
The Executive

6th May 2008

Report of the Director of City Strategy

Use of LPSA2 reward grant/LAA Financial Policy

Purpose

1. This paper contains three related elements which discuss proposals for the use of the LPSA2 reward grant and the proposed financial policy which will govern York's second LAA. In addition, this paper also provides an update on progress towards the completion of the LAA.

Use of the LPSA2 reward grant – Background

2. This report seeks views from the Executive on the use of Performance Reward Grant earned at the conclusion of York's second Local Public Service Agreement (LPSA2). The Executive previously agreed in principle to the use of this money to support the outcomes of the Local Area Agreement. This follow-up paper proposes a methodology for allocating funds which the Executive are asked to consider.
3. Local Public Service Agreements were developed by government as a means of raising performance and providing better public services in key areas. By meeting agreed stretch performance targets or by making significant progress towards them, a reward grant is payable by government.
4. Upfront investment is available to those services (council departments and Safer York Partnership) who are leading on the achievement of LPSA2 targets. This comes in the form of pump-priming grant and borrowing from the Venture Fund which must be repaid. A summary on the following page shows the financial detail of LPSA2 in further detail.
5. Whilst the concept of LPSA remains as a means of improving public services, it is now known as the 'improvement element' of Local Area Agreements, which accordingly reflect Sustainable Community Strategy priority areas rather than those negotiated exclusively on behalf of councils.

Financial implications

6. York's second LPSA commenced in April 2005 and has a potential Performance Reward Grant (PRG) of £3,935,028 across 12 areas for improvement. The majority of the performance targets concluded at the end of the 2007/8 financial year, five more finish later this year, with all concluded by January 2009.
7. Estimates suggest that LPSA2 is likely to yield a gross reward grant of approximately £2.2 million. Following deductions (which are set out below) this will

leave a residual pot of approximately £890k. It is use of this final balance which the Executive are asked to consider in the remainder of this report

8. The table below provides a summary of the financial implications of our LPSA2 performance projections. It shows the amount of PRG that York is projected to receive and the payments to be made from it. This summary is an estimate based on the best information presently available on performance and likely draw down of the venture fund. The final figure may be significantly different however once all performance data is available and it becomes clear how much of the allocated venture funding has been spent. The year end review of performance (June 08) will provide a more accurate picture, by which time the qualifying results for 17 of the 22 indicators will be known.
9. The Service Reward shown in the table 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 investment required to achieve it. The reward is payable to eligible service areas up to a value of £50,000 per service. In addition, £100k was borrowed from the LPSA1 reward grant to support the LPSA2 recycling target, this has also been accounted for in the calculations below.

	AVAILABLE	PROJECTED
Performance Reward Grant	£3,935,028	£2,253,897
Venture Fund to be repaid	£1,094,515	£1,094,515
Less 100k for LPSA1 recycling target		-£100,000
Balance to share out (PRG less VF)	£2,840,513	£1,059,382
Service Reward	£442,919	£168,281
Balance	£2,397,594	£891,100

Executive decisions

10. In July last year the Executive, in consideration of this issue, agreed in principle to the use of LPSA2 reward grant to support the outcomes of the Local Area Agreement whilst stressing that subsequent decisions about its specific use would have to be considered in the context of the council's wider budget setting process.
11. The recommendations in full are.
 - a) That existing commitments be given priority in the allocation of LPSA2 grant funding (Venture Fund repayments, partner agreed grants and sustaining the initiatives which have produced the improved performance in key target areas).
 - b) That the Executive approves the principle of prioritising the use of residual LPSA2 reward grant into key LAA target areas.
 - c) Invites Directors and partner organisations to consider bid projects (requiring only one off public funding) which they would wish to implement and manage and which would have the greatest impact on achieving key LAA targets.
 - d) Requests the Director of City Strategy and the Director of Resources to develop a robust bid process & supporting documentation - with particular

reference to methodology and target monitoring - to facilitate the allocation of any LPSA2 grant funding which may become available, as part of the Council's budget build process.

