

new economy

GM's Investment-led “Community Budget” approach

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Salford, 11th November 2011

Outline

- What is GM's investment led “Community Budget” approach
- The developing methodology
- The developed cost-benefit analysis methodology
- Benefits, challenges and conclusions

Context

- Continuing decline in fiscal position
- Reduced public sector spending trend not blip
- ...so these are the “good times”
- Status quo is not an option
- Nor is continued single-agency budgeting, unless ready to eternally salami slice
- So - robust GM framework for pan-agency consideration and an investment led approach: the **“Community Budget”**

Initiative-itus; far too many things going on...

- Community Budget Phase 1
- Community Budget Phase 2 bid
- Complex families work / Louise Casey
- Public Sector Reform (Executive)
- GM Investment capacity/pipeline
- GM Investment Board/pipeline
- Baroness Hanham Group
- NHS reform
- Work Programme
- Transforming Justice
- DWP Innovation Fund, ESF
- Better Life Chances, Early years spatial pilots
- Place Boards
- Local Integrated Service Pilots
- Payment by Results
- Cost Benefit Analysis pilots
- Early intervention and prevention lead professional model
- Health and social care
- **new** Bischoff Group
economy
- LGA Community Budgets Group



Need to focus

- What are we trying to achieve (in Salford) ?
- Is there evidence that it will/is working?
- Has that been independently tested ?
- What does it cost ?
- What potentially-cashable benefits does it create ?
- What broader economic and social benefits ?
- How could the GM “**CB**” framework help ?

What should the GM CB framework provide?

- Informed decision-making
- Cost-effective decision-making (value for money)
- a way to “cash” some of the benefits produced...
- ...and reinvest it locally
- A made-to-measure way to allow partners to invest
- IF they wish to do so, based on the evidence presented & how it meets their/your collective aims
- Rather than reinventing the wheel each time
- “Off the shelf” pre-agreement to difficult Qs of delegation, quantification (CBA), legal/governance issues & organisational buy-in to investing in GM through the framework

What support should the GM framework bring?

- Evidence bank
- Evidence support and challenge
- Independent evaluation
- Performance management support
- Cost-benefit analysis: training and interventions
- GM-level key partners legal discretion to invest
- Key agency contacts, e.g. Primes
- Data sharing
- Investment Agreement template and expertise
- Business planning

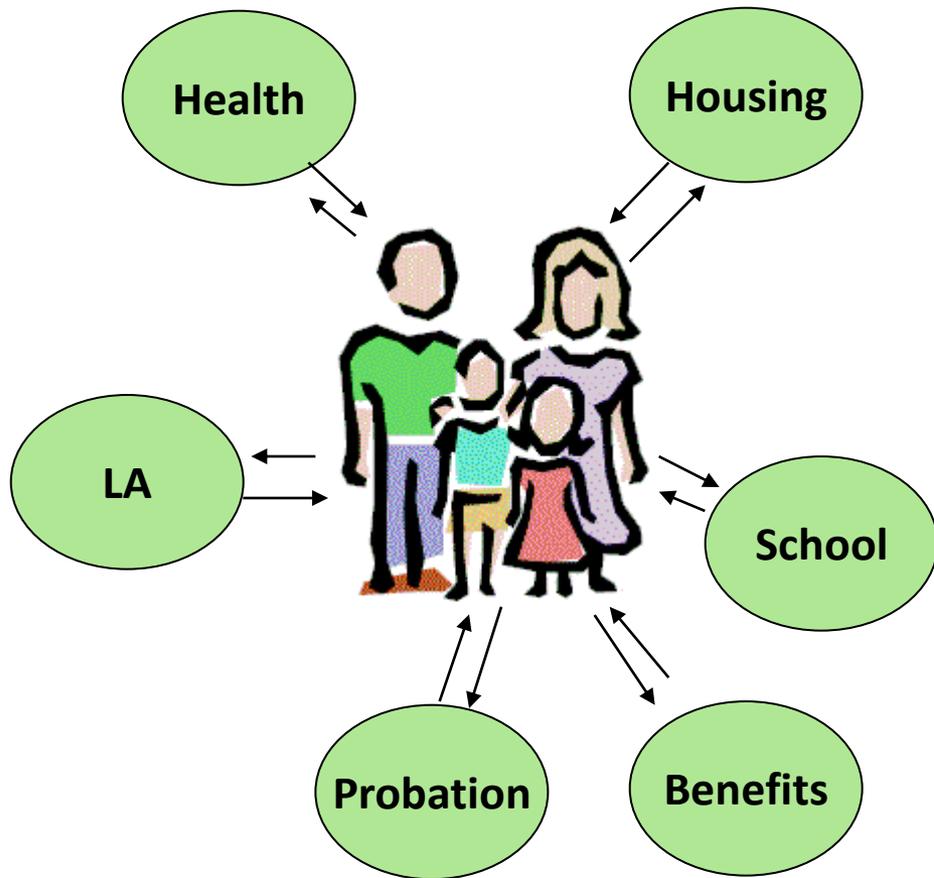
Outline toolkit

Challenge	Key products/activities
Identifying priorities across partnerships	Template for shared outcome framework, & work on effective use of evidence
Creating innovative & responsive delivery models	Assess different delivery models & costs/benefits
Quantifying/collating costs & benefits	Database/tool to quantify & track costs/benefits, & assess ROI for different partners
Developing the business case	Assess different funding options & approaches to benefits realisation, & develop business case template
Transferring money between agencies & reinvesting savings	Advice on commissioning contracts, legal & accounting constraints, & decommissioning guide
Creating a binding Investment Agreement	Investment Agreement template
Managing the risks	Risk register & mitigation strategies
Putting the theory into practice	Partner support, training/skills package, case studies

