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REPORT

ADDRESSING POVERTY THROUGH LOCAL GOVERNANCE

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This review explores how place-based mechanisms such as procurement and co-production can be used to address poverty. The review is based on the premise that in increasingly austere times, local authorities and other strategic stakeholders at the local level are being required to think differently and innovatively about how they deliver services. They also need to maximise the ability of mainstream tools and mechanisms to address wider societal challenges.

In particular, the report:

- defines each place-based mechanism and its history in public policy-making;
- explores the prevalence of each place-based mechanism in contemporary central and local policy;
- identifies roles for each place-based mechanism in addressing poverty and subsequent evidence of effectiveness; and
- provides recommendations as to how local authorities and other agencies can embed poverty considerations into the principles of place-based mechanisms.

INSPIRING SOCIAL CHANGE

CONTENTS

EXECUTIVE SUMMARY

This report explores how place-based mechanisms can be used to address poverty. The findings have been derived through a review of relevant literature, the gathering of evidence and case studies, and the development of a series of recommendations.

Introduction

The work is framed within: the contemporary policy environment of austerity and spending cuts; the withdrawal of area-based initiatives; the emergence of localism and welfare reform; and the increasing demand for public services. Such shifts in government policy are having key implications for poverty.

At the Centre for Local Economic Strategies (CLES), we believe that local authorities and other agencies and stakeholders at the local and neighbourhood levels need to adopt new approaches to addressing poverty. These approaches should not be based on targeted funding, but focused on utilising the place-based mechanisms that authorities already have at their disposal. These are notably (but not limited to) place leadership and local governance, community budgets, outcomes-based commissioning, co-production, and procurement.

As a hypothesis we feel that place-based mechanisms have significant potential to address poverty, but are underutilised. We also believe that these mechanisms can be utilised to challenge the emerging orthodoxy of economic growth and enable more socially consequential policy, practice, and service delivery.

In the report, we seek to identify the roles of such place-based mechanisms in addressing poverty, and subsequently provide a series of recommendations for using the principles of such mechanisms at the local level to address poverty. The key findings of the research are as follows.

Policy and context

- The approach of central government towards addressing poverty is changing: away from a neighbourhood and special initiative-based approach to one where addressing poverty is an outcome of economic growth, and welfare and public service reform.

- CLES believes that addressing poverty needs to be part of the place leadership role of local authorities and other stakeholders, and that there are a range of existing levers and tools that they have at their disposal to address poverty. We have defined these tools as place-based mechanisms and they include: place leadership and local governance; community budgets; outcomes-based commissioning; co-production; and procurement.

Local governance

- Place leadership and local governance is the overarching driver and vehicle for enabling the following place-based mechanisms of community budgets, outcomes-based commissioning, co-production, and procurement. Local authorities, other agencies, and stakeholders enable this by putting in place the leadership, assessments, policy, strategy, and partnerships to address poverty. Local government in particular, as part of its place shaping or community leadership role, has a key function in ensuring that addressing poverty is a priority.
- The local governance agenda in the UK is changing, with a greater emphasis on cooperation in the design and delivery of services, civic and councillor involvement in enabling change within place, and an enhanced role for private and voluntary and community sector partners in economic growth aspirations. Localism is theoretically enabling local authorities and partners to take greater ownership of the challenges facing their locality, including poverty.
- Place leadership and local governance has a number of roles in addressing poverty. It can act as the driver for embedding poverty considerations into strategy, through effectively understanding the scale of the challenge at different geographical levels. Local governance can be a way of bringing together different statutory agencies through the principles of community budgets to design and deliver services.
- Local governance can also be a way of bringing together public, commercial, and social sector partners to address common issues such as poverty.

Community budgets

- Whole place community budgets have been piloted in four localities in England to offer multi-agency service solutions to particular issues. This not only reduces duplication and enables efficiency, but also allows poverty to be addressed in a joined up fashion. When twinned with neighbourhood level budgets, it also enables greater citizen involvement in the design and delivery of public services.
- The UK Government's approach to community budgets is linked to both efficiency and effectiveness agendas. It fits into the democratic narrative of greater local ownership of public services and the need for closer working by local government with the public sector, the private sector, voluntary and community sector organisations, and communities themselves.
- Community budgets have a number of roles in addressing poverty. It can be argued that, by bringing together agencies working in the fields of health and social care, work and skills, and troubled families, multiple and complex issues can be addressed.

- Community budgets can be used as a way of developing the capability of partners and the voluntary and community sector to address poverty. Adopting a multi-agency approach can develop the resilience of organisations and communities based in deprived areas.
- Neighbourhood budgets can be a more effective way of targeting resource to those localities in greatest need. Evidence suggests that neighbourhood budgets enable people to get more involved in provision; this develops individual and collective skills, and fosters more effective relationships with budget holders. Neighbourhood budgets are an area of opportunity for addressing poverty in the UK and a means of democratically engaging the most 'needy' in the design and provision of services.
- Outcomes-based commissioning recognises the importance of embedding wider priorities and outcomes into service commissioning; this seeks to ensure that a service is deemed value for money not only in cost, but also through the wider benefits it brings in economic, social and environmental terms. Central to achieving such outcomes is the service user; co-production through citizen involvement in service design provides the means through which shared responsibility can be achieved.

Co-production

- Co-production recognises that the policy approaches adopted by the UK Government over the last 60 years have not managed to significantly narrow key inequalities and address poverty. It is recognised as a way of engaging citizens and addressing multiple challenges through more collaborative service design.
- Co-production has a number of roles in addressing poverty. It adopts an asset-based approach to individual service design and delivery, meaning people have the opportunity to grow their capabilities and improve their own situations, and also contribute within wider (deprived) communities.
- Co-production is based around reciprocity; the opportunity to feel value in the design of services can play an important role in raising self-esteem.
- Co-production provides the opportunity to develop social networks and facilitate change in communities. In addition, co-production recognises values in service delivery beyond the financial, particularly around the role of informality and the core economy in improving communities and places.

Procurement

- Procurement is the process used by public bodies to purchase goods and services. It can also be used to achieve a wider range of economic, social, and environmental benefits. The UK Government spends around £240 billion each year procuring goods and services, with local government spending around £80 billion.
- The policy environment around procurement is changing in both the UK and Europe. There are increased requirements to have regard to economic, social, and environmental wellbeing in connection with contracts, and aspirations to enhance benefit for places and local economies through the process.
- Public procurement has a number of roles in addressing poverty. Through the sheer scale of spend, there can be investment in deprived

neighbourhoods and subsequently jobs and supply chain opportunities. Such investment also leads to multiplier effects, supporting the sustainability of employment, businesses, shops, and local services.

- Public procurement, through clauses around targeted recruitment and training, can create jobs for people out of work and living in deprived communities, thus potentially providing a route out of poverty. Through engagement between procurement and economic development teams within local authorities, public procurement can be used as a means of developing the capability of local and small businesses, and the voluntary and community sector to bid for contract opportunities.
- As well as being a core function of local government and other public organisations, public procurement can be used to achieve wider priorities, such as addressing poverty by seeking to influence the behaviour of the supply chain when it comes to their own employment, supply chain, and environmental practices. Procurement can be utilised to address in-work poverty through expectations around the payment of a living wage.

Conclusion and recommendations

This work has found that the use of place-based mechanisms in addressing poverty has significant potential, but is underutilised. Place-based mechanisms have been used at the margins, as opposed to in the mainstream of an approach to tackling poverty.

Moving forward, CLES believes that each of the place-based mechanisms identified and explored in this report has the potential to contribute more to addressing poverty. The key to accelerating the potential is for a city, or an area which has an avowed aim of addressing poverty, to ensure the place-based mechanisms are more directly addressing poverty.

To achieve this, poverty must become embedded in the 'corporate brain' of local stakeholders, including the local authority. This could be achieved through:

- adopting a systematic approach to utilising place-based mechanisms to address poverty, which flows from evidence and assessment;
- advancing the cultural will within place to utilise mechanisms to address poverty;
- making direct links between poverty and the work of Local Enterprise Partnerships and Health and Wellbeing Boards;
- willingness to take risks and innovate across partners, particularly in relation to public procurement and the benefits which can be derived and maximised;
- advancing community budgets as the norm of place-based activity – twinning partner priorities, resources, and activities will ultimately enable efficiencies and more effective services; and
- encouraging experimentation and stretching of these place-based mechanisms.

Our recommendations provide a range of considerations for local authorities and other agencies and stakeholders when designing and delivering public services. These are based on the principles of the place-based mechanisms described above and their identified roles in addressing poverty. As such, the recommendations provide a checklist for local authorities to consider, ensuring addressing poverty is embedded across services and partners.

The recommendations suggest that local authorities and other agencies and stakeholders consider the following.

- **Governance and strategy** – undertake poverty assessments; adopt addressing poverty as a corporate objective; train staff in embedding poverty considerations; and undertake collaborative reviews of partner roles in addressing poverty.
- **Service design and commissioning** – identify partners for community budgets; design services around outcomes; identify services for co-production; identify wider benefits; and gather business intelligence.
- **Procurement** – use targeted recruitment and training clauses; simplify the process of procurement; share corporate priorities with potential supply chains; and embed poverty considerations into tender criteria.
- **Delivery** – continually monitor contribution towards poverty outcomes; influence the behaviour of the existing supply chain; and join up governance arrangements and partners.

This research has sought to demonstrate the role and value of place-based mechanisms in addressing poverty. We believe that the mechanisms are far from ingrained in local activity, and that the link to poverty is often tangential. We hope that the identified roles and recommendations will ensure that such principles are embedded into the mainstream of service design and delivery. A step change is needed in policy and practice to ensure that service design and delivery is not just ingrained in achieving economic growth, but also reflective of social growth and wider poverty concerns.

1 INTRODUCTION

The Centre for Local Economic Strategies (CLES) is pleased to present this final literature and evidence review. The review and recommendations are the outputs of a research project exploring how place-based activity can be used to address poverty.

Introducing the research

The research is based on the premise that in increasingly austere times, local authorities and other strategic stakeholders at the local level are being required to think differently and innovatively about how they deliver services, and how they maximise the ability of mainstream tools and mechanisms to address wider societal challenges. In an era when area-based initiative funding has been largely removed for tackling issues such as worklessness, places need to be creatively utilising the powers and responsibilities they already have available to meet key outcomes.

In this project, we have named these mechanisms and tools 'place-based mechanisms'. They are functions that places already have largely at their disposal, but functions which CLES believes could be more effectively utilised and harnessed to address poverty. While using place-based mechanisms to address poverty is not restricted to the following, our research focuses on the roles of: place leadership and local governance; community budgets; outcomes-based commissioning; co-production; and procurement.

In an era when area-based initiative funding has been largely removed for tackling issues such as worklessness, places need to be creatively utilising the powers and responsibilities they already have available to meet key outcomes.

About the evidence and literature review

In the literature and evidence review element of this report (Chapter 3), we explore three factors in relation to each mechanism.

