

Delivering economic prosperity in partnership:
The crucial role of the new local performance
framework



The purpose of this note is to support you in making the most of the new local performance framework and signpost key guidance and other documents that have recently been published. This note is not statutory or technical guidance and does not replace published or consultation documents

our shared vision is better outcomes for local people

Over the last decade we have seen a period of sustained economic growth, with enhanced economic performance in regions and localities across England and a resulting drop in worklessness rates. Substantial variations in economic performance remain, however, between and within all regions, and concentrations of deprivation continue to exist across the country. In addition, the diversity of the UK economy means that globalisation has different impacts on different places. Regions and localities need to play their part in responding to economic change, and to ensure that all areas, including the most deprived, are able to contribute to, and benefit from, economic growth.

This calls for a new way of working:

- one that sees public sector organisations working together more to deliver better, more responsive services to local people;
- one that sees the public and private sectors striving together for improved prosperity with plenty of ambition for the future;
- one that sees central government and local and regional partners agreeing the priorities for an area and working to align activities and improve outcomes; and
- one that creates opportunities for local communities, including businesses, to be more involved in decisions about services and how they are delivered.

The new local performance framework is about two things: improving quality of life in places and better public services. It provides rigorous performance management to improve outcomes through shared endeavour, between both local and central government, and between local and regional partners. The development of more effective partnerships at all levels will help all to focus on priority outcomes with scarce resource. And, it will empower local communities to have greater influence on how services are delivered and outcomes are achieved.

All of this will be difficult, and will require real cultural change. But the best and most successful partnerships will be those that use this moment to seize the opportunities for reform, raise the bar of ambition, learn from each other and work to engage and empower their local communities.

This narrative provides information about how the new local performance framework for local authorities working alone or in partnership will operate to drive improved economic outcomes for local areas. This narrative is particularly aimed at those working in the economic development field, including Jobcentre Plus, the Learning and Skills Councils (LSC) and Regional Development Agencies (RDAs).

what does this mean for economic and regeneration partners?

To ensure the effective delivery of economic development and regeneration the Government published a review of its policies and interventions in July 2007: www.hm-treasury.gov.uk/spending_review/spend_csr07/reviews/subnational_econ_review.cfm. The **Review of Sub-National Economic Development and Regeneration** considered how to strengthen economic performance in regions, cities and localities throughout the country, announced the Government's intention to refocus powers and responsibilities to further encourage economic growth and regeneration, and to tackle deprivation at every level by connecting deprived areas to economic growth.

The Review also announced a number of reforms, including:

- at the regional level, RDAs will prepare a single integrated regional strategy for economic development, housing and land use, working closely with local authorities and other partners. The Government will consult on this proposal in early 2008;
- at the sub-regional level, partners and neighbouring local authority areas will be able to work together to establish Multi-Area Agreements from 2008 (discussed in further detail below);
- the Government will explore the potential for groups of local authorities to establish statutory sub-regional arrangements which enable the permanent pooling of responsibilities for the delivery of economic development (beyond transport); and
- the Government will consult on a new statutory economic assessment duty for local authorities in early 2008.

Additionally, the Review committed Government to developing a framework for regeneration, to be published in 2008. The framework will set out the Government's priorities for regeneration and will link together neighbourhood renewal and wider regeneration and economic development interventions at national, regional, sub-regional and local levels. In addition, it will ensure that the regeneration offer is responsive to the unique challenges and opportunities of each region and locality. The regeneration framework will be fully aligned with the new local performance framework.

The new local performance framework set out in the Local Government White Paper *Strong and Prosperous Communities* provides a means of embedding and supporting this strengthened approach to economic development and regeneration. It is a key landmark in moving towards greater partnership working between local authorities and the full range of local and regional partners, and in enabling greater flexibility to respond to local priorities and opportunities, taking into account agreed regional strategies.

The increased focus on shared targets, reflecting a shared Sustainable Community Strategy setting out the priorities for the area, with greater freedom to pool and align funding, and with a joint assessment of outcomes for the area (all described in more detail below), will all serve to further reinforce the benefits that a joint approach can bring to make a real difference to economic outcomes for local communities.

