

Leicester  
City Council

**WARDS AFFECTED:**  
Corporate issue – All wards

**CABINET**

**6<sup>th</sup> September 2004**

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**SECOND GENERATION LOCAL PUBLIC SERVICE AGREEMENT:  
SHORTLIST OF PROPOSALS**

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**Report of the Corporate Director of Housing**

**1 Purpose of Report**

- 1.1 This report informs Members of progress to date with the Council's proposed Second Generation Local Public Service Agreement. Members are asked to endorse a shortlist of priorities for improved performance and potential targets, as detailed in Appendix One. The shortlist has been agreed by Corporate Directors' Board.
- 1.2 Subject to endorsement by Leicester Partnership, the shortlist of proposals will form the basis of our 'Strategy for Leicester City Council's LPSA', which must be submitted to the Office of the Deputy Prime Minister (ODPM) by 24<sup>th</sup> September.

**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. 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 performance). Government will also negotiate the granting of freedoms and flexibilities to support the delivery of an LPSA.
- 2.2 Government launched the first round of LPSAs in 2001 following an earlier pilot scheme, with the City Council entering into agreement with government in July 2002. This first round comes to an end in March 2005. In December 2003, the government published 'Building on Success', which launched the second generation of LPSAs. As the title suggests, the second generation of LPSAs are designed to build on the success of the first round of agreements and introduced a number of modifications including a greater emphasis on local priorities for improvement, partnership working and the delivery of improved outcomes (as opposed to improved processes).
- 2.3 There is a two stage process to agreeing an LPSA. Firstly the Council submits its strategy, outlining the 12 or so areas of local priority in which it will seek to improve or stretch performance. Following this there is a period of detailed

negotiation with government departments to agree the extent to which performance will be improved in order to claim the reward grant.

- 2.4 In March of this year Corporate Directors agreed that the Council should enter into a 2<sup>nd</sup> Generation LPSA. It was also agreed that the Council's Corporate Direction and Plan should provide the focus for the identification of areas for improved performance. Following this, a call for initial proposals was made through Council departments and the Leicester Partnership. These calls led to the submission of over 60 initial proposals. These initial proposals have now been narrowed down to a shortlist, which subject to endorsement by Members and the Leicester Partnership, will form the basis of our strategy.

### **3 Recommendations**

- 3.1 Endorse the shortlist of proposals, detailed in Appendix One, as the basis of the Council's 2<sup>nd</sup> Generation LPSA submission.
- 3.2 Agree that the project manager (in consultation with the lead corporate director) withdraw any proposal from the shortlist prior to the submission of our strategy should it fail to address the concerns detailed in this report or if there are significant financial risks.
- 3.3 Note the areas of concern identified and the issues to consider when developing our LPSA strategy.

### **4 Financial & Legal Implications**

#### **4.1 Freedoms and Flexibilities**

As part of the LPSA the government will grant freedoms and flexibilities to enable councils to deliver targets more easily. The government will negotiate with the council on the freedoms and flexibilities and not all will necessarily be granted.

#### **4.2 Pump Priming Funding**

The PSA comes with approximately £1 million in pump priming funding. The allocation of this grant is subject to the outcome of the negotiation with government. The pump priming funding is designed to enable the stretch targets to be achieved more efficiently and effectively and will supplement existing resources committed to respective services.

#### **4.3 Performance Reward Grant**

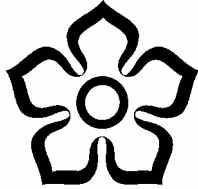
A Performance Reward Grant of approximately £7-8million is available to the council. The grant is normally divided equally between the 12 areas for service improvement. To receive the full grant the authority must achieve 100% of the improvement in performance. If it achieves less, the grant is scaled down, pro rata, but no grant is paid if the authority achieves less than 60% of the improvement in performance. The grant is payable in the two financial years following the end of the PSA period.

### **5 Report Author**

Adam Archer  
LPSA Project Manager  
Extension: 6091  
Email: [adam.archer@leicester.gov.uk](mailto:adam.archer@leicester.gov.uk)

**DECISION STATUS**

<b>Key Decision</b>	No
<b>Reason</b>	N/A
<b>Appeared in Forward Plan</b>	No
<b>Executive or Council Decision</b>	Executive (Cabinet)



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**Report of the Corporate Director of Housing**