1. We seek to define each mechanism and its history in public policy-making.
2. We seek to explore the prevalence of each mechanism in contemporary central and local policy.
3. We seek to explore the link between each mechanism and poverty, identifying roles in addressing poverty, and subsequently evidence of where the mechanism has been used effectively.

The literature and evidence review draws on both academic and policy sources around each mechanism, with case studies drawn from previous research undertaken by CLES and others.

The review has been informed by overarching and mechanism-specific reference groups comprising key practitioners. These practitioners have provided support and guidance around relevant literature and evidence, and have commented on previous drafts.

Recommendations

In the recommendations element of this report (Chapter 4), we seek to provide advice and guidance to local authorities and other agencies and stakeholders as to how they can embed poverty considerations into the principles of place-based mechanisms and ensure this forms part of strategic and service delivery considerations. The advice and guidance is framed by the overarching literature and evidence review, particularly the host of case studies detailed throughout the report. The advice and guidance is effectively a set of recommendations for local authorities and other agencies and stakeholders to consider when developing strategy, and designing and commissioning services.

Chapters of the report

As a precursor to Chapters 3 and 4, Chapter 2 sets the context for the report by exploring the scale of the challenge around poverty in the UK, and links to the policy approaches of the previous and current governments. It also provides the link between poverty and places, and defines place-based mechanisms and the scope of the research. Chapter 5 provides concluding thoughts.

2 CONTEXT

This chapter of the report sets the context for the research by exploring why utilising place-based mechanisms to address poverty is relevant in relation to the scale of the challenge across the UK, and the policy narratives and practices of the previous and current governments. It also introduces the concept of place-based mechanisms and the linkages between place and poverty.

The poverty challenge and the historical policy approach

What do we mean by poverty?

The concept of poverty is complex and difficult to define as it affects people's lives in a wide variety of ways. Poverty is often used to refer to the experience of living on a very low income, where a severe shortage of money prevents someone from accessing basic necessities. Since living standards and income levels typically increase over time, relative measures of poverty are usually used to monitor the extent and severity of poverty.

In the UK, households are defined as being in poverty if they have less than 60 per cent of the median income; this approach is the agreed international measure used throughout the European Union. This measure uses each household's income, adjusted for family size, compared to the median income (The Poverty Site, 2011). At this income level, resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs, and activities (Seymour, 2009).

Current debates around poverty in the UK have differentiated between different strands of poverty, such as child poverty, fuel poverty, and food poverty. Contemporary research recognises the variety of ways in which poverty can affect different people, and that specific policy measures are required to address the differing forms of poverty. Child poverty is currently defined by the UK Government as children living in a household whose income is less than 60 per cent of the median national income (Department for Education, 2011). However, this is currently being contested: Save the Children refers to 'severe child poverty' as children living in a household with

an income of below 50 per cent of the median (after housing costs); where both adults and children lack at least one basic necessity; and either adults or children, or both groups, lack at least two basic necessities (Save the Children, 2011).

The various consequences of living in poverty are discussed using terms such as 'food poverty' and 'fuel poverty'. For example, 'food poverty' describes households that 'do not have enough food to meet the energy and nutrient requirements of all their members' (DeRose, *et al.*, 1998, p. 1) and 'fuel poverty' refers to households that 'need to spend more than 10% of their income on fuel to maintain a satisfactory heating regime' (The Marmot Review Team, 2010, p. 80). These definitions are used to measure changes in the way in which poverty is experienced in the UK.

For the purpose of this research, we are looking at poverty in relation to place, exploring how the identified mechanisms relate to local authority areas and deprived neighbourhoods, and how the mechanisms can be utilised to address concentrated poverty at particular geographical levels.

The scale of poverty in the UK

Levels of poverty in the UK have fluctuated over the last few decades, with key shifts in prevalence of poverty for different groups. Over the past few years, research has highlighted a number of changes in trends.

Child poverty
Using the main measure from the Child Poverty Act (HM Government, 2010), Aldridge, *et al.* (2012) detailed that 900,000 children lived in low-income, workless households in 2010/11; this is the lowest figure since 1984. Conversely, the number of children in low-income, working households (in-work poverty) has never been higher, at 1.4 million in 2010/11. This means that 60 per cent of children in low-income families have a working parent.

Pensioner poverty
The percentage of pensioners living in poverty has fallen. Fifty years ago, pensioners made up four of every ten people on a low income; even 20 years ago they still made up the largest group. Now they are the smallest, making up just one in six people living in poverty (Aldridge, *et al.*, 2012).

Working-age adults
In contrast to the statistics for children and pensioners, the poverty rate for working-age adults without children has shown large increases. A third of all people living in low-income households are now working-age adults without dependent children. The majority of these are single; single people are twice as likely to live in a low-income household as couples.

Harkness, *et al.* (2012) identified three factors that affect poverty.

1 The state of the economy, in particular its structural features which influence the overall level of poverty. These include: disparities and inequalities in pay; access to employment opportunities and areas of growth; barriers which prevent a move into employment such as childcare; and the way in which the tax and benefits system operates.
2 Individual factors or characteristics that exacerbate the risk of living in poverty. These include: poor educational attainment; and ill health. These individual factors could also include people's behaviours and attitudes.
3 A 'culture of dependency', embedded in certain communities and families, which passes down from one generation to the next.

The poverty narrative of government

The previous government's poverty narrative

The previous Labour Government (1997–2010) took poverty and social exclusion to be part of its ideological remit, making a clear distinction from previous governments (Hills and Stewart, 2005). It adopted a three-pronged approach to addressing poverty and social exclusion.

1   As part of its emphasis on joined up working, it recognised poverty as multi-faceted and interlinked (e.g. living in poverty was linked to worklessness and poor housing). Hills and Stewart (2005) highlighted that the policy debates of the previous government focused not just on incomes and services, but also on the long-term factors driving disadvantage and life chances for children.

2   As part of its managerialist approach, the Labour Government set ambitious and high-profile targets in relation to child poverty: 'the two most prominent and ambitious have been the commitments to cut (relative) child poverty by a quarter by 2005/06, to halve it by 2010/11 and eradicate it within twenty years' (Hills and Stewart, 2005, p. 2).

3   As part of the wider focus on area-based initiatives, notably neighbourhood regeneration, it adopted a targeted approach to addressing poverty and deprivation in the most deprived local authority areas and communities. Hills and Stewart (2005, p. 2) state that 'employment, education, child poverty, specific vulnerable groups, and neighbourhood regeneration, were early and continuing priorities, with substantial new resources'.

The previous government's approach to addressing poverty focused on children and neighbourhoods and brought about measurable change. The 2.3 million children living in poverty in 2010/11 is a reduction of 1.1 million from 1998. However, in order for aspirations to eradicate child poverty by 2020 to be followed through, the Institute of Fiscal Studies suggested that 'meeting the legally binding child poverty targets would require the biggest fall in relative child poverty since 1961' (Institute of Fiscal Studies, 2010).

The Coalition approach

Since May 2010, and the emergence of a Conservative–Liberal Democrat Coalition Government, the UK has gone through a frenzied period of policy-making. As political ideologies of government have changed, so has the way in which policy is designed and developed centrally, and implemented locally. Two core themes have driven change, certainly in rhetorical terms.

1   There has been a significant emphasis placed on reducing national debt through cutting public expenditure, as detailed in the 2010 Spending Review (HM Treasury, 2010).

2   There have been moves towards decentralising powers from the state to localities and communities through the notion of big society and the powers of the Localism Act (HM Government, 2011).

The emerging political ideology has also changed the way in which the Coalition Government has approached policy-making. As such, a number of policy approaches have emerged.

Localism and big society
The localism and big society agendas seek to decrease the centralist and bureaucratic nature of policy, service delivery, and governance mechanisms that defined the previous government. They are seeking to do this by implementing a new era of locally defined and delivered services, with key roles for local people, the voluntary and community sector, and local government. The Localism Act (2011) seeks to:

- provide new freedoms and flexibilities for local government, including a new 'General Power of Competence', which enables local authorities to do anything that individuals generally may do; and
- provide new rights and powers for communities and individuals, through the Community Rights to Challenge, Bid and Build.

Despite the rhetoric of big society and localism, this devolution of responsibility has not been twinned with decentralisation of resource.

Public service reform
The Coalition Government is seeking to reform the way in which public services are delivered, effectively reducing the bureaucracy associated with service delivery, and opening public services up to a wider range of providers.

The key driver of public service reform in policy terms is the Open Public Services White Paper (Cabinet Office, 2012), which is based around five principles: choice; decentralisation; diversity; fairness; and accountability. The key driver in practical terms is community budgets, which are discussed in more detail in Chapter 3.

Economic growth
The Coalition Government is seeking to respond to recession and the constricting of public sector spending with a growth strategy based around the private sector. The focus of this strategy is to enhance economic growth through business and job creation, and to increase the prosperity of underperforming places and regions.

A number of initiatives have been developed to support this economic growth and private sector-driven agenda. Local Enterprise Partnerships (LEPs) are sub-regional level private sector-driven partnerships, often chaired by a large business or representative body, such as a Chamber of Commerce. Funding for economic growth activities in sub-regions is coming through the Regional Growth Fund (RGF) and Enterprise Zones (EZs). EZs in particular seek to support business investment into localities through tax and rate relief. New powers for cities are coming through City Deals.

Welfare reform
Reform of the welfare system is one of the Coalition Government's key mechanisms for reducing public spending; indeed, it is seeking to enable over £21 billion of savings over the next four years (spending review period 2011−15). The premise of the welfare reforms is that people should be better off in work than on benefits. Key components of welfare reform include:

- the streamlining of out-of-work and income-related benefits into a single payment mechanism known as Universal Credit;
- the reduction in benefits for social tenants living in underoccupied homes; and

- the reassessment of the fitness for work of existing Incapacity Benefit (IB) claimants and new claimants of Employment and Support Allowance (ESA) through the Work Capability Assessment (WCA).

Towards addressing poverty through place-based mechanisms

Implications for practice

All of the above policy change has implications for the way in which stakeholders in central and local government, and partners, approach addressing poverty. The special area-based initiatives focused on deprivation which characterised the previous government (e.g. the neighbourhood renewal fund) have gone and will not return. Funding for region-wide economic development through the Regional Development Agencies has been largely centralised and become more focused on facilitating growth as opposed to economic and social development.

The regulation and bureaucracy associated with national indicators and targets for localities to deliver against has been stripped away, with greater emphasis placed on new geographies of strategy and delivery through the LEPs. The role of the public sector as a deliverer of services has been cut, with greater emphasis placed on both the private and the voluntary and community sectors to deliver services and facilitate growth.

The route out of poverty for individuals is not through welfare support but through jobs, and taking advantage of any economic growth which might occur through the notion of 'trickle down'. There is greater flexibility for places and communities to take control of their own livelihoods through localism and decentralisation of powers around economic development (e.g. through City Deals).

Question and hypothesis

The question for this literature and evidence review is 'how can places continue to address poverty without targeted resource and where a range of policy reforms are exacerbating the challenge?'

