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## Local Area Agreement – Consultation on Reward Grant

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### Introduction

1 As partners are aware, the Cheshire Local Area Agreement (LAA) was formally approved by the Secretary of State for Communities and Local Government on 1 July 2008. The LAA contains 35 'designated' indicators against which improvement targets have been set for the next twelve months (and in some cases three years) for either the Cheshire West and Chester, Cheshire East or current Cheshire County Council areas. At the time of negotiation and agreement of the targets, it was expected that there would be some financial reward element attached to the targets should they be achieved over the course of the three year agreement. The Department for Communities and Local Government are now consulting on the LAA reward scheme and are seeking consultation responses by 26 September 2008.

### The Proposed Reward Scheme

2 The proposed scheme offers a maximum Performance Reward Grant, should all targets be achieved, based on 0.54% of the net budgets of the seven current Cheshire local authorities. This would provide provisional maximum PRG allocations of £2.05m and £2.12m for the Cheshire West and Chester and Cheshire East areas respectively.

3 Reward will be calculated on the average performance across the targets attached to the 35 'designated' LAA indicators but not those included as 'non designated' or 'local' indicators.

4 The consultation proposes that 100% reward grant will be paid if all targets achieve the stretch target. This will be paid as 72% revenue and 28% capital in two instalments in 2011/12 and 2012/13. However, if the average performance is less than 100% but above a lower threshold of 60%, reward grant will be paid against a sliding scale. If this is agreed, each percentage point above 60% would be worth approximately £51k to Cheshire West and Chester and £53k to Cheshire East.

5 It should be noted that the proposed model is different to that previously used for the calculation of Local Public Service Agreement Performance Reward Grant. This model had a 60% minimum stretch target but once achieved, reward was in direct proportion to the stretch achieved, i.e. 80% stretch = 80% reward grant. The proposed LAA model would only pay 50% reward grant for 80% achievement, i.e. 80% falls halfway between the 60% start point and 100% maximum.

6 The Government are also proposing that performance below baseline or above target be disregarded when calculating the average level of performance across the LAA as this could significantly skew any overall reward grant calculation.

For example, if 17 targets of 35 achieved 200%, the remainder could score 0 (no improvement from baseline) and the full reward would be payable.

7 Section 5 of the consultation document sets out the latest Government thinking on baseline data and highlights that, if as part of the refreshed LAA a target cannot be finalised until the last year of the LAA (i.e. 2010/11), then this target will not be included when calculating reward grant.

8 Section 5 also sets out the timetable for collecting data at the end of the LAA and proposes that where performance data is not available for the initial PRG claim to be made in 2011/12, then payment is made on the basis of average performance excluding the delayed data, with an adjustment made in 2012/13. It should be noted that both of the indicators identified by the Government for delay - NI112 (teenage conceptions) and NI186 (CO2 emissions) - are in the Cheshire LAA.

9 Final guidance from CLG on reward grant is expected in late autumn 2008.

### **Consultation Questions**

10 The consultation document invites responses on the following questions:

- (i) Do you agree that performance below baseline and above target should be disregarded when calculating the average level of performance across the LAA?
- (ii) Do you agree that the starting reward entitlement at 60% provides the best balance in terms of incentivising ambitious and consistent performance while providing a realistic level of challenges?
- (iii) Do you agree that it is not necessary (given the lower threshold of 60%) to require areas to achieve a proportion of targets in full before they are able to earn any reward?
- (iv) Do you agree with the proposal determining the baseline to be used for calculating entitlement to PRG?
- (v) Do you agree that for the purposes of determining reward entitlement, the latest available performance data in the final year of the LAA should be generally used?
- (vi) Do you agree that the second instalment of PRG should be adjusted if a complete set of performance data is not available when claiming the first instalment during 2010/11?
- (vii) Are there any other views you would like us to take into account in finalising the reward model?

### **Recommendation**

That the Communities of Cheshire Partnership:

- (i) note the current consultation on LAA Reward Grant;
- (ii) identify whether a Partnership response to the consultation is required; and, if so
- (iii) determine the content of that response.

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