



Office of the
Deputy Prime Minister

Creating sustainable communities

Local Area Agreements

Advice Note 2: Performance Monitoring and Management

February 2005

Office of the Deputy Prime Minister: London

Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU
Telephone 020 7944 4400
Web site www.odpm.gov.uk

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Summary

1. In Advice Note 1, we set out the principles behind performance monitoring and management in relation to Local Area Agreements (LAAs). These principles were expanded on in a further note circulated to LAA pilots by Government Offices (GOs) before Christmas.
2. This advice note sets out in detail LAA performance monitoring and management arrangements. It has been put together in consultation with Government Departments, GOs, and the Local Government Association (LGA). The note is structured around two key areas: the internal arrangements of the local area and government requirements for performance monitoring and reporting.
3. This note covers the following points:
 - no imposed performance management framework on the local area – arrangements to be discussed and agreed locally during negotiations;
 - a general reduction in the central government burden of monitoring and reporting;
 - six-monthly reporting to GOs against the outcomes, indicators and targets agreed in the LAA;
 - detail of where existing monitoring and reporting requirements associated with specific funding streams will remain;
 - an outline of the action which may be taken if performance monitoring identifies the need for improvement; and
 - links with inspection and regulation.
4. The key underlying principle is a significant reduction in the amount of monitoring and reporting required from local areas in relation to the funding streams included in their LAA. In the first year of LAAs we expect a rationalisation of central government's monitoring and reporting requirements, however, it will not be possible to remove all existing requirements. Those that will need to remain in year one are detailed in this note. We will keep these arrangements under review and will develop further proposals on monitoring and reporting for subsequent years.

Performance monitoring and management principles

5. Effective performance monitoring and management of LAAs will be critical to their success. It will be for the local area to develop their own performance management framework. The onus will be on the local area to monitor and manage their own performance and the LAA process should ensure a system is put in place that has the commitment of all partners.
6. The broad principles which will underpin the reporting and monitoring arrangements are set out below and expanded on in the rest of the note:
 - GOs will not be concerned with the internal performance monitoring and management arrangements that an area has in place, but will need to be reassured that the arrangements are robust and will allow review of performance against the targets, indicators and high level outcomes;
 - Arrangements will be proportionate and will be agreed during the negotiation process;
 - The ongoing relationship and dialogue between the area and central government, through the Government Office, will be used to identify and address issues early on. Sufficient levers will need to be in place to ensure that local areas achieve the outcomes they have agreed; and
 - Additional inspection activity will not be carried out on the back of LAAs but we will be clear about the link between LAAs and other regulation/inspection regimes.
7. The ultimate aim is a real-time, transparent and robust monitoring system that will provide all partners with access to information that will allow them to review and manage progress and performance across the LAA at any given point in time. Such a system would enable:
 - local partners to be able to assess and review their progress to date against the agreed outcomes and targets, plan for future delivery and identify dips in performance and take any necessary action;
 - the local area to provide information to their local people about progress that is being made against priorities, it will be important to ensure that information is produced in an accessible format and reaches all sections of the affected community, including minority and marginalised groups;
 - the GO to ensure that progress is being made against high-level outcomes and to contribute towards a national picture of performance; and
 - the Government, through the GO, to have information about each area's progress against the whole of the LAA and identify dips in performance and take any necessary action.

This will be a developing process and will not be in place for the first year.