CLES' hypothesis is that poverty can be addressed without targeted initiatives through taking advantage of a range of existing policy levers and tools. Places which encompass the public, commercial, and voluntary and community sector have these policy levers and tools at their disposal to facilitate and enable change. These tools and levers can include: existing spend and resources; local strategy and policy; cross-agency and cross-sector working; and citizen engagement. These can be effectively termed 'place-based mechanisms'. Local places need to become more aware of:

- the value of these mechanisms, and their existing and potential role in addressing poverty;
- how effective they have been historically; and
- how the range of local stakeholders can become embedded in their use to address poverty.

The literature and evidence review focuses on an overarching mechanism of place leadership and local governance, and specific place-based mechanisms of:

- community budgets;
- outcomes-based commissioning;

Poverty can be addressed without targeted initiatives through taking advantage of a range of existing policy levers and tools.

- co-production; and
- procurement.

We focus particularly on the role of these mechanisms in addressing poverty. The following chapter of this report explores each of these place-based mechanisms in more detail. As well as addressing poverty, we also believe that place-based mechanisms can be utilised to contribute to the policy agendas outlined above, thus enabling localism and creating jobs.

3 PLACE-BASED MECHANISMS

This chapter of the report considers each of the place-based mechanisms in turn. In particular, it: defines the mechanism and its history; explores its prevalence in relation to contemporary policy; details its role in addressing poverty; and provides examples of where the mechanism is being effectively utilised.

There is some inherent overlap between the identified mechanisms. The way in which place operates through governance will influence the way in which organisations collaborate, and the way in which public money is spent through procurement. Place leadership and local governance is therefore an overarching mechanism.

Overarching mechanism: Place leadership and local governance

Place leadership and local governance has a key role in addressing the multitude of challenges related to poverty. The other mechanisms highlighted in this chapter (community budgets and outcomes-based commissioning, co-production, and procurement) are reliant on effective place leadership and local governance to affect change. The other place-based mechanisms need to be enabled by the place shaping and community leadership roles of local government and their leaders if addressing poverty is to become a core priority.

As the leaders of place, local authorities are effectively a key pillar in developing, supporting, and utilising the place-based mechanisms, by putting in place assessments, policy, strategy and partnerships. Through local governance, they have a role in cajoling other partners to work collaboratively towards poverty-related outcomes.

Increasingly, as the public spending cuts in the UK continue, more local authorities are recognising the value of much closer partnership

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and collaborative structures, linking much more closely with communities in order to provide the services required, meaning an increase in the importance of local governance. Local governance centres on place leadership, much of which was foreseen and stated by Michael Lyons in his review of local government in 2007, the 'Lyons Review' (Lyons, 2007). In this, he stated that:

> An important role for the modern local authority is that of convening across all local services. To fulfil that role effectively it needs to adopt a leadership style that engages local partners, facilitating, advocating, arbitrating and influencing rather than dominating.
> – Lyons, 2007, p. 173

This suggests that the key role for local government is centred on 'place shaping' and facilitating the mechanisms discussed throughout this chapter.

Effectively, local governance, and the contribution this makes to place shaping, is about leadership of communities and places – political and managerial leadership and convening. It is important to note in defining leadership, as highlighted in the Lyons Review and by other sources such as Epstein, Simone and Harding (2007) and the Local Government Leadership Centre (2012a–d), that it is not about a single leader: it is undertaken at several levels and by a variety of players. This includes council leaders, mayors and, importantly, councillors. It is about harnessing the expertise of a range of local people, other public sector agencies, third sector partners, and businesses, and engaging them as leaders in their own fields. It is only through this coordinated and leadership-focused approach to place that complex issues such as poverty can be adequately addressed.

Leaders of councils and elected members play a key role in setting the tone of place leadership and local governance. The challenges society faces require councillors who have the skills and aptitude to help deliver the agenda and ensure community engagement. The Local Government Leadership Centre (2012a–d) highlighted that community leadership requires specific skills and experiences. In addition to working as frontline councillors, members need experience and talent to deliver cabinet portfolios.

The aim now is to find people who will both represent their residents and be potential cabinet decision-makers who understand the 'bigger picture' and issues such as poverty. It is about knowing how to influence and cajole, engaging people to change within the council and in communities, rather than accepting that matters are imposed in a top down system. It is about councillors becoming community facilitators and bridge builders, helping communities effectively participate in new ways of working with local governance structures – without this role, the crucial linkages between local governance and communities will weaken considerably (Reed and Ussher, 2012).

The role of local governance in addressing poverty

There are a number of ways in which place leadership and governance can enable other activities to address poverty. These are reflective of both historic vehicles and emerging mechanisms. There is, however, a caveat in these roles as a result of the nature of the government's austerity measures, with a real challenge being the capacity to assess and analyse the impact of change on those living in poverty.

Role 1: Embedding poverty considerations in strategy
The Child Poverty Act (HM Government, 2010) is the legal framework through which the government hopes to eradicate child poverty by 2020. The Act places an obligation on top tier local authorities to produce child poverty assessments and strategies for their areas, setting out how child poverty will be reduced. A key role for local governance in addressing poverty is, therefore, to effectively understand the scale of the challenge locally through undertaking assessment and responding accordingly across partners and strategy, and through embedding objectives across a host of themes.

Role 2: Thinking about poverty across sectors
There has been extensive thinking around local governance structures and how they must change so that localities can adapt to a rapidly changing environment, where traditional funding is being cut at unprecedented levels and where the demands for services are increasing exponentially. Thinking about places as systems is key to effective place shaping.

For local governance systems to adapt and be in a position to tackle 'wicked issues', those who hold the local policy levers need to consider that places need to be understood as an interconnected system of people, institutions, and organisations; only through this approach will places be made adaptable and able to thrive on change (McInroy and Longlands, 2010).

Role 3: Adopting poverty as a cross-place priority
As highlighted previously, the drivers of poverty are wide-ranging and interconnected, influencing the work across all areas of local government. Much provision for the many services that address poverty has, in the past, been delivered primarily via the public sector, with local government playing a central role. There has been a wide range of statutory services from a number of departments, including adult social care and health, children's services, economic development, and regeneration — working with a number of other agencies to deliver. Poverty as a theme and overarching objective needs to sit across these departments and institutions.

Mechanism 1: Community budgets

Definitions and history
Defining community budgets
The concept of community budgets is embedded in the current Coalition Government's whole place approach to delivering local public services — this effectively follows on from the principles of Total Place (OPM, 2009). The Department for Communities and Local Government (DCLG) describes community budgets as a way for

> […] local public service providers to come together and agree how services can be better delivered, how the money to fund them should be managed, and how they will organise themselves [tackling] issues requiring multi-agency solutions rather than those that can be solved by a single agency or service.
> – DCLG, 2011, p. 9

In effect, this flows from having effective leadership and engagement across sectors and institutions, as discussed in the overarching mechanism.

Community budgets are about fundamentally changing the way in which services are designed and delivered, as opposed to pooling budgets. The mechanisms of outcomes-based commissioning and co-production (discussed later) effectively flow from having a shared response to public service reform across providers as advocated by community budgets.

Whole place and neighbourhood level community budgets policy
In the *Community budgets prospectus* (DCLG, 2011), two levels of community budgets are set out. Whole place community budgets are based on location and aim to bring together public, private, and voluntary sector organisations to work collaboratively on issues affecting their locality (Local Government Association, 2013a).

Neighbourhood level community budgets are additional elements that can be combined with a whole place community budget. In a neighbourhood level community budget, the resources brought together at the whole place level are devolved to neighbourhoods who decide how the resources should be deployed, in order to address the needs of their communities (DCLG, 2011).

Defining participatory budgeting
The concept of enabling citizens to decide how public money is spent, advocated in the neighbourhood level community budgets, is commonly referred to as participatory budgeting. It is important to note that the community budgets in England have not yet led to any pooling of budgets or decentralisation of resource to communities; they have largely been about drawing together partners within places to reform services.

Participatory budgeting is a process that allows citizens from a defined geographical area to participate in decision-making over the allocation of part of the local council's or other public agency's financial resources (Participatory Budgeting Unit, 2007). The size of the locality, the amount of the budget, and the actual process are developed to suit local circumstances and objectives. Some of the most common models of participatory budgeting are: community grants; top slicing or the 1 per cent budget; pooled budgets for neighbourhoods or services; and pooled budgets for sectors.

Contemporary policy and approaches
Devolution, localism and community budgets
The current Government's community budgets approach has emerged coupled with a government policy background of increased localism, severe public spending cuts, and the big society agenda. Policy developments to devolve more power to local government and communities are, however, historical and can be seen in a range of government initiatives since 1998.

Area Based Initiatives, Local Strategic Partnerships, Community Strategies, and Local Area Agreements have all aimed to give more power to local areas to improve public services. Contemporarily, the Localism Act (HM Government, 2011) seeks not only to devolve power away from Whitehall but also to create new mechanisms for civic participation and activism. This coincides with the Government's big society concept, which promotes opportunities for citizens and communities to take control of the provision of local services (Buser, 2012).

The localism and big society agendas are both framed by substantial cuts to public spending, which have greatly reduced the resources available to local authorities. Consequently, the combination of these reforms presents a restructuring of the management of public services in which individuals, communities, and the private sector are given greater responsibility for the management of local areas (Buser, 2012).

The concept of a community deciding how public money is spent was first introduced into the UK by the Labour Government in 2003, and formed part of New Labour's democratic renewal agenda (Lowndes and Pratchett, 2012). Participatory budgeting was presented as a new form of community involvement to empower citizens.

The need for community budgets and participatory budgeting
Community budgets fit into this democratic narrative of greater local ownership by encouraging local government to work more closely across the public sector, and with private and voluntary sector organisations to address local issues. Community budgets also aim to address the challenge of austerity by focusing on preventive interventions to lower demand for expensive crisis intervention. Community Links (2012) highlight the important role of community budgets in addressing some of the inherent silo working that exists within local authorities and the wider public sector.

Local authorities could benefit from joined up investment in early intervention and prevention, to try to reduce dependency and demand for health, social care, and criminal justice systems (Goss, 2012). Community budgets can be seen as a managerial approach to bring together a range of actors to target a local issue through a partnership which includes a pooled budget. Multi-sector partnerships are often considered advantageous because they may leverage further resources, pool existing resources, avoid duplication, and share risk (Lowndes and Squires, 2012).

Greater citizen involvement in local decision-making is argued to create a sense of local ownership and more responsive and responsible citizens. It may also lessen feelings of alienation, exclusion, and civic disenchantment (Cornwall, 2008), which were found to be highest in the most deprived areas of the country (DCLG, 2006).

The continuation of policies from the Labour Government that focused on greater citizen engagement reflects the broad appeal of the concept of empowered communities. On the left of the political spectrum, there is support for giving people a voice through participation, while on the right, participatory budgeting is seen as giving individuals a choice (Cornwall, 2008).