As set out in the White Paper, the Government is committed to working to ensure alignment of the new local performance framework with the performance management systems of other partners. The aim is that the performance regime within which any local delivery agency operates is coherent and supports improved local delivery while incentivising partnership working as a means to achieve this. Aligning performance frameworks will involve having:

- agreed LAA outcomes and measures for tracking progress, with partner contributions integrated into business plans;
- co-ordinated and shared assessments by inspectors and regulators;
- co-ordinated support for improvement; and
- co-ordinated intervention, where necessary.

These aspects of the framework are set out in more detail below.

what is the new local performance framework?

The new local performance framework, with its strengthened commitment to local, regional and national priorities, provides a basis to reconnect communities with government. The empowerment of communities, through engagement in the design and delivery of services and other activities will provide an impetus to improve service quality and community satisfaction. Partnerships will benefit from encouraging choice, influence and user involvement throughout the process of developing agreements and delivering outcomes.

The local authority is under a duty to consult widely in developing the **Sustainable Community Strategy (SCS)** the starting point for local delivery. The Strategy will reflect the priorities and perspectives of the local authority and all their local and regional partners, and is well placed to take account of the views of the local community in describing how they want their area to change over time.

National priorities, focussed on cross-cutting outcomes, have been identified as part of the Comprehensive Spending Review. The **Single Set of 198 National Indicators** will underpin these, covering all those national priorities which local authorities are responsible for delivering either on their own or in partnership with others. These indicators will be used to measure performance in all areas over the next three years and will be implemented from April 2008.

The new local performance framework includes a number of powerful economic development and regeneration indicators, some of which are listed below:

- Overall employment rate
- Working age people claiming out of work benefits
- Working age people claiming out of work benefits in deprived neighbourhoods
- Working age population qualified to at least Level 2 or higher
- Average earnings of employees in the area
- Previously developed land that has been vacant or derelict for more than 5 years
- VAT registered businesses in the area showing growth
- People falling out of work and on to incapacity benefits
- Skills gaps in the current workforce reported by employers
- Working age people with access to employment by public transport (and other specified modes)
- Satisfaction of businesses with local authority regulation services

New local area agreements (LAAs) form the heart of the new framework. They will help deliver the ambitions for the place and its people set out in the SCS – they are the agreement between central government, local authorities and their local and regional partners to improve services and the quality of life in a place. Although performance will be measured in an area against all 198 indicators, new LAAs will be the only vehicles for agreeing shared targets with central government. Each LAA will have **up to 35 national priority targets**. Local and regional partners can also agree additional targets in their LAA (not necessarily drawn from the National Indicator Set) to support improved local delivery and outcomes, though these will not be subject to performance monitoring by Government. There will also be 16 statutory targets on educational attainment and early years selected from the 198 indicators, although these will not formally be part of LAAs.

New LAAs will be underpinned by a **statutory duty** on named public sector bodies **to co-operate to determine LAA improvement targets** and a **duty to have regard to those targets they have agreed** in the course of their business. **RDAs, Jobcentre Plus** and **LSC** are all named partners under the duty. Partners may wish to reflect their LAA targets in business plans and other internal processes.

RDAs are responsible for co-ordinating and simplifying the provision of business support within their region, to ensure public sector organisations work together to deliver good quality services to business. However, as good quality business support may be an element that local partnerships will consider in delivering economic development, RDAs are encouraged to engage with them, particularly in developing the Business Link service. Local partnerships can also be a key mechanism for all local agencies with an interest in supporting businesses to work together to achieve a coordinated approach. Using the portfolio of business support announced in the Government Response to the *Simplifying Business Support* consultation should help local authorities to meet efficiency targets: www.berr.gov.uk/consultations/page40113.html

Ministers will want to ensure any business support schemes that are proposed to deliver LAA targets are consistent with the Business Support Simplification Programme. RDAs can help local authorities here by encouraging early discussion with those planning business support about how Business Link can provide any information, diagnosis and brokerage services needed to deliver LAA targets.

As set out in the operational guidance, in agreeing targets for inclusion in LAAs, partnerships may wish to consider how they will resource delivery of those priorities. The Government has significantly increased local authorities' flexibility over the use of their mainstream resources by moving at least £5billion into general grants which are not ring-fenced. This will minimise the barriers to local authorities using their mainstream resources to support LAA priorities where they wish to do so, although local authorities and their partners are free to use their non-ring-fenced funding as they see fit.