12. The remainder of this paper sets out a proposed methodology in response to this last point

Overview of methodology

13. This paper proposes that the council's Executive act as commissioning body and employ a selection process for considering business case applications. The methodology has been designed to ensure fairness and transparency whilst seeking to maximise the value of investment. It also focuses on identifying projects which might not otherwise have been commissioned, which promote partnership working and which will have tangible outcomes.
14. To assist the Executive in reaching its decisions, it is proposed that the LSP's Executive Delivery Board first considers the proposed projects according to the attached methodology before reporting back.
15. The proposed methodology is based upon that already employed in the allocation of council capital and revenue bids and is therefore well tested and robust. This framework has been supplemented with criteria to reflect the specific requirements of the LAA and remain in keeping with the Executive's recommendations. The criteria are also consistent with the principles associated with the one off nature of reward grant funding and other limitations associated with the allocation of capital and revenue, further details of which can be found in annex 1 showing the bidding arrangements in further detail.
16. In summary, the following principles are proposed to govern the bidding process
 - The Council Executive has approved to use the residual LPSA2 reward grant to support achievement of Local Area Agreement target areas. It will be used to implement and manage schemes that will have the greatest impact on achieving key LAA targets (e.g. focusing on specific areas of the city or client groups)
 - Council Directors and partner organisations will be asked to submit bids for schemes requiring only one-off public funding.
 - City of York Council will seek the advice of the Without Walls Executive Delivery Board in determining how LPSA2 funding should be used to support achievement of LAA targets. The WOW ExDB will invite bids from partners (using the enclosed bidding forms) and will assess the bids and make recommendations to the Council as to the most appropriate allocation of the funds.
 - The WOW Executive Delivery Board, chaired by the leader of the council, will manage performance and hold partners accountable for delivery against targets.
 - There must be a close and demonstrable association between projects and the betterment of LAA performance indicators. Robust target monitoring will ensure that the impact of projects can be satisfactorily monitored over the life of the project.

- Bids can be made by LSP partners (organisations), including the council, thematic partnerships (bodies such as the Inclusive York Forum) and third sector organisations. Projects will also be encouraged which have been developed jointly by a combination of the above
- The use of reward grant is not restricted, excepting that funding plans will be assessed to ensure they are suited to one-off investment and scored against the availability of revenue and capital (the LPSA2 reward grant will be paid as 50% capital and 50% revenue)
- Bids will score more highly if it can be demonstrated that the projects will have a significant impact on improving the lives of local people, provide significant value for money and support commissioning and joint working between two or more agencies
- Bids which attract match funding and/or will have an impact on more than one of the LAA's indicators will be considered more preferable for investment
- All arrangements will be assessed to ensure they comply with the Third Sector compact and the council's equalities and HR policies
- The council will fully support the process of bid submission and intends to provide those completing submissions with a practical workshop providing advice and guidance. As the accountable body, it will also assist with the provision of financial monitoring and expertise on financial policy and procedures
- Successful schemes will be required to progress report on a regular basis to the LSP Executive Delivery Board who will consider financial and performance information associated with these projects

Timescales

17. The proposed timescales associated with the bidding process have been designed to ensure alignment with the council's budget monitoring cycle, details of key milestones are set out below.
 - Discuss process and agree role of the Executive Delivery Board at its meeting in June
 - Application forms available and sent out June/July
 - Bids received by end of September
 - Executive Delivery Board meet in October to assess bids
 - Report to the council's Executive before Christmas

Recommendations

18. The Executive are asked to review and approve the proposed methodology for the allocation of reward grant as detailed in Annex A

LAA Financial Policy

19. Local Area Agreements are intended to be used as a mechanism by partners within a local area to foster a new relationship between local and central government and find new ways of working. Implicit within this assumption is that new ways of working will emerge as outcomes are agreed and plans to achieve them are implemented. While pooling funding may have its advantages, the movement of funds could have impacts on other service areas, therefore it is recognised that care needs to be taken in both determining the extent of pooling and how future distribution will be agreed.
20. York has not received any additional monies over and above the existing funding streams currently received into the area as a result of having an LAA. The expectation is that as the LAA is implemented and partners review performance and consider new ways of working then existing funds will be aligned more closely, the use of unringfenced funds will be reviewed and the potential for further pooling considered.
21. The budgets have been allocated for 2008/09 so there are no proposals to use the new flexibility the removal of ring fencing has provided in the current financial year. However during this year as bids for using the LPSA2 reward grant are processed and decided a review of how this new flexibility might work in practice will be considered.

Local Area Agreement (LAA) 2008/09 - 2010/11 – Position Statement

22. The WOW Partnership was asked in January to comment on a draft structure for the refreshed Sustainable Community Strategy (SCS) and agreed to refresh the parts of the strategy that they were responsible for. Consequently, the SCS structure will broadly be an updated version of the current document. The SCS will include the LAA performance indicators that are currently being agreed with our partners and negotiated with central government.
23. The SCS will be performance managed by the use of two types of measures:
 - **Health of the City Indicators** - key high level longitudinal measures (e.g. unemployment rate)
 - **LAA Indicators** i.e. the LAA performance indicators that are currently being agreed and negotiated with central government.
24. The WOW Partnership approved the methodology for selecting the LAA indicators at their meeting in January. It was also agreed that the policy position in respect of LAA funding would be revised. The criteria for selecting the LAA indicators is:
 - Link clearly to the Sustainable Community Strategy;
 - Be locally important/support existing strategies and priorities;
 - Be challenging and stretch ambition;
 - Stimulate partnership working (help lever funds);
 - Be cross-cutting and have multiple impact;
 - Be supported by robust data (hard and 'soft').

