

# SINGLE CONVERSATION

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# Part 1

## Local Investment Agreements: General information

### Purpose

This document sets out a basic framework to use in coming to a Local Investment Agreement (LIA) through the Single Conversation. Part 1 outlines the suggested approach to negotiating a Local Investment Agreement and Part 2 includes a model for a Local Investment Agreement with explanatory notes.

The purpose of the Local Investment Agreement is to set out the mechanisms by which the priorities in the Local Investment Plan (LIP) will be delivered. It contains a summary of each party's contributions, the outcomes they wish to achieve and how they will work together to achieve this. This will take the form of a Memorandum of Understanding between the Homes and Communities Agency (HCA) and the local authority(ies) in a given area.

This is a live document that will be reviewed on regular basis and updated to reflect changing policy and practice.

### Context

Each HCA region will develop business plans which will set the priorities for action and investment. Each region will be able to supply details of their priorities to partners. HCA's business planning processes and negotiations with government will set the overall allocation of resources to regions. The HCA's regional business plans will be informed by the Local Investment Plans and will therefore reflect the local investment priorities of the local authorities in that region.

The Local Investment Plan sets out the totality of interventions required in an area to achieve the objectives and vision for that area. An existing example of a comprehensive Local Investment Plan is the Milton Keynes Partnership Local Investment Plan<sup>1</sup>, which provides a full description of the local aspirations and priorities along with a timed and costed delivery plan.

This document should be read in conjunction with the introductory Guidance Framework *Single Conversation: A better way to achieve positive outcomes for people and places*<sup>2</sup> and further information on the development and content of Local Investment Plans<sup>3</sup>.

The development of the LIP will lead to a range of investment options which will be subjected to a high level appraisal to select priority interventions for all partners. The priority interventions will provide the basis for the Local Investment Agreement between HCA and the local authority(ies). In some cases, other partners, particularly the Regional Development Agency (RDA) may be party to the Local Investment Agreement, or they may wish to use similar parallel agreements. It is not anticipated that HCA will be involved in every single intervention.

HCA proposed individual interventions set out in the Local Investment Agreement will be subject to relevant appraisal processes such as those for the Treasury Green Book or for the National Affordable Housing Programme. After appraisal and approval the full contractual position for each intervention or project will be cemented using HCA standard legal agreements and investment documentation where possible.

### Plan appraisal

The Local Investment Plan for each Single Conversation area will be subject to a high-level appraisal. The appraisal process will inform what is included in the subsequent Local Investment Agreement and will enable comparisons to be made with other Single Conversation areas elsewhere in the region. This will enable the HCA to assess how best to allocate its finite resources to the competing investment priorities in the region, to maximise performance, impact and value for money. There will need to be a Local Investment Agreement with each individual local authority in a Single Conversation area unless there is a single entity to act as the accountable body for the area, for example, a County authority.

<sup>1</sup> [http://www.miltonkeynespartnership.info/about\\_MKP/local\\_investment\\_plan\\_2009.php](http://www.miltonkeynespartnership.info/about_MKP/local_investment_plan_2009.php)

<sup>2</sup> <http://www.homesandcommunities.co.uk/singleconversation>

<sup>3</sup> Local Investment Plan development, priorities and appraisal

**Legal status**

The Local Investment Agreement will be prepared after the Local Investment Plan and is a non-legally binding Memorandum of Understanding. To avoid inefficient use of resources on consultancy fees, HCA and partners should complete the negotiations and have a very clear understanding of what is actually to be agreed before drawing up the Agreement. It is possible for the MOU to have some legally binding provisions. Further detail is provided in Part 2 of this information.

**How to use this information**

This information sets out a framework to help focus the minds of the parties involved on addressing the key priorities for the area. The process of negotiating the agreement should be used to set out the long-term investment priorities for the area and the actions required to move towards a full contractual position, where appropriate, for each intervention. The framework is designed to encourage a consistent approach to developing Local Investment Agreements recognising that the content of agreements will vary to reflect local circumstances.

