

Development of the new LAA framework
Operational Guidance 2007



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November 2007

Product Code: 07 LGSR 04931

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Introduction

This guidance aims to ensure everyone involved in the negotiation of the new Local Area Agreements (LAAs) is clear about the main changes between existing and new LAAs, and what needs to happen in order for the LAA to be signed in June 2008. When developing operational guidance for the new Local Area Agreements, we planned its development in two parts. The first part 'Negotiating New Local Area Agreements' was published in September and dealt comprehensively with the negotiating framework. This second part of the guidance does not therefore go into detail about these issues. Both documents should be read alongside each other and together they should provide all partners with the necessary advice to move through the process from identification of priorities through to the final agreement of targets and delivery of the LAA.

This operational guidance is not statutory and should therefore be read alongside the draft statutory guidance *Creating Strong Safe and Prosperous Communities* which explains the provisions for Local Area Agreements in the Local Government and Public Involvement in Health Act 2007. Whilst this guidance inevitably touches on issues in the draft statutory guidance, its focus is on the more detailed and technical issues around setting targets, managing performance, new finance arrangements and the implementation timetable, drawing on the dry run experience of 17 local authorities and partners which took place earlier this year. This collaborative approach is continuing over the coming months with a further group of partnerships who will be exploring the potential for more innovative ways of delivering LAAs. Partners from each level of government have also been involved in the drafting and consultation of this document.

Also included with this guidance is a supplement which discusses Multi-Area Agreements (MAAs). A number of areas are currently working towards Multi-Area Agreements.

Information regarding good practice tools and case studies, together with a set of regularly updated FAQs can be found on our website <http://www.communities.gov.uk/localgovernment/performanceframework/partnerships/localareaagreements/newlocalarea/faqs/>. Any further information or questions about the implementation of this guidance should be directed at the regional Government Offices. We welcome general feedback and comments which should be sent to laa@communities.gsi.gov.uk

Foreword from Hazel Blears



It is a little over a year since the Government published *Strong and Prosperous Communities* – the Local Government White Paper, which set out our vision for a new relationship between central government, local government and local people.

Local Area Agreements are a vital part of putting the theory of devolution into practice.

Local Area Agreements pave the way for local authorities to look less to Whitehall for direction and legitimacy, and more to the communities they serve. They provide a dramatic reduction in targets set centrally. About 1200 measures of performance have been boiled down to under 200. And of those, a maximum of 35 – plus statutory education and childcare targets – will be agreed as the targets for each area.

There will be a proper negotiation between central government and local authorities, informed by discussion with their communities, so that those targets really focus in on the priorities that matter to local people, whether that is housing, crime and grime, or services for the elderly.

Local Area Agreements give local authorities the flexibility to direct funding to meet those priorities. Some £5bn of grants will be mainstreamed over the next three years.

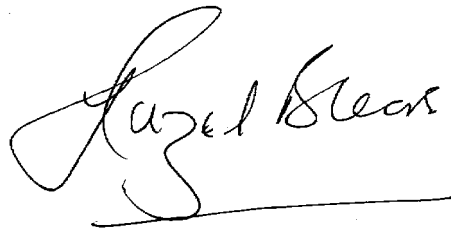
And they put an emphasis on partnership working, because local authorities already know that delivering for the people they serve means working closely with all the organisations - the businesses, hospitals, charities – who play a role in making their area stronger, safer, greener.

This guidance sets out some of the key operational issues which will need to guide the negotiation and development of LAAs over the next few months. It has been developed in partnership with the local government sector, building on the lessons of the dry-run negotiations which took place in 17 areas over the summer.

Every Local Area Agreement will be unique, tailored to meet the unique circumstances of different places – whether they are rural or urban, densely or sparsely populated, and no matter what challenges they face.

But what they will all have in common is an expression of the pride, purpose and leadership that local authorities can give. This is a huge opportunity. As the Review of Sub-National Economic Development and Regeneration and the Comprehensive Spending Review make clear, if local authorities can make the most of this opportunity, then it should not be the end point of devolution, but a step in an ongoing journey.

I have every confidence that local leaders can rise to the challenge.

A handwritten signature in black ink, reading "Hazel Blears". The signature is written in a cursive style with a long horizontal line underneath.

Hazel Blears

Foreword from the Local Government Association



New Local Area Agreements form the heart of the new local performance framework. They will help deliver the ambitions for the place and its people, set out in the Sustainable Community Strategy; they are 'contracts' between central government and local authorities and their partners to improve services and the quality of life in a place. This guidance covers some of the practical issues which will be necessary to establish and implement new Local Area Agreements. But beyond that is a more fundamental idea of partnership which is being put into effect. The LGA

and its member councils are committed to making this a success, and finding new ways to work to tackle some of the most fundamental problems we face as a society.

The new framework for Local Area Agreements brings some major changes which are very welcome – much greater clarity about the relationship of national and local priorities, a reduction and rationalisation of national performance monitoring, and greater financial flexibility. We are confident that councils and partner organisations locally will seize the opportunities this brings to work more effectively, and with a clearer focus on local priorities.

As a council leader myself, I am determined to lead negotiations based on the needs and wishes of the people and the borough I represent, to create a partnership agreement which will lead to visible change locally. Every council has elected leadership committed to making change happen and creating better places to live. Many of the priorities the government has set out for the next three years, which are to be reflected in potential local performance targets, cover issues such as improving education and skills, strengthening local economies, improving health and housing, reducing crime and the fear of crime, which are also of fundamental importance to elected councillors. But Local Area Agreements should provide a framework which relates these priorities to the specific local circumstances, identifies what is most important locally, and which encourages innovative solutions. This is an opportunity for Local Strategic Partnerships to develop their role further, including a wider range of agencies with clear duties to respond to local priorities.

LAAs provide a strong platform for local leadership, enabling the local authority to build, with partners, a strong shared vision for the area and to take decisive action to tackle problems and create new opportunities, particularly in empowering citizens and communities. Engagement of citizens is a vital element of the new

framework. Our ambition is to deepen local democracy, develop more citizen-centred services, and promote stronger, more cohesive communities. Reducing the burden of central performance reporting, inspection and prescription about local services is essential in order to give greater scope for local choice and distinctiveness.

I encourage all councils and their partners locally to be ambitious in setting out what they want to achieve and in working together to make that happen.

A handwritten signature in black ink, appearing to read 'Simon Milton'. The signature is fluid and cursive, with the first name 'Simon' written in a larger, more prominent script than the surname 'Milton'.

Simon Milton

1

Context and setting targets in the LAA

This chapter explains how local partners should use their story of place, evidence base, and the national indicator set to develop their LAA targets. This includes consideration of the need to engage the wider partnership, councillors, and local people, together with discussion of some of the issues which are particular to two-tier areas. There is further explanation of how the statutory early years and education targets fit into the overall 'suite' of LAA targets.

Engaging partners

There are two key documents which explain the role of the local authority and partners in developing the Local Area Agreement.

- **The draft statutory guidance 'Creating Strong Safe and Prosperous Communities'** deals with the new statutory duty on the local authority to prepare an LAA, and the duty on partners named in the Local Government and Public Involvement in Health Act 2007 (generally referred to as 'the named partners') to co-operate in the setting of targets. The duty to involve described in the draft statutory guidance is also relevant to the development of the LAA; and
- **The phase 1 operational guidance 'Negotiating new LAAs'** provides detailed information about the role of local authorities and partners, Government Offices and central government departments in the negotiation process, including a range of 'perspectives' from partners about the key issues which need to be factored into the negotiation.

The essential messages from these two documents are:

Engagement of elected Councillors: Elected Councillors have a critical role in shaping priorities and articulating political ambition, and partners need to be aware of their views and those of the wider Council. The role of Scrutiny Committees are also important to the development of the LAA (see Negotiating New LAAs). Further information about the role of the council in formally approving the LAA prior to submission to the Secretary of State for Communities and Local Government is contained in the draft statutory guidance.

Engagement of the wider partnership: The duty to co-operate will require that named partners and the responsible local authority co-operate with each other when developing the LAA targets. The 'duty to have regard' to targets that have been agreed will apply to those named partners which have been identified as being responsible for working towards delivering of the targets and to the local authority that prepared the LAA. The duties will apply to new LAAs, and will also be monitored once in force as part of the Comprehensive Area Assessment (CAA) in 2009. The Government believes it is important that the local Third sector and

Business sector, which are not covered by the duty to cooperate, are included in membership of the LSP and relevant sub-groups, and that it is clear how they influence decisions and actions of the LSP. Town and parish councils should also be fully engaged with.

Engagement of the Community: The new ‘duty to involve’ is intended to both build on current best practice and to give local people more opportunities to have their say and get involved in the issues that affect their local area. More information is available in the draft statutory guidance.

Once the new duty comes into effect (1 April 2009) LAAs should be developed with the duty in mind. However even before the duty comes into effect the development of the LAA should be based on strong local involvement. This should be part of a comprehensive approach to community engagement rather than consultation in isolation, and should include groups representing cross-sections of the community (particularly those traditionally excluded from mainstream negotiations, such as socially excluded groups and families who often do not receive the joined-up services they require to address the complexity of their problems), as well as the views of individuals e.g. local residents and service users; local businesses; relevant Third sector groups who will have an important role in advising local partnerships on the approach locally and appropriate community empowerment initiatives; parish councils; community spokespersons and advocacy groups.

Involving the Third sector: The local Third sector has a vital role to play in the development of the LAA and should be engaged throughout the process – from informing and helping to set priorities, to the final agreement of targets. The Third sector also has an important role in representing communities and as a provider of local community services many of which will be complimentary to the aims of the LAA. Local authorities and partners should ensure processes and structures are inclusive of the Third sector and take account of capacity issues, and be in line with the Compact code of practice. Local authorities should pass on the stability of their three-year financial settlements to the Third sector wherever possible. In relation to grants to Third sector organisations, the starting point should be three-year funding in all cases, subject to purpose and democratic controls, except where this does not represent best value in individual cases and in terms of overall efficiency.

