Chapter 4

Decentralisation and Community Budgeting in England

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The United Kingdom has been described as the most centralised country in Europe: in 2005, the UK's local authorities raised only 17 per cent of their income from local taxation compared with the Organisation for Economic Co-operation and Development (OECD) average of 55 per cent (Blöchliger and Petzold 2009). While the smaller devolved nations of Scotland, Wales and Northern Ireland have received significant delegated authority over the past 15 years, England has retained its centralised balance of power. This chapter assesses recent reform initiatives designed to redress this imbalance.

Since 2009, English local government have been dominated by the concept of 'Total Place' or 'Community Budgeting': the aim is to bring together all the public money spent in an area by national and local governments, and to commission services locally in a more co-ordinated way in order to make the best use of scarce resources and tailor services to community and individual needs. This chapter reviews how the Labour and subsequently coalition governments have pursued this agenda and the political, practical and philosophical barriers they have faced. It then sets out a series of methods by which the principle could be extended in England, and its implications for public services and governance. The chapter describes and assesses how programmes for decentralisation have been undertaken in England since 2010, considers options for their development in the future, and presents lessons for other countries seeking to localise power.

4.1 'Total Place' and 'Community Budgeting': the genesis of reform

In the final years of its 1997–2010 administration, the Labour government initiated a programme of pilots called 'Total Place'. These built on a number of localist reforms adopted by the government during its previous dozen years in office. The common feature among these programmes was a set of priorities and actions that were agreed between municipal and national governments.

The Total Place pilots aimed to develop this concept further, and make a reality of the government's vision of 'joined-up' government. Not only were national and local governments to agree on what outcomes to pursue, but all public spending in an area was to be brought together as a single pot. Total Place was also the acme of the focus on 'place' or geography as a unifying force in public management and service delivery.

In part at least, the ideas behind Total Place emerged organically from previous reforms. However, they were motivated also by dissatisfaction at the speed and scale of devolution. Reforms under the Labour government from 1997 to 2010 had little impact on the overriding balance of power between the centre and the locality. They compared unfavourably with momentous shifts of power down to the devolved administrations of Northern Ireland, Scotland and Wales. The complexity of the governance of English local government[1] proved difficult to reform. Given the obstacles to major institutional reform, the aim was to encourage councils to adopt a stronger leadership in their area without providing them with legislative powers. Councils, therefore, were to achieve their objectives by influencing partners in the public, private and 'third' sectors.

On the fiscal side, the government ignored the recommendations of a major review that had called for local authorities to raise a significantly higher proportion of their revenue from their own local tax base (Lyons 2007). Total Place theoretically helped resolve this dilemma. In each local area, the objective was for funding from the local authority, health services, criminal justice, the Department for Work and Pensions and other central departments to be pooled. Responsibility for the use of those funds was then to be delegated to local decision-makers and professionals, and for services to be commissioned at the local level using all the available resources. This would reduce council financial dependence on the central Treasury.

Second, the agenda arose from a growing recognition that societal demands were becoming more differentiated. While national-led improvement (through targets and performance management) had resulted in some acknowledged advances, satisfaction with local public services had stagnated, as had the productivity of those services (Office of the Deputy Prime Minister 2006).

Total Place tapped into growing evidence that commissioning of many services – such as family social services – was inefficient and unco-ordinated. Successful councils pointed to the benefits of orchestrating interventions early, which could prevent significant social and economic costs in the future. However, these relied on service commissioners from different parts of government being ready to commission jointly. Additionally the model of network government, which had thus far relied on councils to persuade public service partners in their local area to collaborate voluntarily and commission jointly, had been an inadequate response to these challenges. Although public agencies and local authorities had been allowed – and indeed encouraged – to pool budgets into common pots to spend on shared priorities, progress had been slow. Take for example health and social care services, where in 2009 only 3.4 per cent of funding was formally pooled (HM Treasury 2009). Although the introduction of Local Strategic Partnerships had led to much closer collaboration between public agencies, little pooled budgeting or joint commissioning had emerged, with central prescription often cited as the barrier (Department for Communities and Local Government 2009).

The Conservative opposition welcomed the scrutiny of regional government and evidence of the costs of duplication across tiers of government. This strengthened its case for the abolition of unelected government agencies (such as Regional Assemblies) and the ending of the regional tier of government outside London (Conservative Party 2009).