**SUPPORTING INFORMATION**

**1 BACKGROUND**

- 1.1 In December 2003, the government published guidance on the 2<sup>nd</sup> Generation of LPSAs. The 2<sup>nd</sup> generation is designed to build on the overall success of the first round and learn from some of the less successful aspects.
- 1.2 The main characteristics of the first round are retained for the 2<sup>nd</sup> Generation: and agreement covering (usually) 12 priorities for improved performance; a financial incentive (c. £1m) and reward for success (c. £7m) and; the opportunity to negotiate freedoms and flexibilities with government.
- 1.3 However for the 2<sup>nd</sup> Generation, increased emphasis has been placed on: meeting local (rather than national) priorities; a focus on 'real world' outcomes (rather than inputs, processes or outputs); partnership working (particularly through the Local Strategic Partnership); better partnering by central government and regional offices and; the opportunity to negotiate wider area and longer term agreements.
- 1.4 As previously, there will be a two-stage process leading to the 'signing off' of the LPSA: the development of a broad strategy for the LPSA, submitted to ODPM in September and a period of detailed negotiations with government departments on the indicators to be used / outcomes to be delivered and the extent to which performance will be 'stretched', between October and March 2005.
- 1.5 In March of this year Corporate Directors agreed that the Council should enter into a 2<sup>nd</sup> Generation LPSA. It was also agreed that the Council's Corporate Direction and Plan should provide the focus for the identification of areas for improved performance.

## 2. **REPORT**

- 2.1 A call for initial proposals for the LPSA was made through Council departments and the Leicester Partnership. This call led to the submission of 63 initial proposals, all from within the Council.
- 2.2 Following this, a twin track approach has been adopted; with a risk assessment exercise being undertaken on the original proposals intended to reduce them down to a smaller number of stronger proposals, and efforts made to identify new proposals to fill gaps in the original proposals, particularly in respect of partner involvement.
- 2.3 In working towards a shortlist of proposals the initial and informal views of Government Office East Midlands (GOEM) and the ODPM have been taken on board. The views expressed can be summarised as follows:

- ***Outcome Focus***

Without doubt the major area of concern with our initial proposals was the lack of focus on or clarity about outcomes that will be improved. A number of proposals appeared more focussed on inputs and processes rather than outcomes. Government will only accept these proposals if they are directly related to the achievement of improved outcomes. Therefore if we are looking to put forward these proposals we will need the strongest possible evidence to demonstrate the relationship between improved processes / inputs and improved outcomes.

The government talk in terms of 'real world' outcomes, tangible improvements in the quality of local peoples lives. Initially we have begun to link our proposals to the outcomes identified in the Corporate Plan (listed in Appendix one). However, in many cases we will need to do more work on defining outcomes as it is likely that a number of the outcomes from the Corporate Plan would not pass governments test for a real outcome.

- ***Value For Money***

Government are keen to ensure there is value for money with the LPSA. That is to say, do the improved outcomes delivered through the LPSA merit the reward grant. A particular issue here is that there appears to be a fairly mechanistic view that considers each proposal as equating to 1/12 of the reward grant (this is an area where we could seek some flexibility). As such a proposal that deals with small numbers of people or has vague or low level impact on people's quality of life may be questioned. An obvious way to address this issue is for cost/benefit analysis of the proposals to be undertaken.

- ***Absence of Indicators and / or Baseline Data***

Although these aspects are not considered in detail until the second phase (detailed negotiations with government departments) we need to have them in place as soon as possible. Moreover, there is a growing opinion within ODPM that the strategy / indicators / stretch split in the process is unhelpful. Although it is probably too late now for them to change the process, the more confidence we can give at an early stage that we are on top of these issues the better. There is also a key linkage here to the issue of outcome focus, our indicators and the targets relating to them will need to be measures of outcome rather than process.

- 2.4 As a result of undertaking the risk assessments, considering the views of GOEM and ODPM, and further discussions with colleagues and partners, options for a shortlist of proposals were presented to Strategic Resources Group (SRG). The preferred option of SRG was then presented to Corporate Directors' Board. The outcome of this exercise, taking into account comments from Corporate Directors, is shown in Appendix One.
- 2.5 All the proposals contained in the proposed shortlist reflect local priorities, as detailed in the Corporate Plan (and other documents), and either meet or have the ability to meet the government's criteria for an LPSA.
- 2.6 Subject to the endorsement of Members and the Leicester Partnership the shortlist of proposals will form the basis of our 'Strategy for Leicester City Council's LPSA'.
- 2.7 A number of specific issues have been highlighted by GOEM and ODPM that we need to address in our LPSA strategy. These are as follows:

- ***Evidencing Local Priorities - Corporate Plan rather than Community Plan***

The expectation from government is that our strategy should reflect the priorities identified in the city's Community Plan / Strategy. This is on the basis that the LPSA is intended to reflect the city's overall priorities, with all public service (and other) agencies working to improve performance in addressing these priorities.

This should not necessarily be a major problem however. We can clearly argue that we are the victims of unfortunate timing in this respect, with the Community Plan / Strategy currently being re-written. We can also point to the fact that that our Corporate Plan drew heavily on the Community Plan and that many of the proposals that will form the basis of our strategy also link to other evidence based strategies, plans and priorities in place across the city.

Having said that cannot afford to be complacent here, and will need to ensure that, as negotiations with government proceed, our strategy reflects the emerging priorities of the new Community Plan / Strategy.

