
Executive

24th July 2007

Report of the Director of City Strategy

York's Local Public Service Agreement (LPSA2)

Purpose

1. This report seeks views from the Executive on the use of Performance Reward Grant (PRG) earned at the conclusion of York's second Local Public Service Agreement (LPSA2). It is asked specifically to consider whether this should be made available to help further work which supports both the council's priorities and the outcomes of the LSP.

Background

2. Local Public Service Agreements were developed by government as a means of raising performance and providing better public services in key areas. For each, indicators are identified to quantify stretched performance over and above what we would normally expect to achieve. For meeting these targets or making significant progress towards them, a reward grant is payable by government.
3. Upfront investment is available to those services (council departments and Safer York Partnership) who are leading on the achievement of LPSA2 targets. This is comprised of two funding sources; Pump-Priming Grant which does not have to be repaid and the Venture Fund which will be repaid after the conclusion of the agreement. A financial summary on page 3 and at annex B shows these arrangements in further detail.
4. The majority of targets in the initial LPSA1 agreements were prescribed by government and so also reflected national priorities. The amount of overall stretch achieved under York's LPSA1 agreement was 56%, slightly above the average suggested in a subsequent review of case study authorities by the Office of the Deputy Prime Minister. York's first LPSA concluded on 31st December 2005 and attracted £2,041,859, which has now been claimed in full.
5. Based on a government evaluation of its success, LPSA2 was developed. York's second LPSA runs from April 2005 to December 2008 and has a potential Performance Reward Grant (PRG) of £3,935,028. There are 12 areas for improvement under this second agreement, shown at annex A.
6. Whilst LPSA remains as a means of improving public services, its future focus increasingly will be on supporting LSP priority areas rather than those negotiated exclusively on behalf of the council. To reflect this shift, the targets set out in York's LPSA2 agreement now feature in the city's first Local Area Agreement (LAA).

7. The LPSA fits well with both the LAA and the council's 13 priorities. Each one of these frameworks focuses on priorities for performance improvement and share a broad commonality of themes which include climate change, sustainability, social inclusion, crime reduction & public safety, economic development and healthier lifestyles. Progress towards the stretch targets set under LPSA2 then, can be seen as making a contribution in these wider contexts also.

Consultation

8. The content of this report has been consulted on with corporate stakeholders including Corporate Management Team and City Strategy DMT.
9. Depending on the decisions made by the Executive there may need to be further consultation and communication with partners, the LSP and LPSA2 target holders.

LPSA2 latest position

10. Performance projections for each of the LPSA2 targets is attached as annex A. These have been made based on the latest available data (mainly 2006/7 out-turns) and following discussions with the responsible target holders. A breakdown of the financial implications of these performance projections are shown on the following page and at annex B.
11. The latest projections and estimates, suggests that LPSA2 is likely to yield approximately 54% (£2,129,287) of the overall PRG available. This estimate errs on the pessimistic side in those cases where making a performance projection was problematic, and 0% of stretch has been assumed for these. These are shown bearing a question mark in annex A.
12. The table on the following page provides a summary of the financial implications of these performance projections. It shows the amount of PRG that York is projected to receive and the payments to be made from it. Again, this summary is only an estimate; all projected figures below, with the exception of the repayment of Venture Fund are subject to variation before the conclusion of LPSA2 in 2008. Annex B to this report shows these financial projections broken down by LPSA2 theme area.
13. The Service Reward shown in the tables on the following page is an allocated payment to target holders who achieve or substantially achieve their LPSA targets. This is calculated according to how much grant each area achieves against the Pump-Priming and Venture Fund investment required to achieve it. The reward is payable to eligible service areas up to a value of £50,000 per service.
14. CMT and the LSP have approved this approach and the Executive are asked to support this decision also. In addition, the Executive is asked to support the idea that partner organisations should be entitled to a share of these service rewards if they can demonstrate that they have made a substantial contribution to the achievement of performance stretch.
15. This approach was set out by the LSP at its meeting on 28th September, the following extract is taken from the minutes of that meeting. 'The chair made it clear that any partner organisation wishing to benefit financially from an LPSA grant, must agree with the council the nature, extent, objectives, methodology, targets

and appropriate outcome measurement techniques for their proposed contribution before the start of the project.’

	AVAILABLE	PROJECTED
Performance Reward Grant (PRG)	£3,935,028	£2,129,287
Venture Fund to be repaid	£1,094,515	£1,094,515
Balance (PRG less VF)	£2,840,513	£1,034,772
Service Reward	£442,919	£192,919
Final balance (PRG less VF less Service Reward)	£2,379,594	£841,853

16. It is use of the final balance shown above which the Executive are asked to consider in the remainder of this report.

