



PROPOSED PRIORITIES FOR DERBY'S 2ND GENERATION LOCAL PUBLIC SERVICE AGREEMENT – LPSA2

RECOMMENDATIONS

- 1.1 Approve the attached draft priorities for LPSA2 as a basis for negotiation with ODPM and GOEM, Appendix 3.
- 1.2 Give the Chief Executive delegated authority, in consultation with the Leader and Deputy Leader of the Council, to negotiate the LPSA2 priorities on behalf of the Council and amend the draft submission as necessary.
- 1.3 To note the role partner organisations will play in developing and delivering LPSA2 targets and the implications for the use of pump priming and performance reward grant.
- 1.4 To note the timetable for the further stages in the development of LPSA2 and proposed project management arrangements.
- 1.5 To refer the draft priorities for LPSA2 to Scrutiny Management Commission and to take account of their comments in the subsequent negotiations and further development of LPSA2.

SUPPORTING INFORMATION

- 2.1 This report outlines the key features of the 2nd generation LPSAs which councils are invited to negotiate during 2004-05 so they can take effect when current LPSAs conclude – from April 2005 for Derby.
- 2.2 A draft statement of the priorities for LPSA2 is attached, which will provide the basis for the subsequent negotiation of targets. The submission of this document marks the beginning of the formal development of LPSA2. The draft has been prepared following the ODPM guidance 'LPSA2G – Building on success'; using the information provided from the Officer and partner LPSA2 workshop; and referring to pilot authorities' 'good practice' submissions as examples. Informal feedback from ODPM, based on a preliminary draft, has been taken into account.

Review of the first round of LPSAs

- 2.3 Although a formal evaluation of the 1st generation of LPSAs is not completed, the consensus is that LPSAs have been broadly successful. The great majority of top tier councils have an LPSA in place. Progress in delivering more freedoms and flexibilities and in 'cross-cutting' thinking in Whitehall in supporting LPSAs has not been as great as initially hoped, although Local Government Minister, Nick Raynsford, has committed

the Government to try to do better in this area – although with a note of caution regarding legislative constraints on freedoms and flexibilities. In Derby, LPSA1 is helping us improve the performance of a number of key services.

Requirements of 2nd generation LPSAs

- 2.4 Some key elements are little changed from the first round of LPSAs. For example, they will normally be for a three year period, include around 12 targets / groups of targets and pump priming funding and performance reward grant will be calculated on a similar basis – so Derby could expect about £1 million in pump priming and about £5.5 million in maximum reward grant.
- 2.5 However, there are also some significant differences:
- targets are locally determined – no need to pick from a menu of national targets and no requirement for a cost effectiveness target
 - targets should be clearly linked to priorities, in particular the Community Strategy and CPA improvement plans
 - increased emphasis on partnership working – the ODPM Guidance says ‘Local strategic partnerships provide an excellent forum to discuss priorities for improvement locally and how partners might contribute to stretch performance . . .’
 - a more structured and extended negotiating period to help get measures and targets right
 - Partnership working will be important to the development and delivery of LPSA2, but agreements will still be concluded between the Government – ODPM – and the council in each case.
- 2.6 The negotiating process and timescales and proposed project management arrangements for the LPSA2 are set out in **appendix 2** to this covering report.
- 2.7 Similar to the approach in the first round of LPSAs, ODPM will lead for the Government with support from the LGA. Detailed discussion on performance measures, target levels and any freedoms and flexibilities will involve the relevant Whitehall – or GOEM specialists – and the service leads in the Council or partners. Where a Council is also negotiating one of the newly announced pilot Local Area Agreements – LAAs - then the Regional Office will lead negotiations on behalf of the Government in respect of both agreements. The Council and DCP have applied to become the regional LAA pilot with the support of GOEM and a decision is expected by early October.
- 2.8 A significant difference to LPSA1 is that improvement priorities are agreed before detailed negotiation around targets. Once the improvement areas have been agreed we will then work together to come up with suitable measures and targets to give effect to the agreement. The negotiation process is more extended compared to LPSA1.