Implementation of performance monitoring and management arrangements

8. At present there is no proposed 'national model' for a performance framework of LAAs but we will be working closely with the pilots to see how the principles are working in practice. This will inform any future propositions of how performance is best monitored and managed within the context of LAAs. This work will link closely with the wider agenda to develop a streamlined and rationalised new performance framework across local government.
9. It is inevitable that in some cases the internal arrangements of the LAA may be more complicated due to the involvement of a large number of partners, especially in two-tier areas. Much useful information has been produced to provide support and identify good practice in performance management. For example, the Performance Management, Measurement and Information (PMMI) project, carried out jointly by the Improvement and Development Agency (IDeA) and the Audit Commission, has published some useful information on the IDeA website (www.idea.gov.uk) about good practice in performance management.
10. Characteristics of performance management best practice (as set out in *Devolving Decision Making: 1 – Delivering better services: refining targets and performance management – March 04 – available on the Treasury website www.hm-treasury.gov.uk*) are as follows:
 - Real-time information – regular and robust performance data;
 - Can do culture – inspired by strong leadership;
 - Agreed lines of accountability;
 - Clear performance management review – combining challenge and support; and
 - Transparent set of performance rewards and sanctions.
11. There will be a continuing dialogue between the local area and the GO after the agreement of the LAA during which performance against the agreed outcomes will be discussed. GOs will also need to be sent a formal progress report against agreed outcomes, indicators and targets every six months. This report will need to include details of spend against each of the three blocks. Further information about financial monitoring will be covered in a further advice note. The annual review of the LAA will also provide an opportunity to review progress. Attached at annex A is an example of a proforma which areas may wish to use as a method of reporting to the GO.
12. Particularly in these early stages of LAAs, as stated in advice note 1, there will be funds which for a variety of reasons do not get formally merged into any of the funding blocks, and remain separate, but nevertheless are aligned with or pooled locally by partners. Where this occurs existing performance management arrangements for these additional funds would be expected to continue – although the existence of the LAA may be a catalyst for rationalisation.

Continuing requirements

13. The general principle of LAA monitoring and reporting is that current central government requirements associated with the different funding streams should be set aside. At present some existing monitoring requirements will need to remain, some of these are set out below. For all other funding streams included in the LAA, current monitoring arrangements will be replaced by the need to monitor only those outcomes, targets and indicators agreed as part of the LAA.
14. Information that relates to national PSA targets will still have to be collected and monitored through existing systems where this is necessary for the overall delivery an/or monitoring progress nationally of the PSA target. At this stage other performance information that is outside of the LAA process, for example best value performance indicators (BVPIs), will continue to be collected and reported in the normal way. It is the intention that, both through the LAA process and the work on the new performance framework, future requirements for performance information will be more proportionate and tailored towards local circumstances. Nationally determined standards will, of course, also continue to include the duty to promote diversity and equality of opportunity.

Safer and Stronger Communities (SSC)

15. Work is underway to reduce the monitoring requirements associated with the SSC fund. In line with the general advice above, it will not be possible to realise this in the first year. The negotiation process for the SSC block within each LAA is an opportunity to discuss streamlining of the monitoring and reporting requirements associated with the funding streams which are included in this block.
16. The performance information contained in iQuanta and the Police Standards Unit web pages will continue to be collected. When conducting their own local monitoring, local areas should use the relevant information from iQuanta, rather than establishing separate systems. In the event that any Drug Interventions Programme funding is included in the LAA, existing reporting arrangements will continue until a robust and agreed outcome monitoring system is in place.
17. If pooled treatment budgets are included in the LAA, reporting arrangements will be required to monitor locally agreed outcomes. These should be discussed with the GO and the National Treatment Agency (NTA).
18. Liveability Fund: unless otherwise agreed as part of the negotiation process, existing grant conditions for the liveability fund, including monitoring and reporting arrangements, will continue.
19. Community Engagement: the SSC block includes a mandatory outcome to increase community engagement. Whilst there is no mandatory way in which this should be monitored, local areas might look at data which is already collected, such as BVPIs, as a starting point. Further advice on community engagement, including advice on engagement with the voluntary and community sector (VCS), and community cohesion, will be circulated shortly.

Children and Young People (CYP)

