

SCRUTINY COMMISSION - 25th APRIL 2007

OVERVIEW OF THE ECONOMIC DEVELOPMENT AND ENTERPRISE BLOCK OF THE LOCAL AREA AGREEMENT

REPORT OF THE CHIEF EXECUTIVE OF THE LEICESTER SHIRE ECONOMIC PARTNERSHIP (LSEP)

Purpose of the Report

1. To advise the Scrutiny Commission of the progress to date in achieving the outcomes and targets set out in the Local Area Agreement (LAA) for the Economic Development and Enterprise Block.

Recommendation

2. That the Commission notes progress in delivering the outcomes and achieving the targets in the Economic Development and Enterprise Block of the LAA.

Background

What is the LAA?

3. LAAs are described by Government as 'the cornerstone of the new relationship between central and local government'. An LAA is a three-year agreement that contains targets for improving services and quality of life for local people. The agreement is made between Central Government (represented by the Government Office (GOEM)), and a county or unitary authority area represented by the principal local authority, (the County Council acting as the 'Accountable body') and other key partners (through the Local Strategic Partnership (Leicestershire Together)).
4. LAAs are a means by which Leicestershire Together Partners achieve key local and national priorities. They identify outcomes that need to be achieved and measurable target(s) so that it is clear if the outcome has been achieved. They allow money to be used flexibly within four blocks to achieve the agreed targets, without having to consider the precise source of the funding. In theory the LAA allows for the streamlining, simplification and integration of performance management arrangements into one overall framework.
5. Nationally LAAs are grouped round 4 blocks:
 - children and young people

- safer and stronger communities
- healthier communities and older people
- economic development and enterprise.

In Leicestershire some of these blocks have been separated, so apart from the Children and Young People block each of the others has been split into two, giving seven blocks in the County:

- older people
- healthier communities
- children and young people
- safer communities
- stronger communities
- cleaner and greener
- economic development and enterprise

6. All areas within an LAA can request some freedoms and flexibilities, now called enabling measures:
- pool funds from central government (into one single budget for 2008/9)
 - carry over a reasonable level of unspent resources within the LAA from one financial year to another – up to 5% currently
 - invest any savings in delivering the objectives of the LAA
 - in theory the LAA is supposed to reduce the monitoring and reporting requirements (but any gain so far has been minimal)
 - vire or combine some mainstream funding (aligning budgets) between organisations to meet shared LAA outcomes
 - streamline payment mechanisms, including removing the need to submit claims forms.

Leicestershire LAA

7. The current LAA covers the period from April 2006 to March 2009 (the full LAA and related documents can be viewed at www.leicestershiretogether.org). Its progress is reviewed every 6 months by GOEM and every three months by the Strategic Senior Officers Group, Leicestershire Together and LCC Cabinet.

The Economic Development and Enterprise (EDE) Block

8. The EDE Block is overseen by the Leicester Shire Economic Partnership (LSEP) and is supported by the LAA Economic Strategy Group (ESG). The ESG is a partnership-based officer group which is responsible for developing, delivering and monitoring the Economic Development and Enterprise Block of the LAA.

Outcomes and Targets

9. The EDE Block originally consisted of 5 outcomes and 12 targets. The number of targets was reduced to 9 following the refresh process. The outcomes are:
- 1 Increase the vitality and viability of town and rural centres (2 targets)
 - 2 Increase skills levels and the number of people in employment (2 targets)
 - 3 Work towards improving the provision of employment land and premises across the County (2 targets)
 - 4 Increase the number of businesses starting up, expanding and locating within the County (2 targets)
 - 5 Increase the contribution of tourism to the local economy (1 target)

Reward Targets

10. The EDE Block has 2 **reward targets** (similar to the old PSA targets) which will attract a reward of £1,270,150 each if the agreed targets are achieved at the end of 2008/9. One of the reward targets is broken down into sub-targets. Each sub-target attracts a percentage of the overall reward. No reward will be secured if less than 60% of the target is achieved. Achievement of 100% of the target attracts 100% of the reward; achievement of between 60% and 100% attracts the percentage of the target achieved. The target breakdown for the EDE reward targets is as follows:

11. Target 2a: Increase the number of people in receipt of an incapacity benefit who are helped into work in Leicestershire.

