

STRATEGIC SENIOR OFFICERS' GROUP

3RD SEPTEMBER 2008

DRAFT LAA FINANCIAL STRATEGY 2008-2011

REPORT OF THE SSOG FINANCE SUB-GROUP

Purpose

1. This paper sets out the principles and background information to the further development of the financial strategy for the Leicestershire Local Area Agreement (LAA).

Background

2. A previous paper on the financial strategy was agreed by SSOG on 13 December 2007.
3. The SSOG Finance Subgroup has met to discuss the proposed strategy and this report reflects the views expressed during that meeting.

Financial Strategy

4. All organisations that receive funding through the LAA have agreed that they will co-operate financially to align and maximise resources to achieve the LAA outcomes for Leicestershire.
5. The Finance Sub group of SSOG developed a financial strategy which has the following key principles:
 - Organisations will seek to co-operate to align/pool and maximise resources.
 - Organisations will seek to co-operate to ensure public services are delivered in the most cost effective way.
 - Organisations will seek to pool or align their area based expenditure to take account of the views of Community Forums (including local grants).
 - Disinvestment from existing priorities should be planned with reasonable lead times.
 - Financial Planning should cover the medium term.
6. The main financial issues over the medium term will be:
 - Identifying the investment required to achieve the 35 strategic targets.
 - Allocation of resources
 - Participatory budgeting including the process for budget consultation
 - Identifying possible sources of funding.
 - Financial monitoring and links to outcomes.

2.

Funds available

7. The firm funds available over the next three years are estimated to be in the region of £3.8m. The main sources of funding are:
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| • Carry forward of previous years underspend | £0.6m |
| • PCT Initial contribution | £0.4m |
| • LCC Contribution included in MTFS | £1.5m |
| • Funding from LCC safeguarding SureStart LAA Grant | <u>£1.3m</u> |
| | <u>£3.8m</u> |
8. The latest monitoring of LAA1 targets shows that £4m is indicated as most likely to be achieved, £8m as borderline and £3m as unlikely. In addition £1.9m of the LAA1 reward money has already been invested in achieving LAA1 targets. Some of the targets depend upon the outcome of public surveys and could be impacted by external events. As such it is suggested that only a further £1m of reward funds is invested in LAA2 at the present time. As there is a risk to the actual amount of reward grant and any short fall in funds would be require the budget to be reviewed and be the first call on the LAA2 reward funds.
9. A further reward grant was announced which could generate a maximum of approximately £3m-£4m in 2011 for LAA2 delivery. At this stage it is not proposed to borrow against LAA2 reward targets.
10. In February 2008 the Government issued guidelines on the Area Based Grant (ABG) which for Leicestershire is £84m over the next three years (Appendix 1). Local authorities are free to use all of their non-ring fenced funding as they see fit to support the delivery of priorities in their areas, including the achievement of LAA targets.
11. For 2008/09 ABG was allocated on an historic basis but during the year the allocation of funding will be reviewed to ensure that, where there is some flexibility, these funds would be made available for reinvestment in targets. However, flexibility is anticipated to be fairly limited over the period of LAA2.
12. The most significant source of investment will continue to be within the partners' mainstream budgets and this should be aligned as far as possible to LAA2.
13. In summary, the total potential funds available over the next three years is £3.8m of firm funding and reward grant of £1m.

3.

Proposed Expenditure

14. The main unfunded proposed expenditure of £2.4m over the next three years includes:
- Funding for community forums to allocate for local priorities £0.55m. £0.55m
 - Neighbourhood management for priority neighbourhoods requires potential further investment of £150k p.a. £0.45m
 - Infrastructure support costs for community planning, democratic services and finance of £150k p.a. £0.45m
 - Provision for exit costs associated with LAA1 is £0.5m. £0.5m
(The detail of proposals to date are attached in Appendix 2.)
 - Funding for investment in MAA priorities of £0.45m £0.45m
£2.4m
15. This leaves firm funding of £1.4m and a potential reward grant sum of £1m to be invested in supporting the LAA2 targets and priorities.
16. It is proposed that the investment funding should be allocated based on business cases developed within delivery plans and a 'Challenge Task Group' is established to set the criteria and evaluate business cases (see also the SCS/LAA2 – Update and Delivery Planning report on the agenda). The group should include the LAA Lead Officer for Finance, the LAA Performance Manager, a commissioner and representatives from key theme leads as appropriate. Following initial evaluations appropriate focus groups of service users and other stakeholders should be consulted to ensure steps outlined in the delivery plan are appropriate and likely to result in the successful achievement of the targets.

Participatory Budgeting

17. The main principle of Participatory Budgeting (PB) is that local people are involved in making decisions on the spending and priorities for a defined public budget. This means local people should be involved in the setting of budget priorities and the identification of projects in their area wherever possible. 'Areas' can be geographical or by theme. This is also a key consideration the Comprehensive Area Assessment (CAA) process.

4.

18. There are various different ways to undertake PB, the most common being:
- Small grant schemes- the allocation of funds to neighbourhoods/themes for direct decision making in local priorities.
 - Devolved mainstream budgets – top slicing budgets to neighbourhoods/themes for direct decision making.
 - Annual Budget priority setting – consultation with neighbourhood forums or similar on investment in priorities and subsequent monitoring of expenditure.
 - LAA agreements – consultation with local people on delivery of priorities.
19. Leicestershire is a pilot area for PB and it is proposed that the following are undertaken:
- Funding to be allocated to the Community Forums of £550,000 which equates to £20,000 per forum for the three year period for local decision making. An outline approach for a process whereby Community Forums are involved in advising on the allocation of these funds is being developed by the Community Engagement Task Group.
 - Following agreement of the SCS/LAA2 delivery plans, a list of potential investment opportunities will be drawn up. The Community Forums and other stakeholder groups will be consulted on the prioritisation of the opportunities and the information will be used as part of the allocation process for the resources available.
 - Information will also be provided to the Forums on the community grants that are being allocated to their areas.
20. Further consideration on Joint Consultation on financial plans also needs to be undertaken.

Approach to Financial Management

21. The structure for the financial management of the partnerships in Leicestershire Together is set out in detail in the LAA Financial Protocol (Appendix 3) and Exit Cost Protocol (Appendix 4) which covers the following areas:

- Accountability and Decision making
 - Financial Co-operation
 - Virement of funding
 - Treatment of underspending and overspending
 - Budget Monitoring
 - Eligible expenditure
 - Payment arrangements
 - Audit arrangements
22. The detailed financial management is left in the hands of the agencies receiving funding subject only to the need to provide assurance to the Partnership bodies and the accountable body that the use of the funding remains consistent with the aims of Leicestershire Together.
23. Each specific 'theme or chapter' has a lead finance officer who provides advice for all aspects of LAA funding relating to the theme or chapter (list of officers to be reviewed). This may range from strategic advice to those organisations participating in the block to more detailed advice to own organisation. These finance officers meet together regularly to discuss cross cutting matters.
24. The SSOG Finance Sub Group and the Theme Finance Officer Group will work together to ensure appropriate financial management is undertaken.

Recommendation

25. It is recommended that the Group agrees:
- (i) To the continued development of the financial strategy as set out in this report;
 - (ii) That a 'Challenge Task Group' be established to evaluate business cases for funding within delivery plans and to report to SSOG for approval;
 - (iii) The proposed exit costs in Appendix 2 to this report relating to LAA1;
 - (iv) That partners continue to align their mainstream budgets to deliver the SCS and LAA priorities.

Officer to Contact:

Judith Spence Tel: 0116 3055998 Email jspence@leics.gov.uk