Individual partners may wish to pool their mainstream resources, where this is possible, to take collective responsibility for the risks and challenges facing their local area, including using their combined resources to best effect. You might also wish to consider the possibility of shared commissioning across different public service providers to better meet the expectations of citizens.

Assessment of performance in localities will be carried out by the local public service inspectorates working together. The Audit Commission and six other inspectorates¹ are jointly developing an outcome-focussed, proportionate and risk-based **Comprehensive Area Assessment (CAA)** which will be introduced from April 2009. Each year's CAA will have four elements:

- an **area risk assessment** identifying risks to outcomes and the effectiveness of their management (this will draw on the contributions of all partners);
- a scored **use of resources** judgement for each of the local authorities, primary care trusts, police authorities and fire and rescue authorities in the area;
- a scored **direction of travel** judgement for each of the local authorities and fire and rescue authorities in the area; and
- publication of performance data for each area against the set of **national indicators**.

Where other performance assessments exist for local authorities' partners, these will continue and feed into the CAA, e.g. Assessments of Policing and Community Safety (APACS) will provide data for police assessment. Where actions depend on partnership working with local authorities, the indicators and reporting requirements will be identical to those in the local performance framework.

These new arrangements for managing performance are likely to mean fewer inspections of local services after CAA is introduced in 2009. Future inspections would mostly be risk-based and triggered through CAA.

The **National Improvement and Efficiency Strategy** aims to provide a stronger focus on supporting local authorities and their partners in achieving the improvement targets agreed through LAAs and meeting ambitious efficiency targets for local spending. Agreed by both central and local government it will support a devolved approach with a stronger role for peer-support and challenge with greater levels of resource being channelled through **Regional Improvement and Efficiency Partnerships (RIEPs)**. RIEPs are made up of authorities and a range of partners working collectively to plan and manage improvement support across the region. This will include working together to identify such priorities, including for example, economic development and regeneration, and agreeing the best way to support them.

¹ Inspectorates contributing to CAA: Audit Commission, Commission for Social Care Inspection; Health Care Commission; HM Inspectorate of Constabulary; HM Inspectorate of Prisons; HM Inspectorate of Probation; and Ofsted

The new performance framework is designed to respond quickly and effectively to under-performance in local authorities and partners: initiating action to drive rapid and sustainable improvement, focussing on key problems (including isolated areas in generally high performing authorities); ensuring action is as effective as possible by co-ordinating activities and growing the role of the peer-challenge in supporting improvement and tackling performance issues. This will require changes to the way central, regional and local partners work together to support improvement and manage intervention. Wherever possible, action will focus on peer-owned and driven activity. Where this is not effective, Government Offices will play a key role in working with bodies that have a role in challenging and supporting improvement to ensure appropriate action is taken. Government retains its powers to formally intervene where problems are severe.

Government Offices will work with LSPs to provide them with support to help ensure that the partnerships' internal structures are robust and that all relevant partners are appropriately involved and engaged in both the partnership and LAA. This will include helping local authorities and partners in their negotiation of improvement targets in LAAs, reviewing progress and, where necessary, they will have a key role in co-ordinating actions that will challenge, support and respond to underperformance as appropriate.

As recognised in the *Review of Sub-National Economic Development and Regeneration*, functional economic areas and peoples' lives do not map neatly onto administrative boundaries. To reflect this, targets need to be set at the most appropriate level, or across relevant boundaries. The introduction of **Multi-Area Agreements (MAAs)** provides an opportunity for partners across local authority areas to work together to be more effective in delivering economic development and addressing shared priorities.

Multi-Area Agreements are an agreement between two or more top-tier or unitary local authorities, their partners (including, in two-tier areas, Districts) and Government. MAAs are **voluntary agreements in addition to LAAs** and are not, therefore, subject to the duty to co-operate or to have regard, although many of the same principles and behaviours will be relevant. The focus of MAAs is expected to be on improving economic development in a sub-region. For example, groups of authorities may collaborate to drive down levels of worklessness, develop business growth strategies, improve the skills base of an area or to improve transport connections across a sub-region. MAAs are likely to be heavily informed by ambitions identified in sustainable community strategies. Local authorities and partners will identify which of their priorities are best measured and/or delivered at the sub-regional level and ensure that there is no duplication between their LAA and MAA. However, outcomes delivered through sub-regional collaboration will be taken into account as part of the annual CAA.

