



DERBY CITY COUNCIL

**COUNCIL CABINET
15 MARCH 2005**

ITEM 14

Report of the Director of Policy
and the Director of Finance

Derby's Local Area Agreement

RECOMMENDATIONS

- 1.1 To approve the attached final draft Local Area Agreement as the basis for agreement with the Government.
- 1.2 To confirm the delegated authority to the Chief Executive, in consultation with the Leader of the Council and the Directors of Finance and Policy, to conclude negotiations on behalf of the Council and its partners to this agreement.
- 1.3 To note the role of the Council as the accountable body for the agreement, and the governance arrangements necessary to support this role.
- 1.4 To note the further work to be undertaken with Derby City Partnership to develop appropriate governance arrangements to enable partners to work towards agreed outcomes, and that these arrangements will be subject to further Cabinet approval.
- 1.5 To approve, subject to the agreement of Derby City Partnership and the need for Cabinet agreement to any later changes, the initial conditions to apply to disbursements by the Council of pooled LAA funds in 2005/6, as set out in Appendix 1.

REASON FOR RECOMMENDATIONS

2. The Government expects negotiations on draft agreements to be completed by the end of March 2005, enabling agreements to take effect from 1 April 2005. The Council needs to be in a position to act as the accountable body from that time.

SUPPORTING INFORMATION

- 3.1 Council Cabinet on 8 February 2005 approved an earlier draft of Derby's Local Area Agreement – LAA – as the basis for negotiation with the Government Office for the East Midlands – GOEM. This had been developed by the Council and its partners through and supported by Derby City Partnership, DCP.
- 3.2 That draft has now been updated on the basis of feedback from GOEM and other central government departments, and these amendments have been agreed by DCP's Strategy Co-ordination Group, SCG.

- 3.3 Our final draft has now been submitted to ODPM for ministerial approval through GOEM. A copy of that submission is available on CMIS at <http://192.168.4.35/CMISWebPublic/Binary.ashx?Document=3202>
- 3.4 Further amendment may be necessary to reflect any comments from ODPM and the progress on discussions on the freedoms and flexibilities we are seeking through the LAA. It is expected that negotiations will be concluded by 22 March 2005 so that council representatives and ministers can sign the pilot agreements on that day.
- 3.5 The introduction to the LAA highlights what we want to achieve through the agreement in taking forward local priorities. We have used the high level outcomes from the Children Act 2004 to bring out common themes across the three blocks that make up the LAA. The scope and emphasis of each of those three blocks is as follows:
- **Children and young people** – people up to their 19th birthday and care leavers to the age of 25 in terms of their educational achievement, social development and health, safety and fulfilment. A key feature of this block is to underpin integrated service delivery and to tackle disadvantage.
 - **Safer and stronger communities** – community safety, a more attractive environment in which to live, active citizenship and reducing economic, social and environmental disparities between Derby's communities. This block will take a broad view of community safety, going beyond the traditional focus on crime and disorder.
 - **Healthier communities and older people** – all people from the age of 19 with particular reference to improved health outcomes and more independent living. Funding streams are not as extensive within this block and our emphasis is on adding value through partnership working, with a focus on improved public health outcomes, preventive work and increased independence for adults and older people.
- 3.6 For ease of reference, a summary of the main outcomes sought through Derby's LAA is attached at Appendix 2. The LAA identifies indicators and targets and the funding streams that partners will use to achieve those outcomes in each of the three blocks making up the LAA.

Freedoms and flexibilities sought through our LAA

- 3.7 Along with giving more flexibility in the use of funding to achieve agreed outcomes, the LAA offers the opportunity to agree additional freedom from bureaucratic restrictions which are getting in the way of better outcomes. It also represents a further dialogue with central Government on local priorities. We have not been able to achieve all the freedoms we sought in the first year of our LAA, but we are pursuing a number of these and have made some progress, still subject to ministerial approval. Areas where we have made progress include:
- more local responsibility for managing and monitoring emda funding, including that for SRB and Derby and Derbyshire Economic Partnership, DDEP.

- in simplifying the monitoring requirements for Neighbourhood Renewal Funding, where we are hopeful of securing some relaxation of the requirements placed on us and DCP by the Neighbourhood Renewal Unit
- more local responsibility and freedom from UK imposed rules on European funding, in particular the URBAN II programme where we are optimistic that progress may be made over the next few weeks and a submission made to ODPM in the first quarter of 2005-06.