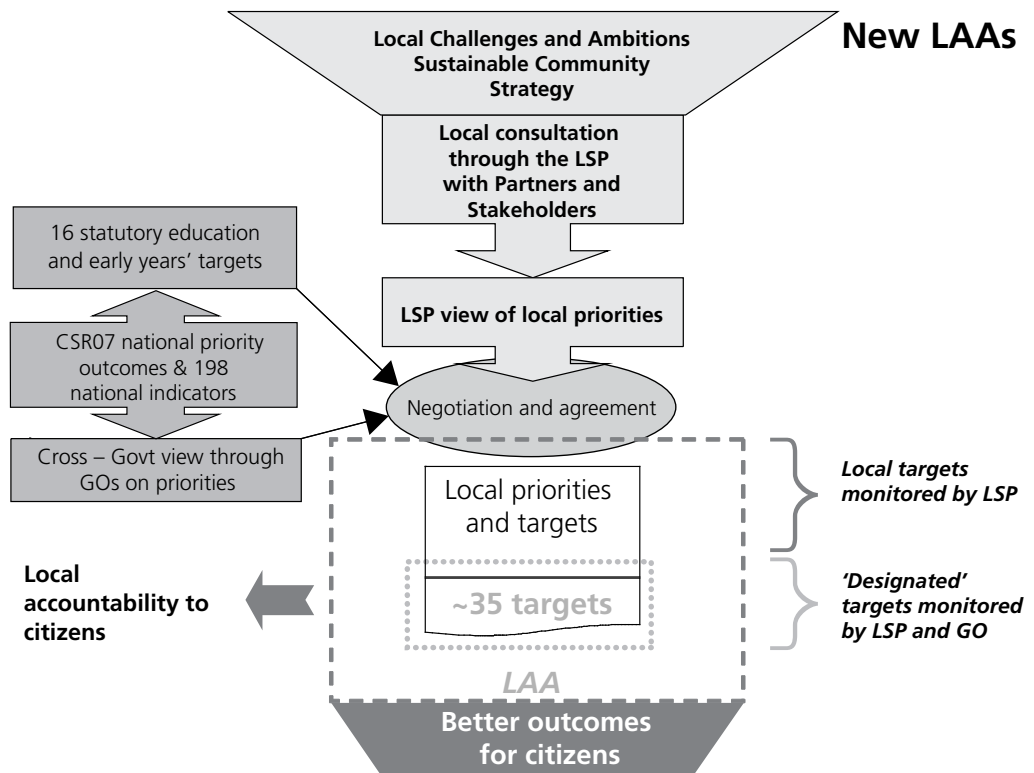
Involving the business sector: Local businesses are key to the growth of local economies. Growing local businesses create more jobs and develop local supply chains. This can have a wide impact on the local area. The local business communities therefore need to be involved in establishing priorities both as users of local services and in working with partners such as Regional Development Agencies in developing economic development priorities.

The new Comprehensive Area Assessment will take account of the strength of partnership working, and quality of community engagement. The Government Office will also want to be satisfied that partners have been engaged in the development of the LAA, and that there has been engagement with the local community about LAA priorities. The sort of things which the GO will want to discuss are how the local authority and partners will:

- provide information about how peoples' views have shaped the LAA and information on how to get involved, e.g. through development of the Sustainable Community Strategy and existing LAAs;
- enable citizens and communities to have their say in the development of LAA priorities;
- ensure citizens and communities are actively involved in the design, delivery and assessment of services and policies;
- keep local people informed of progress towards delivery of the LAA, and ensure that involvement is ongoing throughout the full life span of the LAA;
- ensure all named partners are involved in the development of the LAA;
- involve the Business, and Third Sector, throughout the process from informing and helping to set priorities to the final agreement of targets;
- bring together a coherent set of commissioning and delivery arrangements involving the business and third sectors where relevant; and
- how local authorities and their partners will pass on the stability of their three-year settlements in grant funding, and where appropriate contracts, where it represents good value for money to do so.

Agreeing Priorities for the LAA

The LAA is an agreement between Central Government and the local authority and its partners about the priorities for the local area, as expressed in the LAA targets. It is the result of a negotiation between central government, represented by the Government Office, and the local authority and partners about the delivery of the Sustainable Community Strategy on the one hand, and national priorities as expressed by the new national indicator set on the other. The following diagram illustrates how these priorities feed into the development of the LAA.



Evidencing priorities

Negotiating New Local Area Agreements provides considerable background on using evidence to develop priorities and how to reach an agreement about these during negotiations. The dry run work with local authorities and partners indicate that there are three key elements to successful negotiations:

- Local authorities and partners should have clear criteria for developing the priorities for the LAA which will enable it to successfully implement the vision, values and aspirations for the area, set out in the Sustainable Community Strategy. A good Sustainable Community Strategy will have balanced and integrated social, economic and environmental issues and provide the long term ambition, evidence and rationale for the three years of the LAA. (Examples of criteria developed locally are in *Negotiating New Local Area Agreements*).
- The Government Office and central government departments agree criteria for getting the right balance of national priorities, articulated in the new national indicator set for places across the country. Government Offices will also be working with regional partners to take account of regional evidence and strategies, and the impact on priorities nationally and locally.

- Ensuring the discussions locally, regionally and nationally are brought together into a shared evidence base which is used as the starting point for the negotiation of priorities. There will be on-going dialogue until agreement on a set of priorities for the LAA is reached.

In the dry run of new LAAs, a number of local authorities with their partners articulated the shared evidence base as a 'story of place' to ensure buy-in from all partners at a local, regional and national level to proposed priorities. This was used to explain the connection between issues locally e.g. truancy and offending so that everyone could understand cause and effect, and the impact that tackling a particular issue would have on other things. This gives local partners a good opportunity to link social priorities to any economic or environmental determinants, and vice versa.

There will be difficult decisions to be made within partnerships and between central government departments about priorities and this analysis of evidence will help to ensure the right trade-offs are made.

Longer-term priorities

Partnerships may wish to focus on priorities that require partnership attention to deliver ambitious step change, and also on those which promote preventative approaches. Clearly, some issues to be included in LAAs will require a longer time frame than 3 years to address, and setting targets should be flexible enough to take this into account. Where LAA targets represent a three year point of progress on a longer and more ambitious journey, the GOs will want to see a clear and credible trajectory through to the longer term target.

Equalities

Understanding the people who live in a place is an important part of developing the story of place and delivering services effectively in that place. During LAA negotiations, local authorities and their partners also need to be aware of the public sector equality duties to take active steps to eliminate unlawful discrimination, promote equality, and, in some cases, promote good relations between different groups. Guidance on these statutory obligations can be found by clicking on the following hyperlinks: (Full web addresses are in footnotes at the end of the page.)

Race equality:¹

Disability equality:²

¹ Race Equality – <http://www.equalityhumanrights.com/Documents/Race/Public%20sector/Public%20authorities%20and%20partnerships%20a%20guide%20to%20the%20duty%20to%20promote%20race%20equality.pdf>

² Disability Duty – <http://www.dotheduty.org/>

Gender equality:³

The local authority and partners will want to consider the extent to which the evidence they are using enables them to take account of the needs of all different groups of people within the community (not just those to whom there is a statutory duty), and assess the extent to which priorities have an impact on them. This may point to the need for an impact assessment; it may also demonstrate the need for disaggregated targets in support of priorities for particular groups to avoid the risk of the equalities gap widening.

The GOs will want to understand how priorities take account of outcomes for particular groups and will work collaboratively during the negotiation process with representatives of the Equalities and Human Rights Commission.

From Priorities to Targets

The draft statutory guidance 'Creating Strong Safe and Prosperous Communities' explains the statutory requirements for approving LAAs, and arrangements for designated and local targets. This guidance does not repeat these explanations but focuses on the technical issues around setting targets.

Establishing LAA targets

Once there has been agreement on the priorities for the area, these will need to be translated into a set of targets for the LAA and these will need to be submitted on the template in Chapter 4. Local authorities and partners should consider which indicators from the national set will best help achieve the agreed priorities. Only indicators from the national indicator set can be used to set targets for designation by the Secretary of State. A maximum of 35 designated targets can be included in the LAA at any time and should be set over a 3 year trajectory period with a target for each year of the LAA.

Where priorities are not covered by the up to 35 designated targets, local authorities and partners will need to decide whether additional targets are needed as local targets. Whether or not to set any local targets is purely a local matter, and the Government will not seek to influence this. These local targets should not be seen as 'second tier' targets – they place named partners under the same statutory duty to have regard to agreed local targets as for the designated targets, and they ensure the local dimension can be fully reflected in LAAs. Central government departments will be interested in the local targets to help contextualise the LAA as a whole, but they will have no part in their negotiation or monitoring.

³ Gender Equality – http://www.equalityhumanrights.com/Documents/EOC/DOC/Useful%20stuff/InformationandAdvice_PublicServices_Organisations_Booklets_localgovernmentEngland.doc

In setting targets, partners should consider the ambitious but realistic levels of performance over the 3 year LAA period that they would hope to achieve. There are some indicators in the national indicator set which are new measures of performance and therefore have no baseline data. Most of these indicators will have data which can be used e.g. through formula recalculation, to provide a baseline. For those that do not, in order that the targets based on these indicators are a realistic projection of future performance, local authorities and partners will need to use appropriate data sources to assess current levels of performance. The technical definitions for the national indicator set will therefore include possible sources that can be used to do this. The Government Office will wish to see clear performance trajectories for each target and will keep in close contact with central government departments to provide updates on agreement of individual targets. Government Offices will challenge those where they think further improvement is possible.

Relationship with the statutory education and early years targets

Negotiation

In addition to the targets in the LAA each local area will also agree with Government a number of education and early years targets, as set out in existing legislation⁴. Because of their separate legal status, the statutory targets cannot also be LAA targets, although they do sit within the overall local performance framework. The National Strategies⁵ will lead on the negotiation of these targets, but it is extremely important that this process is not viewed by local partnerships, GOs or the National Strategies as separate from the process for agreeing LAA priorities and targets.

