

<p>CABINET MEETING – 10TH MARCH 2010</p> <p>EXECUTIVE SUMMARY SHEET</p>	
<p>Title of Report: Local Area Agreement Annual Review Process 2009/2010</p>	
<p>Author(s): Chief Executive</p>	
<p>Purposes of Report: To outline the outcome of the Local Area Agreement Review 2009/2010 and seek approval to revised targets for several priority indicators.</p>	
<p>Description of Decision: That Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Approve the new and revised Local Area Agreement targets as set out in the report. (ii) Authorise the Council Leader, Chief Executive, in discussion with the chair of the Sunderland Partnership, to approve any changes in the targets that may result from the negotiations with Government Office North East 	
<p>Is the decision consistent with the Budget/Policy Framework? Yes</p>	
<p>If not, Council approval is required to change the Budget/Policy Framework</p>	
<p>Suggested reason(s) for Decision: The Cabinet's decision will enable the Council to satisfy the requirements of the Local Government and Involvement in Public Health Act in relation to the Local Area Agreement by agreeing targets for the priority indicators included in the document agreed with Government in June 2008.</p>	
<p>Alternative options to be considered and recommended to be rejected: The requirement to review and refresh the Local Area Agreement is a legislative obligation and there are no alternative options. The Council is not obligated to renegotiate targets as proposed. However, the alternative of retaining the targets agreed in June may have an adverse impact on the Council's reputation as measured through the Comprehensive Area Assessment and the level of Performance Reward Grant (PRG) generated.</p>	
<p>Is this a key decision as defined in the Constitution? Yes</p>	<p>Relevant Scrutiny Committee Management</p>
<p>Is it included in the Forward Plan? Yes</p>	

Local Area Agreement Annual Review Process 2009 / 2010

Report of the Chief Executive

1.0 Purpose of the Report

- 1.1 To outline the outcome of the Local Area Agreement Review 2009/2010 and seek approval to revised targets for several priority indicators.

2.0 Description of Decision

- 2.1 That Cabinet is recommended to:
- (i) Approve the new and revised Local Area Agreement targets as set out in the report.
 - (ii) Authorise the Council Leader, Chief Executive, in discussion with the chair of the Sunderland Partnership, to approve any changes in the targets that may result from the negotiations with Government Office North East

3.0 Background

- 3.1 LAAs are subject to annual reviews that have the primary function of enabling government to monitor progress towards the targets set in the agreement. Over the last two years the review process has also provided the opportunity to refresh the agreed targets as indicator definitions have been refined and baseline data has been provided.
- 3.2 For the 2009/2010 review government have offered the opportunity for partnerships to revise those targets that are likely to have been affected by the economic recession: NI 152, NI 153, NI 154 and NI 116. Government have also been given the option to remove NI 112 from the calculation of reward grant.
- 3.3 Revising targets provides the basis on which partners can set stretching but attainable targets that will enable the partnership to maximise the reward grant associated with LAA performance. The amount of reward grant payable is dependent on the proportion of agreed targets that are achieved over the life of the LAA period.

4.0 Revising Targets

- 4.1 The measurement of NI 152, NI 153 and NI 116 is based on the numbers of people claiming a particular group of working age benefits (Job Seekers Allowance, Incapacity Benefit, lone parent benefits and other income related benefits) known as 'out of work benefits'. These numbers are compared to the background working age population of the city, or in the case of NI 116, the number of dependant children aged 0 – 15 living with such claimants to the estimated total of all 0 – 15 year old residents to provide a rate.

4.2 As members will be aware the recession that occurred during 2008 and 2009 had a significant effect on claimant count unemployment levels in the city. For five years prior to the summer of 2008 the levels had remained relatively stable at around five or six thousand. However, the levels rose to almost eight thousand by the close of the year and to over eleven thousand by the spring of 2009, almost doubling over the nine month interval. By spring 2009, unemployment in the city had levelled off and even declined slightly while elsewhere in Tyne and Wear the numbers were continuing to increase.

4.3 The scale of the adverse economic conditions that were experienced across the country during 2009 and the impact on the claimant count was largely unforeseen and was therefore not reflected in the targets set for the LAA in March 2008. Revised targets that took account of the impact of the downturn were submitted for NI 152 and 153 in March 2009. However, government considered these to be temporary. The current review provides the opportunity to set revised targets that reflect the greatly changed economic circumstances and the prevailing economic outlook.