Current policy and practice

Community budgets were first announced in October 2010 as part of the Spending Review (HM Treasury, 2010). The community budgets concept aimed to encourage local public service providers to work more efficiently and take a multi-agency coordinated approach.

In 2011, the Coalition Government selected several areas to undertake pilot projects for whole place community budgets and neighbourhood level community budgets. Four areas (West Cheshire, Essex, Greater Manchester, and Tri-borough[1] in London) were chosen to implement a community budget, and twelve councils were invited to be part of a challenge and learning network.

Each pilot area had a particular focus for its community budget.

- West Cheshire was looking at how to pool a single budget of between £3 billion and £4 billion from over 150 local services.
- Greater Manchester was aiming to use joined up local investment to reduce levels of dependency and to help create 50,000 jobs in the next four years.
- West London was focusing on skills and training for over-16s, speeding up family courts, and curbing youth violence and anti-social behaviour.

Community budgets fit into this democratic narrative of greater local ownership by encouraging local government to work more closely across the public sector, and with private and voluntary sector organisations.

- Essex was pulling together a single set of objectives for the £10.4 billion it spends on public services so it is used more effectively and efficiently (DCLG, 2011, p. 1).

The pilot phase is now complete and the whole place community budgets are moving into delivery. In terms of progress, a 2013 report from the National Audit Office highlighted that it was too early to truly reflect the impact of the whole place budget pilots to date. However, there was emerging evidence that the pilots were enabling a more effective relationship between local areas and central government; that the approach was enabling a more effective form of partnership working; and that the approach was moving towards making efficiencies.

In addition to the four pilot localities, the Government is also using the principles of community budgets, particularly multi-agency partnerships, as part of the Troubled Families Programme.

Twelve council areas were selected to pilot neighbourhood level community budgets. The aim for the neighbourhood level budgets is to determine what services can be managed by neighbourhoods and what communities need to do to be able to take greater control of local services if they want to (Local Government Association, 2013a).

It is important to note that the principles of community budgets are not necessarily new. Many localities have historically sought to foster joined up working through bringing together service providers and voluntary and community sector organisations in localities. This was evident with neighbourhood management pathfinders and 'one stop shop' activities. An example of this is the INclude Neighbourhood Regeneration Company in Liverpool, which is a joint venture between Liverpool City Housing and the PLUS Dane Housing Group.

The role of community budgets in addressing poverty

The literature presents a number of ways in which community budgets may be able to address poverty at the local level. Essentially, community budgets aim to eliminate duplication and increase the efficiency of public service delivery, which could result in improved public services despite the budget cuts to public spending. The key roles are outlined below, together with examples of effectiveness. It is important to note that community budgets have only been operational for a short period of time.

Role 1: Addressing disadvantage
The current community budget pilots are focused on improving the Troubled Families Programme, health and social care, early years' services, offender support, and work and skills. It is argued that using a community budget to bring together agencies working in these areas will create better services for vulnerable and disadvantaged people who need these services (Local Government Chronicle, 2012). Since all of these service areas are closely related to poverty, if community budgets improve the services, instances of poverty may be reduced (e.g. if the families targeted by the Troubled Families Programme experience a range of complex issues, such as worklessness, criminal convictions, and children not attending school).

In a submission to the Communities and Local Government Committee's inquiry into community budgets (2012), St Mungo's, a homelessness charity, advocated for community budgets to also cover homeless people. St Mungo's believes that since homeless people have a range of complex needs and often struggle to access all the necessary services, aligning budgets and

Case Study 1: Greater Manchester and Swindon

In relation to addressing poverty, several areas have recorded improved outcomes for families who were supported by services delivered through a community budget approach. In Greater Manchester, forming one team to deal with all complex family referrals has enabled families to access services when they need them (prioritisation) and improved the sequencing in which families access services, meaning services are mutually supportive (Local Government Association, 2013b). Likewise, in Swindon, families targeted improvements in a range of areas, such as mental health, school attendance, seeking work or training, and managing household finances (Local Government Association, 2013b).

priorities, and coordinating interventions across partners, could produce better outcomes for homeless people.

Similarly, the charities Making Every Adult Matter (MEAM) and Revolving Doors proposed that community budgets should be used to support individuals with multiple complex needs as well as families. They argued that this would also help the Government to meet its commitment to developing a proposal for using community budgets for homeless adults with complex needs (Communities and Local Government Committee, 2012).

Case Study 2: Govanhill Community Action Group

A case study by the Glasgow Centre for Public Health (Harkin and Egan, 2012) of a participatory budgeting pilot in the Govanhill neighbourhood in south-east Glasgow found important social benefits of using participatory budgeting. The pilot allocated £200,000 from the Equally Well initiative[2] to the Govanhill Community Action Group. Two projects that received funding were a local law centre, which provides legal support, and a family support group, which provides respite for families affected by drugs, alcohol and other issues. The chosen projects arguably abandoned the status quo and prioritised equality of opportunity, enabling disadvantaged residents to lead richer lives. Another key outcome of the pilot was increased trust and respect between community members, public sector and voluntary sector workers (Harkin and Egan, 2012).

Role 2: Partnership working
In general, it could be argued that by using public resources more efficiently, local authorities and partners will be better able to deliver programmes and services which address poverty. A US study on community safety partnerships found that multi-sector working can have a 'buffering effect' on external 'shocks' on local organisations, services, and communities (Choi and Choi, 2012, cited in Lowndes and Squires, 2012). This buffering effect was found to be especially strong in disadvantaged communities, which suggests that the local partnerships formed by a community budget could be important for the resilience of organisations and communities in areas experiencing poverty.

Local authorities can promote child poverty as a local priority by engaging public, private, and voluntary and community sector partners in a structured approach to tackling poverty, which benefits from the partners' expertise in working with local communities. Community development can also be crucial to the effective functioning of community budgets as explored in Role 3.

Affinity to place is also an important principle in community budgets. Local organisations are more likely to understand the challenges facing a locality, and the challenges of joint and partnership working, than organisations brought in from outside to address a particular issue. Osborn and Shaftoe (1995) highlighted the importance of embedding a wider package of activity and partnership working in relation to neighbourhood crime management.

Case Study 3: Swindon and South Somerset

Many areas using community budgets as part of the Troubled Families Programme have found that this approach has saved local government and partners' money. In Swindon, the Life approach, which focuses on building the capacity of target families, was found to save £760,000 in the first year and a further £720,000 in the second year (Local Government Association, 2013b). In South Somerset, it was noted that continual community development is essential for achieving long-term multi-agency investment. A long-term commitment to community development is necessary for community-led programmes to be more than one-off events (Communities and Local Government Committee, 2012).

Role 3: Community development and skills development
Using participatory budgets to decide how a resource is spent has been shown to address poverty at the local level. In Porto Alegre, Brazil, some of the outcomes of participatory budgeting have seen rapid improvements in sanitation infrastructure and roads in poorer areas of the city, as a result of allowing people from these areas to influence how the city budget was spent (Nelson, 2008). Allowing community members to contribute their knowledge to a decision over a local budget may enable budgets to be better directed at priority areas (Cornwall, 2008).

Furthermore, devolving decision-making over local budgets to communities may also make local labour markets more resilient (Burall and Carr-West, 2009). The argument is that developing communities' skills in terms of the allocation of resource develops wider skills required for accessing training and employment opportunities. Participatory budgeting may create strong relationships between local authorities and communities, and bring about innovation in public service delivery, which is important for the ability of local areas to respond to the recession (Burall and Carr-West, 2009).

However, in order for participatory budgeting to work effectively, there must be a real commitment to devolution of resources from central and local government towards communities; the pots of money available to date have often been small.

Communities may be considered in idealistic terms of unity and cohesion when, in reality, local communities are likely to exhibit inequality and power struggles between individuals or small groups, which could prevent budget decisions being made in the interest of people experiencing poverty (Cornwall, 2008). It has also been argued that wealthier communities and individuals tend to be more able to participate in local decision-making than poorer social groups, as a result of being better educated and having more resources and connections (Power, 2007).

There are therefore many issues that must be addressed for participatory budgeting to be successful in tackling poverty and improving democratic

Case Study 4: York and Salford

A case study by Burall and Carr-West (2009) found that participatory budgeting in York was effective in helping citizens to cope with the recession. Local households gave suggestions for budget spending and were invited to discuss the suggestions in local ward meetings. One result of this process was the introduction of 'credit crunch surgeries' to help local residents deal with financial difficulties they might be experiencing. This is an example of how participatory decision-making can result in a local budget being used to address an aspect of poverty.

A further case study by Burall and Carr-West (2009) explores how Salford neighbourhood management teams engaged with their neighbourhoods to determine local priorities for neighbourhood renewal. It emerged that unemployment was a very important issue; thus, the Salford neighbourhood management team has taken a whole place approach to getting unemployed people back into work.

representation. Central to this is enabling community development through targeted investment and support.

Research into UK governance found that local authorities have been able to encourage citizen participation among lower socio-economic groups through pro-participation policies, and that a vibrant civil society requires a proactive local council (Lowndes and Pratchett, 2012).

Case Study 5: Essex

Several local authorities have remarked that the focus of community budgets has been on short-term outcomes in terms of cost savings and the number of families supported (Communities and Local Government Committee, 2012). To bring about longer-term outcomes, it may be important to focus more on aligning partners' aims, resources, and incentives. In Essex, it was also found that new insights from local communities and partners accelerated the development of interventions to make services more coordinated and better focused on citizen needs. This was also highlighted as an important factor by the Local Government Association's (2013c) review of community budgets. Ensuring decision-making power is devolved to communities and local commissioners should improve local services in general, not just for a targeted cohort of families (Local Government Association, 2013c).

Case Study 6: Keighley and Newcastle

Allowing local communities greater control over local budgetary decisions has been shown to generate a range of positive outcomes. A case study by Blakey (2008) of participatory budgeting in Keighley found that involving citizens in decision-making motivated local people to act and take control, and created a sense of ownership over local decisions. Citizen participation meant that the local community had a better understanding of the constraints faced by local councils, which enabled a more informed debate over budget allocation.

Another case study by Blakey (2009) looked at the U-decide participatory budgeting process in Newcastle. U-decide involved local residents and community groups presenting projects which they would like funding for; a voting session then determined which projects received funding. The case study found three key benefits from the process: valued services and community projects; democratic outcomes; and community development outcomes. Of these outcomes, some indirectly address aspects of poverty, such as knowledge sharing between community groups and local service providers. This enables good practice to be shared between groups who may support vulnerable members of the community.

Linking community budgets and outcomes-based commissioning

The shift from efficiency to effectiveness

In the past, public sector service design and commissioning, and subsequently procurement processes, placed a large emphasis on efficiency that was measured through the economic cost of a good or service – in other words, the bottom line price (Transition Institute, 2012). However, in the past decade, central government has begun to recognise that a consideration of outcomes is essential if commissioned services are to achieve their desired objectives. If community budgets are to be effective in bringing together key local agencies, they also need to be effective in terms of commissioning, particularly commissioning on an outcomes basis.

