

**STRATEGIC SENIOR OFFICER GROUP (SSOG) – 14<sup>TH</sup> FEBRUARY 2007****REPORT BY LEICESTERSHIRE COUNTY COUNCIL****LAA FINANCIAL GOVERNANCE****Purpose**

1. This paper considers possible models for the future financial management of the Local Area Agreement (LAA) over both the short term (2007/8) and also to prepare for the proposed single pot approach (2008/9 onwards). However, it should be noted that LAA financial governance will be influenced by the Comprehensive Spending Review (CSR 07), Lyons Inquiry and White Paper guidance.

**Background**

2. A financial protocol that set out the financial governance arrangements for the LAA was agreed by Leicestershire Together and partner organisations in spring 2006. The governance arrangements operated along the lines that Leicestershire Together agreed the allocation of resources to individual LAA blocks for specific schemes and more detailed decision making with respect to financial management including carry forwards and virement was left to both funding recipients and Block Oversight Partnerships (BOPS). For the first year the pooled funding was in effect passported through to the organisations who received the funding in the first place.
3. The Government is expected to publish the CSR 07 for 2008/9 to 2010/11 this summer. This is also likely to be informed by the outcome of the Lyons review into the funding of local government. This along with further guidance on the implementation of the Local Government White Paper will shape both the operation and development of LAAs over the medium term. The Government has already announced that there will be greater flexibility as a result of the single pot approach to the LAA rather than the current four block model.

**Financial Management 2007/8**

4. In 2007/8 it is proposed that the existing three year resource allocations with respect to reward and non reward funding are maintained. If underspends materialise or the projects are not having the desired impact on the agreed targets each BOP can in the first instance reallocate funds for schemes within its own block.

5. The expectation is that in June 2007 each BOP will receive an outturn report for expenditure in 2006/7 and a budget report for 2007/8.
6. In 2007/8 pooled funding is expected to increase to circa £18m. The approach will be to passport this funding through to the original recipients on receipt of a signed financial protocol. If there are any unallocated resources within the pooled funding the recipient and the BOP should agree how these resources are allocated in 2007/8. They must be allocated for LAA priorities.
7. The LAA Financial protocol will be revised to take account of these changes and others that arise from experience of the first year of the operation of the LAA. It is expected this will take place in summer 2007 and will follow the approach adopted last year whereby the protocol is developed by a sub group and then circulated for agreement to all partners.

### **Financial Management 2008/9 onwards**

8. It is likely that under the new LAA arrangements there will be greater external and internal pressure for partner organisations to work closer together to achieve LAA outcomes. It is worth noting that as part of the White Paper implementation LAAs will be put on a statutory footing and there will be a new duty on named partners to co-operate in the agreement/achievement of LAA targets.
9. With this, in theory, come greater freedoms. Under the single pot Leicestershire Together should have the freedom to allocate pooled funding to any LAA priority. Although detailed guidance is awaited this means that pooled funding originally earmarked for recycling could be spent on children's centres and vice versa.
10. In preparation for the new arrangements two new initiatives are proposed:

### **Financial co-operation**

11. Establish a Finance sub group of SSOG that will aim to develop closer financial understanding and co-operation between LAA partners. In the first instance it will consider scope to:
  - Align financial planning processes between LAA partners within Leicestershire to take account of the LAA.
  - Develop a common response to CSR07 and central government guidance that will influence the development of the LAA.
12. It is anticipated that Directors of Finance or their Deputies would participate in this group.

### Pooled funding

13. A detailed piece of work on existing and new pooled funding within the LAA would be undertaken to identify;
  - Potential free resources/and pressures.
  - The LAA priorities funding is spent on.
  - Outcomes
14. If completed in parallel with work on Leicestershire To-gether/LAA priorities this would enable an informed decision on the allocation of funding in 2008/9 and subsequent years. It is noted that this is a fairly narrow piece of work in that LAA outcomes are funded from a variety of sources including mainstream budgets, specific grants and other income and not only pooled funding. However, this is a manageable piece of work that could inform a more comprehensive review at a later stage.
15. These initiatives are initial steps that will help in preparing the LAA for future developments. It is anticipated that after the CSR 07 more detailed proposals on overall financial management and governance will need to be considered by SSOG.

### Recommendations

16. SSOG are asked to consider their response to the proposals within this report in particular;
  - a) Future development of the final protocol.
  - b) Establishment of an SSOG finance sub group to facilitate greater financial co-operation.
  - c) Review of 'pooled' funding within the LAA along the lines set out in the report.

### Officer to Contact

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