NI 152 – Working age people on out of work benefits

4.4 In January 2010 a meeting between representatives of Job Centre Plus and the Council's Strategic Economic Development function took place in order to develop an agreed rationale for the claimant related targets. The outcome of that meeting was agreement to a set of assumptions that have been used to inform the target for May 2011. The assumptions were:

- Without additional intervention the quarterly average benefit claimant levels would be likely to rise given predicted upward pressure on both unemployment and long term out of work benefits and then fall leaving the quarterly average rate in May 2011 at a rate that is similar to that in May 2009 at 19.9%.
- The latest total out-of-work benefit claimants figure available is 35,060 (May 2009) – a rate of 19.9% - calculated using the 2008 mid year working age population estimate of 175,900.
- Performance in May 2011 will be compared as a four quarter average against the May 2007 four quarter average baseline of 18.1%.
- As a result of Working Neighbourhood Fund (WNF) project activity and the additional, targeted activities of Job Centre Plus a net reduction of 2,000 benefit claimants could be achieved between the May 2009 and May 2011 quarterly totals.

4.5 For the purpose of estimating the impact of the reduction on the overall claimant rate it has been assumed that a reduction of 2,000 in benefit claimants will be achieved between May 2009 and May 2011. This assumes a reduction of 300 out of work benefit claimants in each quarter

from May 2009 to February 2010 and then a reduction from the same group of 220 in each quarter from February 2010 to May 2011.

- 4.6 Reducing the claimant numbers by 2,000 people over the two year period will have the effect of reducing the quarterly claimant rate to 18.8% in May 2011. However, NI 152 is calculated as a rolling average of 4 quarters to account for seasonal variation. Using the 4 quarter average calculation means that the 2010/11 overall rate as calculated in May 2011 will be 19.0%, an increase of 0.9% from the May 2007 four quarter average baseline of 18.1%. This represents a reduction in the scale of the increase that would have occurred if WNF interventions had not been applied.
- 4.7 It is therefore proposed that the target we submit to government for NI 152 is an increase in the claimant rate of 0.9%.

NI 153 – Working age people claiming out of work benefits in the worst performing neighbourhoods

- 4.8 The latest quarterly out of work benefit claimant figure available for the 25% worst performing LSOA is 13,210 (May 2009), a rate of 32.8%. As with the overall claimant rate it is assumed that this will rise slightly over the next 14 months.
- 4.9 Looking at the post codes of the 900 Job Linkage clients placed into work over the last three quarters it is possible to conclude that on average 32%, about 300, of all clients placed live in the 25% worst performing Lower Super Output Areas (LSOA). The trend recently has been for the proportion of clients living in the worst performing LSOA to increase and for the purposes of setting a target for this indicator it is assumed that the proportion of Job Centre Plus and Job Linkage clients finding work from the 25% worst performing LSOA over the next 14 months will be 40% of the estimated citywide reduction over this period or approximately 440 people
- 4.10 The aggregate reduction of 740 people against the May 2009 quarterly total of 13,210 will reduce the number of claimants to 12,470 and the quarterly claimant rate to 30.9%. As with NI 152, NI 153 is measured using the four quarter average and final performance will be measured against the May 2007 four quarter average of 30.9%. A total of 300 claimants from the worst performing LSOAs were placed in work in the first three quarters of 2009/2010. Assuming that the planned additional reduction of 440 claimants will be evenly distributed over the next 5 quarters, the overall four quarter average rate for 2010/2011 in May 2011 will be 31.2%, an increase of 0.3% over the May 2007 equivalent.
- 4.11 It is proposed that the target we submit to Government is an increase in the claimant rate within the 25% worst performing LSOA of 0.3%.

