

Local Area Agreements

Purpose

This report seeks members' views on three current issues related to Local Area Agreements, which are the subject of consultation: LAA reward grant, new powers of scrutiny in relation to LAAs and further development of the National Indicator Set. This work supports Board objective 1 – to embed and develop further the principles of the new performance framework through monitoring, evaluation, promoting success and support for LAA implementation.

Decisions

- *Agree the headline messages to be included in LAA reward grant response (see paragraphs 4-7);*
- *Agree the headline messages to be included in the response on LAA scrutiny (see paragraph 10);*
- *Comment on the further development of the National Indicator Set (see paragraphs 12-15).*

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Consultation on LAA reward grant

1. CLG has published a consultation paper on the future of LAA reward grant. Responses are sought by 26 September 2008.

2. A scheme under which Government pays 'reward grant' for the achievement of specified improvement targets dates back to 2001 and the start of Local Public Service Agreements (LPSAs). From 2005/6 onwards, reward grant was integrated within LAA arrangements. Existing reward agreements negotiated during this period continue to be honoured by CLG.

3. The main changes, as compared with the scheme up to 2008, are outlined in appendix A, but essentially comprise paying a significantly lower level of grant on average performance across the up to 35 designated LAA targets, above a 60% minimum threshold. CLG involved the LGA and a working group of local authorities in developing these proposals, so we do not believe there are substantive problems with the detail of the methodology proposed. In influencing these proposals we have sought a scheme that was simple, had sufficient incentive and paid out maximum funding (given the smaller potential total).

4. Members are asked to agree the following headline messages in our response (the full response will be cleared via lead members late this month).

5. The very significant reduction in the overall allocation will inevitably limit the extent to which councils can use LAA reward as an incentive for bringing reluctant partners to the LSP table, or encouraging innovative multi-agency working. While partnership working is stronger in most areas than five years ago, it remains uphill work at a time when mainstream resources are tightly constrained.

6. Targets on issues such as housing starts, employment, NEETs and crime are being fixed at a time of economic uncertainty. CLG has helpfully acknowledged that many individual targets cannot be 'locked down' until the March 2009 LAA refresh, given lack of adequate baseline data. Beyond this, the LGA would seek a wider recalibration of the proposed minimum threshold of 60% average performance (as the starting entitlement for reward) should economic circumstances continue to worsen.

7. As a general principle, and in the context of a much reduced total allocation of £340m, the LGA urges that the reward model be reviewed and adjusted as necessary to ensure full payout of the allocation over the CSR period. Provided that reward is paid proportionately to those areas which improve and perform at the highest level over a three year period, the LGA sees no merit in a national 'underspend' on this element of the Government's budget.

Consultation on LAA scrutiny powers

8. The Local Government and Public Involvement in Health Act 2007 included new powers for council overview and scrutiny bodies, in relation to Local Area Agreement targets and the partner organisations signed up to deliver them. These powers have not yet been commenced by the Secretary of State and concern has been expressed in the past by the Improvement Board about this delay. In August, Communities and Local Government published a consultation paper: *Communities in Control: Real People, Real Power: Improving local accountability consultation*.

9. *This CLG consultation paper covers issues concerning LAA scrutiny, which are discussed here, and other issues arising from the recent Empowerment White Paper and Councillors' Commission. The LAA scrutiny issues cover:*

- *extending overview and scrutiny committees' rights to require information from LAA partner authorities;*
- *publication of scrutiny reports, recommendations and responses;*
- *establishment of joint county and district overview and scrutiny committees;*
- *powers of district overview and scrutiny committees to engage with LAA scrutiny, including district councils operating fourth option (streamlined committee system) constitutions.*

10. Members are asked to agree the headline messages in our response:

Regulations and guidance should provide maximum flexibility for councils in implementing new scrutiny powers. *This should include scope for two tier areas to introduce a range of different joint scrutiny arrangements, not confined to a single joint committee. We welcome the proposal that best practice guidance should be lead by the local government sector.*

Council scrutiny of partner organisations in relation to LAAs needs to be underpinned by real powers, for example to obtain information and participation. *We recognise that partnership working needs to be underpinned by recognition of positive benefits and agreed roles rather than an approach over-focussed on compulsion. Nevertheless, regulations should provide for example a timeframe within which information should be provided and clarify requirements on partner bodies to respond to scrutiny recommendations.*