Finally, these developments coincided with a realisation that major budget cuts would have to be made to assist national fiscal consolidation; reductions that would dwarf the efficiencies that local government had been making in previous years.

4.1.1 New areas of focus

The movement also focused on a number of new areas. The concept of ‘co-production’ took a central role, with public agencies seeking to act collectively and to encourage citizens to contribute to social outcomes. There was also a growing recognition that frontline professionals had been overlooked in the devolutionary journey (Cabinet Office 2009). New theories of leadership and management informed the pilots – there was growing interest in ‘public value theory’ and ‘whole systems’ problem-solving techniques (Benington and Hartley 2009). As the London Borough of Lewisham explained:

> Decisions in relation to how resources are allocated are often taken at different spatial levels and via different Government department or policy silos. However, cost is often borne through the whole system, across a range of different individual agencies working within that system (Lewisham Strategic Partnership 2010).

Understanding which agency was intervening at which points in the lives of citizens, and how service decisions and investments were made, could allow for a much more effective system of government.

4.1.2 The Total Place pilots

While only 13 official Total Place pilots were launched, the concept dominated the sector’s thinking and a further 80 areas also ran unofficial programmes concurrently.

Pilots were made up of three activities:

- counting all the public money that went into an area;
- focusing on the needs of citizens and their journey through public services;
- changing the culture of public management and professionalism locally.

Each pilot looked at one or more specific service and/or delivery challenge. These included integrated local approaches to assets; family services; drug and alcohol abuse; offender management; re-employment programmes; and early years and maternity services.

So what did the pilot studies discover? They reported back in March 2010 and suggested that significant financial savings (approximately 10–15 per cent) could be made across a whole range of services if councils and their partners were allowed to centre services around local citizens’ needs, cut duplication of services and intervene earlier to prevent rather than cure expensive problems. Reports from the pilots and from independent research organisations called for major reforms to the systems of government to unlock these opportunities and innovations.

The information gathered through the pilots allowed local authorities and their public sector partners to map out customer journeys and understand how public services interacted with the user. Examples from London and Birmingham are presented in Boxes 4.1 and 4.2.

Box 4.1 Reforms to English local government 2000–09

Many of the devolutionary reforms introduced in the decade beginning 2000 can be separated into the following categories:

Central–local relations

The *2007 Central Local Concordat* sought to establish a series of principles that would guide the relationship between national and local government. This was complemented with the *Sustainable Communities Act*, which gave local authorities a right to request additional specific freedoms or new powers from the national government.

Place-shaping

The government led attempts to provide local authorities with a greater role as the primary elected local agencies, so that they could influence programmes outside their direct control. This included the 'General Power of Well-being' – a power to do anything that promoted the economic, social or environmental well-being of an area (*Local Government Act 2000*).

Joined-up government

Local Strategic Partnerships were set up to promote collaboration between all public partners in a locality.[2]

Citizen-centred services

A series of policy changes sought to increase choice in public services, and promote 'double devolution': from central to local government and then to community-based service providers and individuals themselves.

Box 4.2 Total Place case studies

London Councils and commissioning

On behalf of the capital, London Councils (an organisation representing all 33 London boroughs) commissioned a report that set out major financial and public service benefits, if responsibility for commissioning were devolved to lower tiers of governance in London. Particular lessons included the benefits of

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early intervention in chronic health and diabetes – savings were estimated at 20 per cent. These would flow from treating people before conditions became so acute that emergency health intervention was required. In anti-social behaviour and youth offending a similar lesson emerged, namely that young people at risk could be identified and supported and young offenders managed so that costly criminal behaviour could be reduced. As the report noted:

London's local authorities end up picking up many of the direct costs and an even greater proportion of the indirect costs of this social problem. At the same time they are the democratic bodies closest to their communities and with the best community knowledge. We therefore propose that councils should have a much stronger role as a unifying organisational link between the other bodies at work in this system (PwC and London Councils 2010: 26).

London Councils' research indicated that, as well as savings of some 23 per cent flowing to local authorities in the capital from any change, the central government's National Health Service would also benefit, though to the lesser degree of 10 per cent. London's report called for integrated 'case management': a flexible, end-to-end management and organisation of the public service support required to meet an individual's needs, overseen by a key worker.

