

PUBLIC SERVICE BOARD – 5 SEPTEMBER 2007

BRIEFING PAPER: LOCAL AREA AGREEMENT FINANCE

1 Introduction

This paper provides an overview of financial arrangements involved in Local Area Agreements (LAAs) and makes recommendations to the Public Service Board to improve financial management within Oxfordshire's Local Area Agreement.

There are three areas of government funding within the LAA:

- **Pump Priming Grant** – project initiation funding to start activity that will lead to LAA targets being achieved.
- **Performance Reward Grant** for meeting LAA stretch targets.
- Government grants which are now **pooled** together into one payment to the county council.

2 Pump Priming Grant (PPG)

The total amount of pump priming grant in the current Local Area Agreement (LAA1) is £1,369,800. This is to be spent on reward targets only and was paid as one up-front sum to the County Council in 2006/07.

In April 2006 the Public Service Board agreed the following:

- The grant is top sliced by £105,000 to provide for the development of the LAA performance management system.
- Bids for the remaining sum of the pump priming grant were approved for each reward target up to a maximum of £105,000 per whole target. There are 12 target areas.
- The bids included estimated phasing of the spending of the grant over the 3 years of LAA1. See Annex 1.

The first-year allocations to stretch target areas were made in early 2006/07 in accordance with the estimated spend requirements as presented in each of the original bids. No reporting back to GOSE is required on PPG spending until the end of the 3 year period, when, if there is any underspending there is the risk that such amount would be returnable.

In order to keep some control on an annual basis, lead officers for each target have been requested to complete a year-end return which certifies the amount spent in 2006/07 and that it has been spent on the relevant project supporting the achievement of the relevant target.

The total spend recorded from these returns is summarised in the final column of Annex 1 and totals £228,218.

From this it can be seen that there is a significant overall underspend (and hence carry-forward to 2007/08) and that for several projects the spend has been nil.

This not only raises concerns about whether the grant will all be spent over the 3 years, but also whether the achievement of targets is being adequately supported.

It is RECOMMENDED that:

- 1 There should be more detailed monitoring and accountability on the use of PPG from 2007/08 onwards.**
- 2 Where there has been significant under-spending in 2006/07, the relevant block leads should provide revised spending profiles for the remaining 2 years. The PSB may then judge whether the initial allocations are fully required and whether the under-spends should be the subject of bids from other target areas.**

3 Performance Reward Grant (PRG)

Each of the 12 “stretch” targets has a reward grant element attached to it. If we fully meet all our stretch targets the total amount of reward grant we can claim will be £16,349,425. Partly meeting targets over agreed thresholds (i.e. at least 60%) brings partial rewards.

In 2006 the Public Service Board agreed that Performance Reward Grant will be divided amongst the partners as follows:

- 50% of the reward would go to that LAA “block” (Safer Communities, Children and Young people etc) to provide new resources for tackling their priorities. Each block has submitted a plan for the distribution of reward grant amongst LAA partners who are responsible for projects and services that produce better outcomes for local people. Further details are outlined in Annex 2.
- 50% to be held by the PSB and directed towards achieving better outcomes. This gives the PSB the opportunity to direct resources towards agreed priorities or at areas where there may be significant problems / poor performance that would benefit from extra resources. It will be necessary to agree proposals for the use of this part of the PRG and agree these in advance of receipt. PRG is payable in the 2 financial years following the 3-year period of the LAA, i.e. 2009/10 and 2010/11.

The experience gained from the process of verifying the performance outcomes of stretch targets within the Public Service Agreement (2003-2006), which was carried-out by the County Council’s Internal Audit team, has emphasised that it is vital that the relevant performance data is available, accurate and unchallengeable at the time of the final assessment.

It is **RECOMMENDED** that:

- 3 Proposals for the process to allocate the 50% not being allocated directly to blocks should be brought to a future meeting of the PSB.**
- 4 Performance data is kept under review to ensure there is an adequate “audit trail”.**

4 Pooled funding

Some grants relating to the services now involved in LAA “blocks”, previously made separately to the County Council and other partners, are now being pooled and managed within the LAA process.

