

# LOCAL AREA AGREEMENTS AND SINGLE POT FUNDING

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## What is a Local Area Agreement?

A Local Area Agreement, (or LAA) is a three year agreement made between Central Government, represented by the Government Office (in our case Government Office for the West Midlands), and a local area, represented by the lead local authority and other key partners through Local Strategic Partnership (Herefordshire Partnership).

LAAs are designed to identify and address local issues that can really make a difference to the quality of life of the community. They are currently structured in 4 blocks or themes

- Economic Development and Enterprise (this will also include Environment from 2008)
- Children and Young People
- Healthier Communities and Older People
- Safer and Stronger Communities

Within each theme there are a number of outcomes, underpinned by performance indicators (currently around 124), which are regularly monitored to show progress towards achievement of the agreed targets. Each performance indicator has a lead organisation who is responsible for delivery of that target, however, LAAs are very much about making things better through partnership working and organisations are encouraged to work together in order to achieve the best possible outcome for the local community.

The Government White Paper '*Strong and Prosperous Communities*' published in October 2006 sets out fundamentally different and ambitious arrangements for developing and sustaining LAAs, making them a key part of the relationship between central government, local government and the local community. They very clearly see LAAs as the mechanism for delivering the outcomes in the Sustainable Community Strategy (Herefordshire Plan), which is considered to be the overarching strategic plan for the county.

New LAAs will consist of up to 35 improvement targets (drawn from the national indicator set of approximately 200 indicators), a base set of pre-existing statutory educational and early years targets (presently 18), together with locally agreed targets, which should be of prime importance and relevance to the local community.

They will encompass a new un-ringfenced area based 'LAA' grant, with a presumption that all area based funding would go through this route unless there is a very strong arguments for retaining a ring fence. This grant would have no performance reporting or other conditions attached.

The proposed changes, which come into effect from April 2008, will bring major benefits to the local area. They will give the Local Strategic Partnership the opportunity to identify and embed within the LAA targets and outcomes that are of prime importance to Herefordshire and will dramatically reducing the burden of monitoring and reporting.

## **What do we need to do to prepare for the new LAAs?**

The new LAA will require local strategic partnerships to identify the issues that really matter to the local area and, from this, to agree the set of 35 improvement targets (drawn from the national indicator set) plus any local targets. It is essential that all partners are involved in this process and there will be a series of communication events (of various types) arranged in order to be able to identify local priorities to be included in the LAA. The Voluntary and Community Sector have a key part to play in this process and are encouraged to become fully involved, both in identifying the local priorities and in delivering the outcomes of the LAA.

## **What is the timetable for implementation?**

The timetable for implementation is still not entirely clear but it is expected that local priorities will need to be agreed between partners by June 2007 with the national indicator set and implementation guidance being available from July 2007 when a matching between local priorities and the indicator set will be undertaken in order to identify the 35 key improvement targets.

A wider consultation on the new priorities will take place from October 2007 with a requirement for the revised outcomes framework to be submitted to Government Office by January 2008.

## **SINGLE POT FUNDING**

### **What is Single Pot Funding?**

LAAs provide the framework and the freedom to find local solutions for local issues. In order to facilitate this approach the government is increasingly bringing as many area based grants as possible into a 'pooling' arrangement to give greater flexibility on the use of local funding and to simplify arrangements by having a single set of terms and conditions. It is anticipated that this approach will generate efficiency savings for both central government and local areas and add value by increasing the potential for multi agency working.

The objectives of pooling funding are:

- Improvement in service delivery [outputs]
- Improvement in people's quality of life [outcomes]
- Improved flexibility to focus funding on the most effective way to achieve the outcomes

The fundamental condition of pooled funding is that it **must** contribute towards the outcomes and targets in the Local Area Agreement. It is not a requirement that all activities relate directly to specific targets, but they need to support progress towards achievement of the outcomes.

The principles behind the management and monitoring of pooled funding are

### **Flexibility**

By minimising reporting structures and by focussing funding on achievement of outputs and outcomes, pooled funding offers the potential for partners to work together in new and innovative ways. Partners are particularly encouraged to develop multi agency approaches, which will add benefit to existing activities.

### **Added Value**

By pooling funding efficiencies can be obtained from changing the way that activity is delivered, by identifying complementary and overlapping activity and by promoting a partnership approach. The

resulting savings can be used to fund new or existing activity in a way that benefits the community as a whole.

### **Clarity**

All partners must be fully aware of the procedures and processes used to make decisions regarding the allocation and monitoring of funding. All activity will be monitored quarterly so that underspend can be recognised and responded to early in the year in order that funding can be reallocated effectively.

### **Transparency**

All partners must be able to input into the processes used to allocate and reallocate funding and are confident that these processes are objective and impartial.

Herefordshire LAA Pooled funding in 2007/08 amounts to £2.4 million.

### **How is the Single Pot Managed and Monitored?**

While the ethos and expectation of Single Pot funding is that it is available to support achievement of the LAA outcomes, rather than being ring-fenced to specific areas of work, the transition towards this way of working needs to be handled carefully. It has been agreed that 2007/08 will be a transition year when we move from a focus on individual grants to a situation where we focus on outcomes and indicators. In order to achieve this but at the same time not destabilise existing activity, it has been agreed by the Performance Management Group to take the following approach for 2007/08.

Accountable officers for all pooled funding streams have been requested to provide a profile of expenditure and activity, which will form the framework for the quarterly monitoring. Officers have also been asked to outline any additional activity which could be undertaken (if funding were available) to help improve achievement of the outcomes, this information will form the basis of any discussions regarding reallocation of underspend.

Using this information, agreement letters have been issued, outlining the level of grant, the activity it is supporting and the impact this activity is expected to have on the achievement of LAA and HCS outcomes and targets. Expenditure and progress towards outputs will be monitored quarterly on 30 June 2007, 30 September 2007, 31 December 2007 and 31 March 2008. Accountable officers will be required to return a summary of expenditure and outputs as of those dates. Significant variance against any of the budget headings, or against the output profile will be discussed with the accountable officer before any recommendations are made regarding reallocation of funding.

### **How will any underspend be reallocated?**

The principles which will govern any reallocation of underspend will be

- Any underspend will be kept within the same broad area of activity unless there is evidence to suggest that this is not the best approach.
- Any indicators and outcomes which are red will be given priority in terms of reallocation of funding.
- It must be clear how additional funding will have a positive impact on achievement of performance indicators and outcomes

All recommendations for reallocation of Single Pot funding will be discussed and agreed by the Performance Management Group.