Birmingham City Council and drug abuse

Birmingham City Council has a population of approximately 1 million. The pilot project found that the city had about 11,000 people who had issues with drug use. Each of its 6,400 drug addicts averaged £833,000 of social costs in their lifetime. It was estimated that, for every £1 invested, £10 could be saved if the right intervention were made by the right agency at the right time. However, three quarters of the saving would accrue not to the council itself, but to other public sector partners. Being able to access this money was, therefore, fundamental to being able to make the additional investment in these services.

However, the pilots unearthed a series of barriers and problems that were preventing effective joined-up government:

- National targets, data requirements and processes forced different agencies to follow their own set procedures for delivering services. The rigidity of existing hierarchical reporting and accountability structures from agencies up to their departmental chiefs was seen to undermine collective endeavour at the local level.
- Budgets allocated for specific services and institutional funding left little flexibility to local government in spending decisions. In some instances it was shown that local authorities controlled a mere 15 per cent of the public money spent in an area.

- London Councils' analysis found that 'a significant weakness in existing arrangements is that insufficient attention is given to early interventions that avoid greater and more expensive problems occurring later' (PwC and London Councils 2010: 40). This was replicated across all the pilot areas.
- Independent research illustrated the significant cultural barriers that divorced different professional groups from each other (New Local Government Network 2010).
- Leadership and change experts argued that despite the financial analysis, many of the challenges associated with the agenda were not static and resolvable through conventional solutions (Grint 2010).
- Analysis estimated that in the sphere of economic development it cost national, regional and local organisations some 135 million pounds sterling (£) to spend £176 million on projects in the county, because of the multiple layers of decision-making and bureaucracy (Leicester and Leicestershire Public Service Board 2010).

At the heart of the issue sat the inability of local decision-makers and service commissioners to access funding from across all areas of the public purse to intervene at the right juncture before the costs of services escalated. However, the pilots identified not only that other agencies (such as the health service) spent more money than local authorities, but also that councils had little control over much of their own spending; much bypassed them straight into the hands of citizens (such as through personal budgets and welfare payments).

4.1.3 Implications and suggested reforms

Reports called for major reforms to the systems of government to unlock opportunities. Suggested changes included:

- significant devolution of money from central departments and departmental agencies to local councils or to local public service commissioning boards;
- new methods for pooling budgets locally;
- removal of all national prescriptions about how local budgets should be spent, and abolition of national targets that told councils which policies to pursue; and
- changes to national and local governance so that ministers could delegate accountability to local politicians.

Beyond this, the research had potential implications for the wider governance of England. From 1997 there had been significant devolution to the assemblies in Cardiff (Wales), Stormont (Northern Ireland) and Edinburgh (Scotland). However, England did not have its own parliament. In this regard, the pilot projects suggested an alternative route to delegate power, namely to city regions or subregions. While creating the mayoralty of (Greater) London was assumed to have resolved many of these anomalies in the capital, there remained little fiscal freedom and only limited control over a whole range of public services. What is more, London Councils argued that many services should be commissioned and delivered at more localised levels (PwC and London Councils 2010).

In London this culminated in a *Manifesto for Londoners*, which argued that:

> Each of the [local political] parties … has a common desire to better integrate services at a local level within a framework of clear democratic accountability. This manifesto explains why London should be in the first wave of change to a less centralised and more joined up form of government … We show how devolution will allow a newly elected national government to move faster to reduce the national debt (PwC and London Councils 2010).

Recommendations to promote effective commissioning included accountability for non-acute care budgets to reside with the local council; worklessness programmes to be commissioned by councils through a joint board across the economic subregions of London; and that the Metropolitan Police Authority should devolve neighbourhood policing budgets to London boroughs.

Elsewhere, in seeking to resolve public service challenges, the pilots discovered benefits in geographic scale. In cases such as schools policy and drug and alcohol abuse, councils sought to collaborate with neighbours in formal arrangements to commission and regulate effectively. Therefore, the pilot projects presented options for the devolution of significant responsibilities from the Westminster parliament to subnational government across a whole range of public services.

