

SCRUTINY COMMISSION – 4 SEPTEMBER 2002

JOINT REPORT OF THE CHIEF EXECUTIVE AND DIRECTOR OF RESOURCES

LOCAL PUBLIC SERVICE AGREEMENT

Purpose

1. The purpose of this report is to inform the Commission of the position with regard to the development of a local Public Service Agreement for negotiation with the Government.

Background

2. A local Public Service Agreement (PSA) is a 3-year agreement between the Authority and the Government. It sets out the Authority's commitment to deliver specific improvements in performance and the Government's commitment to reward these improvements. The agreement also records what the Government will do to help the Authority achieve the improved performance.
3. PSAs were first piloted with 20 authorities in 2000/01. Over the next 2 years, the scheme is being rolled out to all upper tier authorities (shire counties, unitaries, metropolitan district, London boroughs). Although district councils cannot currently enter into a PSA themselves, the Government expects that the County Council will involve the districts (and other organisations outside local government) in the PSA bid. The principle behind this approach is that joint working will help secure greater improvements in services than the Authority would otherwise achieve on its own.
4. The essence of the PSA is that the Authority commits itself (alongside the other bodies involved in the agreement) to achieving a dozen or so specific targets that will require performance beyond what could have been expected in the absence of a PSA. In exchange the Government will offer to provide additional start up Finance (pump-prime) the work from the outset and reward this success at the end of the agreement.

Target Selection

5. The final Agreement is expected to contain 12 target areas in total, comprising at least 7 national targets (selected from the Government's national PSA list) and up to 5 local targets (which reflect the needs of

Leicestershire). Recently revised guidance states that of the 7 national targets:

- 4 will be proposed by the Government relating to the areas of Education, Social Care/Health, Crime and Transport;
- 1 will be a mandatory cost-effectiveness target;
- 2 will be targets chosen by the authority from a national list.

Revised National PSA List

6. On 15th July the Government's list of 'National Targets for PSAs' was revised by the Government to reflect the outcome of the 2002 Spending Review (see Appendix A). The Authority has been advised that, it will need to work from the new list and definitions unless there are compelling reasons to use the old ones.
7. However there is a lack of clarity about the interpretation of the targets in the new list. The government is promising more guidance on this, but it seems that this will not be available until September/October. This will be too late for the authority to significantly alter its proposals for negotiation in November due to the considerable amount of work involved in assessing the practicality of pursuing a particular target, including discussions with relevant partners and establishing draft action plans.
8. In terms of the 5 local targets, the Authority still retains a significant degree of freedom to select those targets, which reflect the needs of the area. However the Government will need to be sure that these local targets focus on outcomes and that the performance measures are robust. The Authority also needs to nominate three reserve targets (one national and two local) at the outset of the negotiations in case any of the 5 local targets or the 2 freely-selected national targets need to be substituted.
9. The revised national government list has impacted upon the preliminary work that has been undertaken by officers on draft target proposals for the County Council. Work is now proceeding on trying to clarify some of the definitions on the new list, establishing the views of government departments and establishing a long-list of proposals in the light of the changed national position. It is intended to circulate a members information item with the draft long-list of target proposals as soon as possible.

Timetable for Decisions including Scrutiny

10. The Authority is scheduled to begin its bid negotiations with the Government on 18th November. Prior to this the Authority is expected to hold an introductory meeting in late September with senior Government officials to explain the context of Leicestershire's PSA bid and its package of proposals. Following this meeting, the Authority will then have a 6-week period in which to refine its proposals before the start of the negotiations.
11. The Cabinet is currently expected to consider the long-list of target proposals on 24th September. If any additional contingency arrangements are required as a result of further contact with the Government, then Members will be advised accordingly.
12. The timetable leading up to the scheduled negotiations in November is now as follows:

Pre-submission Phase (September to November)

- Early September Development/Assessment of Target Proposals. Clarification of national target list and government department expectations
- 24th September Cabinet decision on target shortlist
- end September Introductory meeting for Leicestershire with Government representatives

Negotiation Phase(18 November – 24 January).

Involvement of District Councils and Other Agencies in PSA Targets

13. Meetings have taken place with all District Councils in Leicestershire to explore interest in involvement in the PSA bid, and they have generally responded in a positive way and wish to be involved in the bid. Ongoing discussions are taking place with the Districts and other agencies on how they can contribute to delivery of the PSA.

Next Steps

14. The PSA is an important project for the Authority which will enable it to fast track a number of our priorities, in partnership with other organisations, over the 3-year life of the Agreement. It is inextricably linked to the key business processes of the Authority, such as the refinement of the Medium-Term Corporate Strategy, the implementation of the CPA Self-Assessment Action Plan and the development of a Community Strategy. It will require the Authority to use its annual budgetary process to ensure that the agreed PSA targets are delivered. It is therefore essential that targets agreed through the PSA process deliver County Council priorities.

15. The Authority's contact with the Government Departments should provide the opportunity to discuss proposals for 4 out of the required 7 national targets. The cost-effectiveness target is in any case mandatory. This means that Members will need to focus attention primarily on the selection of the remaining 2 national targets, the 5 local targets in the PSA bid, and the 3 reserve targets (1 national and 2 local), as well as ensuring that the package of PSA targets as a whole will meet the County Council's own needs and priorities.

Resource Implications

16. The financial incentives of the PSA are potentially attractive. At the end of the PSA agreement, the Government will give the Authority a reward grant of 2.5% of a year's net budget for achieving the 'stretching' targets in full. This is potentially worth around £1m for each of the 12 PSA target. A scaled down grant is given for achieving a large part (minimum 60%) of the improvement and this applies in proportion for each target area forming part of the PSA. The performance reward is paid in two halves (half capital and half revenue) in the two financial years following the end of the PSA, i.e. 2006/07 and 2007/08.
17. Additional financial benefits are available from the Government where County and District Councils have collaborated. For example, the potential overall performance reward grant could be increased to include 2.5% of the participating District Council's net budgets.
18. There is scope to share these financial rewards with District Councils and other agencies involved in the delivery of PSA targets or to offer them and/or partnerships a say in how the money is actually used. Preparatory work is currently being undertaken on those financial models adopted by PSA authorities elsewhere to facilitate further Member discussions on this. In the meantime, the Leader has given a commitment that the Authority will share the reward grant with any District which participates in the bid's development and which help to achieve the PSA targets. This principle has also been extended to cover the Police and Fire Service, whose co-operation is equally required if the results are to be achieved.
19. In addition to the 'reward grant', Government help is available at the outset of the PSA in the form of:
- (1) a 'pump-priming' one-off grant of around £1m in total (approximately £80,000 per target);
 - (2) scope for some additional borrowing (on the strength of unsupported credit approvals worth around £1m);
 - (3) possible relaxation of statutory and administrative requirements (where the Authority believes this could help substantially in achieving its targets).

20. However, the pump-priming monies alone will be insufficient to secure the improvements. The Authority and other partners will need to target these areas as budget priorities over the next three years to deliver the increased performance and obtain the maximum financial reward.

Summary

21. The changes to the national PSA list and the lack of clear guidance on this has delayed the bringing forward to members of draft target proposals. A members information item will be issued setting out the proposed long-list of targets as soon as possible. The current timescale envisages the long-list of proposals being considered by the Cabinet on 24th September.

Recommendation

22. The Commission is asked to note the current position with regard to the development of a local Public Service Agreement for negotiation with the Government.

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