3.8 The LAA promises some more general reductions in both financial and performance monitoring of associated funding streams, although these will not be realised fully in the first year of agreements. We are expected to report our performance against LAA indicators and targets for each outcome on a 6 monthly basis, and total expenditure on each block over the same period. There is also likely to be a significant simplification to audit arrangements, as outlined at paragraph 3.15.

3.9 Derby's participation in the first phase of pilot LAAs gives us the opportunity to influence this policy development, although we should expect benefits to us mainly in the medium to long term. The Government has signalled its commitment to the concept by announcing an extension of the pilot scheme for 2006-07 to another 40 areas. A 'mini LAA' for the Safer and Stronger Communities fund will be in place for all councils that are not piloting a 'full' LAA from 2005-06.

3.10 The terms of the LAA are subject to an annual review and we will use this opportunity to evaluate the effectiveness of the agreement and any changes we may need to make.

Governance and financial accountability

3.11 The Government has published advice notes on Performance Management and Payment systems, the later being particularly relevant to the role of accountable body. While not being proscriptive on the approach to be adopted, that note states that governance arrangements should address the following:

- how decisions are to be reached on the application of funds to deliver the LAA outcomes
- financial rules and controls
- the terms on which payments are to be made to partners and the arrangements for this.

Government Offices and accountable bodies – councils - will need to be satisfied that the arrangements are sufficiently robust and will satisfy audit scrutiny.

3.12 Our draft LAA recognises the need to develop appropriate governance arrangements and establishes some relevant principles. The detail of the governance arrangements now need to be developed in line with Government advice notes and these principles.

3.13 Specifically, the LAA notes that arrangements will be required through DCP for partners to be accountable for progress towards agreed outcomes and that, in the first year, arrangements will not destabilise existing budgetary and other plans already approved and agreed by partners. The second and subsequent years of the LAA will provide more opportunity to redirect resources where this will lead to better

outcomes. Most funding including that previously allocated directly to the Council will be subject to 'administrative pooling' within the LAA, but the detail of the subsequent decision-making process still needs to be established.

- 3.14 Arrangements for making payments through the LAA and associated governance arrangements are detailed under 'Financial Implications' in Appendix 1.
- 3.15 As the accountable body the Council will also need to put in place arrangements for the following . . .
- Reporting total spending on each block to GOEM every six months. The Council has discretion to ask for a more frequent internal reporting cycle, to check against slippage or overspending in applying funds
 - Establishing appropriate audit arrangements. Although Government is yet to finalise what these will be, it is likely that the Chief Executive or Director of Finance will need to certify that funding has been used in line with terms and conditions. Current draft guidance suggests that the Council's internal audit will be able to take over a simplified certification role from external audit, which if confirmed has the potential to provide net savings to both the Council and its partners.
 - The establishment of detailed financial and contract procedures to apply to the LAA.
- 3.16 Following consideration of outline governance arrangements at its meeting on 24 February, DCP SCG will consider this further as part of a wider review of its role at its meeting in April 2005, including whether DCP's structures remain 'fit for purpose' in the context of the LAA. This may lead to recommendations being made to the DCP Board.
- 3.17 The Council as accountable body, and GOEM, are both required to satisfy themselves that the governance arrangements that emerge are sufficiently robust. Senior officers of the Council and GOEM will contribute to the detailed discussions. Consistent with the Council's responsibilities, it is proposed that the further detailed governance arrangements developed through DCP will require Cabinet approval.

OTHER OPTIONS CONSIDERED

4. The Council could withdraw from the LAA process if it felt that the benefits are only marginal. However, this would deprive us the opportunity to influence a major national policy initiative which is likely to be further rolled-out in 2006-07 and subsequently and Derby, like other councils, has identified the inefficiencies arising from multiple funding streams. We have already invested significant time and effort into this process.

For more information contact:	David Armin Tel 01332-255560 e-mail david.armin@derby.gov.uk
Background papers:	Derby's draft Local Area Agreement – v 3.0 available on CMIS at
List of appendices:	http://192.168.4.35/CMISWebPublic/Binary.ashx?Document=3202
	Appendix 1 – Implications
	Appendix 2 – Summary of main outcomes from Derby's draft Local Area Agreement