Defining commissioning and value for money

The DCLG describes the role of commissioning as one in which an authority and its partners seek to secure the best outcomes for their local community by making use of all available resources (DCLG, 2008). The National Audit Office (2011) suggests that successful commissioning means delivering the right outcomes at the right cost. When comparing this to their definition of value for money, 'the optimal use of resources to achieve the intended outcomes', we can see that successful commissioning, almost by definition, is good value for money.

The Government defines value for money as the optimum combination of whole of life costs and quality (or fitness of purpose) of the good or service to meet the user's requirement; value for money is not the choice of goods and services based on the lowest cost bid (HM Treasury, 2006). HM Treasury (2003) expands on this when it states that wider social and environmental costs and benefits, for which there is no market price, also need to be brought into an assessment. They will be more difficult to assess, but are often important and should not be ignored simply because they cannot easily be costed. The Public Services (Social Value) Act 2012 (HM Government, 2012b) goes further and states that if an authority proposes to procure services, the authority must consider how it might improve the economic, social, and environmental wellbeing of the relevant area, and how in conducting the process of procurement it might act with a view to securing that improvement.

Defining outcomes-based commissioning

Stephens (2012) describes outcomes-based commissioning as a process that focuses on the full value of public spending: social, environmental, and wider economic value, as opposed to a focus purely on cost. Stephens goes on to state that outcomes-based commissioning focuses services on achieving the desired outcomes or impact rather than counting the number of outputs

or activities. Crucial to outcomes-based commissioning are partnership and engagement between partners in service design, as advocated by community budgets.

Cumming, *et al.* (2009) outline a five-stage approach to outcomes-based commissioning.

1 Identify the aspirations of citizens and their communities through community engagement and consultation.
2 Specify these to the delivery agent.
3 Allocate resources.
4 Decide the best means to achieve outcomes.
5 Monitor and evaluate performance.

Cumming, *et al.* (2009) go on to suggest that the key benefits of outcomes-based commissioning are:

- clear definition of the outcomes sought;
- powerful and focused incentives to achieve them;
- full responsibility for their achievement to the service deliverer;
- innovation to find better ways to realise outcomes; and
- freedom to personalise services.

In their description of outcomes-based commissioning, Cumming, *et al.* (2009) present a clear distinction between the service deliverers and the service users; however, Stephens (2012) suggests that outcomes-based commissioning can create opportunities for cooperation and collaboration between providers and citizens, and can also embed a co-production approach within public services.

Mechanism 2: Co-production

Mechanism 1 explored the role of community budgets in bringing together different partners and agencies to change the way services in their collective are governed and managed, fostering a multi-agency approach to provision. It also explored how community budgets were linked to outcomes-based commissioning. Mechanism 2 is co-production, and explores how poverty can be addressed through embedding citizens in the design and commissioning of particular aspects of provision.

Definitions, history and contemporary policy
Defining co-production
Co-production provides a framework for the design, commissioning, and delivery of public services. Rather than a single mechanism, co-production is an ethos and a compressive approach to achieving public outcomes. It proposes a partnership between citizens and public services to better achieve agreed objectives. Under a co-production model, citizens contribute more resources to achieving outcomes, share more responsibility, and manage more risk in exchange for much greater control over resources and decisions (Cahn, 2000).

As public budgets are cut and the recognition that current services are failing spreads, co-production is increasingly being considered by policy-makers. The term 'co-production' was originally used in the 1970s by Professor Elinor Ostrom of the University of Indiana to explain why police need the community as much as the community needs the police.

Rather than a single mechanism, co-production is an ethos and a compressive approach to achieving public outcomes.

It was further developed by Professor Edgar Cahn, the Washington civil rights lawyer, to explain how important neighbourhood level support systems (families and communities) are in achieving desired outcomes of public services. Cahn (2000) outlined some common features of a co-production approach:

- capacity building in communities;
- use of peer support networks;
- the blurred distinction between producers and consumers of services;
- public service agencies becoming catalysts and facilitators rather than simply providers; and
- devolvement of responsibility and encouraging self-organisation.

Advocates of co-production are keen to stress that a tokenistic approach should not be adopted. Although there is no agreed definition of co-production, we must be careful how we use the term (Boyle and Harris, 2009). Boyle and Harris go on to suggest that much of the official discussion about co-production shows only partial awareness of what it means and how it can work.

Co-production is not merely consultation; asking the advice of service users may help to create space for co-production, but can lack continuing involvement in the delivery. Similarly, when communities or users organise provision with no involvement from public service professionals, while it can be of value, it is not co-production. Co-production occurs in the critical middle ground when users and professional knowledge are combined to design and deliver services.

The role of co-production in addressing poverty
The need for co-produced services
Public services have massive power and influence over the shape of society, but over the past 60 years have not managed to significantly narrow inequalities of income or health; neither have they tackled the underlying causes of poverty (Coote and Franklin, 2009). Poverty has been a persistent problem, even during periods of relatively high levels of public spending (*ibid.*).

As public spending is cut, local authorities and other service deliverers across the country are facing tough decisions, with the vast majority of services experiencing declining budgets. In this context, delivering the same services at a reduced scale does not make sense. Co-production is viewed as a new way of working and a means of achieving multiple outcomes through service design; it is designed to complement the community budget, as discussed earlier.

The reason our current services are so badly equipped to respond is that they have largely overlooked the underlying operating system they depend on: the social economy of families and communities (Boyle and Harris, 2009). Boyle and Harris state that the pressures of an ageing society and dysfunctional financial system mean that if we are to have a hope of tackling poverty we need significant public sector reform. They also report that public services face a series of interconnected problems that affect their ability to reform.

- **Marginal choices** – the 'choice' agenda has been at the heart of policy towards public services for most of the past three decades, but there is increasing doubt about whether it can deliver what people actually want. There are a number of problems: some services are not appropriate

for choice (e.g. policing and justice); the choice is often between almost identical services; and choice can erode the relationship between the professional and service user.

- **Centralised decision-making** – control by centralised targets has overwhelmed efforts by public service delivers to innovate. It has also introduced complex and expensive compliance and auditing regimes.
- **Narrow outputs** – the growing contract culture has meant that the ambitions of many public service agencies have narrowed to specific outputs, leaving them with no incentive or means to reach 'upstream' to find ways of tackling the causes of the problems that threaten to overwhelm them and their clients.
- **Prioritising processes over outcomes** – many public sector contracts are paid per activity rather than by outcome; therefore, contract deliverers are keen to deliver the requisite number of activities, even if those activities are not resulting in positive outcomes.
- **Manufactured demand** – focusing on people's needs has disempowered users, particularly when access to services is rationed to those deemed most needy. Responsibility and recovery has to be postponed indefinitely for fear of the service being removed.

How co-production can make a difference
Co-production is a model through which public services can begin to prevent social problems like ill health and crime, understanding that this is only possible by providing a catalyst for citizens to broaden the range of what they do or can do in the future.

- It means public services building mutual support systems that can tackle problems before they become acute.
- It means encouraging behaviour that will prevent these problems happening in the first place, and building social networks that can make this possible.
- It means public services reshaping themselves to build supportive relationships that can help people or families in crisis carry on coping when they no longer qualify for all-round professional support.

Horne and Shirley (2009), in their Cabinet Office Discussion Paper, suggest that a new relationship is needed between service providers and citizens. They point out that neither service providers nor citizens have all the necessary resources to tackle poverty.

Citizens have the local knowledge, skills, and understanding; energy, time, and effort; willpower and motivations; and social relationships within families and communities. Service providers have the money; expert knowledge and skills; energy, time, and labour of service professionals; and leadership and aspirations.

Co-production is a new way of thinking about public services and has the potential to deliver a major shift in the way we address poverty. Enlisting people as co-producers of services has the potential to make services more effective, efficient, and sustainable.

Co-production is a partnership between citizens and public services to achieve valued outcomes (Horne and Shirley, 2009). Cahn (2000) tells us that the most effective partnerships are based on four clear values.

1 Everyone has something to contribute.
2 Reciprocity is important.
3 Social relationships matter.
4 Social contributions are encouraged.

Co-production is a new way of thinking about public services and has the potential to deliver a major shift in the way we address poverty.

These four principles are the bedrock of co-production (Boyle and Harris,

2009; Stephens, *et al.*, 2008). If public services are going to effectively address the causes and consequences of poverty, they need to embrace these four principles. However, there is a need for resource in the form of public service provider leadership in order to enable this to happen, and for local authorities and partners to work together, as advocated in the community budget. We now examine each in turn and assess how they can contribute to addressing poverty.

The role of co-production in addressing poverty

Role 1: Everyone has something to contribute
Services would be more effective if they changed their delivery model from a deficit approach (one that concentrates on people's problems and needs) to an asset-based approach (one that provides opportunities to recognise and grow people's capabilities, and actively support them to put these to use within individuals and communities) (Boyle and Harris, 2009).

One feature of successful co-production is that those who have been receiving services are explicitly told they have to give something back, either to other service users or to the service providers. This can transform the perception of people as passive recipients of services and burdens on the system into one where they are equal partners in designing and delivering services. Encouraging people to recognise their own capabilities can be the first step to helping people improve their situation, and potentially move out of poverty.

Case Study 7: Family Nurse Partnership
The Family Nurse Partnership (FNP) is a preventive programme for vulnerable young first time mothers. It offers intensive and structured home visiting, delivered by specially trained nurses, from early pregnancy until the child is 2 years old. FNP has resulted in a different way of working with the neediest families. It is asset based and focuses on an expectant mother's intrinsic motivation to do the best for her child. MacMillan, *et al.* (2009) undertook an international review of interventions, with FNP named as one of only two programmes shown to prevent child maltreatment.

FNP is being delivered by NHS Lothian City of Edinburgh Community Health Partnership, and involves a team of: one family nurse supervisor; six family nurses; and one administrator/data manager. The team supports 145 families. In addition, Trotter (2011) suggests that FNP can save the public purse £3−5 for every £1 spent. However, the challenge for such a targeted approach is scale of benefit, with a relatively small numbers of families affected.

Role 2: Reciprocity is important
Co-produced services work best when participants are offered a range of incentives which enable people to work in reciprocal relationships with professionals and each other, where they have mutual responsibilities and expectations. Reciprocity ensures that people are actively involved because they are themselves being supported and feel the drive to give something back (Stephens, *et al.*, 2008). The opportunity to feel needed and valued by others can play an important role in increasing self-esteem, personal aspiration and a sense of purpose, which are all important factors in helping people improve their circumstances.

Case Study 8: London Borough of Camden (mental health)

In 2006, the London Borough of Camden launched an innovative intervention to focus their commissioning of services towards outcomes, rather than just counting the number of people going through services. Working closely with the council's local providers and service users, the new economics foundation (nef) developed a model that allows commissioners to take account of social, environmental, and economic impacts.

It was initially applied to a mental health day care service; those bidding for the contract were asked how they would achieve wider training and employment outcomes, improved wellbeing, more community participation, and better social networks.

