

**Response by the Social Enterprise Coalition to the Department  
of Communities and Local Government Consultation on the  
future of the Local Area Agreement reward scheme**

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## **The Social Enterprise Coalition's Response to the Department for Communities and Local Government Local Area Agreement reward scheme**

1. The Social Enterprise Coalition (the 'Coalition') welcomes the opportunity to respond to the Department for Communities and Local Government consultation on the future of the Local Area Agreement reward scheme.
2. The Coalition was established in 2002 as the national voice of social enterprise. Social enterprises are businesses with primarily social or environmental objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. The Coalition represents a wide range of social enterprises, umbrella bodies and networks, with a combined membership reaching over 10,500 social enterprises. These include cooperatives and mutuals, housing associations, leisure and football supporter's trusts and Social Firms. Social enterprises in the UK generate more than £27 billion in turnover, and contribute more than £8 billion to GDP per year. In preparing this response the Coalition consulted widely with its members.
3. This response was undertaken with wide consultation with our membership.

### **Q1. Do you agree that performance below baseline and above target should be disregarded when calculating the average level of performance across the LAA?**

4. Proposal 1 of the LAA reward scheme establishes that there should be a lower threshold on a calculated average score of indicators, after which the Performance Reward Grant (PRG) becomes payable. Local authorities with the most intractable problems, i.e. those whose indicators will already be significantly below baseline, could find it incredibly difficult to even achieve the threshold on this indicator average score. By counting performance below the baseline as zero when calculating averages the most excluded communities will not be excluded from the PRG because of a starting position behind other local authorities.
5. Equally those local authorities who already have indicators whose performance is above target should not be unfairly advantaged by having that high position included in the calculated average score of performance. This would direct the payment of the reward towards those local authorities that have put in no effort to raise achievement against the targets as the local area was not suffering exclusion.
6. The Coalition supports the Proposal 1 - disregarding of performance below the baseline or above the targets - to ensure that the reward scheme is fairly distributed to those communities that need it the most and work towards the raised performance.

### **Q2. Do you agree that starting reward entitlement at 60% provides the best balance in terms of incentivising ambitious and consistent performance while providing a realistic level of challenge?**

7. The 60% threshold appears to offer the best balance in terms of incentivising performance at an ambitious level while maintaining realistic opportunity of achievement for local authorities.

**Q3. Do you agree it is not necessary (given the lower threshold of 60% described at paragraph 47) to require areas to achieve a proportion of targets in full before they are able to earn any reward?**

8. The Coalition agrees that there needs to be threshold that is based on the average across all indicators rather than specific number of indicators being fully achieved. This would allow for the reward to be payable for small improvement against all indicators equally with significant improvement against some targets.
9. Social enterprises carry added value for delivering local authority services by achieving multiple outcomes, such as addressing deprivation by providing employment AND increasing skills and education. Social enterprise solutions will deliver improvement of performance for local authorities against multiple indicators at once. For this to be fully recognised in the LAA reward scheme it is required that all indicators contribute to the average score against which there is a single threshold. This will capture and reward the benefits of using social enterprise and for achieving consistent improvements for communities across indicators.

**Q4. Do you agree with the proposal above for determining the baseline to be used for calculating entitlement to the PRG?**

10. The Coalition agrees with the principle that the LAA reward scheme should use data covering the period from March 2008 –March 2011 as closely as possible. Therefore it is appropriate that the baseline data be the most recent data should be the most recent data before targets are concluded at the beginning of the period.
11. There is concern that there is not the data available for those indicators relating to the Third Sector such as NI6 and NI7 at the beginning of the LAA period. These will only be available from March 2009 at the earliest. As such the targets for these indicators will not be able to be set prior to the 2008-2011 period starting. The targets for these indicators should therefore be limited to that which is achievable in the two years of the available data. This will allow for the same data to be used from baseline until the end of the 2011 period. It will also ensure that targets are achievable.
12. Their use in evaluating the encouragement of social enterprises in local communities is limited. NI 6 only relates to participation in regular volunteering and most of social enterprises' workforces are not volunteers, whereas the concept of 'thriving' in NI7 is ill defined. For the refresh of the LAA in 2011 it is advisable that an alternative performance indicator is used to fully capture the development of support for social enterprise.

**Q5. Do you agree that for the purposes of determining reward entitlement the latest available performance data in the final year of the LAA should generally be used?**

13. To ensure a timely receiving of the PRG, and for it to represent the improvements across the LAA period, the latest performance data for the final year of the LAA should be used. The coalition believes that as long as targets are realistically limited to the available data as per the concerns raised in paragraph 10 above, that the use of final year performance data is appropriate to ensure timely payment of the PRG.

**Q6. Do you agree that the second instalment of the PRG should be adjusted if a complete set of performance data is not available when claiming the first instalment during 2010-2011?**

14. The Coalition agrees that the adjustment of the second instalment of the PRG seems to be the fairest solution if there is a lack of a complete set of performance data.
15. As has been discussed previously the availability of data for NI7 in 2010-11 may not be in time for submission by March 2011. This should be considered as a potential set of performance data that could be lacking in the calculation for payment of the PRG in 2011-2012.

**Q7. Do you agree that the standard model for calculating LLAA reward should also be applied to the WNF reward and that this will provide the right balance between incentivising the actual reduction of worklessness in the most deprived communities and developing a coherent strategy to achieve this goal?**

16. The standard model for calculating the LAA reward should be used for the WNF incentives to ensure that local authorities do not cherry pick indicators that are easily achievable regardless of community needs. This should encourage the development of a coherence in any local strategy to tackle issues of deprivation in health, social and education for communities.
17. In bringing the incentives of the Working Neighbourhood Fund it is necessary to concentrate activity on issues of worklessness, but to recognise the intractable nature of the problem in some areas and subsequently how small levels of achievement are considerable in effort and effect. A lower threshold for these specific indicators, as identified in the proposals should help to incentivise measures against worklessness even in the most economically excluded of communities, without further isolating those communities that have underperforming local authorities and issues of exclusion.