In considering appropriate target levels for the statutory targets, the National Strategies will have regard to the wider negotiation of LAA priorities and LAA targets. Similarly, GOs will continue to work closely with the National Strategies to ensure that the LAA priorities and targets complement the statutory education and early years targets. The LAA targets (both those to be designated and any locally agreed targets) should be viewed together with the statutory education and early years targets as a single suite of targets which will enable key partners – Central Government, local authorities and their partners, including schools – to deliver on shared priorities in a way which meets the particular needs and concerns of local people.

⁴ s102, Education Act 2005 and s1, Childcare Act 2006

⁵ The National Strategies are professional development programmes for early years, primary and secondary school teachers, practitioners and managers. They are one of the Government's principal vehicles for improving the quality of learning and teaching in schools and early years settings and raising standards of attainment. The Strategies at a national and regional level are delivered by Capita Strategic Children's Services on behalf of DCSF.

Sign-off

The education and early years targets are formally agreed by the Secretary of State for Children, Schools and Families through an existing statutory process. The LAA will be signed off via the Secretary of State for Communities and Local Government (with the agreement of other departments). Although the statutory targets and the LAA are signed-off under different legislative arrangements they are part of a single bespoke package for improvement in each area. As such, the statutory targets should be presented alongside the LAA targets in the LAA template at chapter 4.

Setting Targets in Two-Tier Areas

The duty to prepare the LAA rests with the County Council in two-tier areas. However the involvement of District level partners in two-tier areas should remain central throughout the negotiating process and the Government Office will seek assurance on this point, working with the relevant county and district authorities as appropriate.

In establishing the evidence base for the LAA data sets at District, postcode and neighbourhood level should be drawn upon e.g. neighbourhood profiling. These data sets will evidence the geographic variation across two-tier areas, which can be used to assess and balance the diverse needs of a wide range of communities of place and interest. This will include the mix of urban and rural settlement types covered by the vast majority of principal local authorities. These should be reflected in the agreement of priorities which may require targets applying to the county as a whole, or for a specific district or at sub-county level involving more than one district. The sum of designated targets for a county area cannot however exceed 35. The District and County authorities will still need to report data at spatial level defined in the national indicator set.

Setting targets focused on particular spatial levels or groups

The spatial level for collecting and reporting national indicators is intended to set the lowest spatial level at which national reporting – and therefore national performance management – will be required. This data can be aggregated to provide results at higher spatial levels where local authorities and their partners wish to consider priorities at this level.

Local authorities and their partners may choose to break down data to levels below that set out in the national indicator set, to cover key equalities strands including age, gender, disability, ethnicity, religion, sexual orientation, vulnerable people, socio-economic classification, alongside data for small area geographies. Where there is a clear need from evidence which reveals inequalities in outcomes for particular groups or areas, local authorities and partners may wish to set

specific targets on a particular indicator. These should be raised early in the negotiation process. Such targets can be included as designated targets, and partners are not required to set an additional target at the level set out in the national indicator set unless they so choose.

Therefore, when setting such targets it will be important to consider –

- the robustness of evidence being used to assess the need for the target
- does it need to cover more than one place or group?
- how to decide where to draw the line between the priority places or groups to be included in the target and the rest?
- how to determine a stretching but achievable target?
- the impact on the relative national indicator
- any potential displacement effects which could occur as a result of focusing on a particular group or area, and in particular any groups or areas on which it could have a negative impact.

Local authorities and their partners will need to report data at spatial level or population for the disaggregated target as well as that defined in the national indicator set, as this will be used to monitor overall performance at a national level. More detail about reporting disaggregated data is available in consultation document on *the Handbook* for the national indicator set.

Accountability for targets

There must be a clearly identified organisation or organisations responsible for working towards the delivery of each agreed target. In the case of more than one lead it must be clear what each organisation is responsible for working towards attaining. Each of these organisations will be under the statutory duty to have regard to any target it has signed up to. This is not the case for organisations which are not named partners, such as the Third and Business sectors, but this should not discourage their inclusion as a delivery partner. There should be robust commissioning and performance management and evaluation systems in place to cover all partners, and these will be taken into account as part of the Comprehensive Area Assessment.

Reward

To ensure the new approach to Local Area Agreements is properly embedded, with local partners working together to deliver ambitious, cross-cutting improvement targets, the Comprehensive Spending Review has announced a third round of reward grant.

Ministers have heard the case made by local authorities and partners about the powerful incentive that Performance Reward Grant (PRG) has provided in strengthening and supporting partnership arrangements. They have announced a third round of PRG, to maintain effective incentives whilst recognising that partnerships are now significantly stronger as a result of previous investment. Government will set out the level of funding available in the coming weeks. A small working group, with representatives from local areas, Government Offices and central government departments will be established to test the proposed model with a view to finalising in January. One of the functions of this working group will be to consider how to deal with any overlap between existing reward targets and the designated targets in new LAAs.

Existing reward or LPSA targets

Central Government will honour all existing commitments under the second round of reward, on which negotiations have concluded and delivery is under way. As before, areas will need to compare final performance on a like-for-like basis with current performance data in order to claim Performance Reward Grant. With the introduction of the new indicator set, we recognise that this may create a one-off increase in the burden on data reporting, but we need to ensure that changes in figures can be attributed to performance rather than mixed methodologies. In the same vein, any survey questions asked to establish current performance will need to be asked identically for final performance.

Discontinuation of enabling measures

In the new LAAs there will no longer be a formal enabling measures (EMs) or 'freedoms & flexibilities' process. Where there are issues which impact on the level of targets that need to be resolved, these should be raised as part of the negotiation with GOs. It may be possible to resolve the issues locally but where changes to national arrangements are required, these will be resolved as part of the negotiation of targets. The Regional Director's (RD) recommendation will make clear where targets have been influenced by this.

Local Government Restructuring & LAAs

New LAAs will be negotiated with all existing top tier authorities and their partners for 08/09 drawing on existing Sustainable Community Strategies, and related regional and local strategies. For those authorities undergoing restructuring, 08/09 will be a transitional year, but an LAA will still need to be agreed. The approach for this will be negotiated on a case by case basis.

2

Performance Management

The performance management arrangements for new LAAs are designed to support the ambitions of the White Paper for a new central-local relationship that better ensures delivery of improved outcomes and quality of life locally.

Local authorities and their partners are responsible for working towards local delivery of the targets which they have agreed. They need to ensure that they have put in place clear and robust plans for working towards delivery and arrangements for managing performance. They also need to ensure there is strong and clear accountability to citizens and users about how partners will work towards delivery against the priorities that they have helped to shape to enable and encourage active engagement and demonstrate the responsiveness of services.

Central Government needs to be assured about progress towards delivery of designated targets agreed in LAAs and more generally about performance against other national priorities. It wants this assurance to be provided in a way that promotes local responsibility and accountability, supports improvement, but also enables appropriate and tailored engagement and intervention where there are concerns.

Performance management by local authorities and partners

Strong local performance management arrangements have been a key underpinning to much of the improvement delivered by local government in recent years and provides a strong basis for moving forward in partnerships. It is ultimately the responsibility of the lead local authority (i.e. County in two tier areas) to ensure that suitable arrangements are in place for the LAA as a whole, although these arrangements need to be understood and owned by all members of the partnership. Evidence about the effectiveness of local performance management arrangements will be considered by the inspectorates in making judgements as part of the Comprehensive Area Assessment.

Robust Local performance management arrangements should cover:

- **effective collection and use of local management data** so that it is timely, appropriate quality, captures the views of local people and can be shared between partners. As Government is significantly rationalising national data reporting requirements, greater reliance will have to be placed on the robustness and transparency of local systems;

- **self assessment and peer challenge** – in the new performance framework, the aim is to be able to rely much more on local arrangements for self assessment to inform national performance monitoring and independent judgements from inspectorates. This will only be possible if local arrangements are sufficiently robust and honest, and the results are made transparently available at appropriate times;
- **use of overview and scrutiny panels** to raise questions on priorities, progress and action being taken to tackle under performance. Public accessibility to the conclusions of scrutiny reviews of the LAA as part of local accountability is an effective means of supporting the empowerment and engagement of local communities.

Independent challenge and assurance

Independent challenge and assurance are another critical part of effective performance management and delivery. From April 2009, the new Comprehensive Area Assessment (CAA) will provide such assurance to local partners, Government and citizens in a way that is risk-based and proportionate to local circumstances. The inspectorates will be consulting jointly on the framework for CAA from November 2007 to February 2008 (see inspectorates' websites). They will also be consulting on and finalising arrangements for the Use of Resources judgements – one of the four key components of CAA – at the same time. From January 2008, they will be developing the more detailed methodologies for the other elements of CAA and the best means of reporting on these joint assessments through action-learning pilots. A further consultation will be undertaken during summer 2008, with further piloting or action-learning as necessary, and they aim to publish the finalised methodologies by early 2009.

Other inspection activity will be primarily triggered by the CAA and inspectorates will agree co-ordinated programmes of inspection, following discussions with GOs and local partners. The Audit Commission will be the gatekeeper for all inspection affecting local authorities. This will enable the Commission to challenge proposals for inspection that it considers would impose an unreasonable burden on the inspected body. Other inspectorates will similarly act as gatekeeper for the organisations in their own sector.

Other local partners will continue to be assessed and inspected through their own sectoral regimes (such as the Assessment of Policing and Community Safety). These regimes will be aligned with CAA where they cover any activity these partners are responsible for in partnership with local authorities.

National performance monitoring and management

Central Government needs to be able to assure itself about delivery towards its national priorities in all areas, and be confident that it will have early warning about any problems arising and appropriate involvement in any consequent improvement or intervention activity. Government Offices will co-ordinate performance monitoring of national priorities and will work with relevant performance management bodies with responsibilities in relation to local partners.

Central Government will monitor progress towards meeting national priorities using the data reported against all 198 national indicators regardless of which indicators are agreed for designated targets in the LAA. All 198 of these indicators will need to be reported on, at the spatial level and on the frequency determined as part of each indicators' technical definition⁶. Government is developing, through a pilot with areas in the North West, a system for reporting against the national indicators and making this information available for use using the COUNT (collect once, use numerous times) principle. More detail on the new reporting system is available in the consultation on the technical definitions and at <http://www.esd.org.uk/esdtoolkit/Communities/PIE/ContentView.aspx?ContentType=Content-257>.