LAA scrutiny powers should be commenced as soon as possible. *Whilst welcoming the proposal in the Empowerment White Paper to extend scrutiny powers of external bodies beyond the issue of LAA targets, the need for legislation on this should not be a reason to delay commencement of scrutiny powers introduced in the 2007 Act.*

There is a need to clarify plans for the scrutiny of police and crime. *The consultation paper fails to address that new scrutiny powers introduced in the Police and Justice Act 2006 have not been commenced and the Home Office has no timetable for this. There are therefore no legal powers underpinning scrutiny of LAA targets related to crime and disorder. This issue needs to be resolved, either by the Home Office or by inclusion in the new local government Bill this autumn.*

11. *The deadline for the consultation is 30 October 2008. An integrated LGA response to the consultation is proposed which will be circulated to Improvement Board lead members and to LGA Office Holders who have been considering empowerment and Councillors' Commission issues.*

Further development of the National Indicator Set

12. *The National Indicator Set came into existence on 1 April 2008. Data collected for the year April 08 to March 09 will form part of the evidence for the first Comprehensive Area Assessments, which will be reported in autumn 2009. The NIS has also formed the basis of negotiations for every LAA on the "up to 35" designated targets.*

13. *Most of the indicators were published on 1 April 2008 with final definitions. However, a small number were deferred until 1 April 2009 because definitions could not be finalised. In*

some cases the issue identified by the indicator has been selected as a designated target in an LAA but no actual target has been set because the measure is not yet known. In these cases a “place holder” has been included in the LAA and the target will be negotiated as soon as the definition of the indicator itself is finalised.

14. CLG will be consulting with local councils and other stakeholders about the deferred indicators at the beginning of September over a consultation period which will last 8 weeks. Three further indicators will be included in the consultation because the definition of the indicator has changed substantially (beyond simple tidying up or corrections). The Home office will be consulting separately on NI 12 on licences for houses in multiple occupation. Two indicators are likely to be deleted from the set. (The full list is set out at Appendix B). The LGA will be seeking views from councils and responding to this consultation. The response will:

- Highlight any practical problems with these indicators, particularly where they impose a burden on councils;*
- Remind CLG and other government departments that they should involve councils and their partners at an early stage in the development of indicators so that they can benefit from their experience in developing outcome measures;*
- Highlight any difficulties we can see in dealing with new or revised indicators in the LAA re-refresh.*

15. It would be helpful to know if the Board agrees that these are key messages to be conveyed in the response and whether the Board wishes to have any further involvement in the consultation response before it is submitted to government.

Implications for Wales

16. Local Area Agreements are not being implemented in Wales

Financial/Resource Implications

17. All proposals in this report can be met within existing resources

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Appendix A

Summary of reward grant proposals

The main changes are involved in the proposed new arrangements, as compared with those that applied up to 2008 are:

- **the total sum involved is much smaller.** *Under the earlier LPSA/LAA reward scheme, the maximum that an area could earn in reward was set at 2.5% of Net Budget Requirement. For 2008/9 onwards, John Healey announced in February a total allocation of £340m, plus an additional £50m in respect of the Working Neighbourhoods Fund. LAA reward now equates to 0.54% of NBR for each area, i.e. a reduction to around a fifth of the maximum figure that an area could previously earn. (In practice, levels of reward earned by individual authorities averaged at 60%, ranging from 27% to 92%. Hence the two levels of total allocation cannot be compared directly).*
- **the distribution model for reward grant has changed,** *moving away from a formula in which the same amount was paid in respect of each of some 12 selected LPSA/LAA indicators, to a model designed to reward average performance across the up to 35 designated LAA targets agreed with Government.*
- **a minimum threshold of 60% average performance is proposed, before reward grant can be earned**
- **pump-priming grant (PPG) ceases to exist** *as a feature of the scheme. This form of grant previously provided a useful means of funding new and innovative approaches by LSPs and individual local partners.*
- **LAA reward grant will be paid as 72% revenue and 28% capital,** *giving greater flexibility than the previous 50/50 split.*