



Leicester
City Council

WARDS AFFECTED
Corporate issue – All wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet

10th December 2007

**SECOND GENERATION LOCAL PUBLIC SERVICE AGREEMENT:
DISTRIBUTION OF REWARD GRANT**

Report of the Director of Partnership, Performance & Policy

1. Purpose of Report

This report seeks the agreement of Cabinet on how the performance reward grant relating to the council's second generation Local Public Service Agreement (LPSA) will be distributed.

2. Summary

- 2.1 A Local Public Service Agreement is an agreement between central government and local authorities designed to drive improved performance of public services in the locality, and critically, to deliver improved outcomes for local people. To provide an incentive for improved performance, an LPSA includes the provision of a pump-priming grant and a significant reward grant (payable on successful achievement of improved outcomes).
- 2.2 Leicester's second generation LPSA was agreed with the Office of the Deputy Prime Minister (now Communities and Local Government) in April 2006. The end date for the majority of targets in this agreement is March 31st 2008, with school based targets running through to the end of the 2007/8 academic year.
- 2.3 For this second generation LPSA a pump-priming grant of approximately £1 million has been paid to the Council with a maximum reward grant, based on all targets being met, of approximately £8.9 million.
- 2.4 Second generation LPSAs were the final round of LPSAs. In future the principle of providing a financial reward for delivering improved performance will be integrated into Local Area Agreements.

3. Recommendations (or OPTIONS)

- 3.1 Based on the outcome of consultation Cabinet are recommended to agree option (iii) (section 4.10 below) for distribution of the LPSA reward grant.

4. Report

- 4.1 For Leicester's first round LPSA, Cabinet agreed that the capital element of the performance reward grant be retained by the council, the use to be determined against "corporate" priorities as part of the capital programme process. The revenue element of the performance reward grant would be allocated directly to lead departments where the Council was solely responsible for delivering targets (where more than one department is involved then grant should be allocated based on actual performance). For the cost efficiency target the money is retained corporately and the use be determined as part of the council's corporate budget strategy (there is no cost effectiveness target in the second generation LPSA). Partners will receive a proportion of the grant where they deliver targets (in part or whole).
- 4.2 In April 2005, Cabinet were asked to consider how reward grant for Leicester's second LPSA should be distributed.
- 4.3 It was explained that the main change from the first round of LPSAs likely to impact on the distribution of reward grants was the increased emphasis on partnership working. Government needed to be convinced that our LPSA has a sufficient level of partner involvement. In most, if not all cases, partners expected a fair share of reward grant if they were going to be involved in contributing to the delivery of targets.
- 4.4 The increased emphasis on outcomes could also present some challenges in so far as inputs from one department or agency can contribute to outcomes normally associated with another department or agency (e.g. participation in sporting / physical activities contributing to health outcomes such as reduced coronary heart disease and obesity). In such cases it is suggested that the reward grant should be linked to those parties delivering the improved services / inputs.
- 4.5 The following broad options for the distribution of the reward grant for Leicester's second generation LPSA were suggested to stimulate debate:
- (i) Adopt the same approach as for the first round (i.e. retain capital element for corporate capital programme and distribute revenue element to departments and partners based on contribution towards the meeting of targets).
 - (ii) Distribute the entire reward grant (capital and revenue) to departments and partners based on contribution to performance.
 - (iii) The entire reward grant is retained by the Council and used in support of corporate priorities at the time it is paid.
 - (iv) The entire reward grant is ring-fenced for use in support of community plan / strategy priorities at the time. This could be agreed with Leicester Partnership and potentially paid over (at least in part) to partners.