- ***Priorities Not Addressed by the LPSA***

There is no requirement that all local priorities need to be included in a 2<sup>nd</sup> Generation LPSA. However, there is a requirement to explain (to the satisfaction of the ODPM) why key local priorities have not been included, particularly when we have chosen to run with proposals which appear to be of lower priority.

- ***Partnership Working***

At this stage there is no real cause for concern in terms of the extent to which proposals, and ultimately our strategy embrace partnership working. However, we cannot afford to be complacent in this matter. Our strategy must demonstrate how we have engaged partners in developing our proposals. Moreover, as we prepare for the detailed negotiations we must ensure that partner involvement in delivering improved outcomes through the LPSA is meaningful rather than tokenistic.

## **5. NEXT STEPS**

- 5.1 The shortlist of proposals will be taken to the Leicester Partnership Co-ordinating Group (15<sup>th</sup> September) for their endorsement in advance of the 24<sup>th</sup> September deadline for submission of our strategy to the ODPM.
- 5.2 We will then embark on a period of detailed negotiations with government departments. If all goes well, this will culminate in the signing of our 2<sup>nd</sup> Generation LPSA in March 2005. Service improvements under the LPSA would then begin in April 2005 for a period of up to three years (although it is possible to negotiate a longer time frame for some targets).

## **6. CONCLUSION**

- 6.1 What is clear at this stage is that there are some proposals that look very strong and well suited for a LPSA, but these will still require further work before the detailed negotiations commence. Other proposals have the potential to be developed into appropriate targets for improved outcomes, but will need a significant amount of additional work.
- 6.2 The imperative here will be to demonstrate, through a strong evidence base that the proposed interventions will have a direct and auditable impact in improving the quality of local peoples lives.
- 6.3 With a concerted effort being made to address the weaknesses in our proposals as they stand, there is every reason to be optimistic that we can reach agreement with government on a LPSA that will bring real benefits to the city.

## **7. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **7.1 Financial Implications**

- 7.1.1 Freedoms and Flexibilities** - As part of the LPSA the government will grant freedoms and flexibilities to enable councils to deliver targets more easily. The government will negotiate with the council on the freedoms and flexibilities and not all will be successfully granted.
- 7.1.2 Pump Priming Funding** - The PSA comes with approximately £1 million in pump priming funding. The allocation of this grant is subject to the outcome of the negotiation with government. The pump priming funding is designed to enable the stretch targets to be achieved more efficiently and effectively and will supplement existing resources committed to respective services.
- 7.1.3 Performance Reward Grant** - A Performance Reward Grant of approximately £7million is available to the council. 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. The grant is payable in the two financial years following the end of the PSA period.

## 7.2 Legal Implications

There are no legal implications arising directly from this report. Legal Services will be consulted throughout the period of detailed negotiations leading to the signing of the LPSA.

## 8. Other Implications

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING PAPERS
Equal Opportunities	Yes	Appendix One (all proposals)
Policy	No	
Sustainable and Environmental	Yes	Appendix One (proposal 5).
Crime and Disorder	Yes	Appendix One (proposal 7 and 10.b)
Human Rights Act	No	
Elderly / People on Low Income	Yes	Appendix One (Proposals 6 and 10).

## 9. Risk Assessment Matrix

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/or appropriate)
1. Government may reject our strategy on the basis that it fails to provide evidence for our identification of local priorities, is not sufficiently focussed on improved outcomes, and/ or does not have enough partner support.	L	M	Ensure that these issues are clearly dealt with in our strategy.
2. We may fail to agree an appropriate level of performance improvement with government during the detailed negotiations		M	Ensure that prior to detailed negotiations, we are confident that we have the capacity to significantly stretch performance.
3. We may fail to deliver the required performance improvements and as such miss out on all or part of the reward grant		H	Ensure that we negotiate challenging but achievable targets for service improvement

L - Low

M - Medium

H - High

L - Low

M - Medium

H – High

## 10. Background Papers – Local Government Act 1972

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



Corporate Directors' Board – 'Second Generation Local Public Service Agreements: Shortlist of Proposals' (10.8.04)

Corporate Directors' Board – 'Second Generation Public Service Agreements: Update on Shortlist of Proposals' (24.8.04)

## 11. Consultations

<b>Consultee</b>	<b>Date Consulted</b>
Leicester Partnership	20.5.04, 30.6.04, 4.8.04
Corporate Directors' Board	10.8.04, 24.8.04
Strategic Resources Group	25.5.04, 3.8.04
Forward Briefing	25.6.04
Crime & Disorder Reduction Partnership	1.7.04
Finance (Ciaran Guilfoyle / Steve Charlesworth)	Ongoing
Legal Services (Peter Nicholls)	Ongoing
All Departments through Performance Management Group reps and lead officers	Ongoing