As set out in the White Paper there will be a need in some cases for local authorities to report limited additional information to Central Government, for example on financial reporting (information collected for the management of the national economy and the operation of the local government finance system), and data returns (where a change in trend at the national level would necessitate a change in central government resource or a change of national policy direction). In the Comprehensive Spending Review, Government committed to reduce the public sector data reporting burden by 30% by May 2010. A programme to deliver this will be taken forward across Government, with input from stakeholders. Nonetheless, there will continue to be some data reporting requirements in future. Such information cannot in itself trigger any national performance management of local authorities and their partners, but it can be used to inform judgements about performance against national indicators. Central government departments, GOs and inspectorates will be clear with local partners about how such information is being used to inform judgements about performance against national indicators.

In recognition that the designated LAA targets are the result of a central-local agreement about the priorities for improvement will be delivered in each area, national performance management will focus on these. In particular, GOs will track progress towards delivery of these targets against the trajectories agreed

⁶ Where the LAA contains any designated targets at a more detailed level (spatial or group) than that in the indicator's technical definition, the local authority and partners will also report data required to monitor progress for that target.

with local partnerships. If performance appears to be slipping significantly off trajectory, the GO will initiate discussions with the partnership to understand the problems and the actions being taken to get back on track. If these discussions do not provide sufficient reassurance, GOs may initiate further action or ultimately intervention. For other national indicators, national monitoring will be lighter touch, but Government will keep an eye out for significant drops in performance or areas that are slipping significantly behind the improvements of their peers.

The roles of GOs and inspectorates

GOs and inspectorates both have valuable expertise and a clear role to play in the new performance framework. It is important that this is done in a way that avoids duplication and ensures sharing of information and judgements, as well as co-ordinated engagement with local authorities and partners.

GOs will:

- negotiate and agree an LAA with each county or unitary authority and their partners to recommend to the Secretary of State;
- continuously manage, in a proportionate and tailored way, Government's relationship with each local area, acting as a critical friend to local authorities and their partners;
- share any relevant data or softer intelligence with the Inspectorates, either as primary (raw) data or for the purposes of validation or challenge to the data;
- undertake an annual review of the LAA with the local authority and its partners, drawing on the inspectorates' independent assessments through CAA;
- where appropriate, decide in the light of evidence (including inspectorate assessments) whether Government actions/interventions might be appropriate – and work with central government departments to put this in place;
- re-negotiate LAA improvement targets with local authorities and their partners as necessary as part of the annual review, to reflect changing priorities for improvement and the independent assessments of performance and prospects for delivery from the inspectorates provided through CAA and any inspection activity.

The Audit Commission and other inspectorates will work jointly to co-ordinate their contributions to the LAA performance management cycle to:

- conduct the CAA (taking account of intelligence from the LSPs' self assessments and GOs), to include an independent assessment of the prospects for delivery of the LAA targets;
- assess the quality of arrangements for data on which reporting depends (including financial data);
- help to identify trends and issues that might cause a risk to performance or achieving outcomes as well as best practice etc (a role shared with others, including local authorities and their partners, Regional Improvement and Efficiency Partnerships, IDeA and other sectors' improvement bodies);
- discuss the results of CAA with the GO to inform the improvement planning process in each area, including proposals for inspections where appropriate;
- schedule and carry out necessary inspections for local authorities and partnerships, having regard to principles of proportionality and risk and therefore operating through the relevant inspectorate 'gatekeeping' arrangements.

The annual review of LAAs and the cycle of performance management

While LAAs are agreements for a three year period it is important that there is a regular review of both progress towards delivery of the designated targets and also whether the targets are still an appropriate reflection of national and local priorities. GOs will conduct this review on behalf of Government. From 2009, they will draw on the assessments of the inspectorates delivered through the Comprehensive Area Assessment (CAA), which will draw on the self assessments and performance management of local authorities and their partners.

The annual review of LAAs will be proportionate and tailored to the evidence and local track record of delivery. It could be a single conversation between the local partners and the GO to confirm that all is on track, or appropriate actions are in hand where they are not, and that priorities have not shifted. Or, it could be a fuller discussion about the suitable range of support, capacity building or intervention is necessary. Or, it could kick-off the negotiation of changes to replace some of the *designated* targets with targets against other indicators, where there are changes in priorities that need to be reflected in the LAA. It is anticipated that the majority of targets will not be renegotiated during the 3 year lifetime of the LAA. Where appropriate, the GO will involve other stakeholders, such as those with performance management responsibilities for individual local partners (e.g. SHAs or Departments) or inspectorates, in the annual review process. This will enable a joined-up conversation with local partnerships about the evidence and necessary actions that flow from it.

Review arrangements for 2008/09

The annual review of LAAs is due to take place each autumn/winter. In 2008/09, this will be less than 6 months after the sign-off of the new agreements and without the input of the new CAA, so the arrangements will need to be specially tailored. However, it remains an important review as the next one – in autumn 2009 – will be more than half way through the term of the LAA. The prime focus will be on:

- the robustness of plans for managing progress towards delivery of the new LAA targets and progress on initial milestones;
- the need for any additional capacity-building or improvement support;
- any changes to local priorities that the local authority and partners feel need to lead to renegotiation of LAA targets; and
- confirming/reviewing any designated LAA targets set against indicators for which there was no baseline at the time of negotiation.

Local authorities and partners will need to review their LAA targets and plans for delivery, to enable them to reflect any necessary changes in the corporate planning for 2009/10 of individual partners. It is for them to determine how they do so, the depth of review and what and how they communicate the results. The IDeA/LGA new self assessment tool is expected to be available to help with this. Information will need to be available to Government Offices by the end of December 2008 on:

- delivery arrangements for designated LAA targets;
- wherever possible, an assessment of the risks to the achievement of designated LAA targets, together with brief explanations of mitigating actions and residual risks;
- exception reporting on progress against designated targets or other national indicators
- where appropriate, information on baselining not available at sign-off;
- any evidence of changes in local priorities that the local authority and partners may want to reflect in changes to targets (although there are not expected to be many of these, particularly in the first year).

The inspectorates will publish, as part of the CAA consultation, their plans for ongoing assessments of local services in 2008/09. The Audit Commission's approach to CPA for 2007 and 2008 is aimed at beginning a smooth transition to the new CAA, without undue disruption for the remainder of the CPA programme. The Audit Commission will consult further on the final year of CPA in early 2008.

In November/December, GO Locality Managers should discuss with the CAA Leads (the new network of senior Audit Commission staff to lead work locally), and representatives of other inspectorates as necessary, the results of available assessments – these will include the final year of CPA, Joint annual review, and annual performance assessments of Children’s Services, and Social Care start ratings. This will help them to identify any issues to raise with local partners as part of the annual review and to decide whether any of the inspectorates need to be part of the review discussions.

GOs will also need to take account of any other performance assessment or management activity and involve those responsible for these as appropriate. For example, the first judgements under the new Assessment of Policing and Community Safety (APACS) will be published in autumn 2008 and they will need to take stock with Strategic Health Authorities on performance issues relating to PCTs and other health partners.

In January, GOs should have review meetings with the lead local authority and its partners, involving inspectorates and bodies with an improvement support function as appropriate. The issues for discussion and the evidence base for any concerns should have been agreed ahead of the meetings. The GOs will need to report back to Government on the conclusions of these reviews in general terms, but particularly covering:

- any exception issues raised about performance;
- any negotiations they are engaged in to amend designated targets; and
- excellent results or best practice.

Improvement and managing under performance

Information on areas of under performance or poor performance will be available to local partners from a variety of sources; monitoring against the national set of indicators, performance against LAA targets, or information from assessment or inspection activity. Where under-performance or poor performance is identified, local partners should take action at an early stage to address it.

Support from the local government sector and partners

Wherever possible, improvement support and advice will be led by councils working in partnership with other partners involved in local service delivery who will provide the first source of external support for a local authority or partnership with performance issues.

To support this, Government and the LGA are developing a shared approach to supporting improvement and efficiency through the National Improvement and Efficiency Strategy (NIES). Over the CSR07 period, this will involve:

- improvement being made more effective by devolving more central resources as close to the front line as possible and creating space for greater local decision making by councils together with their partners
- strengthening strategic planning of improvement needs, reflecting greater joint decision making on the use of pooled resources by local partners and Central Government;
- simplifying and rationalising the arrangements for offering improvement and efficiency support

The choice of where support for improvement comes from will depend on local context and performance and where the most efficient and effective sources of support are currently located. This will often be at local or regional level through Regional Improvement and Efficiency Partnerships (RIEPs), but in some cases central government departments may have more capacity and resources to provide support. It is expected that, over the CSR period, central departments will work with local and regional bodies to build capacity so that improvement action is increasingly led by local government and its partners rather than through central institutions.

Regional Improvement and Efficiency Partnerships, created by the merger of Regional Centres of Excellence and Regional Improvement Partnerships will be at the centre of arrangements for supporting local authorities and local partners. They will provide a single point of access to support for local partners to ensure regional performance issues are challenged and tackled effectively

RIEPs will draw up regional strategies that will outline their improvement objectives for 2008/9 -2010/11 and the amount of funding required. Improvement resources will increasingly be channelled from Government to RIEPs, allowing local areas to make decisions on how best to provide support for local improvement needs. RIEPs will be expected to involve local authorities and partners in determining how best to allocate improvement resources and how best to co-ordinate and pool other resources, to avoid duplication and overlap and maximise value for money. Information on what regional strategies will be expected to cover will be available in an advice note which will be issued alongside the National Improvement and Efficiency Strategy.

Government Offices, working closely with the Audit Commission and inspectorates and with Regional Improvement and Efficiency Partnerships, will continue to develop their locality management role to give them a clear and up-to-date picture of performance. Where GOs believe performance issues are

not being addressed quickly and effectively by local partners, they will work closely with them and with the local and central bodies involved in improvement support to provide challenge, and to prompt appropriate action.