- 4.6 Having considered these options, Cabinet resolved "That no decision be made at this stage on how the performance reward grant in relation to the Local Public Service Agreement should be allocated"
- 4.7 It was agreed that in providing information for Cabinet to make this decision towards the end of the agreement the Council will work with partners in the context of Leicester Partnership and its sub-groups to identify:-
- How to reward high performance where the threshold for claiming reward grant was narrowly missed.
 - How to reimburse partners for investment (above and beyond the pump priming grant) they make in target achievement.
 - How to achieve optimum value for money for public funding.
- 4.8 These questions have now been considered with the following responses:
- 4.8.1 Given the criteria for qualifying for reward grant have been clear from the outset it is recommended that no direct reward grant be allocated to departments or partners responsible for delivering improvements below 60% of target. However, any additional investment made could be reimbursed in line with 4.7.2 below.
- 4.8.2 Reimbursement for any additional investment (over and above pump priming grant and planned mainstream expenditure) in support of achieving targets could be made by top-slicing the reward grant if it is agreed not to pay all the reward grant to those responsible for delivering targets. Additional investment would need to be evidenced to the satisfaction of the Council Internal Audit.
- 4.8.3 Utilization of the (LAA) strategic commissioning framework adopted by the Leicester Partnership will provide a means of achieving optimum value for money for public funding.
- 4.9 Revised options for consideration by Cabinet incorporating these issues are set out below. These revised options reflect changes in the agenda for Local Authorities and their partners (e.g. Local Government White Paper 2006) since the original report was produced. The second generation LPSA's will be the last as stand alone agreements. In future the LPSA concept will be delivered as the 'Reward Element' of Local Area Agreements. Subject to further guidance, we understand that reward grant will be payable against the satisfactory achievements of all targets in the LAA.
- 4.10 **Options for distribution of LPSA reward grant:**
- i) Adopt the same approach as for the first round (i.e. retain capital element for corporate capital programme and distribute revenue element to departments and partners based on contribution towards the meeting of targets).
 - ii) Distribute the entire reward grant (capital and revenue) to departments and partners based on contribution to performance.
 - iii) Pool the revenue element of the reward grant into Leicester's Area Based Grant (Local Area Agreement pooled funding) to enable the commissioning of services to deliver priority outcomes as set out in Leicester's sustainable community strategy and Local Area Agreement. And, manage the capital element through

the City Council's corporate capital programme, consulting through Leicester Partnership on spending proposals. This option does not preclude an element of direct reward to those responsible for delivering targets.

- iv) Any of the above options after top slicing reward grant to reimburse any additional investment made towards:
 - a) Any target in the LPSA
 - b) Only targets reaching 60% or above
- v) Any combination of options i) – iv) above.

5. Issues from Consultation

- 5.1 Both the Council's Corporate Directors Board and the Leicester Partnership Executive expressed a preference for option (iii) above.
- 5.2 Understandably, there was more support for the principle of directly rewarding those services or agencies responsible for delivering LPSA targets from those services and agencies themselves. While not unsympathetic to the idea of using reward grant strategically against contemporary priorities there was a clear view expressed that services had entered into the second round of LPSAs in good faith based on the precedent set in allocating the first round reward grant.
- 5.3 However, there is actually likely to be a high level of correlation between the services involved in LPSA deliver and contemporary priorities in our new LAA (e.g. educational attainment) which could allay concerns expressed by consultees. There may well be one major exception here in that current performance suggests that Leicestershire Fire & Rescue Service will meet their demanding targets around arson reduction. Arson reduction, or for that matter any issues relating to the Fire & Rescue Service, do not feature in emerging priorities for the new LAA.

6. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

6.1. Financial Implications

A Performance Reward Grant of approximately £8.9 million is potentially available to the council. The reward grant will be paid in two equal installments in the financial year following that in which the end date of the Local PSA falls, and the next financial year. Half of each installment of the grant will be paid as a capital grant, and half as a revenue grant. The grant is normally divided equally between the 12 areas for service improvement. To receive the full grant the authority must achieve 100% of the improvement in performance. If it achieves less, the grant is scaled down, pro rata, but no grant is paid if the authority achieves less than 60% of the improvement in performance.

Steve Charlesworth (Head of Strategy & Development)

6.2 Legal Implications

There are no legal implications arising directly from this report.

Peter Nicholls (Head of Legal Services)

7. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	No		

8. Risk Assessment Matrix

This only needs to be included if appropriate with regard to the Council's Risk Management Strategy

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/appropriate)
1. Failure to directly reward partners who have achieved targets may negatively impact on their commitment to partnership working	M	M	Ensure at least some element of reward grant can be utilized by the partners responsible for achieving targets. This could be done directly by the Council or through the Leicester Partnership.
2. Failure to direct reward grant to current priorities may impact negatively on our ability to meet targets in our new LAA.	M	L	The Council and its partners through Leicester Partnership encourage any recipient of reward grant to align spend to priorities as set out in Leicester's new LAA.

9. Background Papers – Local Government Act 1972

Cabinet – ‘Public Service Agreement – Payment of Performance Reward Grant’
(3.11.03)

Corporate Directors’ Board – ‘Second Generation of Local Public Service Agreements’
(24.2.04)

Cabinet – ‘Second Generation Local Public Service Agreement: Shortlist Of Proposals’
(6.9.04)

Cabinet - Second Generation Local Public Service Agreement: Distribution Of Reward Grant (4.4.05)

10. Consultations

Corporate Directors Board (6.11.07)

Leicester Partnership Executive (14.11.07)

Officers responsible for delivery of LPSA targets

11. Report Author

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DECISION STATUS

Key Decision	Yes
Reason	Significant effect on one or more wards
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)