4.2 The coalition government and the 'Big Society'

These significant demands for devolution made the agenda heavily dependent on major decentralisation from national politicians and Whitehall. In March 2010, the early signs were that the Labour government was only ready to make piecemeal rather than radical reforms: reducing some of the regulatory burdens which forced different agencies to compete on priorities and for resources, and giving councils some limited additional freedom over expenditure (HM Treasury 2010). However, Labour's commitment was not fully tested because, following a general election in May 2010, the Conservatives and Liberal Democrats joined to form a new coalition government.

From the outset, the coalition sought to proclaim its localist beliefs. Many national restrictions on council spending have been removed. Central performance management has been reduced, and the national auditor that scrutinised local authorities abolished. A review was set up to explore the case for the localisation of business rates, which previously had been nationalised and then redistributed to councils as grants. The report concluded that, in the future, councils should be able to retain some of the proceeds of business rate growth in their areas. An influential parliamentary committee has subsequently called for additional powers for councils to be codified in law (House of Commons Political and Constitutional Reform Committee 2013).

Three specific strands of decentralisation can be detected in the government's localism strategy: municipalism; decentralisation through market-based public service reforms; and direct democracy. These changes have taken place in the context of major cuts in central grants to local authorities of 28 per cent over four years, part of a wider effort to reduce the government's budget deficit (Table 4.1).

In seeking to boost contestability and competition in public services, there has been a move to diversify provision to include private providers, civil society, public sector mutuals and co-operatives. For instance, parents are being encouraged to set up their own schools independent of local authority control, and general practitioner doctors are being given greater control of commissioning in health. Meanwhile, the prime minister's vision of a 'Big Society' has encompassed a focus on the family as a societal institution; neighbourhoods, communities and networks; and charities and the voluntary sector (HM Government 2010).

Many of the coalition's reforms deliberately bypass municipal government. Therefore, head-teachers of 'free schools' are no longer overseen by the local authority and citizens will have the right to a referendum if the Secretary of State considers that the local authority is introducing an 'excessive' council tax rise.

These reforms have tended to fragment the previous public sector architecture. Theoretically, this may make it harder to join up commissioning and funding across public bodies. However, the coalition has also sought to pursue a policy similar in concept to the Labour government's Total Place initiative. In its October 2010 spending review, the coalition announced a series of 'Community-Based Budgets', under which a neighbourhood would receive a complete pot of public money and be left to decide how to prioritise expenditure and commission services:

> By uprooting the silos, unlocking and relinquishing the spending controls administered by Whitehall we can give towns and places the freedom to direct spending to best meets the needs of the citizens within their boundaries (Department for Communities and Local Government 2010a).

Although the terminology of Total Place was dropped, 16 somewhat similar pilots were identified focusing on family services.

In 2011, the government committed in its *Community Budget Prospectus* to extend the Community-Based Budget pilots through the second half of its resource review. Two localities were allowed to pilot a comprehensive community budget approach. In June 2011, the government announced its desire to roll out the concept of Community-Based Budgets more widely, with a review testing how Community-Based Budgets can be used to 'give communities and local people more power and control over local

Table 4.1 The coalition government's decentralising reforms

Municipalism	General Power of Competence for local government
	Business rate retention by local authorities
	Directly elected mayors
Marketisation	Parents able to set up their own 'free schools'
	Healthcare commissioning delegated to groups of doctors
Citizen control	Referendums
	Neighbourhood control of planning decisions
	Directly elected police commissioners

services and budgets, [and] develop outcomes, service solutions and a single budget, or options for pooling and aligning resources, comprising all spending on public services in an area' (Department of Communities and Local Government 2011a).

A small number of pilots have also been established to explore how Community-Based Budgets could function at the neighbourhood and municipal levels, and how central government could facilitate them (HM Government 2011). As part of these, the government has committed to providing funding to support both the administration of the pilot projects, but also to ensure the involvement of Whitehall departments. Joint teams comprising officials from Whitehall and local service providers have been assembled to support the work locally (HM Government 2011).

The most significant step has been the government's announcement that eight 'City Deals' have been agreed with the biggest cities outside London. Although each of these agreements differs, budgets and responsibilities devolved include transport, rail franchising and workforce skills (Office of the Deputy Prime Minister 2012). The government has pledged to extend this approach to other cities, with 14 additional areas encouraged to participate in the next tranche.

