

LEICESTERSHIRE STRATEGIC SENIOR OFFICERS' GROUP

1st AUGUST 2007

FINANCIAL PLANNING WITHIN THE LAA

Purpose

1. This reports sets out a framework for the development of a financial plan that links to the Sustainable Communities Strategy (SCS) and refreshed 2008 LAA.

Background

2. A report to SSOG in February established a Finance sub group to facilitate greater financial co-operation between partners. The sub group has representatives from:
 - (i) Leicestershire County Council
 - (ii) Leicestershire and Rutland PCT
 - (iii) Charnwood Borough Council
 - (iv) The Learning and Skills Council
 - (v) Connexions
 - (vi) Leicester, Leicestershire and Rutland Constabulary
3. The key aims of this group are to:
 - (i) Align financial planning processes between partner organisations
 - (ii) Encourage financial co-operation between partners
 - (iii) Create 'headroom' within LAA resources to invest in 2008/9 LAA/SCS priorities.
4. Much of the content of this report is based upon the first meeting of the group in July.

Financial Planning

5. To date resources have been directed at LAA priorities through both partner organisations mainstream budgets and LAA resources have been directed at higher priority areas through the allocation of funding for 'reward' and 'non reward' targets. Pooled funding has been used flexibly within LAA blocks, however as a result of GOEM rules it has not been possible to move resources between blocks.
6. It is important that the initial steps to link financial planning processes to the LAA are further developed to ensure both partners internal financial planning processes and the LAA finances are closely linked to the SCS and LAA.

7. In this respect the movement to a 'single pot' LAA to 2008 will provide the flexibility to ensure that pooled funding is better adjusted to LAA priorities. The 'single' pot will mean resources can be moved between LAA and blocks.
8. However, in a practical sense at present there are great difficulties in linking the financial planning and performance planning processes. These are:-
 - (i) Uncertainty over future funding allocations. At present it is unclear when we will be informed of funding allocations and whether these will be for more than one year. GOEM has been asked when this information will be available and we are waiting for their reply. It is anticipated that the CSR 07 (due in the Autumn) will not provide information at the required level of detail.
 - (ii) Uncertainty over what funds will be pooled. Recent experience suggests that these decisions are taken close to the start of the following financial year.
 - (iii) The CSR 07 will result in tighter public spending limits.

Next Steps

9. Although there are real barriers to developing the links between finance and the LAA it is important that we make a start. As a result the following steps are proposed:
 - (i) All partners to ensure that those responsible for internal financial planning are aware of the wider SCS and LAA developments so as to ensure resources are aligned accordingly. The Finance Sub Group will be a key vehicle to encourage co-operation.
 - (ii) In the build up to CSR 07 work is undertaken to identify any headroom in 'pooled', 'reward' and 'non reward' funding so funding can be made available for investment in SCS/LAA priorities.
10. This will be done by:
 - (i) Reviewing the results of the second and third quarters budget monitoring exercise and clawing back uncommitted underspending. In addition underspends not identified at this stage that materialise at the year end will also be clawed back. Account will also be taken of progress with LAA targets either under or overachievement.
 - (ii) Reviewing commitments against pooled funding in 2008/9. This work can only be finalised once funding allocations are known for future years.
 - (iii) Following publication of the CSR 07 the sub group meets again to further develop the LAA financial plan.

Financial Protocol

11. The financial protocol was first developed and agreed in 2006. As reported to the SSOG in February this has been revisited to take account of the first year of the LAA. The main proposed changes are those included to reflect the actions proposed in the next steps section of this report. The revised protocol is set out in Appendix A.
12. The finance Sub Group has considered the protocol and amendments have been made to reflect comments of the group.

Recommendations

13. It is recommended that:
 - (i) **The financial protocol is approved and all partner organisations are requested to agree to comply with it;**
 - (ii) **the next steps set out in paragraph 9 are approved.**