The winning tender was a consortium of Camden-based voluntary and community sector organisations: MIND in Camden, Holy Cross Centre Trust, and Camden Volunteer Bureau. The consortium advocated a co-production approach, which uses timebanking and peer support approaches to create a mutually supportive network of people around the service. The approach, and other similar service designs in Camden, has brought a number of benefits.

- It has enabled human capital to be developed and a wider set of resources to be utilised in the design and delivery of services.
- It has brought organisations out of their silos and enabled a joint approach to a common cause.
- It has brought efficiencies as a result of being based on real as opposed to perceived community knowledge.
- It has brought savings as a result of reducing the need for people to be referred to more specialist forms of care.

Role 3: Social relationships matter
Engaging peer and personal networks alongside professionals is the best way of transferring knowledge and supporting change (Boyle and Harris, 2009). Social networks, especially families and communities, are vital for achieving change (Horne and Shirley, 2009). Peer support networks can encourage support and share knowledge. A feeling of isolation is often cited as a consequence of poverty (Cripplegate Foundation, 2010); helping people engage with others can alleviate this and help transfer knowledge that can begin to tackle the causes of poverty (e.g. access to services).

Role 4: Social contributions are encouraged
Services need to recognise the unpriced and often unvalued work of families and communities, not just people's financial contributions. Work should be defined to include anything that people do to support each other, breaking down the divisions between professionals and service users (Stephens, *et al.*, 2008). Services need to recognise the commitment and energy of people who work 'informally' through the 'core economy' to improve their communities (Cahn, 2000).

Case Study 9: London Borough of Camden (anti-social behaviour)

Camden had been experiencing chronic anti-social behaviour, rising youth crime, and high youth unemployment. There were inter-generational tensions as many people were hostile towards young people, which led to some young people feeling excluded from the community. The Youth Timebank project, run by Castlehaven Community Association, aimed to address these issues by reducing youth crime in the local area and building better relations between young people and others in the community.

The Youth Timebank was modelled on the existing Adult Timebank run by the Castlehaven Community Association. The Timebank allowed young people to earn credits for work they carried out in the community, such as gardening, litter picking, or IT training. The credits they earned could be exchanged for rewards, such as cinema tickets or gym sessions. Community groups that used the facilities made available by the Community Association provided volunteering opportunities for the young people to contribute to community projects.

Castlehaven Community Association worked with local schools to publicise the project and bought rewards from local businesses. Local groups supported the project by providing volunteering opportunities, and the police also supported the initiative.

The project has begun to improve community relationships by engaging new young people in volunteering without excluding young people already active in the community. The project enabled young people to work alongside other members of their community and improved adults' perceptions of the young people. It also enabled young people to use their skills and contribute to the community, which benefits the other community groups and gives the young people a sense of purpose when work is scarce.

These four principles can be used to guide a co-production approach. Where a co-production approach is adopted, it means a huge shift of focus for public services: no longer looking inwards to targets and procedures, but increasingly looking outwards to local neighbourhoods, creating supportive social networks, seeking out local energy to help deliver and broaden services, and seeing clients for what they can do, not just what they need (Boyle and Harris, 2009). By working alongside the people they are supporting, public services can dramatically increase their resources, extend their reach, and radically transform the way they operate.

Mechanism 3: Procurement

Definitions and history
Definition of procurement
Public procurement is the process utilised by the public sector, including central government departments, local authorities, and health trusts, to purchase goods and services. The National Procurement Strategy for Local Government defined procurement as

[…] the process of acquiring goods and services, covering both acquisitions from third parties and in-house providers. The process spans the whole cycle from the identification of needs through to the end of a service's contract or the end of the useful life of an asset.
– HM Government, 2003, p. 17

Procurement and regulation
Historically, the process of procurement has been driven by regulations from the European Union, focused on encouraging fair competition and trade between businesses across member countries. This principle forms a key component of the European Procurement Directives, with procurements over a certain threshold[3] required to be advertised Europe-wide through the Official Journal of the European Union (OJEU).

This regulatory emphasis has meant procurement has often been undertaken in central and local government in a risk-averse and bureaucratic fashion, with a particular focus on price. Chinnock and Collinson (1999) argue that a narrow emphasis on value for money deters procurers from pursuing wider social or economic objectives through the process, with this emphasis also reflected in the way in which the UK Government has historically approached procurement policy-making – with the focus being on efficiencies, as advocated by the Gershon Review (2004).

Towards sustainable and progressive procurement
In recent years, sustainability and progression have begun to be embedded in procurement language. The Government has realised that procurement can and should bring wider benefits to communities, beyond the provision of a services. This is reflected in the Government's definition of sustainable procurement as

[…] a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis, in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.
– HM Government, 2006, p. 10

This emphasis on sustainable procurement has characterised a number of aspects of legislative processes, including the 2007 Local Government and Public Involvement in Health Act and the 2008 Sustainable Communities Act (HM Government, 2007; 2008). Local government has the flexibility to consider the promotion of economic, social, and environmental wellbeing of its area in anything that it does. The 'take up' of such opportunities has, however, been poor and many local authorities have remained trapped in a risk-averse procurement culture (Jackson, 2010). Indeed, sustainable procurement has remained the practice of the minority.

Contemporary policy and approaches
The scale of procurement
The current Coalition Government has begun to recognise the scale and importance of public procurement, largely as a result of the size of expenditure by central and local government. In 2011, central government spent £240 billion on purchasing goods and services, with local government spending £88 billion (HM Treasury, 2011).

This recognition is also reflective of austerity measures; the need to make processes less bureaucratic; the need to nurture delivery by small businesses,

social enterprise, and voluntary and community sector organisations; and the need to link procurement to wider economic, social, and environmental issues (Maude, 2012).

Emerging policy
The recognition of the importance of procurement is reflected in emerging policy. In England, the Public Services (Social Value) Act (HM Government, 2012) requires certain public authorities (notably local authorities) in the pre-procurement stage to consider to economic, social, and environmental wellbeing in connection with public services contracts, and for connected purposes. While this is positive, in terms of potentially opening up markets to social enterprise and achieving social outcomes through procurement, the primary objective of procurement officers remains the same: ensuring practice is legally binding, cost-effective, and of good quality.

In Scotland, the Procurement Reform Bill (Scottish Government, 2012), which forms part of the wider public service transformation agenda, seeks to ensure the process of procurement is less bureaucratic and more reflective of economic growth considerations. In this, there is greater consideration of economic and social value in the commissioning and tendering process.

In Wales, the McClelland Review (2012) concludes with a number of recommendations to change process and practice, including the consolidation of policy and practice into a single document.

In Northern Ireland, the Local Government Best Value Order (Northern Ireland) 2012 (HM Government, 2012a) enables local authorities to consider the inclusion of social clauses in their contracts. This provides authorities with greater opportunity to create jobs and apprenticeships through procurement, for example.

This emphasis on maximising benefit is also beginning to transpire in consultation on European procurement regulations. The Europe 2020 Strategy (European Commission, 2012) reflects the continued importance of keeping markets open across Europe. However, it seeks to make procedures simpler and more flexible to enable greater involvement and delivery by small businesses, and voluntary and community sector organisations.

Role of procurement in addressing poverty
Procurement and maximising benefit
The outline above has highlighted that central government is increasingly recognising the importance of public procurement and its role as a lever in stimulating wider economic, social, and environmental benefit, and that local government is being given the scope to enable this to happen. The questions remain, however, as to what wider issues can be addressed through procurement, and how it can relate to the challenge of poverty.

Public procurement, notably in terms of construction projects, can be used to create jobs, apprenticeships, and training opportunities (Macfarlane and Cook, 2002).[4] Jackson (2010) lists five areas in which procurement can contribute to wider issues.

1   It can create new jobs and sustain existing ones.
2   It can create jobs which tackle worklessness and cycles of deprivation.
3   It can support the sustainability of existing business and the creation of new business.
4   It can lead to the circulation of spend in local economies.
5   It can develop skills.

Public procurement, notably in terms of construction projects, can be used to create jobs, apprenticeships, and training opportunities.

The core literature around the role of procurement in addressing wider challenges tends to focus broadly on wider economic, social, and environmental benefits, as opposed to poverty. However, the principles of such literature can be used to identify the following seven potential roles for procurement in addressing poverty. The following section provides examples of where such roles have been utilised and their effectiveness.

Role 1: Procurement can lead to direct spend in areas of deprivation
Procurers in the UK spend a third of all government expenditure on purchasing goods and services. This will be spent with organisations ranging from multi-national private sector organisations, to small businesses, to voluntary and community sector organisations.

Importantly, some of these organisations will be based in neighbourhoods characterised by deprivation. This base could be an indigenous local business employing people directly resident in that neighbourhood; a social enterprise with affinity to addressing outcomes in that neighbourhood; or a national organisation with a branch or presence in that neighbourhood.

Therefore, procurement spend brings income into those communities and potentially jobs and supply chain opportunities. Jackson (2010) argued that the starting point to using procurement in addressing wider challenges was to understand where procurement spend is going and the extent to which it is already spent in areas of deprivation. In much of the research around procurement and deprivation, the geography of deprivation has been informed by correlating supplier postcodes with the Index of Multiple Deprivation, particularly localities in the 10 per cent most deprived nationally.

Specifically, public authorities can undertake supply chain analysis and multiplier studies utilising tools such as Local Multiplier 3 (LM3), which was developed by the new economics foundation (2005). LM3 enables the flow of money into an economy to be explored and, through postcode analysis, the direct flow into areas of deprivation to be established. LM3 derives a multiplier ratio by exploring: the total spend of an organisation or project; the extent to which procurement spend is with suppliers based in a defined local economy; the extent to which employees working for an organisation or project live in a defined local economy; and the extent to which suppliers and employees re-spend back in the defined local economy. Authorities are increasingly becoming aware of the importance of understanding the impact spend can bring for local economies, and are thus developing their skills internally in undertaking supply chain analysis. However, this capacity building and expertise needs to be cross-departmental and not just reliant on procurement teams.

Case Study 10: Manchester City Council

Jackson (2010) applied the principles of LM3 to Manchester City Council's procurement spend of £900 million. Focusing specifically on the top 300 suppliers (spend of £357 million), the study found that: 51.5 per cent was spent with suppliers and contractors based in the Manchester City Council boundary; and £87 million was spent with suppliers based in Manchester neighbourhoods in the 10 per cent most deprived nationally (47.6 per cent of all Manchester-based spend).

The impact of the study resulted in procurement officers thinking about where their procurement spend was going, and how procurement linked to wider economic and social priorities. It also triggered a host

of strategic activities, such as the formulation of a cross-departmental procurement working group, designed to foster improvement in procurement practice across local authority departments and ensuring circulation of investment in deprived neighbourhoods – effectively a change in culture. The outcomes of such activity are detailed in Case Study 15

Role 2: Procurement can lead to indirect spend in areas of deprivation
Investment in a business or a voluntary and community sector organisation based in a deprived neighbourhood can also lead to a multiplication of spend in that community. The employees of the supplier will spend proportions of their income in that locality, thus supporting local shops and services; and the supplier theoretically will utilise local businesses in their supply chain, thus promoting sustainability. The new economics foundation (2005) argued that public spend could contribute to regeneration in deprived communities through two means.