Total Reward available for this target is £1,270,150 which will be apportioned as follows between the indicators:

- (i) The number of people who have been claiming an incapacity benefit helped into permitted work of less than 16 hours per week for 13 consecutive weeks or more - £158,769 (12.5%)
- (ii) The number of people in receipt of an incapacity benefit who are helped by Leicestershire County Council into work of 16 hours per week or more for at least 13 consecutive weeks - £1,111,381 (87.5%)

12. Target 4a: Increase the number of businesses starting up in the County

Total Reward Available for this target is £1,270,150

Number of business start-ups within Leicestershire (excluding the City and Rutland) that have been assisted and recorded by Business Link Leicestershire - £1,270,150 (100%).

Pooled and Aligned budgets

13. A **pooled** budget is one where all the money is put into one pot and it is down to local decisions on how it is used. There is no pooled funding for the EDE Block in 2006-07. An **aligned** budget is one which is committed by partners to achieving a particular

outcome or target within the LAA but is not centrally pooled. Significant funding has been aligned by partners to achieve the outcomes and targets within the EDE block.

Funding for Reward and Non-Reward Targets

14. Total pump-priming funding of £122,442 was provided for the 2006/7 financial year to assist in the achievement of the reward targets within the EDE Block (£78,362 for target 2a and £44,080 for target 4a).

The funding for target 2a was utilised to employ community development workers in the deprived communities to work with participants to raise confidence and skills levels. The funding is also being used to employ a dedicated Employment Development Officer based within the County Council's Breaking the Barriers team to place participants in volunteering, part-time and full-time posts, as appropriate to the individual's needs and capacities.

The funding for target 4a is being used to engage with individuals who wish to start their own business, or who are in the first 12 months of trading in Leicestershire. This included the development and implementation of an 'Enterprise Road Show' programme which provided additional support to that already being provided through mainstream Business Link services.

There was also an allocation of £67,620 for the non-reward target related to improving the vitality of town and rural centres. A proportion of this funding was used to commission a user satisfaction survey of the seventeen priority centres and the remainder of this funding will be used this year to set baselines for retail floorspace and credit card expenditure data in the main town centres.

Reviews at Six Months (to end September) and Quarter 3 (end December)

15. GOEM's overall report on the first 6 month period to September 2006 contained a positive assessment of the LAA with a 'green' (top) rating for delivery and an 'amber' (middle) rating for achieving outcomes. The latter judgement was affected by the likelihood that overall crime reduction targets will not be met. GOEM's report stated that 'There are very few concerns across the four blocks and the progress within the EDE block has been a significant achievement within the LAA'.
16. In terms of the Economic Development and Enterprise Block, significant progress was made in achieving the original 12 targets in first 6 month period to September 2006. This was reflected by the fact that eleven of the twelve targets were credited with a 'green' rating to demonstrate that performance was on track and within the tolerances. The employment related reward target was given an 'amber' rating because performance was below the tolerances but remedial activity planning since the six month review has ensured that the year one targets will be achieved. The target was given an amber rating because the Learn2Earn Project which would deliver the reward target was delayed as it involved a lengthy recruitment process and the securing of LSEP funding and was not officially launched until October 2006.

17. The Quarter 3 performance to end December 2006 reflected an improvement in the employment reward target and demonstrated a shift from amber to green status. The achievement of targets for all outcomes in 2006/7 was on schedule and there were no 'amber' or 'red' outcome or delivery measures.
18. In assessing performance risk the traffic light rating system indicated below has been used:
- *Red* - performance below acceptable tolerances and high risk of not being able to bring performance around.
 - *Amber* - performance below tolerances but remedial activity planning is underway with prospects of recovery.
 - *Green* - performance on track and within tolerances.
 - **Not available** – Some performance data is still in development or is only reported annually.
19. Each indicator is accompanied by a colour coded comment against "outcome" that is to say - is the actual target being achieved or on track and "delivery" - is progress being made on the actions required to deliver the outcome?

This table summarises the overall picture with regard to the outcome and delivery risks for the EDE Block. The traffic light assessments are against the target for the end of December 2006:

EDE Block	Outcomes				Delivery		
	Green	Amber	Red	Not available	Green	Amber	Red
End Dec 06 (brackets end Sept 06)	8 (11)	0 (1)	(0)	4 (0)	12 (12)	0 (0)	0 (0)

20. Appendix 1 is a summary of the traffic light risks for the whole of the LAA, appendix 2 summaries performance for the EDE Block to the end of December and appendix 3 has the detail for each EDE block indicator. Each indicator is accompanied by a colour coded traffic light against "outcome" (is the actual indicator performance on track to achieve the target for the end of year 1 (March 2007) and "delivery" (is progress being made on the actions required to deliver the outcome?). Appendix 3 is a summary of performance for quarter 3 for the EDE block.

