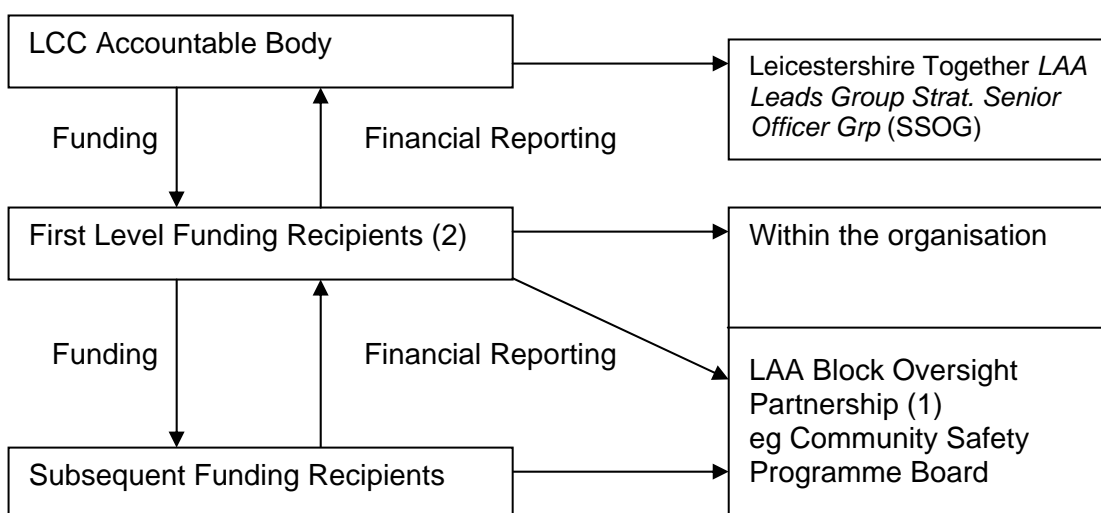


LEICESTERSHIRE – 2007 LAA FINANCIAL PROTOCOL

This protocol sets out the basic structure for the financial management of the Leicestershire LAA. It focuses on pooled funding and supplements the financial procedure rules that govern financial decisions by spending agencies. It is consistent with the corporate governance approach set out in the LAA. The proposals are summarised in Diagram 1.

Diagram 1 – Financial Governance



The financial protocol is designed to leave detailed financial management in the hands of the agencies receiving funding, subject only to the need to provide basic assurance to the partnership bodies (Leicestershire Together, LAA Lead Officers Group and the Strategic Senior Officers Group) and the Accountable Body (Leicestershire County Council) that the use of funding remains consistent with the aims of the LAA.

(Note (1) – LAA Block oversight partnerships are defined in the Local Area Agreement. They relate to the seven Leicestershire LAA blocks, children and young people, older people, health, safer communities, stronger communities, economic development and cleaner/greener.)

(Note (2) – First Level Funding recipient is the organisation who receives funding directly from the Accountable Body (County Council).)

1. Accountability and Decision Making

- Leicestershire County Council will act in the role as the Accountable Body. As Accountable Body the County Council is ultimately responsible for funds that are routed through the LAA. In discharging this responsibility the County Council wishes to avoid the need to create detailed reporting mechanisms and an excessive bureaucracy. As such the expectation is that each funded agency will take all proper steps to ensure that LAA funds are properly administered. This to include both that appropriate controls and accounting systems are in place. If poor financial administration takes place and losses occur/costs arise this will remain the responsibility of the funded agency. However, in areas where fraud and/or probity issues arise, refunds of funding maybe requested. Decisions of his nature will be taken by the SSOG.

- As set out above responsibility and accountability for expenditure is with the funded agency. In terms of financial governance/management the key decision making bodies in terms of aspects of budget virement, carry forwards of underspend and other budget decisions are;
 - (a) Leicestershire together
 - (b) Strategic senior officer group (SSOG)
 - (c) LAA lead officer group
 - (d) LAA block oversight partnerships.
- Each first level funding recipient will be required to agree to this protocol. It will be their responsibility to ensure that funding subsequently passed on by them to other agencies is used correctly.
- All funding recipients must confirm that there is no double funding of outputs.
- Any variations in LAA funding streams will be passed on directly to the funded agency by the County Council in its role as Accountable Body.