20. Performance monitoring for the CYP block will usually be streamlined and drawn from the LAA outcomes, targets and indicators based on the Every Child Matters: Change for Children outcomes framework. However, there are a small number of government commitments that will still need to be specifically monitored where related funding streams are included.
21. Connexions: the Connexions Customer Information System will still need to be completed monthly, though the amount of information that needs to be provided is being reviewed and should be reduced. Specific details will be discussed during negotiations.
22. Extended Schools: information on progress towards all schools becoming extended schools; and by 2010 all schools providing access to a school age childcare offer from 8am – 6pm all year round, should be included in the regular reporting.
23. Education Health Partnerships: Health Development Agency will continue to monitor each term progress towards the target of all schools achieving healthy schools status by 2009. This information will be shared with GOs so will not need to be reported twice.
24. Sure Start: the stock of childcare places in disadvantaged and other areas will be collected via the annual census (reduced from quarterly); the number of children reached by children's centres and the number of full daycare places created in children's centres will continue to be monitored via the existing web-based tracking system. Additional indicators agreed in the LAA should be reported every six months (most are quarterly at present). These could include new baby visits, mothers breastfeeding, mothers smoking during pregnancy, availability of integrated settings, the proportion of 3-4 year olds with SEN/disabilities attending settings and qualifications of leaders of settings.
25. Children's Fund: this is currently under consideration but requirements are expected to reduce significantly; arrangements will be confirmed during negotiations.
26. Please note that since LAA advice note 1 was published, it has been decided that the Transforming Youth Work Development Fund and the Youth Service Disabled Access Fund will be streamlined into a single fund: the Transforming Youth Work Performance Improvement Fund (TYWPIF). Funding is expected to be available for one year only. Further details will be provided in separate guidance for all local authorities shortly. There will be no separate monitoring requirements where TYWPIF is negotiated into the LAA.

Healthier Communities and Older People

27. The reporting and monitoring requirements for Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) are set out in the Local Delivery Plan (LDP) guidance. Where a PCT's contribution to the health element of the LAA is a local target in the LDP there will be no central reporting requirement and the reporting and performance management mechanism will be between the PCT and SHA.

Neighbourhood Renewal Fund (NRF)

28. LAAs offer the opportunity to pilot new performance management models, this can be explored during negotiations. As with last year, NRF Local Strategic Partnerships (LSPs) can use any performance management framework they chose as long as it meets the following core requirements:

- Reviewing outcomes
- Reviewing partnership working
- Improvement planning

Areas in receipt of NRF may want to build on the performance management arrangements they have in place for the LSP to use as a basis for the LAA. These areas will also need to continue to provide quarterly reports of NRF spend.

29. Each NRF LSP is currently assessed using a traffic light indicator that identifies those LSPs requiring additional support in order to achieve key outcomes. This approach for assessing performance will continue for the period 2004/5.

What happens if performance monitoring identifies the need for improvement?

30. For LAAs to be successful it will be critical that there are arrangements in place to ensure the local area achieves the agreed outcomes. The first step will be for an area to identify and address any dips in performance early on through their own internal arrangements. We also expect that there will be continuing dialogue between the area and central government, through the GO, and this relationship will be used to help identify any under-performance against the agreed targets and outcomes and work together to address this. The Neighbourhood Renewal Unit (NRU) have a support package in place for those LSPs facing the greatest challenges. LAA pilots in NRF areas should ensure opportunities for building on this support package are explored. There may be other direct relationships between central government and local areas that will remain but these will be properly aligned with the LAA arrangements to ensure there is no duplication in monitoring arrangements. If an area continues to under-perform against its negotiated and agreed outcomes and targets, then the GO, and central government departments as appropriate, will need to determine the most appropriate course of action. This action is likely to depend on funding streams included, and the nature of the problems, and may include the following progressive steps:

- Engagement of external support from within local government
- More regular monitoring of performance from the GO
- Targeted support from the GO
- Re-imposition of ring fencing
- Re-imposition of existing programme control
- Implications for funding

Links with inspection and regulation

31. Work is currently underway with the Local Services Inspectorate Forum to consider the links between LAAs and the following areas in relation to monitoring and reporting:
 - Service inspection
 - Corporate assessment/joint area review
 - Direction of travel assessments
 - Other annual assessments
 - CPA
 - Direction of travel/annual audit and inspection letters
 - Other annual assessments
32. Relevant inspection and regulation activity should take into account the fact that an area has an LAA in place. In addition the GO should have access to the outcomes of all inspection and regulation activity to inform the annual review and monitoring of the LAA.

Annex A

Example proforma of reporting monitoring outcomes

	Related PSA	Time period 1	Time period 2	Time period 3	Time period 4	Inspection/ survey evidence	Comments on progress/ risk mitigation
Overall outcome 1							
Target 1	Profile						
	Actual						
	% variance						
	Risk rating						
Target 2	Profile						
	Actual						
	% variance						
	Risk rating						
Target 3	Profile						
	Actual						
	% variance						
	Risk rating						