4.3 Models for adopting area-based budgets

These attempts to reform public services through delegated area budgets have resulted in a range of different approaches, described below. Each model offers routes to connect budget decisions and commissioning at the local level, and each requires different action at the centre of government to make them effective.

- **Model 1: Agreement** between national and local government, where commissioning responsibilities and funding are devolved
- **Model 2: Commissioning and contestability,** which draws on the government's changes in the *Localism Act* and seeks to decentralise decisions
- **Model 3: Informal networking,** where service providers and other stakeholders are left to align funding and services in their localities through personal relationships and network governance

4.3.1 Model 1: Agreement

Model 1 draws on the philosophical premise that citizens themselves and each tier of elected government are entitled to have a role in shaping the nature of provision and the priorities within their jurisdiction. It requires significant buy-in from central government departments, who have to be ready to hand over responsibility for funding. The official pilots of both the Labour government and the coalition have been founded on this principle of negotiation: local areas have made requests for budgetary freedoms or public funding streams and, in return, have pledged to deliver a series of agreed outcomes.

The City Deals represent this vision. For instance, in the Greater Manchester City Deal, the authority has been given additional powers to promote the economy and employment, while also receiving a share in the reward (Department of the Deputy Prime Minister 2012) (Box 4.3).

Box 4.3 The Greater Manchester City Deal

Greater Manchester will raise £1.2bn and invest it locally in the economy. The City will be able to retain (or 'earn back') a share of the national tax take created by this growth on a payment-by-results basis, and will reinvest 'earned back' funds into further infrastructure projects.

A 'Greater Manchester Investment Framework' will be set up to channel European, central government, private sector and council investment towards projects that boost Gross Value Added in Manchester.

The City will boost the number of apprenticeships by 10 per cent in return for greater influence over skills commissioning, including through use of incentives for providers. The City Region will also receive responsibility for the Northern rail franchise, and for local transport funding.

Adopting these agreements is likely to lead to a diverse range of devolutionary deals across different localities. Greater local autonomy can be expected in some areas than in others. First, different localities will pursue different outcomes. Second, the central government may only negotiate with councils that it judges to meet specific criteria. In England, initial emphasis was on negotiating only with large city regions, or only with councils that have robust governance frameworks in place (Department of the Deputy Prime Minister 2012). Subsequently, the City Deals have been expanded to include smaller cities (Department of the Deputy Prime Minister 2013), but have continued to exclude some areas from the opportunities. Third, these reforms will rely on each locality being able to build up a strong and persuasive evidence base as to how public money could be used more effectively. This was not always the case under the original Total Place pilots. Fourth, for cautious central authorities negotiated settlements offer a route to trial different approaches while limiting the risk to the national treasury, because they operate as pilots of alternative commissioning arrangements.

There is also significant scope to pursue this model below the municipal authority level. An aim of the last two governments has been to increase the proportion of public expenditure managed directly by communities. Many of the initial Total Place pilots were managerial in content and focus. However, as the London Borough of Croydon acknowledged, 'We [the state] do not have all the answers. Government will need to become more porous: we are convinced that there is power in letting people into the previously closed systems of policy making' (Croydon Council 2010: 14). This strategy appeals particularly to the coalition government, with its desire to rebalance from state to citizens.

Such approaches would require:

- central government to devolve significant portions of national departmental expenditure to local areas;

- a robust and trusted process for negotiating expenditure and the outcomes to be achieved; and
- new governance arrangements to determine how ministers could step back from decision-making, how money voted through parliament would be held accountable and what the democratic decision-making structure across a locality could look like.

Once these requirements were fulfilled, communities could be given spending power in a number of ways, some of which are discussed briefly below.

Neighbourhood community budgets

Already, a number of councils in England operate small community budgets at the electoral ward and parish level. These commonly consist of sums of between £10,000 and £100,000 devolved to decision-making groups at the neighbourhood level, where they can decide how to shape their local environment. Given the specific nature of neighbourhood challenges, authorities such as Birmingham City Council have argued that this approach would allow communities to respond to the specific problems they face through devolving budgets for all parts of state expenditure (Localis 2010).