2. Financial Co-operation

- Organisations that sign up to the protocol will seek to cooperate financially to align and maximise resources to achieve LAA outcomes for Leicestershire.
- As part of the development of the single pot LAA in 2008/9 a financial strategy will be developed that takes account of;
 - a) The Sustainable Community Strategy (SCS) which is currently being developed.
 - b) The 2008/9 LAA.
 - c) Comprehensive Spending Review 2007.

3. Virement of Funding

- Funding is provided for each of the Leicestershire LAA blocks and funded agencies cannot vire between LAA funding held in different blocks without the prior approval of the Strategic Senior Officers Group. Note that prior approval from GOEM is required for virement between the CYP and safer and stronger communities block (This incorporates safer communities, stronger communities and clearer and greener.)
- All virements of LAA funding will be required to be approved by the appropriate BOP and the funded agencies under their delegated powers as necessary.
- Virement between different LAA funding streams (within the same block) paid to the same funded agency is permitted but is subject to prompt reporting of virements to the LAA block oversight partnerships.

4. Treatment of Underspending and Overspending

- 2007/8 uncommitted LAA underspendings from all funding sources will be clawed back to reinvest in SCS/LAA priorities in 2008/9 subject to central government

carry forward rules. The SSOG will consider how these resources will be invested.

- Net overspending above LAA funding levels is the responsibility of the funded agency and is required to be funded by that agency if the BOP does not identify other sources of funding. The County Council will not accept responsibility for the overspending in its role as Accountable Body to the LAA.

5. Budget Monitoring

- Funded agencies should have arrangements in place to permit continual monitoring of expenditure against each LAA funding stream, such that expenditure against specific funding streams can be measured in detail.
- Reports should be provided by funded agencies after 3, 6 months and 9 months, in a standard format and to a timetable set by the County Council as Accountable Body, summarising spending against profiled budgets for each funding stream.
- A LAA finance manager has been identified for each block. It is their responsibility to ensure that appropriate budget monitoring reports considered by each BOP on a quarterly basis.
- Leicestershire Together, SSOG and Leicestershire County Council Cabinet will receive budget monitoring information at six months and at outturn. This will be incorporated within the performance reports required by GOEM.
- Reports should be provided by the funded agency setting out the financial outturn in a standard format and timetable set by the County Council as Accountable body.

6. Eligible Expenditure

- Each funded agency will only use the funding for eligible expenditure as defined by the Government Office of the East Midlands (GOEM). See below;

Eligible expenditure means expenditure in respect of the delivery of such projects that will contribute to the achievement or to exceed the outcomes, targets and indicators in the LAA. Eligible expenditure does not include:

- (a) contributions in kind;
- (b) payments for activities of a political or exclusively religious nature;
- (c) depreciation, amortisation or impairment of fixed assets;
- (d) input VAT reclaimable by the authority from HM Revenue and Customs;
- (e) interest payments or service charge payments for finance leases;
- (f) gifts, other than promotional items with a value of no more than £10 in a year to any one person;
- (g) entertaining; and
- (h) statutory fines, criminal fines or penalties.

7. Payment Arrangements

- The Government pays grant monthly in arrears. The County Council will pay grant to each funded agency in line with the receipt of grant from the Government. A funding timetable will be agreed with all funding agencies.

- The County Council as Accountable Body has the right to withhold funding if evidence comes to light of poor financial or other control issues.
- There is scope for funding agencies to receive grant in advance where cash flow is an issue. This could be the case for some voluntary groups.

8. Audit Arrangements

- Audit requirements provide for self certification of the annual audit statement by the Chief Finance Officer of the County Council. In doing so account is taken of assurance work completed by internal audit.
- Funded agencies, LAA block oversight partnerships and the County Council will provide access as required by the Council's Head of Internal Audit and the Council's external auditors sufficient to provide appropriate assurance that;
 - claims and returns for relevant LAA funding streams are fairly stated and in accordance with specified terms and conditions
 - LAA governance arrangements meet necessary standards of internal control and are operating as intended

This will include access to all supporting information that evidences the expenditure made, and other relevant records as requested, and testing of the robustness of the internal control systems in place.

- Funded agencies will need to provide an assurance statement, in a format set by the County Council, to the County Council that funds have been utilised as intended. Funded agencies will also be responsible for informing the County Council, at the time the issue arises, of any major issues, within their organisation that could impact on LAA delivery and reputation.

9. Performance Management

- The LAA Block Oversight Partnerships will have the authority to redirect funding within a Leicestershire LAA block in response to issues raised within performance monitoring reports. An example would include non-achievement of targets.

10. Other

- Exit costs. These are governed by the protocol agreed by Leicestershire Together in September 2006.