Amber Risks and Improvement/Mitigation Activity

21. There are no amber or red outcome or delivery measures.

CHANGES TO LAAS

22. The Government proposes to strengthen the role of LAAs from April 2008. Their preparation will become a statutory requirement and the main service delivery agencies will have a duty to cooperate in their preparation and implementation. More

funding will be pooled and there will be flexibility to use that funding across the whole of the LAA. Targets will be selected from 200 national indicators – most LAAs will identify about 35 of these, selected to match local priorities, plus about 18 statutory indicators relating to children and young people.

23. The County Council has proposed that a single Sustainable Community Strategy (SCS) is prepared for Leicestershire during 2007 to identify the priorities to be delivered in the LAA from April 2008. From April 2009 the SCS and LAA will provide the basis for the Comprehensive Area Assessment. This Assessment will judge how well public service agencies are working in partnership to achieve the priority outcomes jointly identified for the area. It is likely therefore that the scrutiny function will be more focused on the SCS and LAA in the future.
24. The economic development section of the new Leicestershire Sustainable Community Strategy will also form the Leicestershire section of a new Sub-Regional (ie Leicester Shire) Economic Strategy, the preparation of which is being led by the Leicester Shire Economic Partnership.

CHANGES TO ECONOMIC DEVELOPMENT AND ENTERPRISE BLOCK

25. Over the past year Government guidance and statements have considerably extended the scope of the EDE block. Following revised LAA guidance issued in March 2006, the Local Government White Paper and advice received from GOEM in spring 2007 the block has been retitled the 'Economic Development and Environment theme' and will cover the following issues
 - spatial planning
 - economic development
 - employment and skills
 - child poverty
 - managing housing supply and demand
 - transport
 - environment and climate change
 - culture and
 - sport

For LAAs in areas covered by New Growth Point designations, including Leicestershire, there will be mandatory indicators on housing provision. New Growth point funding will be pooled within LAAs.
26. Further detailed guidance and information on arrangements for the new LAA, and for the Economic Development and Environment theme in particular, is expected in summer/ autumn 2007 alongside the Comprehensive Spending Review and the Treasury's review of sub-national economic development. More specifically GOEM has organised a seminar on the new EDE theme on 19th April to which County and Unitary authorities and other key partners have been invited. The seminar will, it is expected, provide further information on the future development, governance and strategic implications of the new EDE theme. Any new information arising from this seminar will be reported verbally to the Commission.

27. The new EDE theme will, therefore, be much more wide-ranging in scope than the existing LAA's economic development and enterprise block. It will be more complex to co-ordinate and will require enhanced partnership working across Leicestershire. Options for the co-ordination and governance of the new EDE theme will be developed over the next few months.
28. A further level of complexity, but also of opportunity, is provided by the possible development of Multi Area Agreements. These are agreements which extend across more than one LAA area and which are particularly well-suited to issues, such as housing, transport, economic development and land-use, which are appropriately dealt with at a sub-regional level. It is anticipated that MAAs covering respectively Leicester Shire and the three Cities/ 6Cs area could be developed alongside the new LAA coming into force from April 2008.

Resources implications

29. The resources available to achieve the targets within the EDE block include those resources that are included within partner organisations mainstream budgets. Additional funding of £613,280 has been made available over the three years of the LAA to meet the cost of achieving the two reward targets. For non reward targets £67,620 has been allocated from County Council resources and further funding contributions have been made available from partners. As set out in the report, if all the reward targets within the EDE block are achieved, reward funding of £2.54m will be received at the end of the three years. Leicestershire Together will decide how this funding will be used.

Equalities Implications

30. The delivery plans for each outcome within the EDE block includes a commentary on equality issues. All delivery will take into account equality of opportunity to all people, in particular in relation to access, participation and outcomes.

Background Papers

31. None.

List of Appendices

- Appendix 1 - Overview of risks in achieving LAA targets
- Appendix 2 - Summary of Quarter 3 Performance for EDE Block
- Appendix 3 - EDE Block Indicator Performance at Quarter 3 (end December 2006)

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