Cross-agency

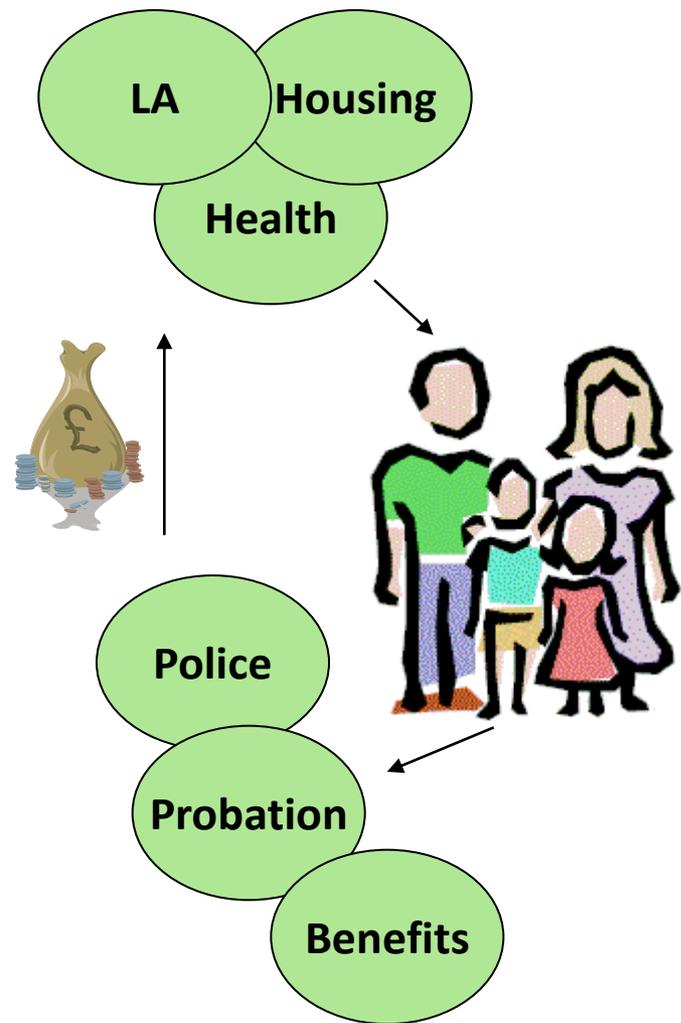
- Salford well ahead of the game
- However – many agencies, GM-level (or higher) sign off
- The need to adapt mainstream funding; can come only if
 - their particular outcomes are hit
 - they are sufficiently convinced by the evidence that suggests those outcomes will be met by the proposed interventions
 - a framework exists that enables them to invest if they want to, getting over the various legal, methodological constraints

Traditional approach



- Different agencies investing to meet their own objectives
- No pooled approach to maximise outcomes
- One agency invests, but others benefit
- Time lag between investment & payback (esp. early intervention/prevention)
- No agreement on quantifying costs/ benefits, so no hope of allocation across partners