The government has launched ten pilots to explore how citizens within a neighbourhood can help design public service provision in their area and decide how to spend their area budget. The aim is to understand what range and type of service could be delivered in this way. The pilots are covering the following service areas: family policy; health and well-being; community assets; housing; worklessness; social enterprise; economic growth; anti-social behaviour; and gang violence (Department for Communities and Local Government 2011b).

A number of methods could be employed to help manage risks, increase community involvement and give credibility to community decisions; for instance, auditing expenditure by community groups or decision-making bodies.

Participatory budgeting

Participatory budgeting offers a second option. Although a number of localities have used the method, participatory budgeting is not widespread in England. Where such budgets have been used, they have also tended to be marginal or discretionary sums – an investment in community engagement rather than effective state budgeting for efficiency. However, recent evaluations have shown that participatory budgeting can increase levels of understanding between communities and service deliverers (Department for Communities and Local Government 2010b).

Participatory budgeting could provide a tool to give credibility and strength to Community-Based Budgets. If local communities were permitted to keep a specific proportion of any savings made at the neighbourhood level, this could be added to a community pot to create positive incentives for participation. Direct citizen input would provide clarity and transparency about how decisions on spending revenue from across a range of departments and agencies are prioritised and decided on, giving reassurance to ministers, civil servants and the public that this money was neither being used fraudulently nor captured by bureaucracy.

4.3.2 Model 2: Contestability and commissioning

An alternative model for devolving funding to the local level is on a straightforward commissioning basis. This is in sympathy with the government's reform programme, which is seeking to break up state provision by diversifying and outsourcing supply (Cabinet Office 2011a).

The 'community right to challenge'

As part of its *Localism Act*, the government has introduced a range of 'rights' to local citizens and communities to break the public sector monopoly of provision and give communities greater involvement in service delivery. These new 'rights' include:

- a 'community right to challenge', which gives communities the right to submit an 'expression of interest' in taking over and running a council service;
- a 'community right to bid', which allows communities to bid for ownership of local assets if they are of importance to the community (Department for Communities and Local Government 2012).

Under these initiatives, 'communities' include citizens, social enterprises, public sector workers, charities, lower-tier (parish) councils and other local organisations. However, major questions have been asked about how these rights would be exercised: what would constitute a local asset that citizens could bid to take over? If a community group started to run a service, how would the state ensure that access to the service is not restricted and that quality is sustained?

Under the Localism Act, the government intends that local council services should be opened up to contestability, so that community groups can take over local public services. Any community group, co-operative or parish council can register a challenge to run a service currently run by a local authority. The authority then has to consider the challenge and, if it accepts it, run a tendering process. In the context of budget reductions, initiatives where communities take responsibility for services are already under way across the country, especially in relation to library and environmental services. To encourage other community groups to come forward to use the right, the government has set up a website as well as tailored support to help groups that wish to run services.

A local authority 'right to challenge'?

Subsequently, some have argued that the government should widen the applicability of the right to challenge to include all central government services, as well as those of local authorities (New Local Government Network 2011a). Under this proposal, councils as well as community groups would be able to bid to run services currently delivered by national departments and agencies.

Such an approach would draw on the principle of subsidiarity – all parts of the state apparatus would have to defer to forces at a lower level, a principle that the

Prime Minister, David Cameron, has strongly endorsed (Cameron 2011). From a practical point of view, a local authority right to challenge could allow them to develop economies of scale and scope and to establish pooled budgets across a range of service areas.

As noted earlier, theoretically Model 2 would simply be an alternative commissioning process rather than central government ceding democratic control in any way. While under Model 1 outcomes would be negotiated and agreed between national and local governments, under Model 2 the outcomes would be determined nationally and delivered locally. Central government is able to retain significant control of the budgets released. Because a commissioning arrangement is maintained, lines of financial accountability remain simpler with ministers accountable for spending that is officially voted through by parliament.

4.3.3 Model 3: Informal networking

Without any governance, funding or commissioning reforms, local authorities are left with a series of less transformative options for pursuing integration at the local level and building public services around the needs of citizens and communities. Nevertheless, some of these approaches offer scope for councils to reform public services locally.