As improving the skills base and increasing the number of people in employment are crucial to the delivery of economic development, the inclusion of sub-regional City Strategy and Employment and Skills Boards are likely to be core to the development of an MAA. How they align will depend on the MAA, but they could, for example, act as the delivery mechanism for MAA skills/employment outcomes, or use the MAA framework to ensure the delivery of City Strategy links with other sub-regional economic development policies, such as transport or physical regeneration. Other partners, such as Passenger Transport Authorities, may also be involved in MAAs.

what does this mean for me?

The draft statutory guidance, *Creating Strong, Safe and Prosperous Communities*², states that local areas should have regard to existing regional plans when revising their Sustainable Community Strategy. RDAs and local partnerships may find it helpful to involve one another as they work up their respective strategies and to use ongoing engagement as a means to ensure they continually reinforce agreed priorities at different spatial levels. This will help to ensure that the priorities identified in the LAA will contribute to the wider strategic aims identified in each RDAs' regional strategy, and vice versa.

Additionally, **Jobcentre Plus**, **Learning & Skills Council** and the **Regional Development Agencies** are all 'named partners'. As such they are subject to a **statutory duty to co-operate** with the local authority to **determine improvement targets** in the LAA. Named partners are likely to want to be engaged in the development of the SCS and in the LAA negotiations. At the same time, many economic development outcomes may be best delivered at a sub-regional or regional level, and you may wish to encourage local partners to collaborate with sub-regional and regional partners as well.

It will be at the discretion of partners to sign up to appropriate targets and none will be imposed by central government. However, once the targets have been agreed, named partners³ are under **a duty to have regard** in the course of their business to those targets they have signed up to. As set out in the draft statutory guidance, this means partners should have these targets in mind in the day-to-day exercise of their functions (for example, throughout business planning processes).

In addition, partners may wish to consider:

- **engaging with communities** about local priorities and how to deliver better services;
- **developing robust evidence** on needs, current performance, what works and what does not, and sharing data and analysis to inform discussions about priorities, appropriate targets and delivery mechanisms;

² You should note that this guidance may change as a result of consultation, which closes on the 12 February 2008.

³ For a full list of named partners, see the draft statutory guidance.

- how **multiple funding streams** can be better brought together, which may mean allocating funding to others and vice versa; and
- working with other partners to **manage performance** relating to the LAA, including reporting back to the local community.

what is happening next?

Attached at the end of this document is a timeline that sets out key milestones and forthcoming documents relating to the local performance framework over the next 18 months. In addition:

- The inspectorates have recently published their first consultation on the new Comprehensive Area Assessment: www.audit-commission.gov.uk/caaconsultation
- Jobcentre Plus will be publishing a guidance framework for their local offices on the LAA negotiation process and the duty to cooperate. This will help Jobcentre Plus colleagues working in the regions and districts to understand more fully what will be expected of them.
- The Government will consult on a new statutory economic duty for local authorities to make an assessment of the economic needs of the area, as introduced by the SNR. A consultation is expected in early 2008. Partners may want to consider if and how they respond to this, especially if they are part of a national organisation.
- The Government has proposed giving RDAs executive responsibility for preparing a single integrated Regional Strategy that would be developed closely with local authorities and other partners. This means that Regional Assemblies in their current form and function will not continue. The Government will consult on these proposals early in 2008.

where can I find out more?

Further information about the new local performance framework and other areas covered by this publication are available from the following websites:

Communities and Local Government – Government's policy and guidance on the performance framework: www.communities.gov.uk/localgovernment

National Indicator Set:
www.communities.gov.uk/publications/localgovernment/nationalindicator

First part of two-stage of guidance on the negotiation of LAAs:
www.communities.gov.uk/publications/localgovernment/negotiatingnewlaas

Second part of two-stage guidance on negotiation of LAAs:
www.communities.gov.uk/publications/localgovernment

Local Government Association: www.lga.gov.uk

National Improvement Strategy:
www.communities.gov.uk/publications/localgovernment/efficiency

Improvement & Development Agency – improvement & capacity building:
www.idea.gov.uk

Review of sub-national economic development and regeneration:
www.hm-treasury.gov.uk/spending_review/spend_csr07/reviews/subnational_econ_review.cfm

