to get into sustained employment and less likely to reoffend. A £3.5 million investment over 18 months to scale up across Greater Manchester is expected

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41 See Public Service Transformation Network, *Public Service Transformation Network*, 21 February 2014

42 See Public Service Transformation Network, *Redesigning Services Without New Money*, 26 June 2014

43 Public Service Transformation Network, *Bolder, braver, better: why we need local deals to save public services*, November 2014

44 DCLG, Ministers back plan for better local services, 16 March 2015

> to deliver significant savings for the NHS, Police and judicial system.[45]

[45] See Public Services Transformation Network, *From Community Budget pilots to Devolution deals*, 27 March 2013. Other examples provided were those in Surrey & Sussex, Lambeth and Stoke.

4. Views of community budgets

The principle of community budgeting has been presented as a win-win situation by government, leading both to improved outcomes for service users and to reduced public expenditure:

> We know our services would be better if they were more responsive to local people's needs, better serving the people that pay for them and use them.
>
> Equally, different areas work best when you, our public sector leaders, are unconstrained. What's more, free people up to innovate and they come up with ingenious, inventive solutions to complex, previously unsolved problems.
>
> And the magic of this approach that it will save money. Lots of it. Greater Manchester alone, for example, reckons that improving its early years service will save £215 million over the next couple of decades for each year-group of children.[46]

The House of Commons Communities and Local Government Committee has conducted two inquiries into community budgets, publishing reports in late 2011 and late 2013. In the first inquiry, a witness suggested that commitment to the concept of place-based budgeting was variable across Government departments:

> Part of it [success] is to do with the extent to which you have local accountability for the delivery of services so, in general, practical working relations with health professionals, through the PCTs, and the police, are good. Those with DWP and the Home Office – the Ministry of Justice-type services – are much less good because they do not have the same kind of local agents and it is therefore really difficult. DWP is a good example, because it has national programmes to deliver to national standards, but local people have very little flexibility to respond to local circumstances.[47]

Baroness Hanham, Parliamentary Under-Secretary of State at DCLG, admitted to the 2011 inquiry that "the point about pooling budgets is that actually pooling them has not happened very widely. That may be part of the reluctance, but also part of the culture in various Departments".[48]

The second inquiry suggested that many of these relationships had improved by 2013. The 2013 report noted that the used of central government secondees to pilot areas had been a particularly successful aspect of the programme. In some areas, 'co-production' – genuine joint working between the lead authority and central government, and between the lead authority and local people – had been a successful and vital element of the pilot.[49]

A number of participants also raised the issue of accountability. The need to be publicly accountable, to Parliament, for national and local

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46 Brandon Lewis, keynote speech at Community Budget conference, 29 November 2012

47 Stephen Hughes, evidence to CLG Committee, *Taking Forward Community Budgets*, HC 1750 2010-12, ev.2

48 Ibid., ev.16

49 Communities and Local Government Committee, *Community Budgets*, HC 163 2013-14, October 2013, p. 13

spending has long been an obstacle to partnership working and budget pooling.[50] Most public bodies are required to ensure that their budgets are spent in accordance with their strategic priorities, as approved by Ministers: partnerships and shared budgets imply that they would allow influence over their budgets that might conflict with their own priorities. This is a difficult balancing act for any organisation, and the pressures could make partnership working ineffective in the long term unless requirements or incentives exist to work together. A witness addressed this issue in the Committee's inquiry:

> There has to be some kind of glue that is stronger than simply an open willingness to work together, because that always runs the risk of breaking down whenever anything really difficult comes up. And there will be difficult stuff here – there is no doubt about that. So you either need some kind of contractual relationship, a pooled budget, a single accountable body or someone having oversight over other people's spending and service plans. One or other of those things needs to happen if you are to make this proposal work across the country as a whole. Yes, there will be localities where you can get it to work because the personalities involved really gel together and there is a common drive to put it in place, but it only lasts as long as that relationship is in place. To make it work in a way that would deliver sustainable results over a long period of time, you need some tougher relationship between those local agencies. [51]

The report of the CLG Committee's second inquiry was published in October 2013.[52] It noted that the main focus of community budgets, particularly neighbourhood community budgets, was redesigning service provision rather than saving money.[53] It referred to the 2013 Ernst & Young report, which suggested that the potential for savings through such a programme was difficult to estimate.[54] It also praised the focus on data collection by both Whole Place and neighbourhood community budget pilots, which would allow outcomes to be demonstrated. The Committee also revisited the issue of financial accountability:

> 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.[55]

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50 The Government policy statement *Accountability: adapting to decentralisation*, published in 2012, gives a flavour of Government perceptions of the issues.

51 Ibid., ev. 6

52 Communities and Local Government Committee, *Community Budgets*, HC 163 2013-14, October 2013

53 Ibid., pp. 8-9

54 LGA, *Whole Place Community Budgets: A Review of the Potential for Aggregation*, Ernst & Young, January 2013

55 Ibid., p. 24

5. City deals

City deals have been developed by the Treasury working together with the Deputy Prime Minister. City deals are bespoke packages of budgets and decision-making power, devolved on a discretionary basis to individual local authorities or groups of authorities. They resemble community budgets with regard to the pooling of previously separate streams of funding, but they take the form of a deal brokered with central government, as opposed to local joint working between public bodies.

The DCLG published a consultation paper on 1 November 2011 about the Government's proposed approach to transferring powers to elected mayors, in advance of ten referendums – on whether to have elected mayors in England's ten largest cities - that were held in May 2012 (see Library briefing paper 05000, Directly-elected mayors).[56] It did not specify what those powers should be; instead, the cities themselves were asked to come forward with proposals.

