

**CABINET**

**29<sup>TH</sup> OCTOBER 2002**

**LEICESTERSHIRE'S BID FOR A PUBLIC SERVICE AGREEMENT (PSA)**

**REPORT OF THE CHIEF EXECUTIVE AND DIRECTOR OF RESOURCES**

**PART A**

**Purpose of the Report**

1. To ask Cabinet to agree the overall shape of Leicestershire's bid for a Public Service Agreement (PSA) in preparation for final stakeholder consultation.

**Recommendation**

2. It is recommended that Cabinet:
  - (1) agrees those target areas to be included in the overall PSA bid;
  - (2) notes that the views of the Leicestershire Local Strategic Partnership and other stakeholders are continuing to be sought before the submission is finalised;
  - (3) receives a copy of the draft Agreement for final endorsement at its next meeting on 12<sup>th</sup> November, together with feedback from stakeholders;
  - (4) notes the discussions that are underway with Districts and other stakeholders about the sharing of the performance rewards.

**Reason for Recommendation**

3. The PSA will help to deliver additional improvements in service delivery for the people of Leicestershire, through the Authority's partnership working with other organisations. It will also bring a potentially significant level of resources into the County. The PSA bid requires the support of those organisations, which will play a key role in helping to deliver the extra performance.

**Timetable for Decisions and Scrutiny**

4. The Authority has to submit the PSA bid to the Government on 18<sup>th</sup> November, which requires the bid to be finalised by Cabinet on 12<sup>th</sup> November. The draft bid is scheduled to be considered by the Scrutiny Commission on 6<sup>th</sup> November.

## **Policy Framework and Previous Decisions**

5. The development of a PSA with the Government is an existing commitment in the County Council's Medium-Term Corporate Strategy. The bid offers the opportunity to focus on the delivery of a number of County Council priorities. Once negotiations have been concluded with the Government, the resulting Agreement will become part of the Authority's overall performance management framework.
6. The Leicestershire Local Strategic Partnership has previously been consulted about this initiative, as the PSA will help to complement its development of a countywide Community Strategy. Arrangements are underway to ensure that the Partnership will have the opportunity to comment upon the overall shape of the bid before its submission to the Government.

## **Resource Implications**

7. The financial incentives of the PSA are potentially attractive. At the end of the Agreement, the Government will give the Authority a reward grant of 2.5% of a year's net budget for achieving the improvements in full. This is potentially worth around £11million in total (or just under £1 million for each of the 12 targets in the Agreement). If the District Councils make a significant contribution to the PSA, this performance reward may be augmented to a total of approximately £12.5 million.
8. A scaled-down reward 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.
9. There is scope to share these financial rewards with District Councils and with other agencies involved in the delivery of the Agreement. The Leader of the County Council has already given a commitment to do so, though further work needs to be undertaken with these organisations on practicalities involved.
10. 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 totalling £1.36 million;
  - (2) scope for some additional borrowing (on the strength of unsupported credit approvals worth between £1million - £3 million);
  - (3) possible relaxation of statutory and administrative requirements (where the Authority believes this could help substantially in achieving the targets).

11. 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.

**Circulation Under Sensitive Issues Procedure**

12. None

**Officers to Contact**

Alan Youd – Tel: 0116 2657830; e-mail: [ayoud@leics.gov.uk](mailto:ayoud@leics.gov.uk)

Fiona Holbourn – Tel: 0116 2656185; e-mail: [fholbourn@leics.gov.uk](mailto:fholbourn@leics.gov.uk)

## **PART B**

### **Background**

13. 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. In Leicestershire's case, the Agreement will finish at the end of the 2005/6 financial year.
14. 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.
15. The essence of the PSA is that the Authority commits itself (alongside the other bodies involved in the agreement) to achieving 12 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 to 'pump prime' the work from the outset and reward this success at the end of the Agreement.