**Freedom of Information**

It is not intended that the Local Investment Agreement be made public, although both HCA and Local Authorities are subject to Freedom of Information legislation. The Local Investment Agreement may contain, or reference, information of a commercially sensitive nature, especially where private sector investment is anticipated. Suggested clauses on publicity are set out in the model Local Investment Agreement in part 2.

**Procedures and sign-off**

Each partner in the Local Investment Agreement will have their own procedures and timetables for reaching agreement to the Local Investment Agreement. This should be discussed and agreed at an early stage. The Local Investment Agreement will normally be signed off by the HCA's regional director, except for London where there may be different arrangements. The HCA's investment priorities will inform, and be informed by, the region's business plans; details of these can be obtained from the regional office.

It should be stressed though that any sign-off of the Local Investment Agreement is 'in principle' and subject to the availability of resources and the capacity of the local authority and its partners to deliver the objectives. Any commitment to expenditure for individual projects/interventions identified in a Local Investment Agreement will be subject to the appropriate delegations and approved through the respective internal HCA expenditure approval processes which currently vary across programmes. These are currently under review with the government.

## Part 2

# The Local Investment Agreement content

### 1 Parties

These will be the Homes and Communities Agency and the Local Authority and generally be referred to as the 'Agency' and the 'Council' respectively. In certain cases there could also be other parties such as the Regional Development Agency (RDA) or an Urban Development Corporation.

### 2 Objects

#### Vision

The vision to be set out here is that for the local area (or multi-area) as agreed between local partners and stakeholders through the Local Investment Plan process. For example, through the local strategic partnership and informed by the local authority's Sustainable Communities Strategy, Local Economic Assessment and the Local Development Framework.

#### Objectives

Set out what is to be achieved through delivery of the agreement, building on the priorities identified in the Local Investment Plan.

### 3 Area coverage

As well as spelling out the areas covered, a map to identify the boundary of the overall area covered by the agreement can be a useful way of highlighting spatial priorities and intervention areas, although it is important to note that some interventions may be thematic and area wide.

### 4 Status

The Local Investment Agreement is a non-legally binding Memorandum of Understanding (MOU). It will give certainty and clarity to both parties on their respective roles and responsibilities in delivering the agreed investment priorities for an area without giving formal commitments by capturing the specific HCA and local authority actions and investments needed to deliver the Local Investment Plan priorities. A high level appraisal of proposed interventions should take place as the Local Investment Plan is developed<sup>4</sup>.

A MOU denotes moral obligations on the parties and, once signed, may reduce bargaining power to amend the terms. However, it will also be important that the agreement recognises clearly that finance is subject to Government and Parliament's decisions in spending reviews, budgets and Finance Acts, that markets and anticipated receipts and costs can change from previous estimates, and that political, policy and priority changes can happen quickly. These and other references should be included to ensure that any terms of the agreement can be discussed and changed as necessary.

No clause within the Local Investment Agreement shall prejudice either party in exercising their legal functions, including the council in carrying out its planning functions. The Agreement is subject to the amount of money that will be made available to the HCA in any year and the purpose for which it can be used, as determined by Parliament.

### 5 Governance and risk

#### 5.1 Organisational structure

The Local Investment Agreement will build on the Local Investment Plan proposals on the form of structure to be used for agreeing and overseeing delivery of the Local Investment Agreement, for example a steering group. There may already be partnerships in place and where are suitable should be used for delivery, rather than creating new ones.

A steering group need not be a separate legal entity. Where practical, arrangements should take advantage of any existing structures and set out how these will engage with each other and the links at regional, sub-regional and local levels. Where there are Local Investment Agreements covering several local authorities and existing delivery bodies, such as in some Growth Areas, it may be necessary to define the relationships with these bodies and other partnerships for the purposes of negotiating, overseeing and delivering the Local Investment Agreement.

The structure's Terms of Reference, membership, number of members and representatives from each organisation, meeting schedule and standard agenda items need to be agreed between the parties. Members and representatives should be of the appropriate level and empowered to speak and agree matters on behalf of their organisations.

<sup>4</sup> See separate information on prioritisation and appraisal in the Local Investment Plan Information.

