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To all Local Authority Chief Executives

Dear colleague,

COMMUNITY BUDGETS

You will see in my newsletter to Local Authority Chief Executives a brief mention of recent announcements on Community Budgets. I wanted to write in more detail about the full range of Community Budgets activity and draw your attention to a number of exciting opportunities to get involved.

Community Budgets enable local public service partners to work together to redesign services across boundaries and pool budgets as they see fit, improving outcomes and reducing duplication and waste. They are developing into a powerful tool for driving change. I have been struck by the number of councils not only wanting to pursue a Community Budget for families with multiple problems, but wanting to use the approach to tackle other issues and press for the radical approaches we recently announced. There is belief in the concept – we now need to develop and apply it together and demonstrate its power through real change and improvement in service delivery, outcomes and efficiency.

Delivering on the first phase of Community Budgets

The first 16 Community Budgets for families with multiple problems (20 per cent of English councils) are being implemented on time and are showing what can be achieved. They have taken less than six months to set themselves up and start implementing plans to help at least 10,000 problem families over 4 years. Councils like Swindon, Westminster and Leicestershire say the Community Budget approach will enable them to reach all families with multiple problems living in their area in the next 3 years; Salford have shown how the £200,000 cost of one such family was cut by two thirds as a result of their Community Budget; and Islington and Lewisham are looking beyond families with multiple problems at other family groups that are high cost and high risk to find more efficient and effective ways to support families.

We have learned that we are on a journey with areas and establishing a Community Budget is challenging. The support we are providing to the first 16 will benefit the next phase of Community Budgets. This includes:

- Senior Whitehall Champions for each area to act as a critical friend and provide a direct route in to Government to tackle barriers.
- Lord Bichard's group of senior local and central government representatives to work through the detailed design and implementation of new service delivery models and deepen and widen their alignment and pooling of funding.
- Baroness Hanham's Political Leadership Group which has brought together a number of Leaders from the first phase of Community Budgets to work intensively on tackling the barriers to local ambition. This is a place to raise issues and have debates. The Group's focus is to quickly find solutions to the barriers and develop these into learning and tools to support the next phase of Community Budgets. The councils leading this work aim to produce a series of products shortly including: a definitive and practical data sharing guide, a package of business case and costs benefit tools, a blueprint for simplified assessment and a paper capturing governance and leadership learning from across the first 16 Community Budget areas.

Roll out of Community Budgets for Families with Multiple Problems

Baroness Hanham and Tim Loughton wrote to Leaders on 7 July, following the Deputy Prime Minister's announcements at the LGA Conference (the press notice is available at: <http://www.communities.gov.uk/news/newsroom/1933560>) inviting further councils to express an interest in establishing a Community Budget around families with multiple problems.

Areas in the next phase will be able to take advantage of emerging flexibilities; benefit from support jointly developed with the Local Government Group; and, access an advance on the Department for Education (DfE) Early Intervention Grant to help with the upfront investment needed to redesign services, returnable as areas' redesign starts generating efficiencies and savings. For further details see: <http://www.education.gov.uk/childrenandyoungpeople/families/multipleproblems/a0078047/community-budgets>

We want to roll out Community Budgets for families with multiple problems to about another 50 areas by April 2012. If you are interested in being one of these areas, please contact michael.read-leah@communities.gsi.gov.uk or kevin.davies@communities.gsi.gov.uk by **9 September**.

Community Budgets for other local priorities

Some areas are already successfully applying the Community Budget approach to tackle priority issues beyond families with multiple problems. For example, Lincolnshire is working on:

- Excellent Ageing – a programme to provide long term solutions which will enable people in Lincolnshire to enjoy an active and happy later life;
- Total Environment – a programme to deliver improved value for money from all flood risk, drainage and water management resources.

We welcome this. And, we are working with the Local Government Group to see how more of this can happen and how we can, together, support areas to take these

Community Budgets forward and facilitate the removal of barriers. We would welcome expressions of interest in establishing Community Budgets around other local priorities. Please contact michael.read-leah@communities.gsi.gov.uk if you are interested.

Radical Future for Community Budgets

We are also taking practical steps to explore a very radical approach to Community Budgets. This responds to the well established argument Councils have been making for a single budget covering all funding on local public services in an area. We want to test two different approaches:

1) We will work with two areas to co-design a neighbourhood-level Community Budget. We will support the areas in a way which enables the local community to co-design with local partners the service solutions which address their priorities and allows them control or influence over the budgets which help achieve their goals. This strand of work will put communities in the two areas firmly on the front foot to shape and control the services that matter to them.

2) We will also work with a further two areas to co-design a Community Budget which brings together all funding on local public services in an area into a single pot. The local areas selected in each case will be strong equal partners with a senior team from Whitehall. The team will work intensively over 6-9 months to develop an Operational Plan for how a single budget for a place can be achieved, the outcomes it will deliver, the service transformation required to deliver the outcomes and how the single budget would operate. We would hope the results of this work would be available towards the end of 2012. If this design work is successful then it will be the shape of things to come.

We expect to issue a prospectus in early September inviting areas to set out their case for being one of the neighbourhood or single budget pilot areas by the end of September, and hope to announce the selected areas by Christmas. For more information, please contact ashley.pottier@communities.gsi.gov.uk.

As you can see, there is a lot going on. There is much that has already happened that we can be pleased with. Equally, there is a big challenge ahead for local government and Whitehall to work together to make Community Budgets a truly transformatory approach to local public service delivery. There are some exciting opportunities ahead and I hope that together we can make the most of them and demonstrate the real value of councils and local service partners up and down the country.

I hope that you all get a chance to recharge your batteries over the summer and wish you a pleasant break if you are having one.

A handwritten signature in black ink, appearing to read 'Bob Kerlake'. The signature is written in a cursive, slightly slanted style.

SIR BOB KERSLAKE