GM Community Budget approach

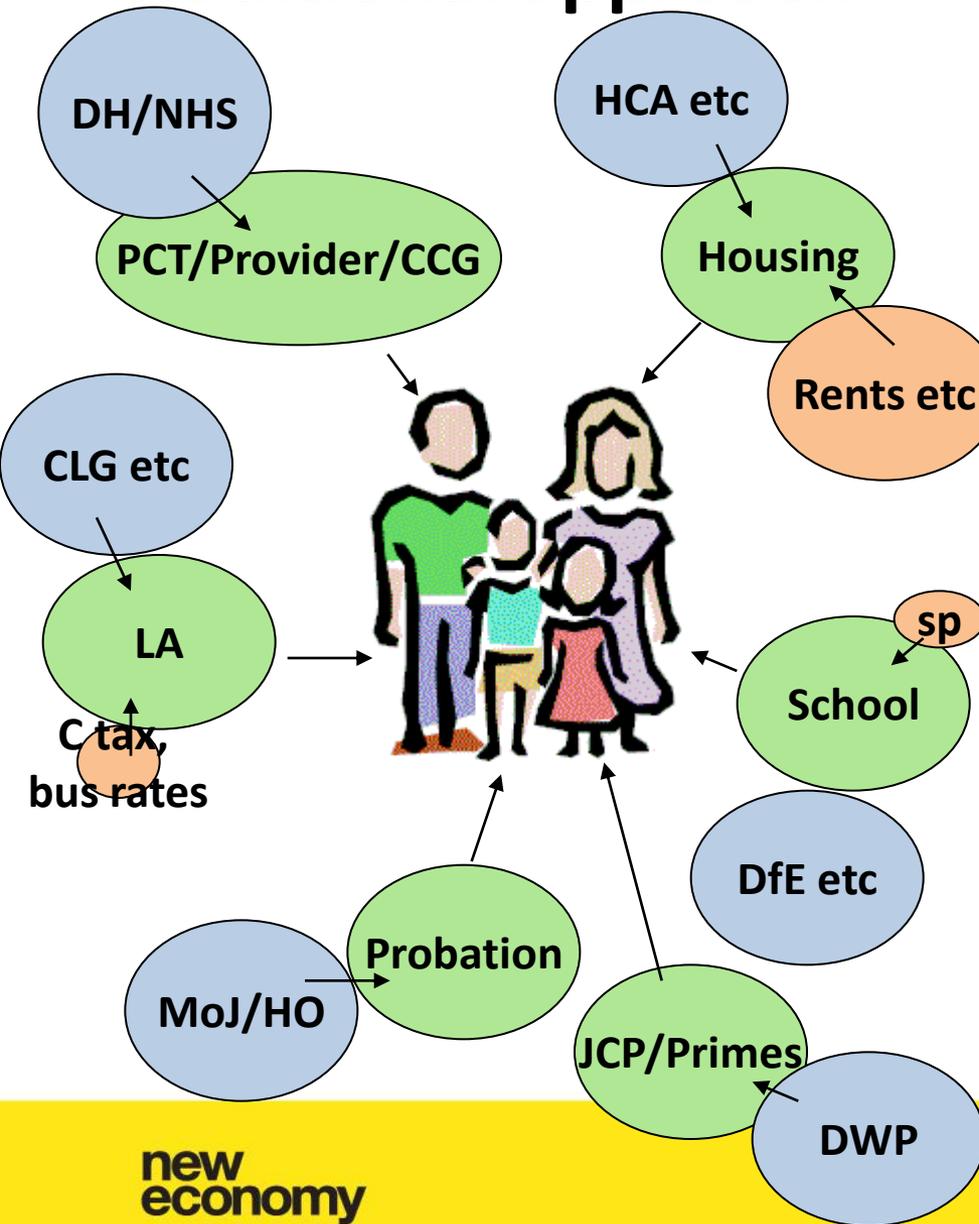


- Hammer out priority outcomes
- Independent testing of interventions that work best
- Separate partner buy-ins of those that pay/benefit
- Legal sign-up through Investment Agreement
- Collective enterprise of V4£ process to determine who best placed to deliver quality/cost
- Collective contract/ performance management & development

Investment-led

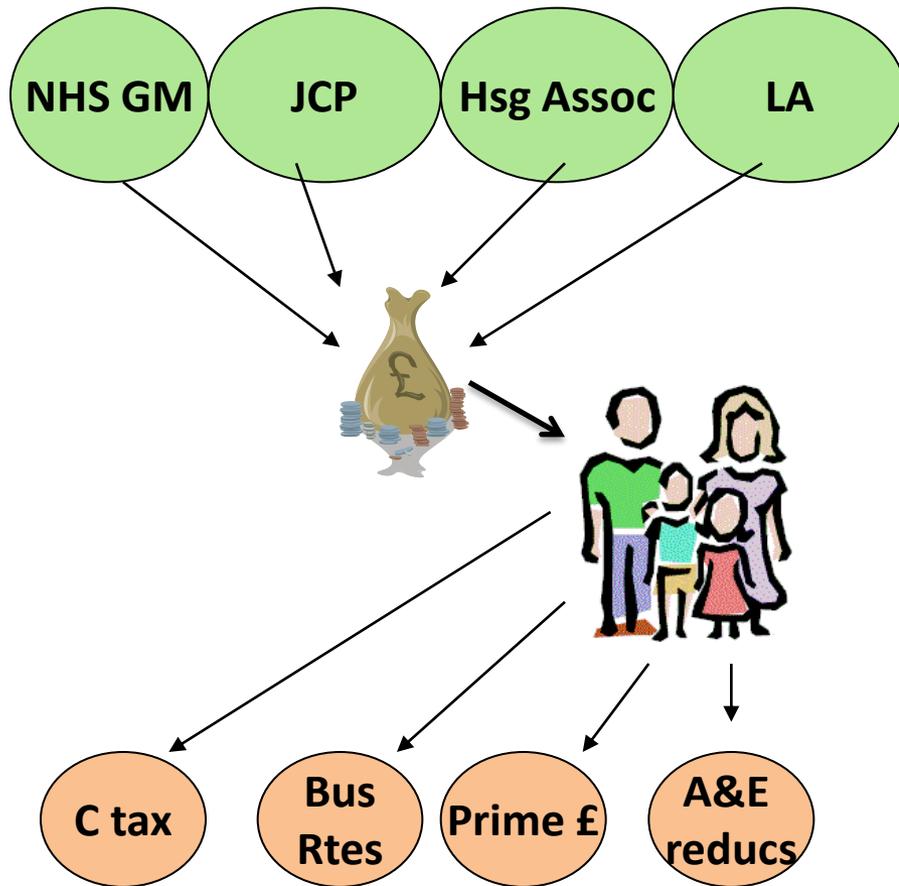
- What is the actual cost of an intervention (activity); who is paying those costs ?
- What cashable benefits will be realised ? Which of those represent actual savings ? To whom do they fall ?
- The GM CB framework is about putting in place a system that allows agencies to “capture” cashable benefits, such as getting people off benefits, children not being taken into care, less unnecessary A&E activity...
- Organisations need discretion to take a view on risk
- Removal of causal link (as too complex to prove)
- Decision on reinvestment (Community Budget) before start

Traditional approach



- Money comes largely from Whitehall Depts, often through national agency
- Accountability/V4£ national
- Largely based on “need”
- Less spent, the better, and less money means less spend on non-reactive activity
- Not designed to drive down dependency but to meet needs of dependency as cheaply as possible
- Savings means less spend means Whitehall dividend