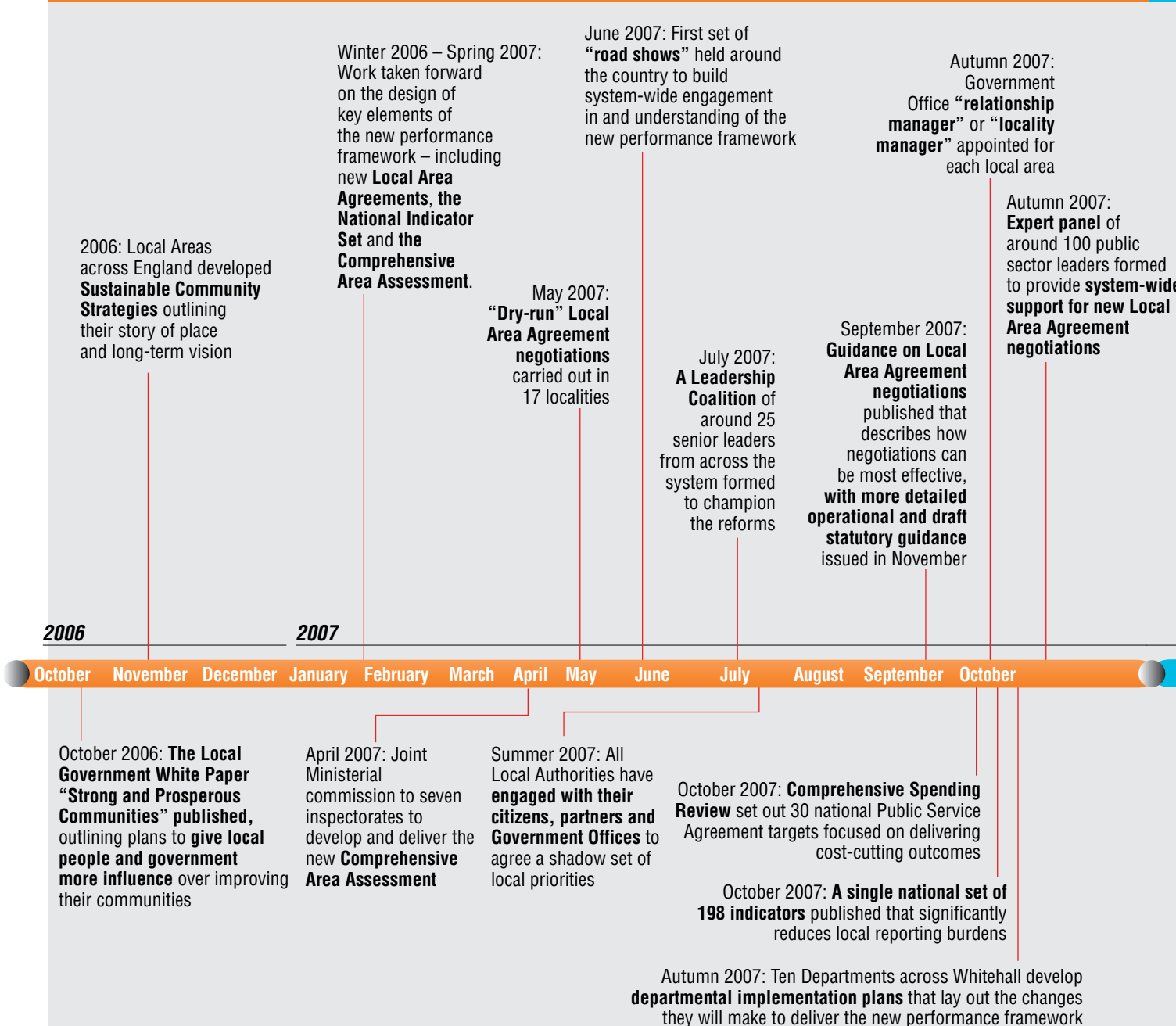
Taking forward the Review of Sub-National Economic Development & Regeneration:
www.communities.gov.uk/publications/citiesandregions/snr

Business Support Simplification Programme:
www.berr.gov.uk/bbf/enterprise-smes/streamlining-government/bssp/page38586.html