The LAA and role of the LSP

17. York’s LPSA2 targets now feature in the Local Area Agreement with performance targets aligned according to the stretch negotiated previously between CYC and government. For those LAA round three authorities that did not previously negotiate an LPSA2, performance stretch has been negotiated as an integral part of the LAA and feature improvement targets which reflect LSP priorities.
18. This is now known as the reward element of the LAA and indicates the increasing alignment between the setting of Local Authority wide outcomes and the identification of key areas for improvement. It is anticipated that this will be the context for any future LPSA like agreement for York and will be negotiated on behalf of the LSP rather than the council. This shift in emphasis is aligned with the changes which the white paper ‘Strong and Prosperous Communities’ has heralded, including the increased emphasis on partnership strategic leadership and the introduction of a city-wide performance framework.
19. It is in acknowledgement of this link between LPSA, the LAA and the increased devolvement of strategic partnership functions that the issue of using reward grant to assist the work of the LSP has arisen. It’s status as a significant income stream free of commitment means that there are a range of options available for using reward grant which encourage a degree of flexibility and innovation which other funding arrangements do not permit.
20. One such example would be Suffolk’s development of a ‘single gateway’ approach to commissioning and procurement of services from the third sector. This acts as a one-stop-shop for publicising and allocating grants to voluntary and community groups, with the aim of improving ease of access to the funds available and building the capacity of the voluntary and community sector. Suffolk Single Gateway is currently inviting voluntary and community sector organisations to pitch projects which tackle anti-social behaviour to a panel of experts who will consider these on their merits and commission according to the strength of the business cases and the outcomes they plan to achieve.

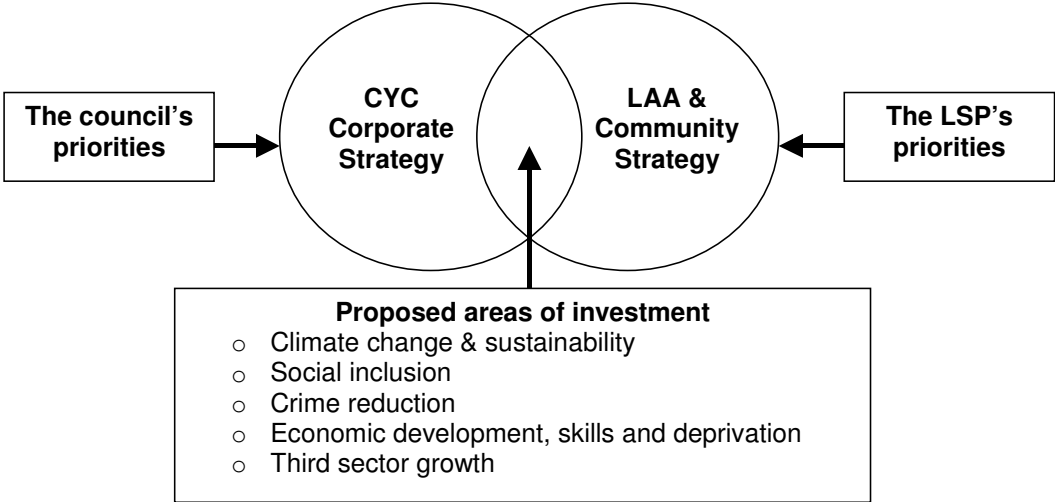
- 21. Supporting the development of partnership working in the city is a stated priority of the council and fundamental to improving the way in which it works with its partners. The granting of funds for use in this way would prove a significant development issue and assist the achievement of LAA outcomes.
- 22. The LSP's ability to effectively fulfil its purpose is presently constrained by its lack of funding, for example in regard of its commitment to tackle climate change and more responsibly manage the city's environmental footprint. This has been identified as one of the LSP's priority areas, but unlike other features of the LAA is not already supported by delivery plans for which sustainable funding has been identified.

The use of LPSA reward money

- 23. This paper seeks to make recommendations on the use of PRG which both maximise the potential benefit of investment and remain in keeping with the spirit of LPSA, that of enhancing public services which support priority areas. A range of specific options are also set out and suggest that investment in services provided by the council and its partners should be considered to fulfil the above. This will significantly assist partnership working and the pursuit of shared priorities as well as help meet the policy changes outlined in the white paper.
- 24. The diagram below gives an indication of the priorities which might be supported by the commissioning of projects from PRG and shows how they have been identified based on those priorities common to both the council and the wider partnership arena. The areas which suggest themselves are-

- Climate change & sustainability
- Social inclusion
- Crime reduction
- Economic development, skills and deprivation
- Third sector growth

However, there may be other areas which could be added to the above.



