



*Local Area Agreements  
Enabling Measures*

*Departmental position statements (Round 2)*

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On 5th May 2006 the responsibilities of the Office of the Deputy Prime Minister (ODPM) transferred to the Department for Communities and Local Government.

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# An Explanatory Note for Local Authorities, Government Offices and Jobcentre Plus

## Financial incentives for Local Authorities and partners to help more people move from benefits to sustained work

### **Background**

1. During the negotiation of Local Area Agreements (LAAs), requests for Enabling Measures were submitted by Local Authorities (LAs) and their partners for consideration by the Department for Work and Pensions (DWP). To deal with these requests it was agreed to set up a High Level Working Group with members from DWP, Government Offices (GOs), LAs and HM Treasury (HMT).
2. The Group agreed that it needed to understand central and LA aspirations in relation to DWP related policy issues, to assess progress in relation to requests for freedoms and flexibilities, and to challenge DWP when requests were being turned down. The Group also wanted to suggest alternative ways of meeting LA aspirations where requests could not be met, and to promote new ways of working.
3. A number of LAs would like to have the opportunity to reinvest the benefit savings achieved through their local initiatives to help disadvantaged people move from benefit and into sustained employment. They argue that such an arrangement could enable savings to be recycled locally to help even more people into work.
4. As a result of the Group's efforts, HMT agreed to produce an explanatory note on the proposition made by a number of LAs and their partners that a proportion of any benefits money saved by helping people back to work should be available to reinvest in the area to help more people into sustained employment.

### **Summary**

5. The Group identified that this was a difficult issue since it was hard to make the direct link between a particular intervention and a reduction in spend on benefit. Research carried out by Oxford University to test whether there have been benefit savings from the Kent Local Public Service Agreement has not yet been completed, but at the interim stage has proved to be inconclusive.
6. Even if it were possible to make the link, HMT would still need to look at opportunity costs, and whether sharing identified reductions in spending was the best method of getting funds to the agencies that deliver the best policies. Expected reductions in public expenditure resulting from specific policies are taken into account during the wider government discussions when working out the next spending settlement.
7. Government takes the view that resources are already provided through the spending review process to DWP to get people off benefits into work. DWP has the power to support programmes run by third parties where it considers that this may be the most

effective way to deliver against its targets. It also believes that the financial reward available for the achievement of particular LAA targets is the best incentive for LAs and their partners to achieve their objectives. The reward itself can be reinvested to provide further support to help more people into work.

### Issues and perceived barriers to Local Authorities

Issue	Perceived Barrier
<p>Some LAs and their partners would like the opportunity to share benefit savings they have helped to achieve to enable them to continue to invest in tackling the problems of worklessness.</p>	<p>There is little incentive for LAs and their partners to put sustained effort into helping disadvantaged groups to move off benefits.</p>
<p><b>Government Response</b></p>	
<p>HMT provides resources to DWP for the purposes of getting people off benefits and into work, and decisions on the scale of resources take into account the potential for benefit savings. DWP has the power to support programmes run by third parties – including Local Authorities – where it considers that this may be the most effective way to deliver against its targets, and is best placed to make those judgements.</p> <p>HMT also provides the Department for Communities and Local Government (formally known as Office of the Deputy Prime Minister) with resources to incentivise LAs to deliver their Local Public Service Agreement (PSA) and LAA related activities through performance-related payments.</p> <p>Some LAs have asked for an additional method of incentivising or rewarding their activity, based on calculating the notional benefits saved from any individual programme, and allocating a proportion of those savings to Local Authorities to fund further programmes. The Government is of the view that this is unlikely to be a feasible or appropriate method of incentivising LAs because:</p> <ul style="list-style-type: none"> <li>• identifying the impact of a particular programme, taking into account the impact of other programmes and what would have happened in the absence of the programme, is extremely difficult, and</li> <li>• even if savings could be properly identified, the Government would need to consider:             <ul style="list-style-type: none"> <li>– whether an LA's programmes are the most effective way of spending that money (i.e. what the opportunity cost is), and</li> <li>– whether sharing savings is the best method of getting funds to an LA.</li> </ul> </li> </ul> <p>Neither of these questions can be resolved easily, but they would be central to a funding system on the lines proposed.</p> <p>In light of these points, any system of funding or reimbursement based on identification of a direct link between LA action and benefit savings is therefore likely to be a both highly complicated and impractical.</p> <p>Resources allocated in Spending Reviews, including to DWP and the Department for Communities and Local Government, already take into account the potential for benefit savings. Spending Reviews also give spending Departments the opportunity to propose “invest to save” programmes, and are the right process for making judgements about opportunity costs.</p> <p>The Government’s view is that the best way to reward LAs for supporting people from benefits into work is through existing mechanisms - either through performance rewards for successful delivery of agreed PSA-related activity, or through contracting with Jobcentre Plus where they agree provision is significantly contributing to its own targets.</p>	