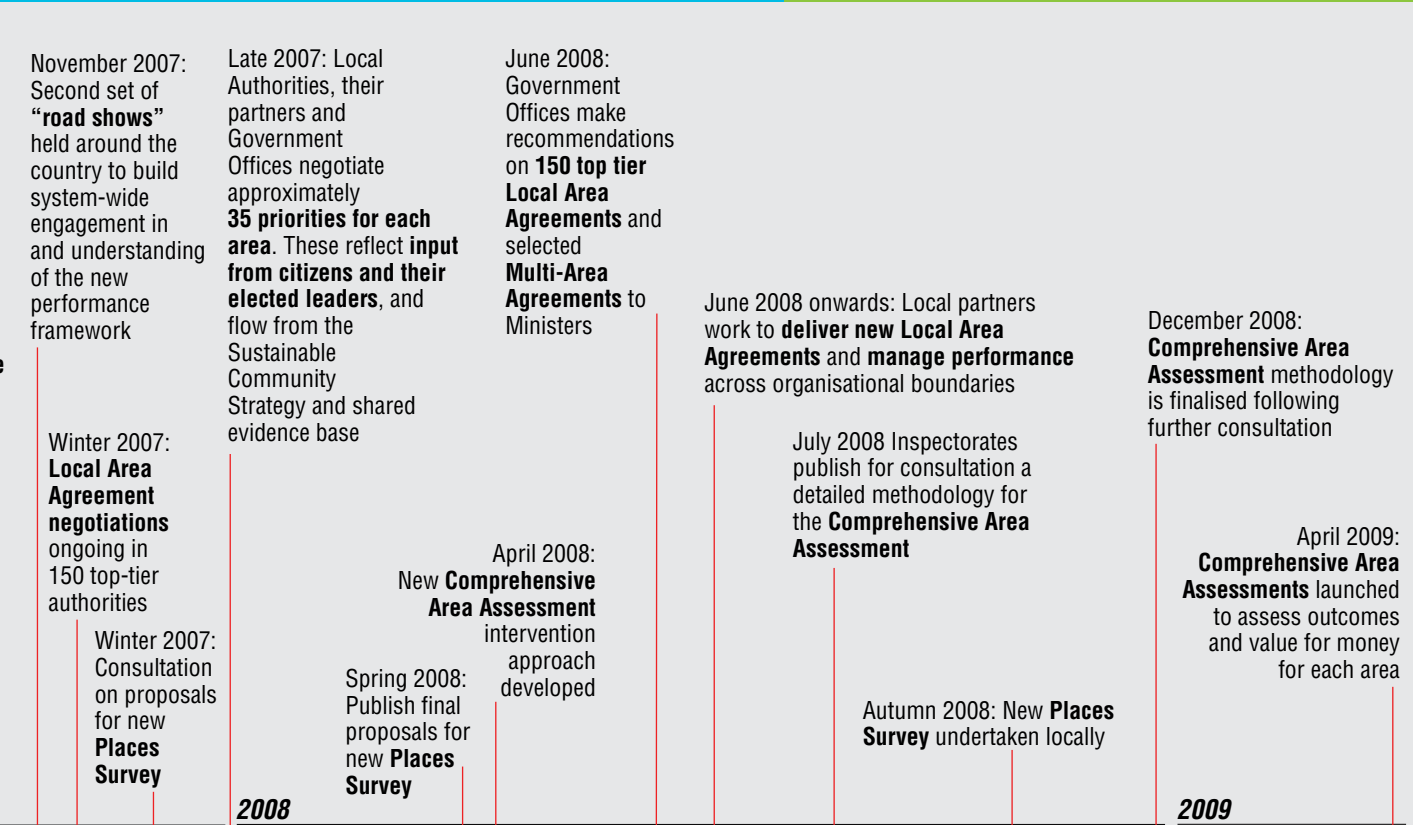
the journey to delivery

PHASE I

Planning – Groundwork laid for negotiating Local Area Agreements following publication of the Local Government White Paper, including a new, single set of 198 national indicators that will significantly reduce reporting requirements



<p align="center">PHASE II Implementation – 150 Local Area Agreements agreed with top-tier local authorities, the first Multi-Area Agreements agreed, and the Comprehensive Area Assessment developed</p>	<p align="center">PHASE III Delivery – New agreements take effect from June 2008, devolving accountability from central government to local government and providing a focus for local priorities, performance management, improvement, inspection and citizen engagement</p>
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