25. For each, details at annex C show the kind of projects which could be commissioned in order to further these improvement priorities, a summary has also been provided below. These outlines have been developed by members of the LSP and council officers and give an indication of projects which could be undertaken were PRG to be ear-marked for partnership commissioning purposes. Due to the one off nature of PRG funding, these projects are likely to be either time limited or will include arrangements to ensure that they can be sustained beyond the potential availability of this funding.
26. Annex C has been provided in order to give the Executive a flavour of the type of projects which could be commissioned were PRG to be used for this purpose. Taking this forward would require an agreed selection process for formerly considering detailed business cases, including full costings and a clear indication of outcomes to be achieved. Further details of how this process might be managed are provided under the options section of this report.

Crime reduction

27. Details of projects to tackle community safety priorities have been identified by Iain Spittal, Central Area Commander in consultation with Safer York Partnership. These either take the form of time limited projects or one-off investments in technology or equipment. They include investment in portable high-quality mobile CCTV technology and a radio network to link all front line council staff and partners with the police's control room. Also proposed are projects which support the continued effort to reduce cycle theft in the city and provide protection and support to victims of domestic violence.

Third sector growth

28. Projects to support growth of the third sector have been prepared by Colin Stroud, Chief Executive of York CVS. The activities to support this theme set out in annex C represent current gaps or under-funded areas of work which contribute to the achievement of LAA outcomes. Specifically, these proposed projects include extending access to Citizen Advice Bureau services and its outreach work to the city's 8 Children's Centres, supporting the work of York Racial Equality Network (YREN) required to address York's growing BME population and proposals for greater infrastructural support to increase the capacity of the third sector overall.

Economic development, skills and deprivation

29. Annex C also provides details of how PRG could be used to support the work of Learning City York, these have been developed by the Partnership Manager, Julia Massey. This content sets out the context to the work which the city's Lifelong Learning Partnership undertakes and its underpinning strategies to address education and training for 14 to 19 year olds as well as adult learning and skills. This section sets out the impact that the use of PRG may achieve if aligned with existing partnership activity to tackle low skills, deprivation and worklessness.

Climate change and sustainability

30. In support of this area, the council's sustainability officers suggest that some PRG money could be used to appoint a climate change officer. The post-holder would

have responsibility for managing the production and implementation of a city wide climate change strategy on behalf of the LSP and a proposed climate change working group. Unlike other proposals within this section, the funding of a post is not a time limited or one off investment, but would require financial support over a longer fixed period. The proposal is that this appointment would ideally be made over 3 years in the first instance, after which alternative sources of funding may be identified to ensure its sustainability.

Options

31. **Option 1** The Executive approve the use of 100% of PRG for commissioning of projects which support the above priorities. The arrangements used to facilitate this process could include any of the following
 - a) The council's Executive act as commissioning body to consider projects tendered
 - b) The LSP's Executive Delivery Board act as commissioning body to consider projects tendered
 - c) A bespoke one-off group formed of key stakeholders which may include members of the above groups and others act as commissioning body to consider projects tendered
32. All the above arrangements would be based on an agreed selection process for considering detailed business cases including full financial projections and a clear indication of outcomes to be achieved. Business cases could be considered from LSP partners, including the council, thematic partnerships and third sector organisations. Projects may also be submitted which have been developed jointly by a combination of the above.
33. The advantages of taking this option are
 - To ensure funding of projects to support the achievement of shared priorities which might otherwise not be commissioned
 - Improve partnership working and the ability of the LSP to deliver on outcomes established in the LAA and Community Strategy
 - Make progress in response to recent policy changes set out in the local government white paper 'Strong and Prosperous Communities'
 - Improve the inspection judgements made on the council about the way it works with its partners
34. **Option 2** The council retains the PRG for its use on CYC priorities or imperatives. Two further sub options are presented on this issue
 - 2a** The pump priming and venture fund supported a number of initiatives by the council and partners. With the cessation of funding some of these initiatives may either be scaled back or ended. While in some instances such actions may be

appropriate, the Executive may wish to consider whether some or all of the extant PRG should be utilised to maintain service levels. If so then the role of service reward grant within such service areas will also need to be taken into account.

2b Due to delays by central government in the announcement of the outcomes of the comprehensive spending review 2008 (CSR08) there is a high degree of uncertainty about the levels of future funding that the council will receive from April 2008 onwards. With such uncertainty the Executive may consider it appropriate that some or all of the extant PRG be allocated to the general reserve to offset one off expenditure pressures in future years. Alternately such funding could be earmarked to support key council drivers for improvement such as the Easy2 programme.

35. **Option 3** A combination of options 1 and 2, which would split the reward grant (for example on a 50/50 basis) to fund both commissioning of projects to support priorities shared with partners and for funding specific CYC schemes at the discretion of the council.

