

OXFORDSHIRE PUBLIC SERVICE BOARD  
5 FEBRAURY 2008

## The new Local Area Agreement finance and reward model

### 1. Government funding to Local Authorities

The Government now provides 3 streams of funding to local authorities :

1. Revenue Support Grant (RSG);
2. Area Based Grant (ABG)
3. Specific Grants where necessary.

At least £5 billion of Specific Grants and about £1m of revenue Support Grant have been moved into ABG.

### 2. Area Based Grant

#### General principles

Area Based Grant (ABG) is a non-ringfenced general grant with no additional reporting requirements to Government.

Local authorities can use the money however they want, including pooling it to achieve Local Area Agreement (LAA2) targets.

It is up to individual areas to decide how they want to finance their LAAs and local authorities have all their key funding streams available for this i.e. RSG, ABG, specific grants and other local funding.

There are no carry forward limits from one financial year to the next.

A list of the funding streams that have moved into Area Based Grant is available on the local government finance website:

<http://www.local.communities.gov.uk/finance/0809/specgrant.htm>

Key changes to note:

- Safer, Stronger Communities (CLG) is made up of the Neighbourhood Element and Neighbourhood Management Programme.
- Safer Stronger Communities (Home Office) is made up of Crime Reduction, Drug Strategy and Anti-Social Behaviour.
- Cohesion contribution is new money.

- ABG can be paid to both tiers of local authority (for example the “cohesion” grant to the City).

### **Purpose of ABG**

ABG provides much greater flexibility to local authorities (LAs) by:

- enabling LAs to focus on local priorities;
- providing a single grant in place of many separate grants;
- enabling a single ‘contract’ with CLG instead of many across different departments;
- doing away with separate reporting mechanisms for each grant by managing performance through the National Performance Indicator Set. No separate grant conditions and monitoring requirements.
- LAs will receive one single monthly payment of Area Based Grant from April 2008.
- Payments will be received via LOGASnet and will be identified in the payment as ‘Area Based Grant’.
- The Audit Commission will assess whether authorities have used their resources effectively as part of the use of resources element of the Comprehensive Area Assessment.

### **Governance**

In reality all the resources available to local authorities are fully committed to current priorities and our ability to re-focus significant amounts on new priorities in the short-term is therefore limited. In recognition of this the Public Service Board has already agreed that : *“... 2008/09 is a transitional year and the intention is to passport monies to where they are currently being managed, or, to partnerships who are already pooling resources, or to partnerships who are able to do so.”*

However, it is clear that the Public Service Board needs to review its governance to ensure that the mechanisms are in place to make binding decisions about resource allocations in the future. See agenda item on Governance.

## **3. Reward grants for LAA2**

### **Rewards for LAA1**

Government will honour reward commitments in existing LAAs. The average amount of Performance Reward Grant being paid out on current LAAs to each area is 57.6%, ranging from around 25% to just under 90%.

### **Reward for LAA2**

Government evaluation of previous reward schemes has shown that the prospect of a financial reward has encouraged a partnership focus on the most important priorities in areas and this has had a positive impact on performance.

The Government has announced that :

- There will be rewards for LAA2.
- The (up to) 35 targets agreed with Government in LAA2 will all be incentivised to avoid one set of targets being given greater importance than others;
- It is likely that this will also apply to the 16 mandatory DCSF targets.
- Local targets (that are not part of the 35 + 16 targets) will not be incentivised with reward grant.
- The total amount of reward for LAA2 may be about the same as the total for LAA1 (i.e.: less per target but the same total value for the whole LAA)
- Performance will be judged by translating all figures (numeric, percentages etc) into a “common currency” to allow a simple calculation to be made – SEE PAGE 4.
- Performance will be judged as an average figure across all targets, rather than on individual indicators as now. SEE PAGE 4.
- A simple spreadsheet will calculate the level of reward payable.
- Overlap between the current and future rounds of reward would be allowed in that areas could negotiate targets against indicators that are identical or similar to those in existing LAAS - BUT - Government is clear that it cannot pay out twice for improvements over the same period.
- A CLG Working Group is working on the key issues including :
  - reward for the 16 DCSF statutory targets;
  - whether there should be upper and lower capping limits on reward to stop one target unbalancing the overall picture of reward for the whole LAA;
  - reward for Working Neighbourhoods Fund;
  - resolving the issue around dealing with target / reward overlap;
  - the optimum timetable for making key announcements on the level of funding available and the workings of the reward model.
- All of the above is subject to Ministerial approval.

### **Pump Priming Grants**

CLG recognise the value to partnerships of Pump Priming Grants. There is likely to be some sort of funding mechanism but it may not be directly related to LAA targets. More news in late February / early March.

## How Reward Grant Formula is likely to work

Below is an example of how reward grant will probably be calculated for LAA2.

### Formula for target reward scores

	Baseline 2006/07	Target	Actual performance	<b>SCORE</b>	Criteria
A	100	120	140	2	Targeted improvement exceeded by 100%
B	100	120	130	1.5	Targeted improvement exceeded by 50%
C	100	120	120	1	Target achieved
D	100	120	110	0.5	50% of the way to the agreed target
E	100	120	100	0	No change
F	100	120	90	-0.5	Worse than the baseline

### Example of how target scores contribute to an overall/average LAA reward score

Indicator	Baseline 2005-06	Target 2010/11	Performance 2010/11	<b>SCORE</b>
NI5 satisfaction with the area	45%	52%	57%	1.7143
NI40 Drug users in treatment	70	95	98	1.1200
NI47 killed and injured on the roads	350	335	332	1.200
NI117 NEET	17%	14%	12%	1.667
Total Score =				5.7010
Average Score =				1.4252

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