GM Community Budget approach



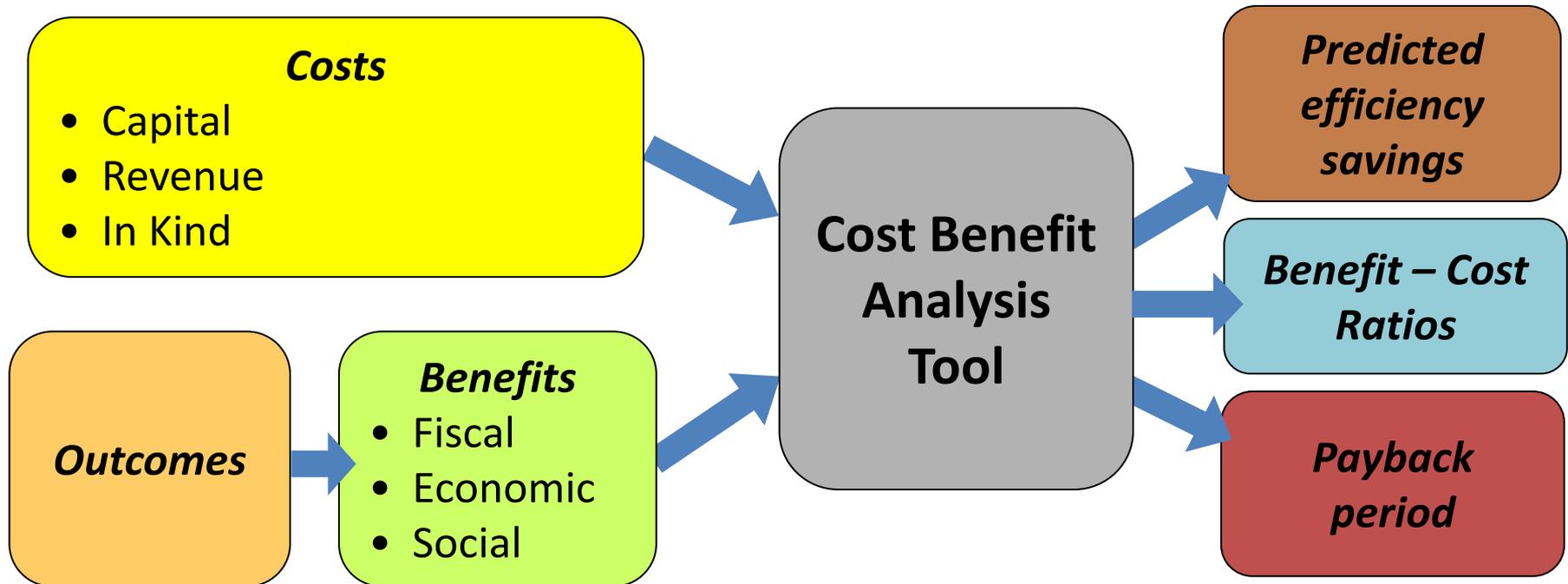
- Future money redder
- Increasingly drawn from “savings” pool
- And “revenue” pool
- Reinvested locally
- Need CBS
- Need business plan
- Needs sufficient cashable benefits
- Local accountability/weighing of various benefits
- GM financially benefits from less dependency
- Potential to access private funding, GM investment funds, as can produce return

Conclusions

- No compulsion, each to their own
- Can't have 101 different GM systems
- GM framework gained great deal Whitehall consensus
- Need to do hard “constitutional” work at GM-level...
- ...so agreed framework available at District, neighbourhood & GM level
- Investment forces focus on evidence and return
- So interventions need strong (independent) evidence and evaluation: otherwise partners/investors won't invest
- And need professional, financially-sound, business case

