

**OXFORDSHIRE PUBLIC SERVICES BOARD
10 SEPTEMBER 2008**

**Local Area Agreement finance and reward.
Update and proposals**

1: Managing our resources to meet our priorities

Introduction

Last year's Comprehensive Spending Review of local government finance and the recent Sustainable Communities Act have provided more freedoms and flexibilities for local authorities to use their resources to improve outcomes for local people.

There is a clear expectation on local authorities that :

1. Priorities should be agreed through local strategic partnerships (*Oxfordshire 2030*, The Oxfordshire Partnership);
2. Targets should be agreed with partners to meet those priorities (Local Area Agreement and other locally agreed targets in *the Oxfordshire 2030* Delivery Plan);
3. Local authorities have the flexibility to move resources to meet those priorities.

Overall there is less money coming from government to help us meet our priorities. For example the County Council is receiving 1.75% more formula grant from government in 2009/10 and inflation is currently heading for 5% this autumn. All resources available to local authorities are heavily committed and funding new initiatives means hard choices about what we stop funding.

However, we now have the opportunity to have wider discussions across partnerships about how we deploy resources to meet our agreed priorities.

Local authorities : Area Based Grant

For many years local authorities have received some of their funding from government in the form of separate grants. These were ring-fenced for specific purposes, for example : reducing teenage pregnancy and substance misuse.

In order to reduce bureaucracy and give more flexibility and freedom at the local level, these separate grants have now been pooled into one payment to local authorities called the Area Based Grant (ABG). There is no new money in the ABG. It is a simplification of government processes – there is one annual payment and we don't have to report back on its use. Most importantly there are no restrictions on its use.

Financial year 2008-2009 is the first year of Area Based Grant arrangements. The total amount for the County is £25,889,448. Allocations of £180,000 and £26,471 and were also made to Oxford City and Cherwell DC respectively. (This will grow to £44,130,000 in total in 2009/10, largely the result of the inclusion of the Supporting People grant of approximately £17m.)

***Annex 1** outlines the individual grants comprising ABG grouped by County Council recipient directorate with the relevant thematic partnership referenced. The table includes the three elements of ABG, that have been allocated directly to Oxford City and Cherwell District Councils.*

There has been general agreement to passport this 2008/09 funding on the basis on which it was distributed in the previous financial year to ensure continuity of services and while we consult on new partnership governance arrangements.

It should be noted that in real terms the ABG grant will reduce over the medium term so partners will be under pressure to improve cost effectiveness and/or prioritise spending.

General public sector funds

Partnership priorities identified in Local Area Agreement and other local targets are funded from a variety of sources - for example local councils' revenue support grants, PCT and Police central budgets. ABG is significant but it is less so in the context of the £1.5Bn of resources available to the whole public sector in the county annually.

The main purpose of developing new governance arrangements is to ensure that partners have the mechanisms in place to move and apply resources in ways that really break into the root causes of persistent deprivation and inequality – and really make a positive difference.

This larger cultural shift in the way in which we apply resources through partnerships will take some time to develop and will require further debate and consultation – both within the public sector and across the wider partnership. Partners will need to ensure that the pace of change is beneficial and that we have the means of measuring whether change is producing better outcomes for local people.

Process for allocating ABG 2009/10

In July Partnerships were requested to review the resourcing arrangements for their LAA and other key targets by Wednesday 27th August by

1. Establishing how the ABG funding streams relevant to them are currently being used and identify any opportunities to use funding differently in the future to ensure that targets are met;
2. Considering how they will factor this into the resource/business planning of each organisation involved across the medium term planning timescale, but especially for the next financial year (09-10);

3. Providing assurance to the Public Service Board in September that partner organisations - including those who currently hold funding that is in the ABG - are fully involved in any proposals and that planning processes are in place;
4. Providing proposals for funding LAA and key local targets to the November Public Service Board meeting.

Partnerships have responded to this request and will be working on their resourcing plans. Local authority, PCT and police senior management will also be discussing the medium term perspective with a view to offering a shared view on priorities.

It is vital that the resourcing of our targets is mainstreamed within the normal annual resource planning and decision making processes of partner organisations and there is further work to do by partnerships and organisations to ensure that is so.

Managing the LAA

The main burden of LAA development and co-ordination has so far fallen on the County Council's funds. As our partnership framework and governance matures we should also be looking to share the support for these functions. For example, unspent Pump Priming Grant and/or an element of LAA reward grant could be used to fund an LAA manager post for the partnership to co-ordinate target negotiations and performance issues.