In the event, most major cities rejected elected mayoralties in the May 2012 referendums. Discussions proceeded with the eight core cities (Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield) and their LEPs, to identify key policy areas that could be devolved in order to support economic growth. The Government set out its intentions in the consultation Unlocking Growth in Cities, published in late 2011. The intention was to work with different cities to agree a series of "tailored city deals". The document contained "an illustrative menu of bold options" including powers and freedoms relating to economic growth, infrastructure development, housing and planning, skills and employment. However, the document emphasised that this is a "two-way transaction" and that local authorities would be required to demonstrate robust structures of leadership and accountability:

> …where cities want to take on significant new powers and funding streams, they will need to demonstrate strong, accountable leadership, an ambitious agenda for the economic future of their area, effective decision-making structures, and private sector involvement and leadership (cities with a directly elected mayor will meet this requirement).[57]

The Government's response to the consultation was published in January 2012. The paper concluded:

> The Government has carefully considered the responses it has received. The range of comments reinforces the view the Government has taken to date that a bespoke approach to the decentralisation of powers to a local level is the right way forward.
>
> Accordingly, the Government confirms that where any mayors are elected in the 12 cities it will continue the bespoke approach to devolving powers that it is already pursuing in the context of city

[56] DCLG, *What can a mayor do for your city? A consultation*, November 2011
[57] HM Government, *Unlocking growth in cities*, December 2011, p10

> deals, but with the mayors themselves having an important role in the process of decentralising powers. At this stage, other than as part of a city deal negotiation the Government does not intend to reach any view about specific powers that might be devolved, or about a council's scrutiny and accountability arrangements.36

Brief details of the issues covered by the city deals are available from the document *Unlocking growth in cities: city deals wave 1*.[58] Their main focus is on economic investment, transport, employment, skills and education. A second tranche of smaller cities was also invited to bid for a city deal in October 2012; in February 2013 it was announced that all twenty had been successful.[59] As of July 2014, city deals had been negotiated with all of these, except Milton Keynes, where the city deal was merged into an LEP Growth Deal.[60]

A city deal was also negotiated with Glasgow in July 2014. Although the wider city deals programme focuses on England only, as city deals are non-statutory agreements, and they do not draw their funding from a fixed budget, there is nothing to prevent them being established in Scotland, Wales and Northern Ireland. The Scottish Parliament was involved in the negotiation of the Glasgow city deal. In the 2015 Budget, the Government announced that it planned to negotiate further city deals with Cardiff, Aberdeen and Inverness.[61]

There are overlaps between city deals and the establishment of Local Enterprise Partnerships (see Library briefing paper 05651, Local Enterprise Partnerships). There are also links to the 'devolution deals' offered to Greater Manchester, Sheffield and West Yorkshire in 2014-15. These are not referred to as 'city deals': see Library briefing paper 7029, Devolution to local government in England, for more details on these.

The report *No Stone Unturned*, produced by Lord Heseltine in late 2012, proposed the amalgamation of a large number of budgets into single economic development-related funding pots for local areas, which would then be devolved to Local Enterprise Partnerships.[62] Lord Heseltine estimated that some £49 billion could be devolved to local areas in this way. The Government's 2012 Autumn Statement stated that it would devolve some of the suggested budgets from April 2015:

> The Government will devolve a greater proportion of growth-related spending on the basis of the [….] strategic plans developed by LEPs by creating a single funding pot for local areas from April 2015. Funding will reflect the quality of strategic proposals put forward by LEPs, as well as local need. When developing the plans, LEPs will be expected to seek to leverage funding, including from local authorities and the wider public and private sector.

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58 HM Treasury, *Unlocking growth in cities: city deals wave 1*, 2012
59 See Cabinet Office, Deputy Prime Minister launches more 'city deals', 19 February 2013
60 Mark Smulian, "Missing city deal absorbed by LEP", *Local Government Chronicle*, 17 April 2014
61 HM Treasury, *Budget 2015*, 2015, p. 43
62 See Michael Heseltine, *No stone unturned in pursuit of growth*, BIS, October 2012, p.215-6

> The Government will seek to increase the proportion of spending that is awarded through the single funding pot based on Lord Heseltine's recommendations. This is likely to include some of the funding for local transport, housing, schemes to get people back into work, skills and any additional local growth funding. Further details will be set out in the Spending Review.[63]

In March 2013, the Government formally responded to Lord Heseltine's review and committed to the creation of a Single Local Growth Fund.[64] Later that year the Treasury announced the Fund would amount to at least £2 billion a year from 2015 to 2016.[65] Every LEP was invited to submit a Strategic Economic Plan by 31 March 2014, outlining their local priorities to maximise growth. In July 2014 the Government announced the first wave of Growth Deals, in which they agreed to £6 billion of local projects, including the complete allocation of £2 billion from the Fund for projects beginning in 2015-16.[66] More details are available in the Library briefing paper Local growth deals.

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63 HM Treasury, Autumn statement 2012, pp.40-41

64 HM Treasury, Department for Business, Innovation and Skills, *Government's response to the Heseltine review*, Cm 8587, March 2013, p.5

65 HM Treasury, *Investing in Britain's Future*, Cm 8669, June 2013, p.9. The Fund is due to run until 2020-21.

66 HM Government, Growth deals firing up local economies, 7 July 2014. Every LEP received funding.

BRIEFING PAPER
Number 05955, 14 May 2015