

Report of the Corporate Director Business Services, Stockport Council on behalf of the Public Services Commissioners' Co-ordinating Board

Local Area Agreement (LAA) Resources

1.0 Summary

- 1.1 At its meeting on 6th March 2008, the Public Services Commissioners' Co-ordinating Board (PSCCB) considered a report on the Local Area Agreement (LAA) Resources issues both current and future. A copy of this report is attached.
- 1.2 The report looked at a number of issues but discussion focussed largely around the use of the Performance Reward Grant that is expected in relation to the current Local Area Agreement. Based on current information it is forecast that the reward grant payable on the current Local Area Agreement Reward targets may be in the region of £6.9 millions. This grant is expected to be payable as 50% revenue and 50% capital over a two year period starting in 2009/10.
- 1.3 The PSCCB resolved to support the proposals contained within the report and to recommend to the Stockport Partnership Board that:
- (a) That £1m of the Performance Reward Grant be "top-sliced" to fund the creation of a partnership office for a 5 year period.
 - (b) That the views of the thematic partnerships be sought in respect to the use of the remaining performance reward grant.

2.0 Recommendations

- 2.1 That the recommendations of the PSCCB outlined in para 1.3 are approved by the Stockport Partnership Board.

LOCAL AREA AGREEMENT (LAA) RESOURCES

Report of the Corporate Director, Business Services (SMBC)

1. Introduction and Background

1.1 The existing LAA (2006/09) has been supported and 'incentivised' by significant financial resources from the government, on top of the money spent from partners' own budgets towards the achievement of LAA targets. The resources from government comprise the following, with the Council being the accountable body for all the funding:

- Pump-priming grant - £1.032m ('one-off' in 2006/07 - £86k per target)
- LAA grant – a number of specific grant funding streams were pooled and allocated for the purpose of supporting the achievement of LAA targets. A mix of revenue and capital funding has been provided under three 'blocks' – Children and Young People; Safer and Stronger Communities; Economic Development. For 2007/08 the total LAA grant is just over £7.5m. Specific terms and conditions were applied to govern the use of the LAA grant.
- Performance Reward Grant (PRG) – a total of £7.692m (£641k per target) is available if all targets can be achieved. The current forecast is that around £6.9m will be received, probably 50% in 2009/10 and 50% in 2010/11. Again, the reward grant will be a mix of revenue and capital, potentially 50/50.

1.2 From 2008/09 onwards the picture changes. There is no pump-priming money for the new LAA. Furthermore, the LAA grant no longer exists. The relevant funding streams, alongside other previously specific grants, have been absorbed into the 'Area Based Grant' (ABG). Although this is a non-ringfenced general grant it is distinguished from the formula grant (the main source of government support to local authorities) as it is allocated according to specific policy criteria rather than general formulae. Guidance issued by the DCLG makes it clear that "local authorities are free to use all of their non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas, including the achievement of LAA targets.

1.3 With regard to PRG for the new LAA, a very recent announcement confirmed that there would be a round of reward grant for the new LAAs and that the total amount would be at least £340m, an average of around £2.2m for each LAA. While no details have yet been revealed the government has stated its intention to "ensure the reward model is as simple as possible to operate, and does not create any additional burdens within the LAA negotiations process – so we intend to link reward payments to improvement across all of the up to 35 targets agreed in the LAA negotiations".

2. Issues for Stockport

2.1 The LAA Core Group has recommended that the targets put forward for negotiation with Government Office should be those that can be achieved within the existing resources of the partner organisations. (For the current LAA the concept of 'stretch' targets was applied, on the basis that there was pump-priming, LAA and PRG money to both fuel and reward such 'stretched' performance). However, the implications of the move from LAA grant to ABG will need to be clarified within the relevant thematic partnerships, particularly the Safer and Stronger and Children and Young People's partnerships. The previous perception that the thematic partnerships had their 'own' budgets will have to be re-examined.

2.2 With regard to the PRG due to be received in 2009/10 and 2010/11 it is perhaps worth revisiting the principles that were agreed to guide the allocation of the PRG by the Partnership Board in January 2006

The main principle proposed to guide the allocation of PRG is that:

- *The Stockport Partnership (Board) will be responsible for agreeing the allocation of LAA performance Reward Grant, which will be used to support Community Strategy priorities.*

Other suggested guiding principles:

- *The Stockport Partnership (Board) will commission the thematic partnerships to deliver service/activity funded through PRG.*
- *The thematic partnerships will be accountable for delivery to the Stockport Partnership (Board).*
- *The Stockport Partnership (Board) will be advised by the thematic partnerships on investment priorities.*
- *The Stockport Partnership (Board) may wish to retain accountability for delivering identified 'cross-cutting' priorities, where this is more appropriate than commissioning a specific thematic partnership with delivery.*
- *Allocation of PRG to the thematic partnerships is not a strict arithmetic allocation based upon number of stretch targets being delivered by the respective partnerships.*
- *PRG will not be required to be invested in new, additional activity but where appropriate, may be used to enable retention/continuation of existing priority services/activity.*
- *LAA stretch targets have no additional priority for continued funding through PRG.*

Although the PRG monies will not be received for over 12 months it is considered appropriate for the PSCCB to re-consider the potential allocation criteria at this time, in order that recommendations can be made to the Partnership Board.

2.3 With the advent of the new LAA, the need to successfully complete the current LAA and the impending introduction of the Comprehensive Area Assessment, which will judge and rate the effectiveness of partnership working, it is

considered appropriate at this time to consider the establishment of a dedicated Partnership Office, responsible for supporting the LSP and thematic partnerships and managing / co-ordinating the delivery of the Community Strategy and LAA. It is felt that such a resource would relieve some of the pressures being experienced by partners and provide a single source of information, advice and support to all those working in support of the range of Community Strategy and LAA targets. Without being prescriptive at this stage it is thought that the Office could be staffed by a manager, a performance officer and a resources officer, with a budget to also include provision for consultation and survey exercises, events and publications etc. It is suggested that consideration be given to 'top-slicing' the PRG to finance a Partnership office for, say, five years at a total cost of £1m. If the Stockport partnership is serious about delivering an effective Community Strategy, LAA and effective partnership working it should consider seriously investing in dedicated resources to support those aims.

- 2.4 In relation to the balance of the PRG (around £5.9m), it is suggested that thematic partnerships be asked to consider and report back with their views on priorities for the use of the PRG (bearing in mind that a significant proportion would be capital funding). However, it is believed that the majority of the priorities so identified should accord with the new LAA targets, in particular those for which partners and the Government Office are looking for a higher level of performance in future years than can be achieved within existing resources. In effect, the PRG could become 'pump-priming' money for improved performance in 2009/10 and 2010/11.
- 2.5 The availability of PRG for the new LAA could be seen as a double edged sword. The Government Office may see this as a reason to continue the concept of 'stretched reward targets' and may use the 'lure' of the reward monies to press for certain measures and targets. It is suggested that our approach should be to develop the 'best' LAA for the Borough of Stockport, not ignoring but not being driven by a need to achieve what could be a fairly modest financial reward.

3. Conclusions and Recommendations

The changes to the financial regime accompanying the new LAA provide a reason and opportunity for the PSCCB to consider the various financial considerations that need to be addressed as set out in this report. In particular this Board is asked to consider the use of the PRG due to be received in 2009/10 and 2010/11 and to note and discuss the potential implications of the demise of the LAA grant and the introduction of the Area Based Grant.

Steve Houston