IMPLICATIONS**Financial**

- 1.1 The LAA does not bring additional funding into Derby, but will change some of the mechanisms and process concerned with payment and monitoring. It should make the use of resources across the city more efficient and effective. The Council will be the accountable body for the LAA. Suitable arrangements for accountability and decision making are being developed in accordance with government advice notes.
- 1.2 For all pooled funding, the Council as accountable body will receive a single payment each month from each Government department, to be paid in arrears, and be responsible for disbursing these to support Council projects and those of partners. We have received assurances that it will be possible to itemise these payments into the component funding streams. The Council has to decide with its partners on the appropriate frequency and timing of these disbursements. Partners will also need to be clear on any conditions attaching to their ability to apply those payments.
- 1.3 Consistent with the above principles for the first year, it is intended that, subject to the agreement of partners through DCP, LAA pooled payments will be disbursed to existing agencies as soon as practically possible after receipt – likely to be within a few days. It is necessary to specify this now, as payments will be received from the end of April 2005. It is intended, subject to the agreement of DCP, that the conditions applying to those payments in the first year will be minimal, consistent with the LAA principle of avoiding any instability to existing plans. The conditions are therefore unlikely to extend beyond the following...
 - Funds would be applied only to outcomes consistent with the LAA agreement, this condition being essential to satisfy Government requirements.
 - Any material change in currently planned uses consistent with 2005/6 budget plans would not be made without further clarification of the procedures to be adopted, which will be possible once detailed governance structures are established.
 - If LAA pooled funding were to be withheld or reclaimed by Government, for example in the event of year end underspending, then such costs would be borne by the responsible funded body. This is an essential safeguard for the Council as accountable body, to avoid a liability for other partners' actions. Other than this, the treatment of slippage will be subject to later clarification.
- 1.4 For the second and subsequent years, the conditions are likely to differ, to reflect the decision-making process established for determining how LAA funds are applied. Where the balance of such decision-making rests has yet to be determined. Decision-making arrangements are likely to rely on achieving a consensus with the partners concerned, as the LAA is a voluntary agreement. It is important that the decision-making arrangements support medium term financial planning by the Council and partner organisations, so that any subsequent reallocation of resources is made early enough to avoid financial planning difficulties.

Legal

2. As already noted above, suitable arrangements for accountability and decision making will be developed for the Council as the accountable body and through DCP. DCP structures will be reviewed to make sure that they remain appropriate in the context of the LAA.

Personnel

3. None directly arising from the report.

Equalities impact

4. None directly arising from the report.

Corporate objectives and priorities for change

5. The LAA will take forward priorities in the Community Strategy – ‘Derby’s 2020 Vision’ and the Council’s Corporate Plan.

The main outcomes flowing from Derby's Local Area Agreement

The high level outcomes:	Children and Young People	Safer and Stronger Communities	Healthier Communities and Older People
STAY SAFE	<ul style="list-style-type: none"> • Better support to families with young children in disadvantaged areas • Safe environments for vulnerable children and young people 	<ul style="list-style-type: none"> • Reduced crime levels • Reduced fear of crime and anti-social behaviour • Less harm caused by illegal drugs 	<ul style="list-style-type: none"> • People are helped to stay out of hospital where admission is avoidable • People with chronic health problems are able to leave hospital earlier when medically safe to do so
BE HEALTHY	<ul style="list-style-type: none"> • Improving the health of young children • Fewer teenage pregnancies, reduced conceptions and better support for teenage parents 	<ul style="list-style-type: none"> • Cleaner, greener and safer public places 	<ul style="list-style-type: none"> • Increased life expectancy at birth • Reduction in health inequalities gap between Neighbourhood areas and Derby overall
ENJOY AND ACHIEVE	<ul style="list-style-type: none"> • A good start to children's education and development • Improved attainment at KS 1-3, in particular children in the bottom quartile • Improvement in school attendance • Reduced obesity in children under 11 	<ul style="list-style-type: none"> • Improved quality of life for people in disadvantaged neighbourhoods, narrowing the gap with other areas of the city 	<ul style="list-style-type: none"> • Older people are helped to live at home longer • Increased independence and social inclusion of people with learning disabilities and other complex needs

The high level outcomes:	Children and Young People	Safer and Stronger Communities	Healthier Communities and Older People
ECONOMIC WELL BEING	<ul style="list-style-type: none"> Better opportunities for young children in 14-19 phase of education Increased childcare facilities 	<ul style="list-style-type: none"> Increased entrepreneurial activity in deprived areas Increased opportunities for people in deprived areas to benefit from economic growth Strengthened competitiveness through support and development for business More inclusion of communities within their neighbourhoods 	<ul style="list-style-type: none"> Reduction in worklessness among target groups
MAKE A POSITIVE CONTRIBUTION	<ul style="list-style-type: none"> Better behaviour in mainstream school environments 	<ul style="list-style-type: none"> Local people are more involved in decision making 	<ul style="list-style-type: none"> Increased volunteering around older people