CBA methodology overview

The GM CBA model



Outcomes included in the GM CBA

**Worklessness
benefit payments**

Level 2 skills

Mental health

**Looked after
children**

Eviction

A&E visits

ASB incidents

**Drug/alcohol
dependency**

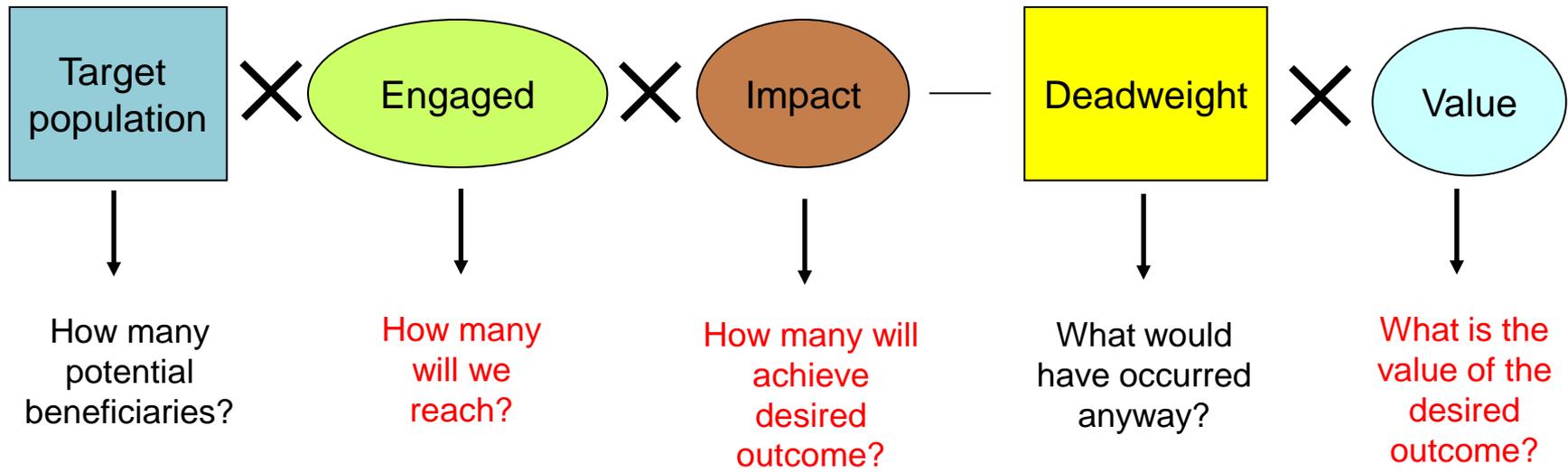
Homelessness

Offending

Turning outcomes into benefits

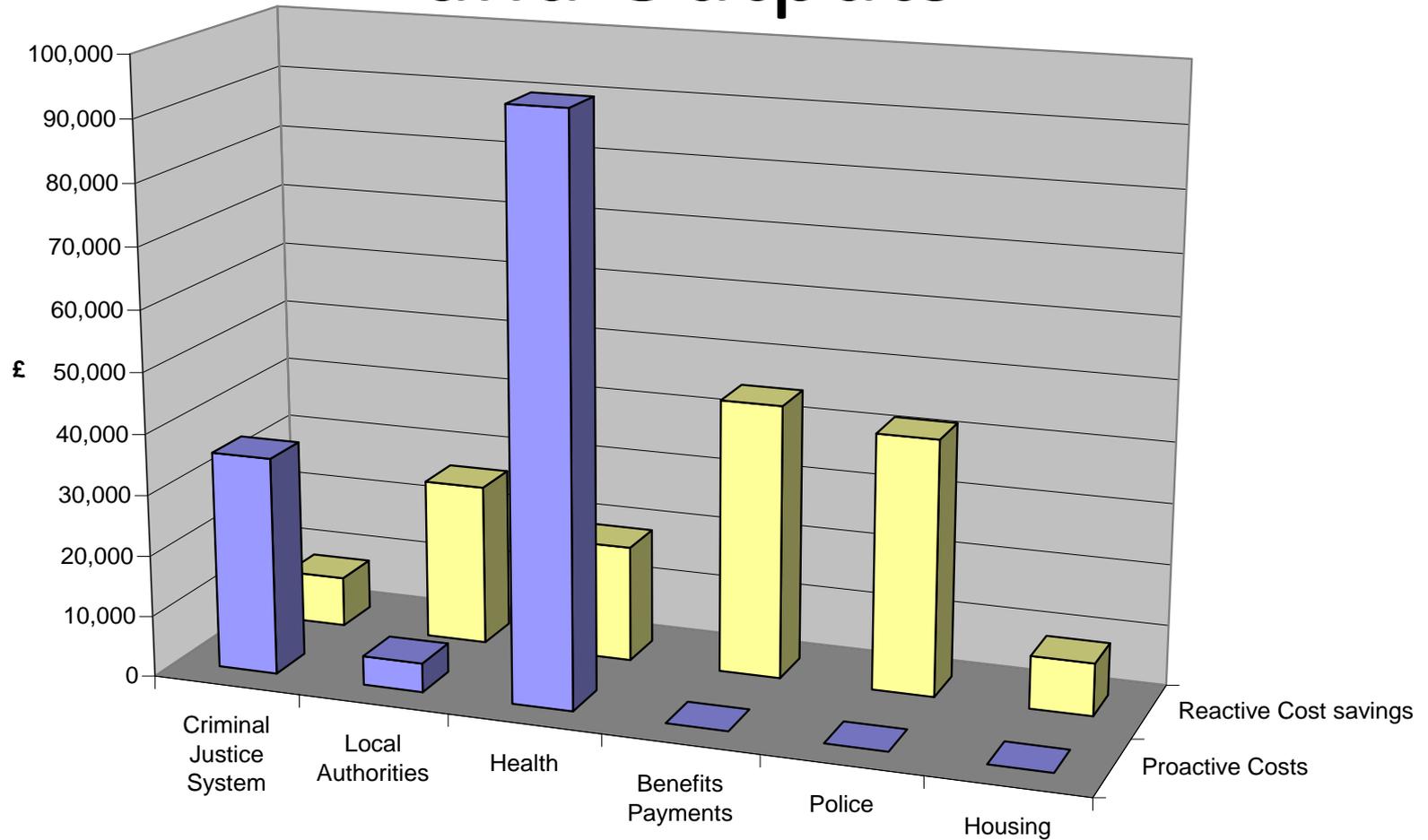
Outcome	Fiscal benefit	Econ benefit	Social benefit
Worklessness benefit payment	£9019	£4,800	
Avoidable attendance at A&E	£59		
Domestic violence incident	£17,062	£8,496	£44,044
Child taken into care	£36,653		
Eviction from RSL property	£8,180		