## 5.2 Approvals and consents

Each party should set out its internal processes and procedures for gaining approvals and consent to enter into legally binding agreements for interventions where appropriate, for example, entering into a joint vehicle with a landholder or to make an equity investment. HCA will need to obtain regional sign off, and where necessary, national or government approval. The council should set out where, and for what, they will need to obtain committee or cabinet approval or similar. Timeframes and meeting cycles should be set out so that these can be taken into consideration when planning and assessing delivery risk.

## 6 Stakeholders

It may be helpful to set the respective roles of each party in the ongoing engagement of stakeholders who will already have been engaged in the process of developing the Local Investment Plan. The ability to have conversations at national level with other agencies will be an important part of what the HCA can offer, with other parties being able to bring other positive relationships to the agreement.

## 7 Interventions

### 7.1 General

This section should set out the range of interventions that both parties will work towards and set timescales and ownership for carrying out appraisals on individual interventions. Interdependencies between projects should be identified clearly. In addition to listing the individual interventions, it could set out the overall proposed investment for, say, the current Spending Review period and indicate any proposed investment beyond.

An 'Intervention Summary Plan' should be prepared which is a summary drawn from the Local Investment Plan document. Listed below are suggestions for the elements to be covered for each intervention which can be added to or adjusted to suit local specific arrangements.

### 7.2 Non-negotiable items

The parties should set out any items of critical importance.

For example, HCA reserves the right to use its standard documentation for the investment of funding and could make these available to the other parties early on.

HCA will expect delivery to be carried out in accordance with:

- Procurement policies including the provision of skills and apprenticeships;
- Equality and diversity policy implementation (see the HCA Single Equalities Scheme) and equality impact assessments;
- HCA Design and Quality Standards; and
- The HCA's Community engagement policy.

### 7.3 Intervention 1 [Name of place, project or theme]

#### *Agency Inputs*

- Funding: set out what the Agency will provide and over what period and from which funding stream or product range;
- Assets: HCA land or other physical assets;
- Consultancy and Technical Support: from in-house resources such as national Land and Development Consultancy services, access to HCA Delivery Partner panel and consultancy panels; ATLAS; local area team advice or direct project management;
- Staff: secondments or training; and
- Other: for example, skills mapping and development programmes by the HCA Academy.

#### *Council Inputs*

- Funding
- Assets
- Consultancy Support
- Staff
- Other.

### 7.4 Leverage

Building on the Local Investment Plan, identify which parties will undertake actions to secure third party resources from other public agencies, the third sector or the private sector. The range of funding available is wide and can include that aimed at economic development, business support, skills, education, environment, transport and health.

### **7.5 Outputs, outcomes and benefits**

For each project list the outputs as set out in the local agreement. HCA could produce a 'baseline report' for the area to help identify the outcome indicators that could be used to track progress towards achieving the objectives (or desired outcomes) and help in securing the vision for the local place.

List also any other benefits that add value to the project, for example, securing early outputs, setting standards for future development or balancing the market offer. These additional benefits from individual interventions will be assessed as part of any project appraisal.

### **7.6 Standards**

Set out the quality standards that will apply and, where applicable, any cases where either an increase in standards, or a relaxation could apply.

### **7.7 Returns**

Set out terms for the distribution of receipts, leverage, overage, clawback and the formula and method of calculation.

### **7.8 Timescales**

Set out the expected timescales, key milestones and timing of outputs and outcomes. Identify key milestones or tasks on the critical path, for example, planning permissions, cabinet agreements, treasury sign off or the completion of key infrastructure.

### **7.9 Structure and Delivery**

#### **Role of the parties**

Set out the role each party plays in each intervention. For example, in one project HCA's role may be as a funder of affordable housing, on another HCA may play a key leadership role in delivery. Identify the accountable body for management and processing of monies.

#### **Project Management**

Set out the project management arrangements (which organisation takes responsibility and accountability, who pays and what the tasks are). This could include a named person as the project manager, the reporting mechanisms and a procedure for agreeing to replacement in the event of staff moves etc. It may also be prudent to identify a high level sponsor, potentially an elected member.

#### **Third Party Contracts**

Agree who is best placed to enter in agreements with third parties, what form these agreements might take and which party is responsible for contract administration. In some cases, a third party contract might constitute the totality of an intervention. For example, if HCA were to make funds available to the council to design and procure public realm improvements. HCA would use its standard funding agreements and the council would put in place the works contracts.