1 Developing local solutions to public service delivery keeps money circulating in the local economy, which is critical to long-term regeneration.
2 The process of developing local solutions raises capacity and expertise of local people and enterprises, making them more competitive as a whole.

Case study 11: Swindon Commercial Services

A 2008 study from the Association for Public Service Excellence (APSE) built on the principles of LM3 to explore the economic footprint of a frontline public service department. The LM3 ratio for Swindon Commercial Services was 1.64, meaning that every £1 spent generated 64 pence of local economic benefit for the Swindon economy. This included reinvestment back in the Swindon economy and areas of deprivation by direct employees and suppliers. This provided the authority with a promotional figure, highlighting local spend, and also a benchmark for facilitating improvement and more effective relationships with suppliers. The impact has been profound: it has enabled the value of public services to be identified and has changed practice in procurement cultures to be more reflective of the added value that can be achieved through the process.

Role 3: Procurement can create jobs and apprenticeships
Procurement, through associated clauses around targeted recruitment, and apprenticeship and training schemes, can create direct jobs. There is a recognised link between being out of work and poverty (Nickell, 2003). Public expenditure may directly bring 'trickle down' effects for disadvantaged communities through new job opportunities, according to Macfarlane and Cook (2002). However, they also argue that the procurement process is an opportunity to further maximise this 'trickle down' effect through targeted recruitment and training.

Best value legislation enables public procurers to stipulate, as part of the tendering process, that contractors are expected not only to deliver a service but also to meet a wider set of outcomes that may include the provision of labour, the creation of apprenticeships, or the development of

a community centre. These are commonly referred to as social clauses or community benefit clauses. Historically, such clauses have tended to be in the construction sector and utilised on a 1 apprentice for every £1 million spend basis. Public authorities are, however, seeking to widen the scope of such clauses and, indeed, voluntary agreements with suppliers.

In the US, the Evergreen model[5] has been heralded as a means of creating employment and procuring on a local footprint. Funded through an endowment fund, the Evergreen model has developed worker-led cooperatives to deliver key local public services, such as grounds maintenance and hospital cleaning. The value of such an approach is that it has enabled jobs to be created for local residents and supported those away from the labour market into employment opportunity.

Case Study 12: West Midlands Framework for Jobs and Skills

The West Midlands Economic Inclusion Panel (2010) has produced a framework for how public sector organisations can increase access to jobs and skills opportunities through procurement exercises. The framework is based around four approaches:

1 charters, where public sector organisations share their strategic priorities to address worklessness with current and prospective contractors;
2 voluntary agreements, where public sector organisations work with existing contractors to secure informal commitments to achieving jobs and skills outcomes;
3 contract clauses, where public sector organisations include contractually binding jobs and skills clauses within specific procurement exercises; and
4 application of contract clauses, where public authorities monitor performance against skills and employment commitments through monitoring.

The impact of the framework has been the creation of sustainable jobs through capital projects and the adoption of a number of local authorities, other public sector partners, and LEPs across the West Midlands. The framework has been used in the development of the new library in Birmingham, with the anticipation of 250 job opportunities for people living in priority wards, of which 25 will be apprenticeships.

Case Study 13: Raploch Housing Development and Glasgow Housing Association

Some further case studies exist on how social clauses have been utilised to address wider challenges, notably around employment. The Scottish Government (2008) and Investment Strategy Northern Ireland (2010) both provide case studies of where public authorities have used community benefit clauses to ensure contractors provide training and employment opportunities over the lifetime of a project. The Raploch Housing Development has created 225 training and employment new entrant places over a ten-year programme, and Glasgow Housing Association has created 10,399 person weeks of apprentices (Investment Strategy Northern Ireland, 2010).

Role 4: Procurement can develop the local business and social sectors
Procurement can support the development of voluntary and community sector organisations, particularly in the procurement of services that are public facing, such as adult social care and services targeted at individuals living in poverty (e.g. debt advice services). The principles of literature from overseas about aid spending could also be applied in a UK context. Donor governments should ensure that the purchases they make as part of their aid spending on goods and services support developing countries' efforts to become self-sufficient and build their own national private sector and technical capacities (Chinnock and Collinson, 1999). Applying such principles to the procurement of a voluntary and community sector organisation to deliver a service can also develop the skills of other organisations in that locality to bid and potentially deliver services. Similar principles of capacity building and developmental activity in relation to procurement also apply to the small business sector and small- to medium-sized enterprises (SMEs).

Case Study 14: Cheshire West and Chester Council

CLES (2013) has designed a framework of mechanisms that public authorities can utilise at various stages of the procurement process to enable and maximise economic, social, and environmental benefits, and consequently address poverty. Mechanisms include: online portals; targeted market testing with small businesses; and monitoring of locally defined outcomes.

Cheshire West and Chester Council has used the aforementioned CLES framework to identify progress and gaps in relation to its procurement processes, and where there is potential to enable and maximise benefit through procurement. Some of the mechanisms are already in place and are bringing wider benefits for communities and providers.

Reduction in bureaucracy around tender documentation is opening up the process to smaller businesses; packaging of contracts has brought fresh food from local sources for school lunches and a 10 per cent efficiency saving; and 40 apprenticeships have been created through voluntary arrangements with suppliers providing revenue-focused services. The mechanisms are based around better engagement with the supply chain, and more effective cross-departmental working within the authority, in order to enable wider outcomes.

Role 5: Procurement can influence the behaviour of the supply chain
Procurement can be used as the means through which public authorities influence the behaviour of their supply chain, particularly in terms of their practices around recruitment, their own supply chains, and the environment. Authorities can voluntarily influence the behaviour of suppliers by making them aware of the challenges facing their locality, such as worklessness, poverty, and business liquidation. The Environmental Association for Universities and Colleges (2010) has argued the importance of embedding poverty awareness as part of wider sustainability criteria in procurement, suggesting that the actions resulting from institutional procurement can have an impact on poverty across the globe.

Public authorities can, therefore, seek to influence the behaviour of suppliers based in areas of deprivation by making them aware of challenges

such as worklessness, and encouraging them to adapt their recruitment, supply chain, and environmental choices to be reflective of those challenges.

> **Case Study 15: Manchester City Council**
>
> Following on from the recommendations of Jackson (2010), Manchester City Council has undertaken a range of strategic activities designed to progress their procurement practices and influence the behaviour of the supply chain. This has included the development of cross-departmental procurement working groups, supplier networks, gap analysis, influencing activities with suppliers based in areas of deprivation (those suppliers with a base in neighbourhoods in Manchester in the 10 per cent most deprived nationally), and the development of an outcomes framework for monitoring suppliers against wider economic and social indicators. The outcome of such strategic activities has been positive and has changed the way in which both procurement officers and suppliers think.
>
> In terms of the procurement process, spend and re-spend in the local economy has increased, as has spend in areas of deprivation: 54 per cent of spend in 2011/12 was with suppliers and contractors based in the Manchester City Council boundary (increasing from 51.5 per cent); the proportion of spend with Manchester-based businesses in areas of deprivation increased to 53.1 per cent (from 47.6 per cent); and suppliers re-spent 47 pence in every £1 in the Manchester economy (from 25 pence in every £1).

Role 6: Procurement can enable better living standards
Poverty is not just about those out of the labour force; there is increasing evidence that low pay and welfare reform is exacerbating poverty. This is reflected in the latest poverty statistics, with Goulding (2012) highlighting that 61 per cent of children in poverty have working parents, up from 45 per cent in the mid-1990s.

Procurement can therefore address in-work poverty and poor standards of living by encouraging and requiring suppliers to pay their employees a living wage. The Scottish Living Wage Campaign (2012) has called on the Scottish Government, as part of its Procurement Reform Bill, to require that the living wage is part of any organisation's bid for a public sector contract, arguing it benefits not only the employees of suppliers, but also the practices of those suppliers, and the economy more generally. However, evidence of the use of the living wage being built into procurement is rare, predominantly as a result of the culture of procurement and the need for stronger political leadership to enable it to happen.

Role 7: Procurement can create social benefit
As already discussed, the Public Services (Social Value) Act requires public authorities to actively consider how what they procure contributes to wider social benefits. As such, there are a number of social benefits that this legislation could enable, with subsequent potential impacts on addressing poverty.

The London Borough of Croydon (2012) highlights a number of benefits that could be created through the Act and through procurement to bring social benefit. These include: creating employment opportunities for the long-term unemployed or NEETs (those not in education, employment, or

training); creating supply chain opportunities for SMEs and social enterprise; and encouraging community engagement in commissioning. However, to enable this to happen, public authorities need to be proactive by twinning procurement priorities to wider corporate priorities, and consistently monitoring the contribution of the supply chain through such priorities.

Case Study 16: Redgate Holdings and Manchester City Council

The influencing work of a local authority has also brought dividends for job creation in deprived neighbourhoods by suppliers. An example is Redgate Holdings:

> [...] based in Gorton, one of the most deprived wards in the city, Redgate have adopted the Council's principles around enabling local economic benefit through procurement. They are one of many suppliers that have adapted their supply chains to think about utilising Manchester based business and focused upon Manchester residents for job opportunities. In 2012 they created nine new jobs, all of which went to local residents, and another four jobs are planned by April 2013.
>
> – Murphy, 2013, p. 8

4 RECOMMENDATIONS

This chapter of the report seeks to provide a set of recommendations or considerations for local authorities, other agencies, and stakeholders to utilise when designing and delivering services. The emphasis is on the place-based mechanisms identified in Chapter 3, and how the principles can be used to ensure that services can be designed and delivered, with addressing poverty as a theme flowing throughout the process.

The elements of the recommendations draw on the roles and case studies identified in Chapter 3 and are related to four themes or stages of local authority and wider stakeholder practice (the considerations are designed to be chronological, but all are interlinked):

1 governance and strategy;
2 service design and commissioning;
3 procurement;
4 delivery.

Governance and strategy

There are a range of recommendations that local authorities and partners could consider in relation to poverty when it comes to governance and strategy.

Recommendation 1: Undertake poverty assessments

Local authorities and partners in the wider public and voluntary and community sectors could undertake poverty assessments to identify the scale of the challenge in their locality, and the geography of any particular issues around worklessness, low pay, and food and fuel poverty. The assessment could in turn inform corporate and specific priorities around addressing poverty and subsequently the design of services and intervention across stakeholders.

Recommendation 2: Adopt addressing poverty as a cross-organisation corporate objective

Where poverty is identified through poverty assessments as a key challenge for a locality, or for a particular neighbourhood, local authorities and partners could adopt it as a core priority in corporate and community policy and strategy. Partners would be made aware of poverty being a key priority and, as such, act as a 'golden thread' in all service design and delivery activity. In the principles of a whole place approach, partners would also sign up to addressing poverty as part of their policy and practice.