Draft submission

- 2.9 As set out in the timetable we are required to submit a document ‘proposing the priorities for improvement locally’ by the end of September 2004. The first draft of this document is attached at **appendix 3**.

- 2.10 The draft improvement priorities and target areas were considered by the Strategy Co-ordination Group on behalf of DCP on 16 September. The principles of the draft submission and LPSA2 were endorsed and a number of partners indicated their willingness to work with the Council to develop targets further.
- 2.11 The draft proposes target areas under three broad headings – the following priorities for improvement:

- **To create a stimulating and high quality learning environment**
- **To have healthy, safe and independent communities**
- **To create a diverse, attractive and healthy environment.**

These are drawn from the priorities in the Community Strategy and help to emphasise our partnership approach. The areas where we will seek to agree targets are then identified under each of these headings. These should be areas where we can make significant improvements in performance that can be expressed in output terms. The submission should explain why we have chosen these target areas and also why we have not included areas that might otherwise have been priorities.

Next steps

- 2.12 The draft statement of priorities will be discussed with ODPM and GOEM. ODPM will co-ordinate the views of other Whitehall departments likely to be interested in our proposals. We expect formal comments from the Government side in mid-November at which point further negotiations may be necessary.
- 2.13 Consideration of our proposals by GOEM and ODPM is likely to focus on:
- Are our priorities for LPSA2 well based and show an understanding of local needs and improvement priorities?
 - Will our target areas lead to improved outcomes?
 - Are those outcomes measurable and will they be significant enough to justify up to £500,000 in reward grant for each target area?
- 2.14 When the improvement and target areas are agreed, we will then propose measures for each target. These should be agreed by the end of January 2005 when we will then negotiate the targets and performance stretch which will determine the reward grant. Agreement should be reached by the end of March so that LPSA2 can take effect from April 2005. More details on the timetable and project management arrangements can be found at Appendix 2.
- 2.15 Officers will undertake further work on developing target areas once these have been submitted to ODPM. Attention will be given to new ways of working and partnerships to improve performance, how we can evidence the benefits that should arise to justify reward grant and appropriate outcome based measures.

The role of partners in LPSA2

- 2.16 ODPM expect local authorities to involve partner organisations much more effectively than in the previous round, and believe this may be a significant source of 'step change'. In Derby's case, we already have a well established partnership framework. DCP has had some involvement in LPSA1, and the Neighbourhood Renewal Fund it manages for the Council is contributing £250k in 2004/5 to LPSA projects. We clearly

need to consult effectively with partner organisations prior to the decision on the choice of targets. The Council and DCP will want to make sure that the consultation process is effective and that performance improvements can still be managed and secured.

- 2.17 The use of potential reward funding and pump priming will need to be discussed as LPSA2 is developed. This is payable to the Council in the first instance. For LPSA1, the Council has agreed that a proportion will be used to sustain successful projects beyond the three years of the LPSA, with the balance of any reward grant being allocated across corporate priorities through the normal budget processes. In principle, it is expected that a similar approach will be adopted for LPSA2, but this will need to be agreed with partners that are making a significant contribution to reaching one or more targets. Once again, after sustaining successful projects the balance of funding could be allocated across a range of priorities, informed by our revised Community Strategy.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Negotiating process and timescales, and Project management arrangements Appendix 3 - Draft submission setting out the proposed priorities for improvement v6

IMPLICATIONS

Financial

- 1.1 Derby could expect about £1 million in pump priming and about £5.5 million in maximum reward grant, based on the successful delivery of the agreed outcome based targets by 2008. It is proposed that the pump priming and reward grant will be used in line with the Revenue Budget Planning Framework – 2005/06 to 2007/08, agreed at 20 July 2004 Cabinet Part 1, which states

‘Pending decisions on whether to continue with specific schemes, planning of budgets will take place on the basis that new external funding sources will wherever possible be used to substitute for the withdrawal of existing time-limited sources, rather than commit these to new projects.’