Any action taken to tackle poor performance will depend on the scale and urgency of the problem, and also on the capacity of the relevant partners to address it. There are a range of options from additional regional improvement support, inspection if further information is needed, consultancy support, or in cases of serious or persistent failure, more formal intervention action. To support GOs in this role, Communities and Local Government is working with other central government departments to develop a toolkit (2008/09) that will enable GOs to access best practice, the range of expertise and support that can be drawn on from external agencies. Where there is multiple performance failure improvement action will be coordinated to reduce the burden on place.

Improvement Notices and Local Services Intervention Panels are key commitments from the LG White Paper. Improvement Notices will be available from 2008/09 and will be issued by the appropriate Secretary of State. These will be used to address significant or persistent poor performance, set out the action needed, the timeframe for doing so and what action may be taken if performance doesn't improve.

The Local Services Intervention Panel (due to be in place by April 2008) is an advisory group of people with expertise in cross-cutting partnership delivery. Their role will be to offer practical advice and recommendations to the appropriate Secretary of States on the best way of tackling poor partnership performance, where statutory action is being considered in relation to a partnership issue.

Aligning with other sectors' performance frameworks

The new local performance framework applies to local authorities working alone or in partnership. It therefore covers the activities of other partners working with local authorities to deliver against joint priorities in areas. However, other public sector partners (e.g. police, PCTs, JobCentre Plus, Youth Justice Board) will also continue to work within their own sectoral performance framework, which will be central to delivering the Government's ambitions in these areas.

Government is committed to aligning these performance frameworks to ensure:

- each partner operates within a coherent and co-ordinated framework, including common indicators and targets, assessment and any support or intervention as necessary;
- all partners are incentivised to work together where appropriate, supporting the new duties to co-operate;

- assessments of performance and any resulting action are not duplicated or contradicted in different frameworks.

A series of pamphlets explaining how the new local performance framework will work for different sectors and outcomes are being published during the autumn⁷. Developed jointly with the relevant Departments and their stakeholders, these will clarify the progress made so far in aligning performance frameworks and highlight further work that is planned.

In addition, some independent bodies (e.g. the Electoral Commission) have statutory powers to require information, set standards and performance manage local authorities and their partnerships. Government is committed to working with such bodies, local authorities and their partners to seek ways for them to achieve their outcomes in a way that fits as well as possible with the new local performance framework.

⁷ Pamphlets are currently planned covering: health and wellbeing, children and young people, policing and community safety, youth justice, national offenders management system, economic development, fire and rescue, climate change and sustainability, third sector, community cohesion, transport, housing, and vulnerable people. Once published they will all be available on the Communities and Local Government website.

3

Finance

Overview of new arrangements

In agreeing targets for inclusion in LAAs, partnerships will want to consider how they will resource delivery of those priorities. Individual partners may wish to pool their mainstream resources, where this is possible. Draft statutory guidance to accompany parts of the Local Government & Public Involvement in Health Act 2007, which is due to be published for public consultation in November, will emphasise the need for cooperation, including the possibility of shared commissioning across the different public service providers to better meet the expectations of citizens.

Government has significantly increased local authorities' flexibility over the use of their mainstream resources by moving at least £5 billion into non-ringfenced general grants over the CSR period. Over £4 billion will be moved into the new Area Based Grant and nearly £1 billion moved into Revenue Support Grant. This will minimise the barriers to local authorities using their mainstream resources to support LAA priorities where they wish to do so. From April 2008, all general grants (RSG and ABG) will be allocated on a three year basis to maximise stability and certainty. Local authorities should pass on the stability of their three-year financial settlements to the Third sector. All non-ringfenced capital grant will fall under the umbrella of the Single Capital Pot

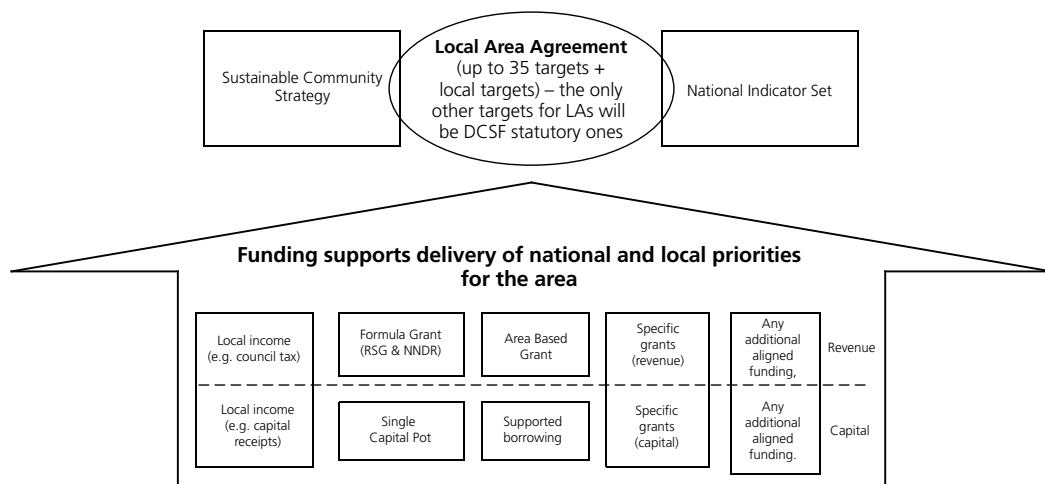
The Local Government White Paper set out a new approach to allocating funding:

- First, wherever possible, through **non-ringfenced general grant** – providing funding for core services. The main item of general grant is formula grant (made up of Revenue Support Grant and national non-domestic rates) which is distributed amongst all authorities according to relative need as determined by formulae.
- Second, through **non-ringfenced Area Based Grant** – a general grant providing additional revenue funding to areas according to specific policy criteria. The difference between Area Based Grant and Revenue Support Grant is that Area Based Grant is allocated according to specific policy criteria rather than general formulae.

“Non-ringfenced” means that there are no conditions attached to the way funding can be used. Even a broad definition of use, e.g. ‘for LAA purposes’, would count as ring-fencing.

- Third, through ringfenced or non-ringfenced **specific grants** where this can be justified – Government’s presumption is against this approach. However, in some limited circumstances it may not be possible to include specific grants within Revenue Support Grant or Area Based Grant – for instance, in circumstances where funding allocations are difficult to predict and therefore are uncertain (e.g. grants which are demand-led, bid-based or performance based) or where funding continues to be ring-fenced in exceptional cases where there is a recognised need to direct resources to specific purposes.

Local authorities are free to use the totality of their non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas, including the achievement of LAA targets, as illustrated in the diagram below.



This guidance sets out the background to the new non-ringfenced Area Based Grant, and how it will operate.

Area Based Grant

Relationship with LAA grant

In 2005/06, Government introduced Local Area Agreement (LAA) grant, into which a number of specific grant funding streams were pooled and allocated as a single grant to upper tier authorities for the purposes of supporting the achievement of their LAA targets. LAA grant primarily acted as a means of capturing the wide range of area based funding streams, allowing for rationalisation of the administration and monitoring that surrounds those funding streams and increasing local flexibility over the use of funding. LAA grant has helped to enable local authorities, working with partners, to invest their resources in the most effective and efficient routes to delivering local priorities.

Area Based Grant builds on the successes of LAA grant by further increasing local flexibility over the use of resources, and further reducing onerous reporting requirements. Unlike LAA grant, which was allocated for the purposes of supporting the achievement of LAA targets, Area Based Grant will be a non-ringfenced general grant. Local authorities and their partners will of course still be responsible for working towards delivering against the National Indicator Set and their LAA targets: the new performance framework provides a robust assessment regime to scrutinise progress against priorities, as well as how effectively authorities use their resources. It also provides a clear ladder of intervention and support to address cases of poor performance. Ensuring that the new Area Based Grant is a non-ringfenced general grant simply maximises local flexibility over the use of resources to deliver local priorities effectively and efficiently.

CSR07: Specific grants moved into Revenue Support Grant

Government announced, as part of the Comprehensive Spending Review, that the following specific grants will be moved into Revenue Support Grant.

- Access and Systems Capacity
- Delayed Discharges
- Children's Services
- Waste Performance and Efficiency

Specific Grants moved into Area Based Grant

A comprehensive list of specific grants to be moved into Area Based Grant will be published at the time of the provisional local government finance settlement. However, Area Based Grant will include, as a minimum, the following grants. In addition, Communities and Local Government aims to include Supporting People programme grant from April 2009, dependent on the evaluation of a testing period (taking place in 2008/09), and DCSF aim to include ContactPoint (IS Index) from 2010/11.

• 14-19 Flexible Funding Pot	DCSF
• Adult Social Care Workforce (formerly HRDS and NTS)	DH
• Aggregates Levy Sustainability Fund	Defra
• Care Matters White Paper	DCSF
• Carers	DH
• Child and Adolescent Mental Health Services	DH
• Children's Social Care Workforce (formerly HRDS and NTS)	DCSF
• Children's Fund	DCSF
• Choice Advisers	DCSF
• Cohesion	CLG
• Connexions	DCSF
• Crime Reduction, Drugs Strategy and Anti Social Behaviour	HO
• Detrunking	DfT
• Education Health Partnerships	DCSF
• Extended Rights to Free Transport	DCSF
• Extended Schools Start Up Costs	DCSF
• Local Enterprise Growth Initiative	CLG
• Local Involvement Networks	DH
• Mental Capacity Act and Independent Mental Capacity Advocate Service	DH
• Mental Health	DH
• Positive Activities for Young People	DCSF
• Preserved Rights	DH
• Secondary National Strategy – Behaviour and Attendance	DCSF
• Secondary National Strategy – Central Coordination	DCSF
• Preventing Extremism	CLG
• Primary National Strategy – Central Coordination	DCSF
• Respect	DCSF
• Road Safety Grant	DfT
• Rural Bus Subsidy	DfT
• School Development Grant (Local Authority element)	DCSF
• School Improvement Partners	DCSF

• School Intervention Grant	DCSF
• School Travel Advisers	DCSF
• Sea Fisheries Committee	Defra
• Stronger Safer Communities Fund	CLG
• Supporting People Administration	CLG
• Sustainable Travel General Duty	DCSF
• Teenage Pregnancy	DCSF
• Working Neighbourhoods Fund (replaces Neighbourhood Renewal Fund)	CLG

Amount of Area Based Grant

The total amount of Area Based Grant for the three years 2008-09 to 2010-11 will be the sum of the specific grants contributed by Departments. We aim to announce ABG allocations at individual local authority level on a three year basis as part of the provisional local government finance settlement. Additional funding streams may be included in Area Based Grant funding paid over the three years 2008-09 to 2010-11 – for instance, where Departments wish to make extra money available to authorities to address new policy concerns.

