

**Executive**

**27<sup>th</sup> June 2006**

Report of the Director of Resources and Head of Performance Improvements

## **York's Local Public Service Agreements**

### **Summary**

1. York's first Local Public Service Agreement (LPSA) concluded on 31<sup>st</sup> December 2005 attracting up to £2,041,861 reward grant for the level of performance we have achieved. York's second LPSA runs from April 2005 to December 2008 with a potential Performance Reward Grant (PRG) of £3,935,025. The full LPSA2 agreement is available on CouncilNet (see background papers). Protracted negotiations and significant delays in getting the signed agreement and Pump Priming Grant (PPG) from government has increased the risk of not fully achieving the LPSA2 targets and therefore the maximum reward grant. After the report back on LPSA1, and an update on LPSA2, Executive are asked to approve the recommendations on the distribution of the performance reward grant for LPSA2.

### **Background**

4. Negotiations on our second LPSA began in 2004 with ODPM taking a different approach to the one they employed for the first round of LPSAs. Though intended by ODPM to be an improved process it clearly has not been and we are one of 28 authorities that have found themselves over a year into the agreement period without it being signed by ministers and with no grant to invest in pursuing its targets. We have been investigating and pursuing ways of getting government to meaningfully recognise the impact of these delays e.g. by extending the period of the agreement or reducing the stretch required over the same period. To date government has been immovable and the other authorities will be contacted with a view to taking collective action.
5. The evolution of our second LPSA and its origins in the shared priorities of the Community Strategy has been set out in reports to the Executive 6th April and 26th October 2004. A further report to Executive 13th September 2005 focussed on the measures negotiated, flagged the delays that were already occurring and got Executive approval for the development of proposed LPSA2 financial arrangements by Resources and Performance Improvement Team. The financial arrangements have now been fully developed and require Executive approval.

## Consultation

6. LPSA2 is the result of extensive consultation with members, departments, staff and the LSP

## Options

7. Executive previously (September 2005) agreed that a proportion of PRG would be able to be retained by the services and their partners responsible for delivering the stretch targets. Options are therefore related to the priorities and proportions attached to the use of the PRG as set out under analysis below.

## LPSA1 analysis (details annex 1)

8. Targets PSA 3ii and 4 are yet to be audited. Until these are audited and confirmed the total reward achieved for LPSA1 falls in the range £1,674,213 - £2,041,861. This represents 49% – 60% of the potential £3,393,675 available.
9. The LPSA1 reward grant is being used as follows:

VF Repayment	£167,870
Community Services	£63,000
Support to 04/05 budget	£52,000
EASY	£1,758,987
Total	£2,041,857

If either of the two targets remaining to be audited fail to be verified as achieved then there would be a shortfall in the funding allocated to EASY.

10. ODPM commissioned a National Evaluation of Local Public Service Agreements in 2005 that provides perspective for York's performance and experience. On Educational targets the report found "National targets for education (especially the attainment targets) seem to be too stretching across the board, and it looks as if many local authorities will not achieve them – probably because the [target with] 'no LPSA' came from EDPs which were themselves aspirational and took insufficient account of local circumstances. Similar problems arise over bus use and crime targets". Our LPSA1 had 3 Educational targets, with a quarter of the total potential PRG value riding on them. Government direction on LPSA1 meant we had no choice but to have at least two Education targets and it was known and reported for some time that the Education targets would be missed.
11. On overall achievement the report reveals "Our case study authorities judge that approximately 40% of targets are likely to be hit, about one quarter seem likely to be completely missed, with a large group in the middle where there is some chance that the targets will be hit at least in part" and "Most authorities

have from the start expected to hit about half their targets, and it looks as if this is a realistic expectation if partial success is included”.

12. Counting the sub-targets in our LPSA1 we have achieved full stretch on 9 out of 16 targets or 56%. Based on the overall performance achievement of 49% - 60% as represented by our PRG, York's LPSA1 was average to above average compared to the national picture.
13. More significantly in pursuing and getting reward grant we have improved services, opportunities and quality of life for many of our customers.