25. Each of York's eight strategic thematic partnerships nominated 10 indicators that they would like to see included in the LAA. In the first instance these needed to be selected from the new national set of 198 performance indicators however there has also been scope to include indicators that are not from this list. These are called local indicators and do not form part of the performance management arrangements with central government.
26. The SCS/LAA Steering Group (chaired by the Assistant Director for Economic Development and Partnerships and comprising key council officers and partnership representatives) used the criteria to select a draft list of indicators for further discussion and negotiation with GOYH. Many indicators had been nominated by more than one partnership.
27. The final list of LAA indicators will be limited to no more than sixty seven. Namely:
 - 17 Statutory Attainment Indicators
 - 35 Designated LAA Indicators
 - 15 Local LAA Indicators
28. The most recent version of the proposed indicators for the LAA are attached at Annex B. The full list of 198 national indicators are attached at annex C for information.
29. Experience of selecting the indicators suggests that overall there is a strong level of consensus amongst partners about 'The Story of York' and the issues that need to be addressed. Consequently the performance indicators selected cover a broad range of themes and overall look well balanced and strong on the themes of:
 - Community engagement and empowerment;
 - Environmental sustainability;
 - Economic development;
 - Community safety;
 - Health and well-being;
 - Social inclusion / 'narrowing the gap' – attainment, earnings, health inequalities.
30. Members of the SCS / LAA Steering Group are now compiling baseline information and performance indicator target trajectories through to 2011. Each indicator will have a specified thematic partnership and partner organisation linked to it. They will need to take responsibility, under guidance from CYC, for setting targets, ensuring systems are in place to monitor data and be accountable for the overall performance of the indicator. This process will be aligned with the overall CYC performance management framework.
31. The guidance from GOYH is that the 'technical process' of setting targets and implementing data systems must not undermine the LAA negotiation progress. In practice this means that if an issue/outcome is deemed to be important but the National Performance Indicator is not yet fully in place the issue should take precedence over concerns about the robustness or reliability of the NPI in the first year of the LAA.

32. Overall this position supports the approach we have taken in York where the focus has been on the issues that are strategically important, have consensus support, are cross cutting and will support delivery of the new SCS.
33. Central government Office expects final draft LAAs, including all targets, to be submitted by 30 May. Final approval will take place alongside the refreshed SCS at the Wow Partnership on 29 April and the Council's Executive on 3 June prior to endorsement at Full Council on 30 June.

Corporate Priorities

34. Many of the LPSA2 areas link well with the council's priorities for improvement. Achievement of stretch or significant progress towards it therefore has helped make progress against priority themes including increased recycling, improved cleanliness, reductions in crime and anti social behaviour, improved skills and healthy lifestyles.
35. There are correlations too between the council's Corporate Strategy and the indicators in the LAA (see paragraph 29). Commissioning of projects in support of the latter will therefore also have a positive impact on the council's priorities.

Implications

- **Financial** – The table shown at paragraph 9 provides an indication of the money which will be available for the commissioning of projects to support the indicators of the LAA. These projections are based on the best information presently available, but will be confirmed when all final performance milestones have been reached and verified by Internal Audit and when the true spend of Venture Fund is known at the close down of accounts. As it is proposed that the commissioning process should proceed before this point is reached, careful consideration of the potential impact of these two variables will be made in October, by which time a greater degree of accuracy can be ensured. As the accountable body, the council will retain its role monitoring expenditure associated with the LPSA2 reward grant pot, providing financial performance information and professional accountancy support to those projects commissioned according to the process proposed in this paper.
- **Human Resources (HR)** – There are no HR implications, though the LPSA2 fund bidding process will be tested to ensure it complies with CYC HR policy
- **Equalities** - There are no immediate equalities implications, though the LPSA2 fund bidding process will be tested to ensure it complies with CYC equalities policy
- **Legal** – There are no legal implications
- **Crime and Disorder** – There has been significant improvement against the LPSA2 stretch targets which support the rededication of crime and anti social behaviour. This work may benefit further from the commissioning of projects which support the crime and disorder reduction indicators featured in the LAA
- **Information Technology (IT)** – There are no IT implications

- **Property** – There are no implications for property

Risk Management

36. There are few risks associated with the recommendations in this report beyond ensuring that the commissioning of projects maximise the benefits of the resources available, a consideration which has been built into the process for assessing how best to use the residual performance reward.

Recommendations

The Executive are asked to:

- Receive the indicators that have been selected for inclusion in the LAA
- Approve the methodology that has been developed for allocating LPSA2 reward grant

Reasons – to note the progress in developing York's second LAA and initiate the use of LPSA2 reward grant to support its outcomes, as previously agreed in principle by the Executive.

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Report Approved Date 16th April 2008

Specialist Implications Officer(s)

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

All

For further information please contact the authors of the report

Background Papers

- Second Local Public Service Agreement between City of York Council and The Government 1 April 2005 to 31 March 2008
- Executive report 'York's Local Public Service Agreement (LPSA2)' 24th July 2007

Annexes

Annex A – LAA Bidding Guidance

Annex B – Proposed Indicators for LAA

Annex C – The New Performance Framework for Local Authorities and Local Authority Partnerships