#### **Change control (individual interventions)**

A mechanism should be set out for dealing with the identification, costing and approval of change. For example, slippages, variances to budgets or additional work. It will be important to be clear about what level of delegation has been given, and who the client actually is. HCA will need to approve all changes that impact on outputs and outcomes, expenditure and receipts. In addition, changes should be reviewed for their impact on the overall amount of added value across the full range of interventions. See section 10 for further information.

## 8 Monitoring and reporting

It is expected that the local authority will collate data and information from individual interventions (some of which may be led by HCA) into an overall report against the objectives of the Local Investment Agreement. Reporting may be required on a monthly or quarterly basis, timed to accord with business planning and reporting processes. The agreement should set out the timescales that apply.

It will also be helpful to agree the frequency of the proposed review of the local outcome indicators (see above). This is likely to be only appropriate every one or two years as movements in these measures will be gradual, but such a review will enable the partners to take stock of the progress towards achieving the objectives and the desired outcomes for the local place and its community.

## 9 Risk management

The risk management arrangements should be properly considered as part of the high level appraisal of the Local Investment Plans and will impact significantly on investment decisions. Risk workshops are a possible approach. The risk plan that emerges should be appended to the Local Investment Agreement.

## 10 Critical linkages and risk

It is important to include items which are essential for achieving the outputs and outcomes. For example, adoption of policies or strategies required before intervention, and without which funding might be delayed (or possibly forfeited due to risk factors). Strategic Risks should be identified and a mitigation plan developed.

## 11 Added value

The added value that parties expect to achieve as a result of the overall combination of interventions should be set out. Part of the change control procedure must involve assessing impact on the added value items and where these are affected, coming to agreement that the revisions are acceptable, whether they impact either negatively or positively. This is important because if the benefits of combined interventions are significantly diluted then it may be necessary to reallocate resources.

## 12 Timetable

The Local Investment Agreement will commence on the date that the second party signs the MOU. Parties should agree to set a specific start date to work towards. They should also agree the length of the MOU, three years after the date of commencement could be an approach. At that time a new agreement may be entered into, or the existing agreement may be extended for a further period, or adjustments agreed.

As all investment is subject to appraisal, and to availability of funds, it is not necessary to tie the MOU into the Comprehensive Spending Review (CSR) periods. The agreement may also set out events that might lead to a review, for example, a change in control of the Council or a change in legislation. However, the cessation or change to a Local Investment Agreement could not override specific legal agreements in place on specific projects.

### 13 General provisions (These are legally binding)

Data Protection and Freedom of Information – all parties will acknowledge that they are subject to legally binding requirements.

**Publicity:** public announcements relating to the Local Investment Agreement must be agreed with the other party in advance. As the full Local Investment Agreement will not be a public document because of commercial confidentiality, all the partners, and possibly other stakeholders such as developers, will need to agree on a communications and publicity strategy for what will be put in the public domain and when. For instance, it will probably be valuable to have a public announcement and press event on the signing of the agreement when the local and potential national and trade media will want as much detail as possible. The strategy should also take into account internal announcements that may also enter the public domain, for example, through staff magazines etc. It should also cover potential events during the period of the agreement which relate to specific interventions such as starts on site and when stakeholders have to be consulted and agree in advance.

**Dispute resolution:** disagreements over the terms of the Local Investment Agreement will be elevated to the appropriate level in each organisation as agreed. If they cannot agree then the matter will be referred to an appropriate expert.

**Governing law and jurisdiction:** terms will be governed and construed in accordance with English Law.

Parties agree to be legally bound by the provision of all of the above covered in section 13.

### 14 Timebound targets

Identify any timebound targets that affect the overall Local Investment Agreement. For example, the provision of information to enable assessment and allocations of funds within a particular business plan period, the achievement of match funding from other sources, the completion of a critical study, or piece of infrastructure.

### 15 Signatories

The signatories need to be able to legally commit the organisation.

### Annexes

- Area plans
- Local Investment Plan
- Other documents, studies or reports relevant to matters referred to in the clauses
- Summary Intervention Plan

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