### **LPSA2 analysis (details annex 2)**

14. The reward for LPSA2 has increased, so too has the call on the Venture Fund to deliver it. The 'rate of return' has therefore reduced. Combined with the severe delays York and 27 other authorities have experienced in concluding LPSA2, it has a higher risk feel to it. Balancing this, our own and other authorities' experiences from LPSA1 enable us to more firmly ground our expectations of success.
15. This is carried into the financial arrangements proposed which are based upon a the following principles:
  1. The Venture Fund has first call on any PPG and the total VF borrowings for the whole LPSA2 must be repaid in full
  2. The balance will be shared between the services delivering LPSA2 and priorities to be determined by the Council.
  3. The basis for calculating how much of this balance services' will get is income (PRG) less total expenditure (PPG + VF)
  4. If this a zero or negative figure the service will get no PRG
  5. If it is a positive figure the service will get PRG to that value subject to a maximum of £50k.
  6. These principles will be applied on a per service, not per target basis to ensure the Council can balance maximising its options on use of the PRG for corporate benefit with a fair and transparent allocation to successful services.
16. Annex 2 shows target by target; the required investment for LPSA2, the values of Pump Priming Grant and Venture Funding that make this up and the maximum potential PRG. The maximum potential financial return on LPSA2 from its PRG after repayment of VF but before calculation of VF interest is £2,840,510.
17. LPSA2 targets are priorities for the services delivering them and progress will be regularly reported to the relevant Departmental Management Teams, CMT, EMAPs and Executive. However, it should be noted that few of the measures agreed by ODPM are more frequent than annual. There are key actions and milestones within services' business cases that support achievement of their stretch targets. Reporting will incorporate updates on these as indications that

planned progress is being made together with data on the measures whenever available.

18. In regard to offsetting or compensating for any problems caused by the delays in agreeing LPSA2 ODPM have already turned down our suggestions of either extending the period of the LPSA2 agreement or reducing the stretch required. A further proposal has been put to them which is being considered and pursued. Any others that arise from the joint thinking of those authorities similarly affected will also be considered.

## **Corporate Objectives**

19. Annex 2 shows how the LPSA2 targets relate to our corporate objectives.

## **Implications**

20.

- **Financial**
  - The financial implications of LPSA1 are shown in para. 7 in relation to LPSA1.
  - LPSA2 – the table at annex 2 sets out the maximum potential financial reward for the council if all LPSA2 targets are achieved, and assuming the venture fund is repaid. There will be an approximate £100,000 of interest to pay on the VF thus leaving a maximum £2.3m of reward grant for the council (assuming the distribution to the services as set out in annex 2). This equates to achieving 7 targets at 100% at £328k per target. In comparison we are anticipating achieving 6 of the 12 targets at 100% and 2 targets achieving less than 100%.
  - An update on the latest proposals from the Department for Communities and Local Government on how they intend to pay PPG to us and any implications arising will be given at the meeting.
- **Human Resources (HR)** There are no specific human resource implications arising from this report. Progress on achievement of LPSA2 targets could, however, result in the need to re-allocate existing resources or introduce temporary additional support in some areas in order to provide the necessary capacity to deliver targets. In these cases, the Councils normal consultation processes with the trade unions and staff affected as well as use of the Council's normal grading and recruitment procedures will need to be applied.
- **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 re no significant IT implications.

## **Risk Management**

21. The key risk is that of being unable to repay the VF. 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 indicates this is certainly achievable. However during the monitoring and reporting of progress, if it becomes clear that a target will fail to achieve any PRG at all and further expenditure on it can be avoided, balancing this with the further possible benefits to customers of continuing will need to be considered before continuing with expenditure.

## **Recommendations**

22. Members are asked to note the contents of the report and approve:
  - 1) The financial arrangements for LPSA2 PRG set out in para. 13  
Reason: to ensure the Council can balance maximising its options on use of the PRG for corporate benefit with a fair and transparent allocation of money to successful services.

## Contact Details

### Author:

*John Gibson  
Service Improvement Officer  
Chief Executive's  
Tel No. (01904) 551058*

### Chief Officer Responsible for the report:

*Colin Mockler  
Head of Performance Improvement*

**Report Approved**  **Date** 24.5.2006

*Sian Hansom  
Assistant Director of Resource &  
Business Management  
City Strategy  
Tel No. (01904) 551505*

*Simon Wiles  
Director of Resources*

**Report Approved**  **Date** 24.5.2006

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

**All**

**For further information please contact the author of the report**

### Background Papers:

National Evaluation of Local Public Service Agreements First Interim Report August 2005

York LPSA2 - final agreement on CouncilNet:  
Documents & Information/Council/Performance Information and  
Management/LPSA2/York LPSA2 - final agreement

Executive reports 6th April and 26th October 2004, 13th September 2005

### Annexes

Annex 1 – analysis of LPSA1  
Annex 2 – analysis of LPSA2