Running the GM CBA model

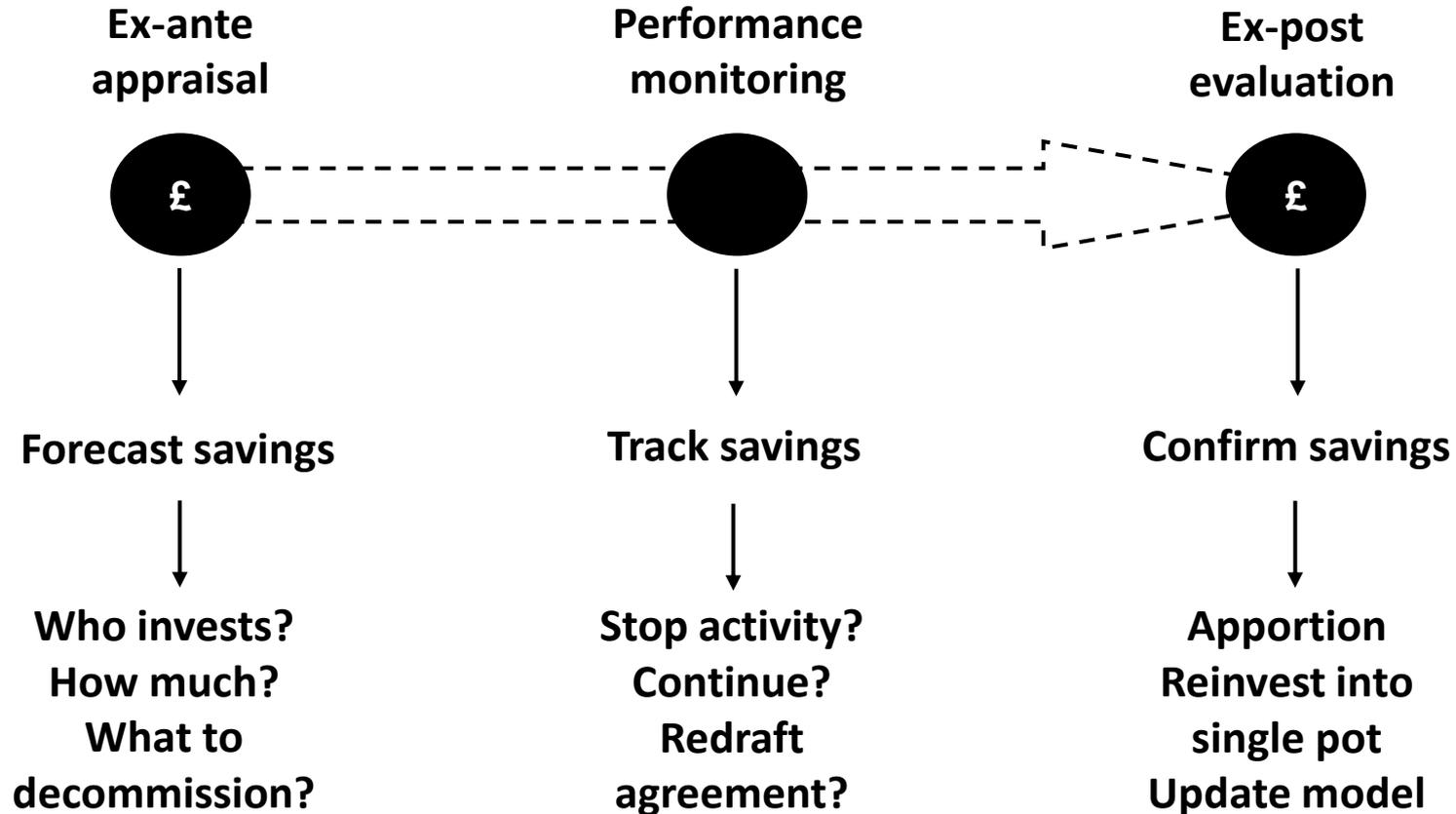


- **Assumptions** tested/updated via evaluation
- Optimism Bias (OB) correction applied to data