Payment method

Area Based Grant will be allocated in line with Government's presumption in favour of three year grant funding. Following the interministerial meeting on 16 July, Ministers agreed that, by the last week of November, departments should have agreed three-year individual local authority allocations for all specific grants (revenue and capital) except where the grant is demand led/expenditure based, bid based or performance related. Annual grant determinations will be made, under section 31 of the Local Government Act 2003 by a Minister of Communities and Local Government, on behalf of all Departments contributing funding to Area Based Grant. This will be in line with allocations agreed by departments and announced at the same time as the provisional local government finance settlement. Area Based Grant will be paid monthly to local authorities through Communities and Local Government's LOGASnet system.

Area Based Grant is a mechanism capable of allocating funding to district councils as well as upper tier authorities, should Departments contributing funding wish to do so.

Accounting and reporting requirements

The Audit Commission will, through the work of its appointed auditors, assess whether authorities have used their resources effectively, with a strong focus

on value for money and efficiency as part of the use of resources element of the Comprehensive Area Assessment. Authorities' accounts will, of course, be subject to the usual internal and external audit arrangements.

All Area Based Grant income should be recorded as a single line in authorities' published accounts, in accordance with CIPFA's Statement of Recommended Practice (SORP). CIPFA is currently consulting on a revised SORP, which includes a new section on the accounting arrangements for Area Based Grant. Area Based Grant income should also be recorded as a single line in authorities' Whole of Government Account returns.

As Area Based Grant is a non-ringfenced general grant, authorities will not be required to provide any additional information other than that provided in their statutory accounts, statistical returns and Whole of Government Account returns.

Carry forward

As a non-ringfenced general grant, there will be no restrictions on authorities' ability to carry forward Area Based Grant.

Capital funding

Government supports local government capital expenditure in three ways:

- Non-ringfenced grant funding;
- Ringfenced grant funding;
- Through the Private Finance Initiative (PFI).

The Single Capital Pot (SCP) is the term used to describe the total amount of non-ringfenced capital grant. This includes non-ringfenced capital funding to support costs of borrowing (known as Supported Capital Expenditure (Revenue) and Supported Capital Expenditure (Capital). Government Departments will continue, as now, to be responsible for the payment of capital grants, including those that form part of the Single Capital Pot.

Area Based Grant is a revenue grant and will not include capital funding. Government Departments will continue, as now, to be responsible for the payment of capital grants, including those that form part of the Single Capital Pot.

Specific grants

Whilst Government's presumption is against specific grants, as set out in the overview of this chapter, in some limited circumstances it may not be possible to include specific grants within Revenue Support Grant or Area Based Grant.

Where specific grants are non-ringfenced, there will be no additional reporting requirements upon authorities. Where specific grants are ringfenced, additional reporting returns will be necessary to provide assurance that the grant has been spent for the purposes for which it was allocated but will not require any information about the achievement of outcomes beyond that required under the new performance framework.

4

Chapter 4 – Timetable and sign-off arrangements

Agreeing the negotiating timetable

Local Authorities and the wider LSP family will want to check their own project planning against these proposed timescales and agree a timetable for reviewing progress in the negotiation at key stages. While all negotiations will move at their own pace, they should all be underpinned by the same key milestones. These are set out at Appendix A.

Reaching Agreement

The GO Regional Director is responsible for making a recommendation to the Secretary of State to agree to each individual LAA, and will therefore want to be satisfied that all negotiating points and disagreements have been satisfactorily resolved before making their recommendation. The aim is to ensure the Secretary of State is in a position to confirm the recommendation.

Early and open discussion of any issues will help to ensure that potential sticking points in negotiations are identified at the outset and resolved through on-going dialogue. Government Offices will use a range of tools drawing on a number of techniques and lessons learned from previous rounds and from the dry run. These include:

- Sifting and analysing performance and other data, including reference to inspectorate assessments
- Brokering discussions between partners and central government departments
- Chairing case conferences at which the overall shape of the priorities framework is debated
- Ensuring the conversation is brought back to focus all the time on the outcomes that partners and Government collectively wish to see delivered

As was made clear in *Negotiating New Local Area Agreements*, the story of place will be crucial, and throughout the negotiation process GOs will be challenging areas on the evidence and rationale for emerging priorities and the rationale for their inclusion. Local authorities and partners will want to ensure there is a strong, documented audit trail or assurance framework so that the choice of targets is compelling both to central Government, and to local people.

At the end of January, and as happened in previous LAA rounds, GOs will be asked to submit a first draft LAA to central government departments, via Communities and Local Government. At this stage in the process this will ensure

everyone can have confidence in the way negotiations are progressing, GOs will want also to draw on supporting material and notably the data which underpins the inclusion (and exclusion) or priorities. GOs will agree with each local authority and their partners what information they require to provide the rationale for the overall balance of priorities, partnership engagement and capacity and any potential delivery concerns and when this should be provided.

The GOs will be asking for proposed LAA targets to share and discuss with central government departments in March and for further contextual information to support the Regional Director's recommendation to Ministers at the end of May. Again, the GOs will agree with individual local authorities and partners when this information will be required.

In legal terms, the draft LAA is simply a collection of local improvement targets submitted to the Secretary of State for their approval. Therefore there will no longer be a requirement for the LAA to include detailed information that has been provided previously as part of the LAA. For example:

- **The statement of VCS involvement.** However, as a key part of the new duties and of CAA local authorities and partners will need to ensure they have evidence on how they have involved all named partners and other important contributors such as the Third and Business sectors;
- **Information relating to finance.** Local authorities and partners will even so, want to ensure they have plans showing how they will work towards the attainment of targets and the resources deployed to underpin the LAA and risks managed.

The LA will also need to consider what information would be published locally to provide context to local people about the LAA.

What the GO Recommendation will cover

The GO recommendation will be developed drawing on information from local authorities and partners. As with previous rounds, the recommendation that goes from the RD is likely to cover for each LAA:

- A short pen picture of the area to provide a backcloth for the selection of priorities
- A short explanation of negotiation setting out how the "up to 35" priorities have been arrived at, the rationale for the overall balance, a justification for excluding particular targets, and an assessment of the match between partners' priorities for the area and Government's national priorities, and the alignment with wider regional and sub-regional strategies.

- Evidence of engagement with partners, including ‘named partners’ and the Third and Business sectors.
- Key issues that have arisen during negotiation and how these have been resolved, including how an explanation of how activities will impact on Government’s plans to simplify business support
- Partnership capacity and any potential delivery concerns

GOs will discuss these submissions with local authorities and partners.

Presenting the LAA for sign-off

The LAA in legal terms comprises the designated and local targets. The template below should be used when submitting these targets to the Government Office, alongside any additional information it may require as part of the negotiation.

All proposed targets for designation should be marked with an asterix. Those not marked will be submitted as proposed local targets.

The template should also record the statutory education and early years targets, clearly distinguished from the LAA targets for the operational year 08/09. These will not be signed-off by the Secretary of State for Communities and Local Government but are included to ensure they are recorded alongside the proposed LAA targets as a single suite of targets for the area.

Presenting the LAA improvement targets

Priority	Indicator(s), including those from national indicator set (shown with a *)	Baseline	LAA Improvement Target, including those to be designated (shown with a *), and including education and early years targets ⁸			Lead partners
			08/09	09/10	10/11	

⁸ Please highlight any of these targets clearly. The education and early years targets will be set on an annual basis ONLY, and therefore only the column which relates to the appropriate year needs to be completed with respect to these. As these targets are set on an academic year basis, the template should list targets for 2008 and 2009. These will not be signed-off by the Secretary of State for Communities and Local Government and should be clearly distinguished.

5

Multi-Area Agreements (MAAs): A supplement to the Phase 2 Operational Guidance

As demonstrated by the experience of LAAs to date, and as set out in the review of sub-national economic development (SNR), it is important that priorities are identified, and interventions targeted at the appropriate spatial level. This supplement to the main guidance relates to Multi Area Agreements (MAAs).

MAAs are not intended to follow a 'one size fits all' model. They are voluntary agreements, led by partnerships of local authorities. The purpose of this guidance is to set out the guiding principles that should inform the development of MAAs and clarify key points of detail that have emerged during discussions with local government and representative organisations. It does not set out a detailed blueprint for MAAs. MAAs are a dynamic and evolving policy, and it will be for different sub-regions, with the support of central Government, led by Government Offices, to determine the precise shape, scope and nature of individual MAAs as they develop. The future development of MAAs will be informed by evidence of what works, all the time with a focus on delivering better outcomes faster to improve economic prosperity in the local area.

This supplement is divided into three sections:

- Section 1 sets out the policy rationale for MAAs, including a definition of MAAs, and the principles that should govern their development;
- Section 2 discusses the relationship between LAAs and MAAs; and
- Section 3 focuses specifically on MAAs.

Section 1 – MAAs: Policy rationale and principles

Policy rationale

Multi-Area Agreements (MAAs) were first introduced as part of the reform programme set out in the Local Government White Paper.⁹ This commitment to work with local authorities that are developing MAAs was reiterated in the review of sub-national economic development and regeneration (SNR) which was published this summer.¹⁰ The SNR set out a new approach to local economic development which placed local government at the heart of a wide-reaching programme of reform. The evidence set out in the SNR showed that administrative boundaries often do not correspond to functioning economic markets (for example, labour markets and housing markets). Therefore whilst many policies are best dealt with at local authority level, many others, especially

⁹ Strong and prosperous communities: The Local Government White Paper, DCLG, October 2006.