In financial year 2007-2008 this includes a range of grants that were previously made separately to County Council services, District Councils, Connexions, the PCT and the Oxfordshire Rural Community Council and totals :

Revenue	£ 12,013,345
Capital	<u>£ 879,864</u>
Total	<u>£ 12,893,209</u>

See Annex 3 for full details of the funding streams concerned.

The aim of pooled funding is to allow the Oxfordshire Partnership (meaning the framework of thematic and strategic partnerships including the Public Service Board) the flexibility to focus resources on where they are most needed.

In practice, it has proved a long process to identify how the total value of the pooled funding for 2007/08 has been calculated by Government. The process was as follows:

- A list of grants to be pooled was negotiated and agreed with GOSE between January and March 2007, as part of the “Refresh” process of the LAA.
- In March, without warning, a further grant of £50,000 (the Preventing Violent Extremism Pathfinder Fund, for Oxford City) was added and notified via a letter to the Chief Executive, Oxfordshire County Council.
- When the first monthly instalment of pooled funding was received in April, it was evident that it was lower than had been anticipated. This was confirmed when the Grant Determination letter was received (1st May) giving the total amount of pooled funding granted for the year, but no detailed breakdown.
- After various enquiries it emerged that the Home Office had imposed a substantial cut on some elements within the Safer and Stronger Communities block nationally. The total value of this cut was £106,607 or 14% of the Revenue element of those grants. The letter from GOSE confirming this and giving details was dated 12th June.
- It was then necessary to gain agreement to the allocation of these cuts and a formula was agreed at the Community Safety Officers Group meeting on 27th June and approved by the Oxfordshire Safer Communities Partnership on 26th July. (See Annex 4 for details of the allocations/cuts.)
- It was subsequently discovered that a further sum of £75,000 was added to the total pooled funding, and this has been confirmed (via email conversation, but not

any formal notification or letter) as being a grant due to Oxford City for “Respect” work, as it was formerly a *Together Action Area*.

As a consequence of these changes in the funding streams by the government, there has been some delay in the payment of some funds to some of our partners in the LAA. However, all payment arrangements are now in place and the County Council is completing the distribution of funds.

The PSB made the decision at its meeting on 21st February 2007 that all the elements of pooled funding for 2007/08 would be allocated according to their previous recipients.

Ring-fenced and un-ring-fenced funding

The government has made it clear in the past that it considers at least some part of this pooled LAA grant to be “un-ring-fenced” and this was confirmed in the letter from GOSE (11 May 2007) that accompanied the Grant Determination.

Our understanding of the guidance to date leads us to believe that:

- (1) all the revenue funding received is un-ring-fenced. i.e. there are flexibilities about how it can be spent provided that it is “..used to support the delivery of projects that will contribute to the achievement of the outcomes ... in your LAA”, and
- (2) the capital funding is ring-fenced for the particular purposes for which it was granted and cannot be used flexibly within the LAA “block”.

Further government guidance on funding streams to be included from 2008/09 is due this autumn. The County Council will provide a further briefing when the guidance is available.

It is RECOMMENDED that the Board should:

- 5 Adopt the principle that this pooled funding should be used more flexibly in the future to promote the aims of the LAA.**
- 6 Encourage the block groups to make recommendations to the PSB on revisions to the current allocation of funding following receipt of government guidance and agreement of priorities for the next LAA.**
- 7 Request county council officers to provide further information and draft options and proposals for consideration by the PSB when the government guidance is published.**

5 General statutory responsibilities and governance issues

The government has made county and unitary authorities accountable for LAA-related pooled funds. In effect this makes the county council the accountable body which may have some impact on county council resources in finance, audit and legal services.

Some grants which are now pooled used to go direct to district councils and others. They now go into a central “pot” to be managed by all the authorities acting together within the PSB. In this way determining priorities becomes a shared partnership activity and one that, increasingly, must be justified by the use of evidence and data.

Although the PSB will no longer have to report on the detail of the spend to the government (who, nevertheless, retain the right to audit the accountable body), clearly all the organisations on the PSB will require regular reporting on LAA finance.

It is RECOMMENDED that:

- 8 An agreement should be developed between the partners on the PSB to define and share risk and join-up auditing and financial reporting processes where practicable.**

6. Conclusion

The PSB are asked to take note of the issues raised in this briefing paper and support the Recommendations 1 to 8 above.

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