Peer Mentoring example – Inputs and Outputs

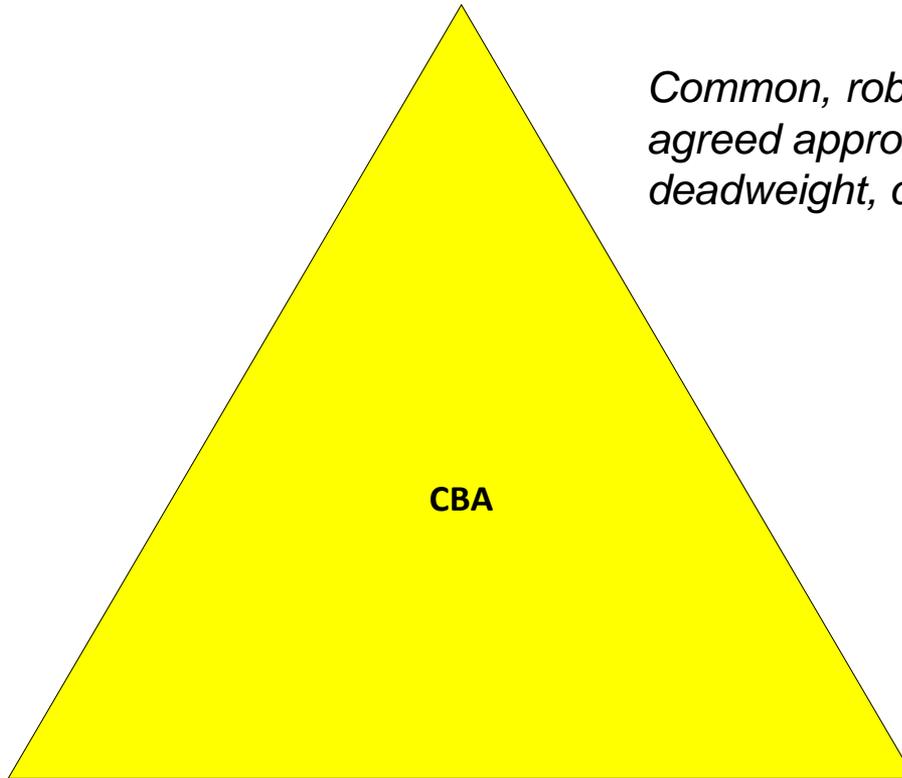


New investment model – applying CBA



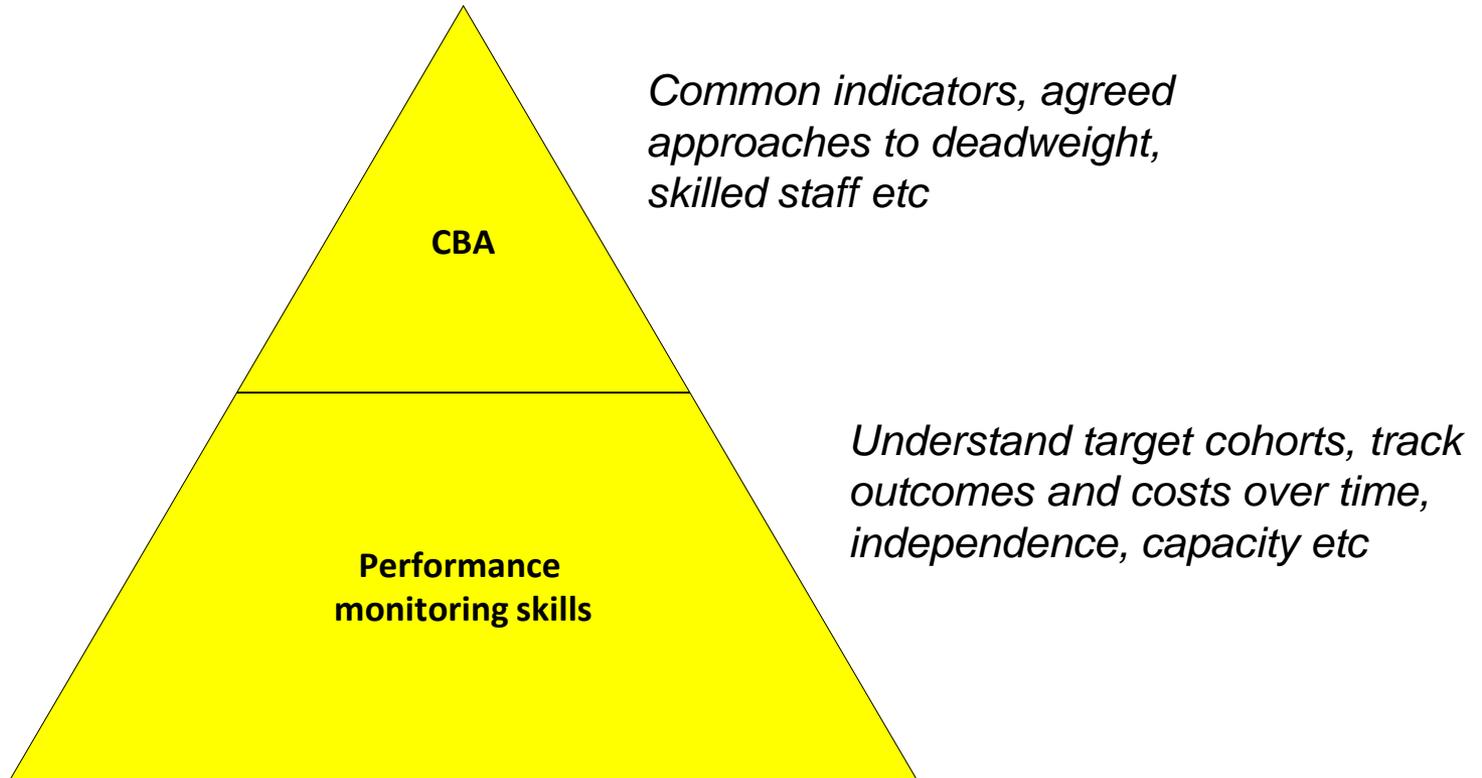
What systems are needed to
employ CBA locally?