### **Target Selection**

16. 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 – see Appendix 1) and up to 5 local targets (which reflect the needs of Leicestershire). The Authority is also advised to nominate reserve targets in case any targets need to be substituted during the negotiations.
17. Recently revised guidance from the Government 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 (which is also mandatory for any District Council wishing to become 'substantively involved' in the PSA);
  - 2 will be targets chosen by the Authority from a national list.
18. The Authority's preparatory work with a range of stakeholders has identified the following targets for inclusion in the bid, which reflect both

local and central priorities and which also help to maximise District involvement:

#### National Targets

- (1) Increase the percentage of pupils achieving 5 GCSEs at grades A\* to C
- (2) Improve the level of education, training & employment outcomes for care leavers aged 19, as well as improve the educational attainment of looked-after children in the primary phase of their education
- (3) Reduce vehicle crime across Leicestershire
- (4) Increase bus usage on both commercially run & County Council contract bus services
- (5) Improve delivery and value for money of local services by overall improvements in cost-effectiveness
- (6) Increase the employment rate of people with disabilities and work to improve the rights of disabled people and to remove barriers to their participation in society
- (7) Increase year on year the proportion of users successfully sustaining or completing drug treatment programmes

#### Local Targets

- (1) Improve the achievement of pupils at Level 5 in Maths and English by the end of Key Stage 2
- (2) Improve the educational attainment of all pupils in special schools
- (3) Improve the basic educational skills of young offenders in order to reduce the likelihood of their engaging in crime
- (4) Reduce the overall level of domestic violence in Leicestershire
- (5) Increase the level of household waste recycling & composting

#### Reserve Targets

- (1) Reduce the number of people killed or seriously injured in road accidents (National)
- (2) Improve access to the countryside and to its amenities (Local)

19. Appendix 2 shows how these target proposals have been grouped around four key themes, based on the Authority's Medium-Term Corporate Strategy, for the purposes of negotiating the bid with the Government. An initial meeting with representatives from the Office of the Deputy Prime Minister on 17<sup>th</sup> October indicated that these draft proposals would be well received by the Government (subject to negotiation about the degree of 'stretched' performance).

#### **Involvement of District Councils and Other Agencies in PSA Targets**

20. The proposed targets have been developed, wherever possible using existing partnership groups/arrangements. All District Councils in Leicestershire were invited to join in with the PSA bid by the Leader of the Council at the beginning of April 2002. All have responded

positively, though discussions are still continuing about the exact nature of this contribution.

21. Similarly the degree of 'stretched' performance, which could be achieved for each of these target areas is also the subject of ongoing discussions with Districts and other stakeholders. The levels of performance proposed to the Government in the PSA bid will be in excess of those targets already published within the Authority's Best Value Performance Plan and will therefore be challenging to achieve.

### **Reward Sharing**

22. The Authority has the opportunity to share rewards with those partners that have helped to secure the achievement of the PSA targets. Indeed, delivery of a number of the targets in the PSA would not be possible without the involvement of other organisations. In the case of two of the proposed targets, for example, the development (and implementation) of the proposed target is being led entirely by organisations external the Authority, e.g. the Police (leading on vehicle crime) and Health (leading on drug treatment). Hence the Leader of the Council has given an undertaking to share the rewards with those Districts and partner agencies, which participate in the bid's development and implementation.
23. Preliminary discussions have taken place with the Districts on the principles for sharing the Performance Reward Grant, which include:
  - (1) the reward should be divided between partners rather than being put in a pool for joint decision-making;
  - (2) before being divided between County and Districts, the total reward should be 'top sliced' to provide rewards for other partner agencies (e.g. the Police and Health);
  - (3) rewards for the cost-effectiveness target for each participating Council should be based on 1/12<sup>th</sup> of 2.5% of its net budget;
  - (4) if there are any Districts which are involved significantly in the PSA but which do not qualify for 'substantive involvement', their potential reward should be based on an assessment of their contribution.
24. These discussions have taken place with Districts in the first instance as their involvement is key to unlocking the additional performance reward. However it is intended to extend these discussions to include other stakeholders (e.g. the Police and Health), so that some collective agreement can be reached on the principles of reward sharing before the bid's submission on 18<sup>th</sup> November. The updated position will be reported to Cabinet on 12<sup>th</sup> November.

## **Appendices**

- 1 Government's National List of PSA Target Areas, July 2002
- 2 Potential themes for Leicestershire's PSA Bid, October 2002