Recommendation 3: Train staff

Local authorities could look to train both internal staff and partners about the principles of embedding wider economic, social, and environmental considerations into the design of services. This progressive training could also utilise the poverty assessments and corporate priority, as a means of ensuring all service commissioning activities, procurements, and service delivery activities are reflective of addressing poverty considerations. This will be particularly relevant for service commissioners and procurers.

Recommendation 4: Undertake cross-partner service reviews

Local authorities, other agencies, and stakeholders could scope the potential for adopting a whole place or neighbourhood community budget approach to service delivery by undertaking reviews of how services are currently delivered. This could serve the purpose of identifying any duplication in provision, the impact of current provision on wider outcomes, and the scope for more collaborative and partnership approaches to delivery. This would in turn inform the design and commissioning of services, and identify any alignment to wider priorities, such as addressing poverty.

Service design and commissioning

There are a range of recommendations that local authorities and partners could consider in relation to poverty when it comes to service design and commissioning.

Recommendation 5: Design services around outcomes

Local authorities, other agencies, and stakeholders could base service design around outcomes as opposed to outputs; thus, any provision should be reflective of poverty assessments and wider economic, social, environmental, and poverty-based corporate priorities. This enables a corporate, cross-departmental and cross-partner reflection on addressing poverty in all services. Potential deliverers of services could also be made aware of such an outcome-focused approach and the requirement to deliver on wider outcomes beyond the provision of the service.

Recommendation 6: Identify services for community budgets

Local authorities, other agencies, and stakeholders could utilise cross-partner service reviews to identify services where there is scope for collaboration between partners and community budgets. To ensure they are aligned to address poverty principles, these services need to have the scope to address multiple disadvantage (e.g. health and employment provision). Where a poverty assessment has identified concentrations of poverty in particular neighbourhoods, participatory budgets and devolved budgets could be utilised to address particular issues.

Recommendation 7: Identify services for co-production

Local authorities, other agencies, and stakeholders could utilise voluntary and community sector reviews to identify services where there is scope for co-production. This could be based on services where there is an alignment to corporate priorities around poverty; and where there is identified capacity in the voluntary and community sector to engage communities and deliver on such aspirations. Once services have been identified, market testing exercises could be undertaken with the voluntary and community sector to scope the nature of the service and the types of poverty-related outcomes expected.

Recommendation 8: Identify wider benefits

Local authorities, other agencies, and stakeholders could look to engage more closely with small businesses and the voluntary and community sector to identify the wider economic, social, environmental, and poverty-related benefits which can be achieved through service delivery. This consultation could in turn inform what is asked of potential suppliers in procurement exercises, the criteria adopted in procurement decisions, and the delivery of provision.

Recommendation 9: Gather business intelligence

Using the intelligence gathered in the poverty assessment and the identification of priority neighbourhoods, local authorities, other agencies, and stakeholders could look to gather intelligence about the types of businesses operating in those neighbourhoods and whether there is scope for them to bid for service delivery and goods provision opportunities. This could be undertaken with a view to offering capacity building support and enabling involvement in the procurement process, so that potentially more money can circulate within deprived neighbourhoods.

Procurement

There are a range of recommendations that local authorities and partners could consider in relation to poverty when it comes to procurement.

Recommendation 10: Use targeted recruitment and training clauses

Local authorities, other agencies, and stakeholders could make much more effective use than is currently the case of clauses in procurement contracts to create jobs and enable apprenticeships and training. Clauses around supporting employment in deprived communities (local and non-local) should be built into capital side (construction) and revenue side procurement above sensible thresholds. Clauses have the potential to address poverty in deprived communities through creating sustainable employment and addressing skills gaps.

Recommendation 11: Simplify the process of procurement

Local authorities, other agencies, and stakeholders could undertake a range of activities to simplify the process of procurement and enable local and small businesses and the voluntary and community sector to become more aware of procurement opportunities. This can involve the simplification and standardisation of pre-qualification questionnaire documentation, the use of portals and procurement guides to raise awareness, and capacity building support. It can also include the breaking down of below OJEU threshold contracts into lots, to enable small businesses in particular to bid. The

purpose of such an approach is to attract organisations to the process which may have an affinity to a particular locality or neighbourhood, and be able to address some of the issues facing it beyond delivery of the service.

Recommendation 12: Share corporate priorities with potential supply chains

Local authorities, other agencies, and stakeholders could look to influence the response of potential suppliers to tender exercises by issuing (alongside tender documentation) summary information about key local authority priorities. This in theory will enable potential suppliers to detail in their tender responses how they will add value beyond the provision of the service, in terms of tackling issues such as worklessness and addressing poverty.

Recommendation 13: Embed poverty consideration into tender criteria

Given the legislation of the Public Services (Social Value) Act, local authorities and other relevant organisations could look to consider, as part of the pre-procurement exercise, how the provision will impact on addressing poverty. This should be twinned in the decision-making criteria, with a proportion assigned to poverty considerations. This can be in isolation or aligned to wider criteria around sustainability or social value. An element of poverty criteria could be around expectations on suppliers to pay a living wage. Authorities need to remain reflective of the fact that there are significant legal issues in relation to the procurement process, particularly in areas that the Public Services (Social Value) Act does not enable.

Delivery

There are a range of recommendations that local authorities and partners could consider in relation to poverty when it comes to delivery.

Recommendation 14: Continually monitor contribution towards poverty outcomes

For many local authorities, other agencies, and stakeholders, a procurement exercise ends when a contract is let and the appointed supplier goes out and delivers the service. This should not be the case: monitoring the benefit a supplier is bringing to a locality in economic, social, environmental, and poverty terms should be a key part of a cyclical approach.

Local authorities could therefore develop a set of common indicators that suppliers provide data against throughout the lifetime of their relationship with the local authority. This will provide authorities with a wider understanding of the added value derived through service delivery and the contribution towards poverty outcomes.

Recommendation 15: Influence the behaviour of the existing supply chain

Local authorities, other agencies, and stakeholders could look to identify and influence parts of the existing supply chain that are based in areas of deprivation. This can be done through regeneration and economic development teams; the poverty assessment; making suppliers aware of issues; and seeking voluntary agreement to seek to address some of the issues through service delivery.

Recommendation 16: Join up governance arrangements and partners

The current approach of the Coalition Government to economic policy and addressing poverty is disparate and lacking in linkages. For the place-based mechanisms discussed in this report to be effective, they need to be linked to wider economic growth vehicles such as LEPs, City Deals, EZs, and employment programmes such as the Work Programme. Local authorities could act as the conduit for this link, drawing together key partners, embedding priorities around addressing poverty, and enabling change in practice, to ensure addressing poverty runs through it as opposed to just economic considerations. The delivery of these economic growth vehicles also needs to be reflective of social growth and poverty concerns; as such, these priorities should be inherent in LEP strategies for local growth.

5 CONCLUSIONS

Over the past three years, local authorities and partners in places have been subjected to an unprecedented series of challenges. The core grant and resource to local government has been reduced; area-based resource for neighbourhood level regeneration has been removed; and the relationship between centre and local has changed as a result of localism. The approach of both central and local government has had knock-on effects for communities and for some of the core challenges our places face around worklessness and alleviating poverty.

With less resource and capacity, the role of local authorities and partners in tackling poverty has become harder; nevertheless, there are a range of new and emerging place-based mechanisms. These include: place leadership and local governance; community budgets; outcomes-based commissioning; co-production; and procurement.

This work has posited that these approaches have the potential to make a difference to poverty through:

- maximising the impact of resources through commissioning and procurement;
- making efficiencies and directing activity through aligning provision;
- relating service change to service user; and
- changing the role of the local authority to act as a wider enabler and tackler of poverty through place-specific governance approaches.

In exploring this potential of place-based mechanisms as a means of addressing poverty, we have considered:

- the history and policy relevance of the mechanisms of place leadership and local governance, community budgets, outcomes-based commissioning, co-production, and procurement;
- the real and potential roles for the identified place-based mechanisms to address poverty; and

- the means by which addressing poverty can be embedded in the principles of each of the place-based mechanisms through a series of criteria or considerations.

This work has found that the use of place-based mechanisms in addressing poverty has significant potential, but is underutilised. Place-based mechanisms have been used at the margins, as opposed to in the mainstream of an approach to tackling poverty.

Nevertheless, there is potential. Procurement has been used to create jobs through community benefit clauses, and whole place and neighbourhood level community budgets have been used to draw together partners and resource in place to tackle particular issues.

However, the above activities are far from ingrained in local strategy, and the link with poverty is too often tangential rather than direct; this is the case at both local and central levels.

Moving forward, CLES believes that each of the place-based mechanisms identified and explored in this report has the potential to contribute more to addressing poverty. The key to accelerating the potential is for a city, or an area that has an avowed aim of addressing poverty, to ensure the place-based mechanisms are more directly addressing poverty.

To achieve this, poverty must become embedded in the 'corporate brain' of local stakeholders, including the local authority. This could be achieved through:

- adopting a systematic approach to utilising place-based mechanisms to address poverty, which flows from evidence and assessment;
- advancing the cultural will within place to utilise mechanisms to address poverty;
- making direct links between poverty and the work of LEPs and Health and Wellbeing Boards;
- willingness to take risks and innovate across partners, particularly in relation to public procurement and the benefits which can be derived and maximised;
- advancing community budgets as the norm of place-based activity – twinning partner priorities, resource, and activities will ultimately enable efficiencies and more effective services; and
- encouraging experimentation and stretching of these place-based mechanisms.

It may be that these sets of activities could be achieved more readily through the development of a corporate, cross-sectoral 'poverty unit' or 'poverty lab'. Inevitably, there are a range of blocks, blockers, and barriers to a place-based approach to addressing poverty, including:

- the centralist nature of the UK Government;
- the unwillingness of some local authorities and partners to take risks;
- the perceived and real hierarchical nature of place making; and
- the potential tokenistic perception of citizen involvement.

Through this research, we hope there is sufficient evidence that with acceleration, impetus, and push, the identified place-based mechanisms can have an impact on addressing poverty. As well as the local narrative around poverty, it is also important to stress the value of place-based mechanisms in meeting national and central government priorities in relation to jobs and growth, as well as in being utilised as key enablers of localism.

Use of place-based mechanisms in addressing poverty has significant potential, but is underutilised. Place-based mechanisms have been used at the margins, as opposed to in the mainstream of an approach to tackling poverty.

NOTES

1   Westminster City Council, London Borough of Hammersmith and Fulham, and Royal Borough of Kensington and Chelsea.

2   Equally Well is a Scottish Government policy that aims to reduce health inequalities in Scotland.

3   From 1 January 2012, the EU thresholds were: above £173,934 for supplies and services, and above £4,348,350 for works.

4   The Joseph Rowntree Foundation will be publishing an update of this *Achieving community benefits through contracts* report in Autumn 2013.

5   http://evergreencooperatives.com/

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