Systems needed to employ CBA locally

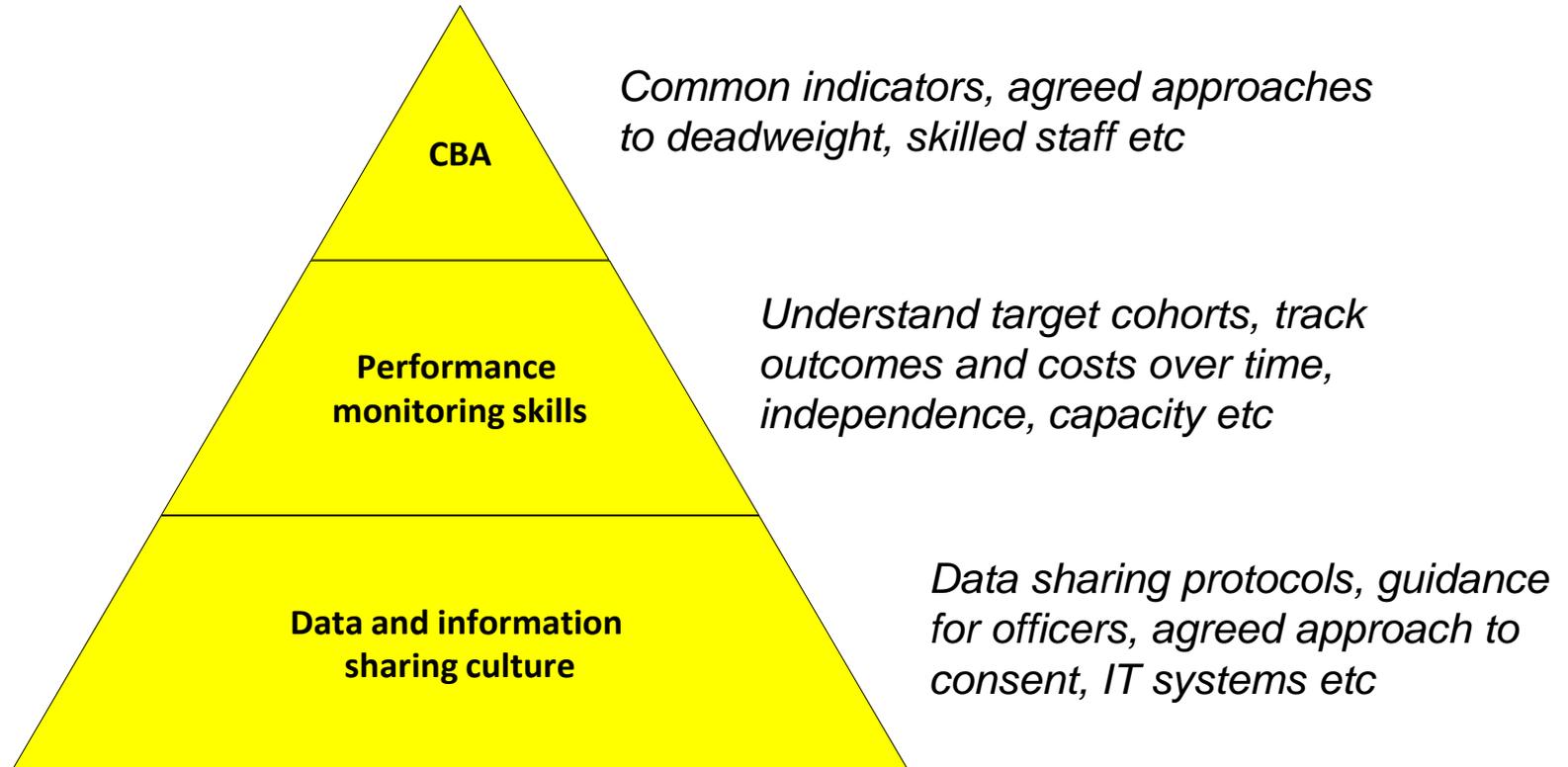


*Common, robust indicators,
agreed approaches to
deadweight, drop-off etc*

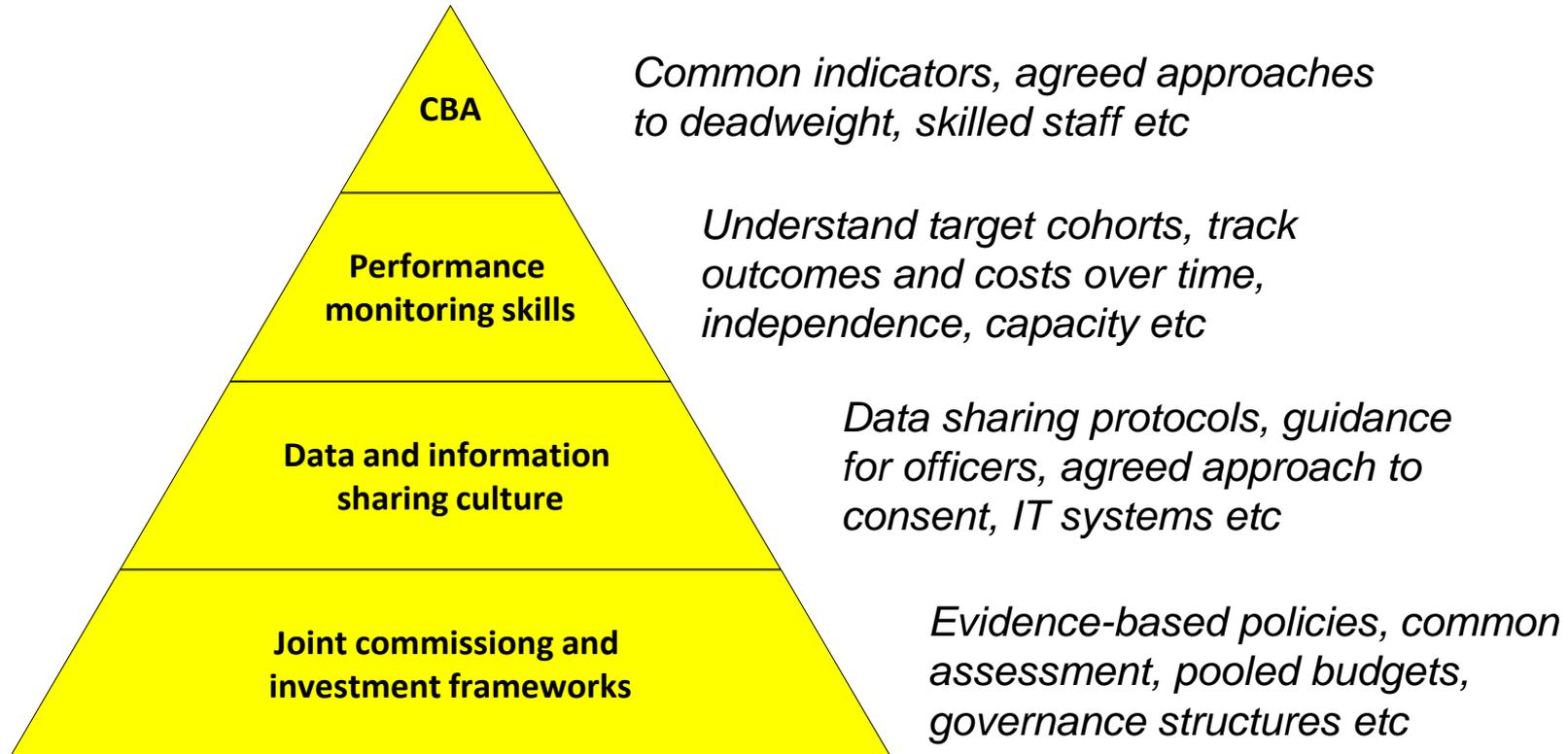
Systems needed to employ CBA locally



Systems needed to employ CBA locally



Systems needed to employ CBA locally



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