NI 116 – Proportion of children in poverty

- 4.12 Earlier this year government announced that the original definition of NI 116: children aged 0 – 15years living in families in receipt of out of work benefits as a percentage of all children, was to be replaced. However, local authorities have recently been informed that the new definition will only be applied to the next round of LAA which is expected to start in April 2011. For the current round of LAA the existing definition, stated above, is to be used.
- 4.13 The update on the indicator definition was accompanied by a new set of baseline data. The data (attached as Appendix 1) is based on the total number of children in families in receipt of out of work benefits in the local authority area but does not include the use of child benefit data to calculate the background number of dependant children as was originally the case. This is now derived from age specific population estimates.
- 4.14 The impact of the recession means that target for NI 116 is unlikely to be achieved as it was set in more optimistic economic conditions. Using the claimant rate figures that are available for May 2009 we have estimated that the proportion of children in families in receipt of out of work benefits was around 13,750. Using this figure as a starting point and factoring in the reduction in claimant numbers that may be achieved as a consequence of WNF interventions it is estimated that the number of children in poverty as defined by the indicator in May 2011 may be approximately 12,800. It seems most unlikely that we can achieve the target of 10,995 that was set in March 2008 and it is considered prudent to take the opportunity to revise the target against which we will be measured.
- 4.15 A condition of renegotiation is that the revised target is expressed as the percentage point difference between the proportion of children in poverty in the area and the England average. Whilst it is possible to use the projections we have made for NI 152, the claimant rate figure in May 2011 to estimate the number of children in families in receipt of out of work benefits for the same period, government are unable or unwilling to provide a 2011 estimate for England. As a consequence it will not be possible to develop a precise calculation of the relationship between the local and national levels.
- 4.16 Nonetheless it is possible to use the available data to understand recent trends. It is clear from the data provided by government that the gap between the proportion of children in families in receipt of out of work benefits in England and Sunderland closed quite significantly from 7.9% in 2004 to 5.7% in 2007. However, the rate rose slightly between 2007 and 2008 from 5.7% to 5.9%. We also know that the gap in the overall claimant rate between England and Sunderland widened during the recession of 2008/2009. It can be assumed that this caused the gap in the proportion of children in families in receipt of out of work benefits to widen further.

- 4.17 The reduction of the overall claimant rate proposed above should have a positive impact on NI 116. Also, data shows that the numbers of dependent children living with lone parents in receipt of benefits is considerably higher than for other types of benefit recipients. WNF proposals to target services at lone parents should therefore increase the numbers of children being removed from poverty as defined by NI 116 in the longer term.
- 4.18 In view of the reduction in the overall claimant numbers that is being proposed it is concluded that the most recently observed tendency for the gap in the number of children in families in receipt of out of work benefits to widen will effectively be halted and that the gap, which we are unable to articulate in measurable terms at this time, will remain the same as in May 2008.
- 4.19 It is proposed that the target we submitted to government in respect of NI 116 should be to maintain the gap between the Sunderland and England averages as measured at May 2008 (i.e. 5.9 percentage points).

NI 171 – New business registration rate.

- 4.20 The 2010 review also provides the opportunity to revise the target set for NI 171. As with other indicators that are sensitive to the prevailing economic conditions there is an assumption that the new business registration rate may have been adversely affected by the recession. However, the view is that the formation of new businesses in the city has not been significantly affected by the recession and that the target set in March 2009 should remain unchanged.

NI 154 – Net additional homes provided.

- 4.21 Nationally government offered partnerships the opportunity to revise the target for NI 154 because it recognised that the recession had had a severe adverse impact on the housing market and house building. Partnerships have the opportunity through the review process to assess the impact that the economic downturn has had on the potential to achieve targets that were set with a more positive view of the future economic conditions.
- 4.22 In Sunderland's case the recession did have an adverse impact of on the level of house building in the city. However, it is possible that the impact has not been as great as in other parts of the country. A more significant factor in terms of the net number of new houses built in the city has been the scale of demolitions which has had the effect of offsetting the net increase in housing development. The rate of demolitions is starting to slow and this is reflected in recent performance against the indicator targets. According to the latest figures available 185 net additional homes were built between April and September 2009 against a target for the full year of 90. The better than expected performance was due to fewer demolitions that had been forecasted.

- 4.23 Government Office North East (GONE) is aware of recent good performance and the £27.8m Kickstart allocation to Gentoo that should lead to the development of 350 homes in the city over the next 18 months. As a consequence GONE has requested that we consider increasing the target of 350 net additional homes provided in 2010/2011 that was set in March 2009.
- 4.24 Analysis shows that, notwithstanding the better than expected performance in 2009/2010 gross builds in the year were 45% less than the average over the previous five years. In addition, even including the houses that will be built as a consequence of the Kickstart scheme, Gentoo's demolition programme will result in a net housing reduction in their own programme of 97 units according to information provided in December 2009.
- 4.25 Therefore, in view of the still precarious nature of the housing market and the high numbers of demolitions that are planned in the coming year it is recommended that the target of 350 net additional homes is retained.