Using new powers

Even without additional delegated budgets, the new General Power of Competence may give councils additional leverage to bring public sector partners together. The new power gives councils the right to undertake any activity that is not prohibited expressly in law. As this power is being granted to councils but not to other parts of the public sector, potential partner agencies may be motivated to commit to a joint venture with the local authority to be able to make use of its additional freedoms to trade and develop new services.

There is increased scope to pursue some of the lines of enquiry of joined-up government without approval or authorisation from the centre. For instance, Kent County Council has advanced specific practical policies that bring together local service deliverers. Its 'Kent Card' is a payment, service access and entitlement card that can be used across all public agencies in the county. Meanwhile, the 'Maidstone Gateway' places all public agencies under one roof for the convenience of residents as well as efficient use of assets.

These are worthwhile initiatives. However, while a series of improvements and efficiencies are possible, many parts of state funding (such as health, social security expenditure and education) are likely to remain off-limits.

Market regulator and behaviour shaper

In a world where public service institutions and democratic control are more fragmented, there are strong arguments to suggest that the most meaningful method of building services around the needs of an individual is through market regulation and behavioural change.

The Cabinet Office is taking an increased interest in behaviour change, recently setting up a Behavioural Insight Team. Policies in public health, pensions and climate change have adopted approaches to influence more positive behaviour among citizens (Cabinet Office 2011b). However, two opposing models of behaviour change are emerging, which offer contrasting approaches to connecting decision-making and investment decisions.

On the one hand, deliberative democracy as a collective educational tool is identified as a means of developing community decisions that reflect shared consideration of a problem. This can be powerful as a force for democratic engagement and participation, but also as a method for the population to agree and adopt socially desirable outcomes (John et al. 2011).

Alternatively, more traditional government-led behaviour change schemes may offer more immediate routes forward. If local decision-makers have only limited influence over the spending decisions of other public agencies, there remains scope to shape the paths of citizens and how they interact with public services through 'nudge' approaches. By applying lessons from behavioural science, policy-makers can steer citizens into more socially optimal activities. Carried out well, this approach may allow the state to shape how individuals spend their personal budgets in areas such as adult social care and health.

Social investment opportunities

The government's Big Society agenda is putting significant store in social investment as a means to access additional external finance to fund public services. Social Impact Bonds are currently being piloted in Peterborough, seeking to attract investment from the capital markets to run early intervention and prevention programmes, while the state continues to fund traditional services. To help introduce social investment, the government has established a 'Big Society Bank', which will seek to fund small providers and facilitate social investment. At the same time, a number of innovative local authorities are developing their own local Big Society Banks (New Local Government Network 2011b). If social investment approaches are successful, there may be opportunities to create virtuous pools of funds that can be invested, built and re-invested in local preventative schemes. While these funds would not match the level of investment that could stem from pooling all public sector budgets across an area, they may represent opportunities to work towards area investments. Alternatively, councils may be able to create funding pots which subsidise other commissioning parties that are ready to commit budgets to shared commissioning approaches.

4.4 Conclusion

With the advent of the coalition government, radical decentralisation has raised complex questions about what decentralisation means, about the nature of accountability and about how communities resource and provide for themselves. Localism itself is becoming an increasingly contested concept. The differing concepts of decentralisation and localism put forward through Labour's Total Place pilots, and subsequently by the coalition government in the form of community Budgeting and the Big Society, exhibit similarities as well as differences. Despite the change in government, many local areas can continue to pursue their aspirations for locality-based expenditure programmes and tailoring of services. There remain alternative models for pursuing this objective. Both the coalition and the Labour governments have ultimately sought to reach agreements between national and local commissioners.

Much remains unknown and there are evident risks in pursuing some of the policies and approaches now being contemplated. Are central government departments likely to act as willing partners? What are the implications for the purpose and role of central government? How far will the expected outcomes and savings be delivered? Yet, in times of economic hardship and fiscal constraint, UK governments appear to think that the potential benefits of these new ways of managing, funding and joining up services justify any risk involved.

Notes

1 English local government is made up of a range of single-tier local authorities (unitary authorities, London boroughs and metropolitan boroughs) alongside two-tier structures (counties and districts in rural areas).

2 Local Strategic Partnerships were convened in each local area by the council, with membership comprising major public sector partners such as health and policing, alongside voluntary and private sector partners.

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