¹⁰ Review of sub-national economic development and regeneration, July 2007, para 6.76, pp 89-90.

those aimed at improving economic development, may be best tackled by local authorities and their partners collaborating at the functional economic area. MAAs provide a means to achieve this and to really drive economic prosperity at the level of the sub-region, focusing on the key policies related to economic growth such as transport, housing, worklessness and skills. Tackling deprivation and narrowing the gap between outcomes between the most deprived people and places with the rest of the sub-region will be a necessary part of delivering this step change in economic prosperity.

The overall objective of MAAs is to facilitate the delivery of improved economic prosperity although MAAs for other objectives will not be ruled out.

What are MAAs?

Multi-Area Agreements are voluntary agreements between two or more top-tier or unitary local authorities, their partners (including, in two-tier areas, shire districts) and Government to achieve collective outcome-based targets to improve economic prosperity.

One of the advantages of sub-regional collaboration is that it allows groups of partners to respond to challenges more effectively than they could on their own, for example around large-scale infrastructure projects. Government would expect local partnerships to explore the potential for sub-regional partnerships to help lever in private sector funding and as a route for innovative funding mechanisms to address such challenges.

When developing MAAs, partners should also consider the potential efficiencies that can be achieved by greater cross-boundary co-operation. For example, local authorities working together on common objectives provides an opportunity to achieve efficiencies through shared services. There may be potential gains through better alignment of service delivery or through achieving more efficient procurement and commissioning arrangements.

Principles of MAAs

The SNR set out the principles under which MAAs will operate:

- MAAs should be voluntary at the point of creation;
- MAAs should focus on activities where sub-regional working can add most value – the rationale for cross-boundary delivery of objectives should be evidence-based;
- MAAs should have an economic core and relate principally to economic development (although MAAs for other activities will not be ruled out);
- Local authority partners and public sector bodies will share collective responsibility for outcomes;

- Sub-regional partnerships will have transparent arrangements for ensuring financial and democratic accountability;
- Sub-regional partnerships should include representation from businesses and other key stakeholders such as RDAs;
- As far as possible, MAAs should be based on economic areas that reflect the policy scope for the MAA (and therefore may include partners from more than one region and may also include parts of counties);
- In two-tier authorities, county councils and participating districts will be co-signatories in MAAs;
- MAAs will be consistent with the regional strategies (and in due course the single regional strategy), and local Sustainable Community Strategies, and complement the LAAs of the participating authorities; and
- MAAs will build on existing sub-regional partnerships.

As part of this remit Government will expect MAAs to consider the key policies which relate to economic prosperity, for example, transport infrastructure, skills, worklessness, housing and planning. However individual sub-regions will decide on the themes and specific focus of their MAA.

As set out above, different sub-regions will have different priorities, reflecting their particular economic circumstances, and will build on a range of different forms of governance, as well as having different visions for how they can use an MAA to improve economic performance through partnership working. Government guidance will be flexible and responsive to local circumstances and allow each individual sub-region to evolve to address the unique features of that area.

Development of MAAs

The first MAAs will be signed off in June 2008. The Government has already entered into discussion with those sub-regions working towards an MAA in the first wave. These sub-regions have the following features:

- i. agreement on the benefits of partnership working;
- ii. agreement on the geographic scope of the MAA;
- iii. engagement with key partners, and particularly with the relevant RDA;
- iv. shared agreement on priorities;
- v. structures which either enable or can be adapted to enable sub-regional decision making;
- vi. political and senior level buy-in.

MAAs for other activities

The emerging themes that sub-regions wish to cover relate to economic growth and development.¹¹ However, as set out in the SNR, innovative approaches on other issues which may be dealt with through an MAA will not be ruled out. Areas that are interested in taking forward MAAs on other issues should discuss this with their Government Office at an early stage.¹²

Section 2 – LAA/MAA fit

Local Area Agreements (LAAs) define the priorities of a **local** area. However, for MAAs to be successful partners must share a common understanding of the priorities for the sub-region and how these relate to agreed regional and local objectives. It is important that the objectives of MAAs are more than just an aggregation of LAA outcomes. The relationship between LAAs and MAAs should be seen as complementary rather than hierarchical. A key early task of any sub-regional partnership considering an MAA should be to consider the value that the MAA might add, in the context of LAAs and related local and regional strategies such as the Sustainable Community Strategy, the Regional Economic Strategy and the Regional Spatial Strategy.

Government Offices will have a key role in helping to ensure integration between MAAs and LAAs. In setting timetables for the negotiations GOs will want to ensure that sub-regional negotiations on MAAs are aligned with those of the relevant LAAs. The role of GOs in MAAs is discussed in more detail below.

Indicators and targets

MAAs may in some cases be the mechanism for driving the delivery of designated improvement targets. More broadly MAA outcomes may also be drawn from the National Indicator Set. For those MAA outcomes that are drawn from the National Set, areas need to decide whether to treat these as local targets i.e. voluntary and therefore outside the Local Performance Framework, or whether they are part of the set of 35 designated targets reporting to central Government under this performance framework.

Phase 1 guidance sets out how local and regional sources of data could be used to build an evidence base. Whilst the set of indicators relevant to economic development could form the basis of an MAA, there is no reason why other data, for example, available sub-regional data on GVA, could not also be used to tell a more complete story.

¹¹ 'Bleas gives green light to sub-regional jobs boost', Communities and Local Government press release, 7 November 2007.

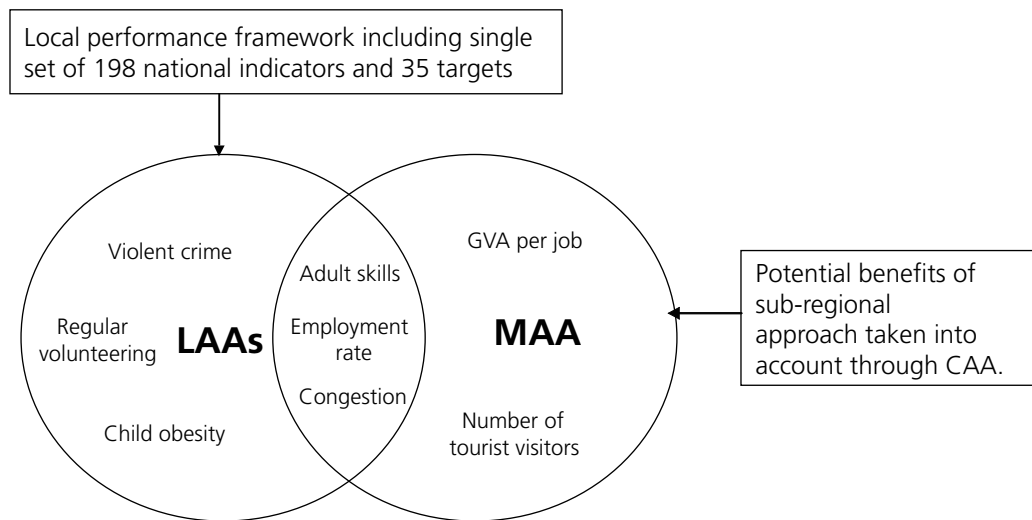
¹² This guidance refers throughout to MAAs for economic development. In the event of local areas coming forward with proposals for MAAs for other activities, certain aspects of this guidance may not apply.

Sub-regional partnerships should not be confined by the National Indicator Set when considering their delivery priorities and should be guided by the unique priorities of the area. For example, there are likely to be outcomes, especially in support of large-scale capital infrastructure programmes, where National Indicators do not provide the appropriate measures by which to assess progress.

In future years the Comprehensive Area Assessment will also take account of sub-regional outcomes delivered through MAA sub-regional partnerships. As set out in the SNR, CAA will also consider whether the opportunities to deliver better economic development outcomes are being realised.

The diagram below illustrates how LAAs and MAAs might interact. This is intended to act as an illustrative guide for local authorities. It is not a prescriptive model.

Possible interaction between LAA and MAAs



Section 3 – MAA specific guidance

Much of the guidance set out elsewhere on the operation of LAAs will also apply to MAAs and so is not repeated here. This section covers issues which are specifically relevant to MAAs.

Geographic coverage

The spatial coverage of the MAA should reflect, as far as possible, functional economic areas. Partners will need to ensure that the proposed coverage addresses, for example, travel to work areas and housing market catchments. At the same time it is important to recognise that there may be administrative and political reasons to allow some degree of flexibility in setting these sub-regional boundaries.

Regional Development Agencies and Regional Economic Strategies

As well as reflecting local priorities it is important that the MAA is consistent with Regional Economic and Spatial Strategies, and the single regional strategy once it is in place.

Local authorities and their partners should ensure that the RDA is engaged at the outset when developing an MAA. RDAs will play a key role including:

- using the regional evidence base to assist MAA partners in determining their economic priorities within the context of the wider regional economies;
- aligning funding streams to MAAs in support of jointly identified regional priorities;
- working closely with GOs to ensure that MAA outcomes support the Regional Economic Strategy;
- with the MAA partnership, supporting the delivery of particular MAA outcomes by working closely with the private sector to achieve MAA outcomes;
- assisting other partners in identifying and developing the required local capacity and expertise;
- ensuring that business support provision is effectively co-ordinated and simplified across all public bodies in the region.

Government Offices

Government Offices have a key role in ensuring the success of MAAs.

The GO will:

- act as broker helping to secure the co-operation and involvement of government departments and non-departmental public bodies;
- work proactively with local authorities and their partners to help them agree the sub-regions' ambitions;
- provide front-line interface between MAA partnerships and central Government. GOs will want to discuss with central departments areas where policies at national level appear to be preventing enhanced performance at the local, sub-regional or regional level and propose ways in which barriers to enhanced delivery might be overcome;
- negotiate the MAA priorities and targets, ensuring that outcomes are evidence-based, add value and are suitably ambitious.