Corporate Priorities

The LPSA targets are well aligned with the council's corporate priorities and broadly represent their scope. Many of the same indicators have been selected to monitor progress against priorities ensuring that the achievement of stretch performance can in turn demonstrate improvement in the context of the corporate strategy.

One of the options in this paper to provide reward grant for the commissioning of projects to support shared priorities has clear implications for the progression of the council's corporate priorities. Many of the advantages to be derived from using funds in this way would have clear benefits for the priority to improve the way the council works with its partners.

Implications

Financial The table on page 3 of this report sets out the financial implications of LPSA2. The potential outcomes of the individual targets are identified at Annex A and Annex B. These show an estimated balance of PRG, after repayment of the venture fund, of £842k. Based on current interest rates retention of this sum within the council's reserves would yield approximately £50k per annum through the treasury management function.

In reaching their ultimate conclusion the Executive needs to consider a number of financial factors including:

- The degree of financial uncertainty facing the council as a result of delays in the announcement of future levels of local government funding under CSR08. A poor settlement in the autumn could once again place pressures on the council as it looks to maintain and develop its core and essential services. It is important to note that such uncertainty exists against the backdrop of Annex 5 to the 2006/07 Revenue Outturn Report, considered by the Executive on the 26th June 2007, which indicated that by March 2010 the council's general reserves would be only £225k higher than the minimum reserves threshold deemed advisable by the Director of Resources (£5.746m compared to the minimum threshold of £5.521m)

- In the form proposed, there is a risk that options to use PRG for commissioning purposes would not be fully integrated into the budget process but would represent an opportunity for services (internal or external to the council) to request resources through an alternate route. If adopted it is imperative that, as the officer responsible for developing the council's budgets, the Head of Finance is fully involved in developing the appraisal models that are finally deployed. Ideally for council services any decisions would be fully integrated into the 2008/09 budget process.
- The one off nature of PRG. Members are reminded that balances are not normally used to fund recurring expenditure. Using balances to fund recurring expenditure creates funding problems in future years, as the resources will no longer exist, but the expenditure will. On this basis any investment will need to be in clearly time limited initiatives. This is particularly important in relation to the potential investments identified at Annex C. Whilst these are only reported to provide a flavour of the type of initiatives that could be supported, many of them indicate that partners are looking for on-going rather than one-off investment and the use of PRG in this manner would be unsustainable. If members choose to proceed with an option providing opportunities for investment then the time limited nature of projects will need to be a defining criteria that is rigidly applied in all cases.
- The continuation of LPSA initiatives. As noted at option 2a there are a number of existing initiatives that may no longer be supported at the same level once pump priming and venture fund support is withdrawn. Ultimately a decision will be required on whether or not these initiatives will continue to be supported at their current levels by the council's base budgets, alongside the use of service reward grant PRG would be an alternate mechanism for meeting such needs (albeit on a time limited basis).

Human Resources (HR) There are no specific human resource implications arising from this report.

Equalities All the LPSA target business cases were developed with a section on equalities implications with advice where appropriate in their development from the Equalities Officer.

Legal There are no significant legal implications.

Crime and Disorder The LPSA targets 3, 4 and 5 are 'stretches' of ones already set out in the Community Safety Plan 2005 – 2008.

Information Technology (IT) There are no significant IT implications.

Property There are no significant implications for property.

Risk Management

The key risk associated with LPSA2 is that of being unable to repay the Venture Fund. To repay it we will need to achieve 28% of the full PRG potential and hitting four targets in full will more than do this. Our experience with LPSA1 and performance projections for the current agreement suggests that this risk is very low.

Recommendations

36. The Executive is asked to approve the decision to make funds available to partners from the £50k service reward if they are able to demonstrate a substantial contribution to the achievement of stretch, as outlined in paragraph 13.
37. It is recommended that the Executive select one of the 3 options (paragraph 26 onwards) on use LPSA2 Performance Reward Grant

Reason for recommendations

38. The recommendations in this paper have been provided in order that the Executive can decide upon the use of performance reward grant prior to the conclusion of the LPSA2 agreement.

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Bill Woolley

Director of City Strategy

Report Approved

Date

13th June 2007

Specialist Implications Officers: Peter Steed, Head of Finance

Wards Affected: *List wards or tick box to indicate all*

All

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For further information please contact the author of the report

Background papers:

York's LPSA2 agreement

York's Local Area Agreement

The council's Corporate Strategy

Local Government white paper 'Strong and Prosperous Communities'

Annexes

Annex A - Performance projections and commentary based on the latest available data for LPSA2 targets

Annex B - Financial implications of performance projections by LPSA theme

Annex C - Details of projects which could be commissioned from LPSA reward grant in order to support the achievement of shared priorities