- 1.2 The Government will clearly not be prepared to allocate pump priming funding unless the Council has made a commitment to use it to deliver improvements to services specifically in support of these targets. This resource therefore needs to be used to support LPSA2 delivery. The Council will also need to consider what additional corporate resources can be made available to supplement the pump priming funding.
- 1.3 No restrictions exist on the use of reward funding and the principles in the Revenue Budget Planning Framework mean that it should not be committed until at least the Time Limited Funding Review has been concluded.
- 1.4 As detailed targets are developed together with plans for associated service improvements to help deliver them, the extent of potential financial commitments will need to be scrutinised, particularly any ongoing long term commitments. The Council will need to be mindful that the extent of spending commitments is affordable and that their prioritisation is consistent with the wider budget planning process, and targets will be negotiated on this basis. Generally, detailed targets that are delivered by time-limited support to services will be easier to support than those which leave an ongoing commitment.
- 1.5 The Revenue Budget Planning Framework also states that an important element of the process of reviewing time-limited funding will be to work closely with DCP in order to establish a framework for committing resources in the future. This is particularly relevant, as ODPM has emphasised the need to engage partners to develop and deliver the LPSA2.

Legal

2. None directly arising from the report.

Personnel

3. None directly arising from the report.

Equalities impact

4. The priorities for improvement have been developed to have a positive impact on quality of life and addressing inequalities for target groups.

Corporate objectives and priorities for change

5. A successfully negotiated LPSA2 will play a major role in contributing to the delivery of the corporate objectives. The draft submission demonstrates clear links to the proposed priorities for improvement and the objectives of the Corporate Plan.

NEGOTIATING PROCESS AND TIMESCALES

The Government has proposed a more extended negotiating period than applied in the 1st round of LPSAs. Several months will be allowed to agree what should be the priorities, then the measures to be used will be agreed before there is discussion about the actual level of targets. The timetable for negotiation will again be agreed through the LGA with support from IDeA.

The timetable proposed by ODPM / LGA assumes that authorities with a current agreement concluding on 31 March 2005 – like Derby – will want any subsequent agreement to run from April 2005. On this assumption, which we are now following; the timetable for Derby is:

- 30 September 2004 – initial submission setting out the ‘priorities for improvement’
- September – November 2004 – agree priorities for improvement with ODPM
- December 2004 – January 2005 – propose and agree measures for target areas
- February – March 2005 – propose and agree target levels
- March – April 2005 – agree LPSA2
- April 2005 – March 2008 – LPSA2 in place.

Project management arrangements

The Council is increasingly using project management principles to make sure major change initiatives deliver what they are meant to. LPSA2 will be such an exercise – although negotiating the agreement and then delivering it should be seen as two separate projects – or indeed programmes. The extent and complexity of the project management arrangements required will depend on the degree to which partner organisations are involved.

The LPSA negotiation process provides some clearly identifiable stages. In effect, stage 1 – the priorities for the LPSA to address – can be regarded as the start-up phase leading to a business case which can be developed through existing line management and decision making processes, before formal project arrangements are needed.

The development of measures and agreement of targets is a multi-disciplinary and cross-agency process that will require project management. A board will be established, with a Chief Officer, Member and possibly partner representation and an identified project manager. In the context of a negotiating process, this may assist decision making outside the normal meeting arrangements and provide appropriate delegation to those negotiating specific targets – for example to vary the measure or target level but not the target area itself. The composition of the Board would depend on the priorities for the LPSA agreed at stage 1.

Council Cabinet will be kept informed of progress and asked to take key decisions on submissions made in subsequent stages of the process and in agreeing the contents of LPSA2.