When negotiating outcomes Government Offices will assess against the following criteria:

- MAAs provide clear additional benefits to local, sub-regional and regional economic performance;
- objectives are clear, appropriate, realistic and they fit within the broader regional and national context;
- the required capacity and expertise is in place to support development and delivery of MAA outcomes;
- that all relevant key partners have been consulted and are actively engaged in the delivery plans underpinning the MAA proposals.

In this first year, as Government develops MAA policy, GOs will closely involve Communities and Local Government and other Government Departments during the negotiations, especially around requests for flexibilities.

Other sources of support

As well as the support from Government Offices, Communities and Local Government and other Government departments, the Government is currently developing a research package that will assess this first year of MAAs and over the coming months offer practical support to partnerships through the development of an MAA action-learning network. Other organisations, such as the LGA and Core Cities, will also be a source of relevant expertise.

Passenger Transport Authorities

Where MAAs include metropolitan city-regions it is likely (and depending on the themes of the MAA) that the relevant passenger transport authority/ executive will be a key delivery partner and should be engaged in their development. The existing metropolitan joint local transport plans encapsulate the agreed transport strategies for these areas and MAAs encompassing transport do need to be consistent with them. The Government is bringing forward a package of reforms to enable a more coherent approach to transport to be taken in major city areas, including powers to enable cities to review and propose changes to the existing governance arrangements. MAAs can contribute to testing out on a non-statutory basis how some governance changes might work.

Funding

In agreeing targets for inclusion in their MAAs, sub-regional partnerships should consider how they will resource the delivery of those targets. Individual partners may wish to align or pool their mainstream resources to support the delivery of MAA priorities, where this is possible.

The Government has significantly increased local authorities' flexibility over the use of their mainstream resources by moving at least £5 billion of specific grant funding into non-ringfenced general grants. Over £4 billion will be moved into the new Area Based Grant, and nearly £1 billion into Revenue Support Grant. This will minimise the barriers to local authorities using their mainstream resources to support sub-regional priorities identified in the MAA.

Statutory sub-regions

The Government also stated in the SNR that provided clear, transparent and accountable governance arrangements can be put in place, it will work with interested sub-regions to explore the potential for allowing groups of local authorities to establish statutory sub-regional authorities which enable pooling of responsibilities on a permanent basis for economic development policy areas beyond transport. This proposal will be subject to primary legislation. These developing policies have close links and shared objectives with MAAs.

However, while a number of sub-regions working towards an MAA may consider formalising these arrangements there is no presumption from Government that an MAA partnership will evolve into a statutory partnership in the future. This will be for individual sub-regions to decide.

Other partners

Other relevant partners such as Jobcentre Plus, Learning and Skills Council, the Highways Agency and English Partnerships (Homes and Communities Agency when it exists) should be involved in early discussions to help identify the practical ways in which they can support the priorities being driven by the sub-regional partnership. The private sector should also be involved at an early stage, both to identify areas in which private sector commitment and support can help to achieve the objective of the MAA and to help ensure that these objectives are relevant to the private sector. Third sector organisations and networks may also be important partners in developing MAA priorities.

Governance

Each sub-region will need to demonstrate that they have appropriate governance structures in place in order to proceed with an MAA. There is no one fixed model for this and indeed the extent of the requirements will vary depending on the scope and complexity of the individual agreements. To ensure that proposals are proportionate to each MAA, it is therefore anticipated that partners, including RDAs, would discuss options in line with their negotiations with government (including GOs) and thereby ensure that the governance proposals enable strong leadership, robust and accountable decision making and appropriate engagement with local stakeholders.

The fact that joint working across boundaries is being progressed by an MAA does not itself alter the normal legal and financial requirements placed on local authorities and partners. Local authorities and other agencies involved will need to establish their own governance arrangements for formalising joint decisions, appraising and commissioning projects and activities, evaluating their effectiveness and ensuring that they remain within their various powers and vires at all times.

Any additional resources delegated or devolved from central Government departments and agencies to sub-regions in MAAs will be dependent on strong cross-boundary governance arrangements.

The components of an MAA

The precise nature of the documentation for MAAs will be dependent on individual negotiations. However it is likely to set out:

- the outcomes being delivered and the timescale to which they are operating;
- how governance arrangements will support the delivery of outcomes;
- the key stakeholders in the MAA and what role they will play in the delivery of MAA outcomes;
- any outcomes which are being reported against;
- any LG performance indicators which are being measured at the sub-regional level;
- financial arrangements (e.g. funding streams that will support the overall programme/commitment to devolve, delegate or align funds by central government and its agencies);
- any other flexibilities agreed with central government (including agencies).

Annex A – Glossary of Terms

The following table clarifies the use of terminology used in this guidance:

Term	Definition	Example
The local performance framework	The new performance framework covering outcomes delivered by local government alone or in partnership with others. This complements other performance frameworks for local partners, such as the police, PCTs, JobCentre Plus and the Youth Justice Board)	N/A
Priority	A high-level priority for a local area identified on the basis of the shared evidence base.	Making our area a safer place to live
Indicator	The national indicator set covers the Government's priorities for delivery by local authorities working on their own or in partnership. It consists of measures to be used to track performance. The indicators relate to the Government's top priority outcomes, as set out in Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs). This indicator set complements other national indicators which relate to national priorities delivered by local partners outside the local performance framework	NI 49 Number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks
Local Improvement Target	The terminology used in the LGPIH Act 2007 for any target in the LAA. Targets reflect the agreed performance trajectory, and will then become either 'Designated' or 'Local' targets (see below) upon sign-off of the LAA by the Secretary of State	a reduction of [X] number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks in 08/09, [Y] in 09/10, and [Z] in 10/11

Term	Definition	Example
Designated target	A local improvement target, derived from the national indicator set, which constitutes one of the 'up to 35'. These targets reflect national priorities and must be reported on to central government	a reduction of [X] in the number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks in 08/09, [Y] in 09/10, and [Z] in 10/11 (As above)
Local Target	A local improvement target based on purely local issues, decided by the local partners, included in the LAA, and signed by the Secretary of State so that named partners are under the duty to have regard to the target. There will be no reporting burdens placed on these.	Increase of [X]% points in the percentage of homes with smoke alarms in the area in 08/09, [Y]% points by 09/10, and [Z]% by 10/11
DCSF Statutory Target	A target on education or early years attainment set under s102, Education Act 2005 or s1, Childcare Act 2006	Key Stage 2 – to increase proportion achieving level 4+ in both English and Maths by [X]% points
Performance trajectory	The proposed performance improvement for the target e.g. what improvement is expected in each year of the LAA – in business and risk plans, this may include expected performance levels at critical local performance review points.	
Local authority and partners	In this guidance we make clear what is expected of local authorities and partners and do not set out the specific roles of Local Strategic Partnerships, named and non-statutory partners, and the various local thematic partnerships, e.g. Crime and Disorder Reduction Partnerships, Children's Trusts as these arrangements are best handled at local level. The draft statutory guidance provides further information about these partnership arrangements.	

Annex B: Indicative timetable underpinning all negotiations

Month/Year	Action
October/November 07	Local authorities and partners collate evidence and prepare 'story of place' for discussion of new LAAs with GOs.
November	Local authorities and partners agree project timetables and dates of negotiating meetings with GOs.
	GOs and central departments and partnerships informally review their proposed priorities for places.
December	Local authorities and partners and GOs identify working list of proposed priorities.
	Local authorities and partners and GOs negotiate and refine the working list of priorities based on partnership, central departmental/ GO discussions.
	Local authorities and partners to identify and resolve sticking points.
	National Strategies Senior Regional Directors (SRDs) discuss indicative statutory early years and education targets ("statutory targets") for 2009 with LA Directors of Children's Services
January 08¹²	Local authorities and partners and GOs negotiate on the up to 35 indicators from the national indicator set and any local targets, to support their agreed priority outcomes
	Local Authorities submit statutory targets to DCSF by 31 January
25 January 2008	Submission of draft LAA priorities by GOs to Central Government ¹³ .

¹² From the end of December the Secretary of State will be able to issue direction to local authorities to prepare the LAA.

¹³ GOs will confirm local timetable for providing information for this.

Month/Year	Action
February	Local authorities and partners consider what targets they may set to be achieved for the selected indicators, in discussion with GOs.
	National Strategies SRDs (in consultation with GOs where appropriate) renegotiate statutory targets where greater ambition to support priorities is required
March:	Continuing negotiation of outcomes, indicators and targets between local authorities and partners and GOs.
	Continuing negotiation of statutory targets with the aim of reaching agreement by 31 March.
	Local authorities and partners submit proposed targets to GOs.
April (indicative):	
	Local Authorities notified of agreed DCSF statutory targets
	GOs continue to share developments with Departments especially around the stretch of targets linked to aggregate national performance
May:	Continuing negotiation of outcomes, indicators and targets between local authorities and partners and GOs.
Beginning June:	Formal submission of LAAs to GOs. GO Regional Directors make recommendations to Central Government.
	Secretary of State of Communities and Local Government considers all LAAs submitted for her approval, and consults with cabinet colleagues. Approved LAAs and designated targets in place.

Annex C: Further guidance about the national performance framework

Further guidance is available or has been developed which is related to the negotiation of LAAs. In particular:

- Strong and Prosperous Communities, White Paper – published October 2006
- Developing the new arrangements for Local Area Agreements – published February 2007
- Dry run of the new LAA arrangements – published September 2007
- Negotiating new LAAs – published September 2007
- A Guide to the new national performance framework and implementation plan – published 8 November 2007
- A Consultation Document 'Handbook of technical definitions underpinning the National Indicator Set – published 8 November
- A consultation draft of the statutory guidance on Creating strong, safe & prosperous communities – published November 2007
- A consultation document on the new CAA framework (published jointly by the inspectorates) – published November 2007
- A package of departmental narratives that clarify what the new performance framework means to government departments and those in their relevant sectors – to be published November/December
- The National Improvement & Efficiency Strategy Framework – to be published early 2008
- Final Guidance on national indicator definitions – to be published January/February 2008.