**Any comments on this document should be sent to Jenny Ellis, DWP, Economy and Labour Market Division [jenny.ellis@dwp.gsi.gov.uk](mailto:jenny.ellis@dwp.gsi.gov.uk)**

**Please note, a position statement from DWP on Data sharing and the Cities Strategy is due shortly and will be published thereafter.**

## HMT position statement on Capital/Revenue split

Central Government determines at each spending review the overall split of revenue and capital expenditure in the context of affordability within the fiscal aggregates and the golden rule. Further increases in revenue expenditure beyond those agreed in the spending review represent a threat to the golden rule and the delivery of the Government's fiscal and economic plans. This principle necessarily extends down to individual authority level- we cannot agree to local authorities spending more money for revenue purposes than the level determined either in their LPSA or LAA reward grant or, at a wider level, in their overall provision

# DH position statement for denied freedom and flexibility requests: Changing the Local Delivery Plan

## **Freedom or flexibility requested:**

Several areas have requested the freedom to change targets agreed as part of the Local Delivery Plan (LDP) for the PCT as part of the LAA for a variety of different reasons.

## **DH response to freedom or flexibility request:**

DH sets out the process for agreeing SHA level trajectories for delivering national priorities as part of Local Delivery Plans. It is for SHAs to agree the individual contribution from PCTs towards these trajectories, which together should aggregate to the SHA plan. Once LDPs have been signed off by the Department, SHAs, and PCTs through them, will be held to account for delivering the agreed plan. A reduction in the performance required to reach the agreed plan, a request to stop reporting against plans or a request to change the definition used for a target/LDP measure is therefore not acceptable outside of the core LDP process.

However, targets that are supplementary to the LDP line target may be included in the LAA to broaden the focus of work. For example, the LDP line target on 4 week quitters may not be substituted for a target on 13-week quitters, but the latter may still be included within the LAA to extend the local work on smoking cessation.

In addition, some areas may wish to stretch performance beyond the existing LDP trajectories in local priority areas as part of the reward element of the LAA.

# DH position statement for denied freedom and flexibility requests: Performance Assessment Framework performance indicators

## **Freedom or flexibility requested:**

DH has received several requests for the freedom to not report a PAF PI, or to change the definition used for PAF indicators (particularly C28 and C32). These indicators may be perceived to define services relatively narrowly and do not allow, for example, the contribution of the voluntary and community sector to be taken into account.

## **Explanation of denial of freedom or flexibility:**

Councils will still have to use the standard national count for all the PAF indicators otherwise their performance assessment for the year by CSCI will be affected. They are national comparator indicators and so cannot be 'flexed'.

DH is committed to working with stakeholders to review and develop the PAF PIs so that they reflect current practice as accurately as possible, in support of Government policy.

However, until new or modified PAF PIs are introduced into the national set of indicators there is nothing to stop councils developing local indicators to capture any local emphasis that can be considered in their annual performance assessment.

DH will consider new indicators and measurement systems which councils are free to propose to support the outcome priorities in their LAA.

The learning from this should be particularly helpful for the development of indicators in the future and DH will be keen to work with CSCI to review new proposals.

**Therefore, a council may devise an indicator outside the normal PAF PI set as part of their LAA, providing the information is clearly defined, robust and auditable over the period of the LAA.**

# DH position statement for denied freedom and flexibility requests: Choosing Health funding

## **Freedom or flexibility requested:**

The majority of DH funding for Choosing Health is allocated to PCTs, along with NHS funding. PCTs are not always engaged in the public health agenda, with SHAs sometimes keen for this funding to cover NHS deficits than be spent on public health initiatives in joint work with the council. Therefore, it has been requested that DH ring-fence Choosing Health funding so that it must be spent on Choosing Health, or allocate this directly to the local council so it is not swallowed into the rest of the NHS budget.

## **Explanation of denial of freedom or flexibility:**

DH policy is not to ring-fence funding. Funding is allocated to PCTs and they are free to spend this as they wish. The SHA cannot influence this spending: their role is to performance manage delivery of the PCT targets.

In addition, we wish to avoid a situation where a pot of funding is ring-fenced for public health and as a consequence only that funding is spent on public health. DH wish to encourage the spending of mainstream funding on Choosing Health to maximise both the spending and benefit.

# DH position statement for denied freedom and flexibility requests: Spearhead funding

## **Freedom or flexibility requested:**

Spearhead funding within a county is deliberately focussed on the most deprived areas. Approval is sought to target the resource on communities with similar health and socio-economic characteristics within the county that are not within the Spearhead district boundaries.

## **DH response to freedom or flexibility request:**

Given that the additional funding to the Spearhead areas is to support delivery of the national health inequalities PSA target, the Health Inequalities Unit within DH would be concerned at any proposal to spend Spearhead funding outside the Spearhead area. However, we operate a system where PCTs decide where to invest NHS funding, and consequently PCTs are free to spend money, including Spearhead funding, as they wish. This is therefore a proposal to be taken up with the local PCTs rather than DH.