NI 112 – Under 18 conception rate.

- 4.26 Following discussions between government departments and some local authorities it has been decided that all areas with NI 112 in their LAA will be offered the option to take the indicator target out of the consideration of reward grant allocations. The offer is made on the understanding that areas will continue to prioritise the matter and do everything possible to improve delivery and make progress against the targets.
- 4.27 Following discussions with the Director of Public Health it is thought that it would be prudent to take advantage of the offer and remove the indicator from the reward grant assessment mechanism. As required, the partnership will continue to do everything possible to reduce the numbers of under age conceptions in the city.
- 4.28 It is proposed that Cabinet accept the offer from government to remove NI 112 from the LAA for the purpose of calculating reward grant.

NI 117 – 16 – 18 year olds not in employment, education or training.

- 4.29 The target of 8.4% submitted for NI 117 in the original LAA was the unadjusted figure for 16 – 18 year olds not in employment, education or training (NEET). The definition of the indicator refers to the NEET figure after it has been adjusted to take into account the young people whose records have lapsed. The target quoted in the LAA should therefore be 8.8% and we will ask government to change the target so that it is accordance with the indicator definition.
- 4.30 It is proposed that Cabinet agree the change in the target for NI 117.

5.0 Reasons for the Decision

- 5.1 The Cabinet's decision will enable the Council to satisfy the requirements of the Local Government and Involvement in Public Health Act in relation

to the Local Area Agreement by agreeing targets for the priority indicators included in the document agreed with Government in June 2008.

6.0 Alternative Options

6.1 The requirement to review and refresh the Local Area Agreement is a legislative obligation and there are no alternative options. The council is not obligated to renegotiate targets as proposed. However, the alternative of retaining the targets agreed in June 2009 may have an adverse impact on the council's reputation as measured through the Comprehensive Area Assessment and the level of Performance Reward Grant (PRG) generated.

7.0 Relevant Considerations or Consultations

(a) Financial Implications

Proposals to renegotiate targets in the LAA are intended to improve the prospect of maximising the PRG paid the council at the conclusion of the current Agreement.

(b) Legal Implications

The new and revised targets need to be approved by Cabinet to satisfy the requirements of government.

(c) Implications for Other Services.

A variety of council services are accountable for delivering the targets set out in the LAA. Those services have been responsible for setting the new and revised targets included in this report.

(d) Consultations

All relevant Directorates and partners have been consulted on the targets in the report.

(e) Crime and Disorder / Community Cohesion / Social Inclusion

The targets in the LAA will provide the basis on which performance in respect of key measures associated with Economic Prosperity, Community Cohesion and Social Inclusion issues can be measured.

Background papers

Sunderland Local Area Agreement 2008 – 2011.

Local Government and Involvement in Public Health Act

**Proportion of children in families in receipt of out of work benefits
(includes children where parent/guardian is claiming IS, JSA, IB, SDA or PC)**

	2004	2005	2006	2007	2008
England	21.0%	20.6%	20.0%	19.8%	19.2%
North East	27.1%	25.9%	24.7%	24.2%	23.7%
Darlington	22.8%	22.3%	21.8%	21.4%	20.8%
Gateshead	27.9%	26.2%	24.9%	24.0%	23.5%
Hartlepool	31.8%	31.3%	29.2%	29.0%	29.1%
Newcastle upon Tyne	32.8%	30.8%	29.7%	29.2%	29.4%
North Tyneside	23.9%	22.0%	20.7%	20.6%	19.4%
Redcar and Cleveland	28.3%	27.4%	26.0%	26.1%	24.8%
Sunderland	28.9%	27.4%	26.1%	25.5%	25.1%
Gap between Sunderland and England	7.90%	6.80%	6.10%	5.70%	5.90%

Notes:

(1.) Data for 2004-2007 are for April, data for 2008 are as at May.

(2.) Numbers are rounded to the nearest 10.

(3.) Data are experimental. For further detail please refer to the guidance that accompanies the published data at:
http://research.dwp.gov.uk/asd/asd1/ben_hholds/child_ben_hholds.asp

(3.) Includes children aged 0-15