2: LAA1 funding

Allocating LAA1 Pump Priming Grant for 2008/09

The total Pump Priming grant (PPG) allocated from central government at the commencement of the 3 year LAA1 period in 2006/07 was £1,369,800. Allocations to stretch targets were agreed by PSB at the outset and funds required for the first 2 years passed over to OCC and other partners' budgets. The final year's amount of £383,373 (plus £4,800 not earmarked in the original PSB allocations) still remains to be allocated and, in addition, a total of £263,748 underspend has been carried-forward from last year.

Annex 2 provides a detailed analysis of the allocations.

An exercise has been undertaken to confirm that the remaining sums are still required and can be spent on relevant targets before the end of this financial year. Pump Priming Grant conditions demand that funding is used to support stretch targets only and may be reclaimed by government should it be underspent at the end of the delivery period.

The "Use/Comments" column in **Annex 2** details what remaining PPG will be spent on in this final year.

It is suggested that the unallocated balancing sum of £4,800 should be applied to Target Ref 4.2, as there are concerns about reaching this stretch performance and a ready application for using this relatively small sum.

LAA1 Reward Grant

The Public Service has agreed that 50% of all reward grant gained in relation to LAA1 stretch targets will go to partners involved in target delivery. The allocation of this 50% to individual partners proposed by partnerships has been agreed by the PSB and can be viewed at

http://portal.oxfordshire.gov.uk/content/public/oxfordshirepartnership/PSBmeetings/050907/PSB_SEP0507R07.pdf

The remaining 50% of reward grant the PSB has agreed will be used as to support partnership projects in the county. Basic principles that bids must demonstrate were agreed by the PSB in January 2008

<http://www.oxfordshirepartnership.org.uk/wps/wcm/connect/OxfordshirePartnership/Local+Area+Agreement/Meetings/OP++LAA++meetings+previous>

Reward grant will be payable 50/50 revenue capital and will be paid 50% in 2009/10 and 50% 2010/11. It is not anticipated that the partnership will receive reward from government until the end of 2009/10 following audit and submission of the data to government.

3: New LAA reward model consultation: Performance Reward Grant (PRG)

Government has recently produced guidance on reward for new LAAs. The key points from this are listed below.

Key points on Performance Reward Grant (PRG)

- Existing reward targets (LAA1 stretch targets) will be honoured
- Final confirmation of the target levels which will attract reward grant will be confirmed at the end of the first year of the LAA, following the first annual review/refresh. We do not know what the amount of reward available will be.
- Following further consultation (currently being undertaken by DCLG with a closing date of 26 September) final guidance on reward will be published as part of the guidance on the first annual review
- Reward will be paid in relation to average performance across the up to 35 targets agreed with Government.
- A maximum potential reward payable to each area if all targets are achieved will be notified to Government Offices shortly. Areas who do not achieve all targets will earn a proportion of this maximum determined by their average performance across the LAA. There are indications that it will be much smaller than LAA1 – maximum of £3.7m based on 0.54% of Net Budget Requirement for 2006/07.

- Claims for PRG will be paid in two halves during 2011/12 and 2012/13, 28% capital and 72% revenue

Recommendations

1: Allocating Area Based Grant and other resources to meet priorities

- I. It is recommended that the thematic partnerships shall now :
- II. Review their priorities, commitments and resources for financial year 2009/10
- III. Produce a Resource Plan by November 2008 for financial year 2009/10 that has been agreed by the constituent organisations who are responsible for the resources (for example, county council, district council, PCT, Police) and by the thematic partnerships they are working with.
- IV. The Public Service Board to consider and agree the Resource Plans at their November meeting.

2: Allocation of Pump Priming Grant

- V. The Public Service Board agrees allocation of PPG funding based on the planned use as detailed in Annex 2.
- VI. The unallocated balancing sum of £4,800 is applied to Target 4.2.
- VII. Use of PPG is monitored prior to the end of the delivery period this year to ensure all funding available is spent and stretch target performance is maximised. To be reported to PSB at their February meeting.
- VIII. See recommendation 4

3: LAA1 reward grant

- IX. Proposals for the use of the 50% PSB reward funding are brought by thematic partnership to the February PSB meeting based on the previously agreed criteria.
- X. See also recommendation IV

4: Managing the LAA

- XI. That consideration be given to the appointment of an LAA manager post resourced from LAA pump priming or reward grant rather than from local funds.

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