Lancashire LGR Programme

Implementation Reserve

Assurance Framework

1. Background

1.1 The Lancashire Strategic LGR Chief Exec Board have recommended that a single 'LGR Implementation Reserve' is created which can be managed collectively with Lancashire County Council acting as the host authority.

1.2 The purpose of the Reserve is to fund capacity within the LGR Programme to ensure the new unitary authorities can provide safe and legal services from 1 April 2028.

1.3 The Finance workstream has been tasked with developing effective governance for the Reserve and has determined that an Assurance Framework is the most appropriate approach to ensuring transparency, accountability and best value is maintained through the use of the Implementation Reserve.

1.4 The statutory sct 151 officers of the fifteen Councils that are supporting the LGR Programme will be required to approve the Assurance Framework for the Implementation Reserve.

2. Creation of the Reserve

2.1 The Reserve will be created on 1 April 2026 and will be held until 30 September 2028, which is six months beyond 1 April 2028 which is the date for implementation of local government reorganisation in Lancashire.

2.2 Lancashire County Council will be the host organisation for the Non LCC Reserve and will hold the Reserve from 1 April 2026 until Vesting Day, with arrangements from Vesting Day to 30 September 2028 set out in Section 10 below.

2.3 As the Reserve will be held by Lancashire County Council it will be managed in accordance with the Financial Rules and Regulations in Section 10 of the Constitution of Lancashire County Council (the "FSO").

2.4 The purpose of the Reserve will be to support the implementation process associated with LGR in Lancashire with examples of eligible revenue expenditure against the Reserve being the following:

- Additional staff capacity to deliver the programme (including funding the pro rata costs of substantive roles where existing council staff are seconded into the programme)
- Procurement of strategic partner/consultant to support delivery of the programme
- Procurement of specialist support and advisory services
- Communication across the LGR programme and public consultation

- Purchase of Systems and Information Technology to support safe and legal transition for the new unitary authorities
- Election costs with regards to the new shadow unitary authorities
- Shadow Council costs including interim statutory officers and member allowances
- External legal advice
- Redundancy costs for LGR relevant redundancies approved pre-vesting day as per the agreed HR policy for the LGR programme
- Essential rebranding to support safe and legal creation of the new unitary authorities
- Contingency – other reasonable costs identified by the individual workstreams required to support delivery of safe and legal new councils

2.5 The Reserve will be used to support delivery of the LGR Implementation Plan and approved workstream activities. Any changes to the scope of the activity which can be funded from the Reserve as set out in 2.4 and 2.5 above will only be made by the Lancashire Strategic LGR Chief Exec Board. When the voluntary Joint Committee and Shadow Council are established any changes to the scope of activity to be funded will require their approval.

2.6 The initial total value of the Implementation Reserve will be £30m. This will be reviewed as of 30 September 2026 following the 'minded to' announcement and more detailed project planning by the workstreams.

2.7 If an increase in the Implementation Reserve is required this will be initially recommended by the Finance workstream, for approval by the Lancashire Strategic LGR Chief Exec Board and if in place the voluntary Joint Committee. Any increase approved for the Implementation Reserve will be funded using the same initial allocation %'s already agreed.

2.8 The individual councils will then make decisions through their usual governance arrangements to approve the increased contributions.

2.9 The revenue contributions to the Reserve will be made by all fifteen Councils in 8 equal instalments on a quarterly basis starting on 1 April 2026. Where there is a delay in approval for the funding by an individual council then a separate agreement for a catch up payment may be required. This will be approved by the Chair(s) of the Finance workstream.

2.10 Each Council's Contribution will be conditional on the Reserve being used for the stated purposes and in accordance with the terms of this Assurance Framework.

2.11 Contributions to the Reserve will be approved through each Council's own governance processes.

2.12 The split of the Upper tier and District contributions and the values are shown in the table below (full detail is shown in Appendix 2):

Council	% split	Value
Upper Tier	75%	£22.5m
District Councils	25%	£7.5m

2.13 Any expenditure incurred by any of the Councils on the matters set out in 2.4 above prior to the date on which contributions are made into the Reserve will be deducted from the contribution actually paid into the Reserve.

2.14 It has been agreed that the only relevant expenditure incurred pre 1 April 2026 will be in relation to the already commissioned EY support and the appointment of the LGR Programme Director. These costs will be deducted from the relevant Council's contribution paid into the Reserve.

2.15 Lancashire County Council Internal Audit will review this pre 1 April 2026 expenditure as part of their review of governance and report to the Finance workstream and Chief Exec's Board that it is compliant with the Assurance Framework. To the extent that the Chief Finance Officers conclude that any expenditure should not have been deducted following the Internal Audit review the relevant Council will pay such additional amount by way of contribution to the Reserve.

3. Budget Allocation and virement approval

3.1 The finance workstream will propose an initial allocation of the £30m Reserve across the different workstreams and activities. This will be reviewed and approved by the Lancashire Strategic LGR Chief Exec Board. These initial allocations will provide the 'delegated budget' for that area of work and hence the workstream Chair will be the accountable officer for that budget.

3.2 Where Government provides any additional LGR capacity funding for the programme this will be added to the Implementation Reserve and allocated to the contingency budget.

3.3 Any changes to the initial allocations (budgets) to the workstreams and activities including any allocation from the contingency budget will be actioned as a formal virement and approved by the Director of Finance (DOF) (Section 151 Officer) of Lancashire County Council in consultation with the Lancashire Strategic LGR Chief Exec Board

4. Transfers from the LGR Reserve and scheme of delegation

4.1 Authorisation for expenditure funded from the Implementation Reserve will need to be approved.

4.2 A scheme of delegation for the Lancashire Strategic LGR Chief Exec Board, programme director and workstream chairs will be established (see Appendix 1).

4.3 This will be mirrored by the requirement for the Director of Finance for Lancashire County Council to authorise expenditure as per the LCC finance regulations. A separate scheme of delegation for the LCC DOF can be established within LCC.

4.4 Appendix 1 shows the LGR programme governance and structure and the mirrored LCC scheme of delegation for the Implementation Reserve.

4.5 For expenditure of not more than **£100,000** the Chair of the Workstream or Theme to which the expenditure relates will have the delegated authority to approve the expenditure. They will inform the LCC Director of Finance of that approval.

4.6 For expenditure of more than **£100,000** but not more than **£250,000** the Chair of the Workstream or Theme will need to get approval from the LGR Programme Director before the spend can be authorised. They will inform the LCC Director of Finance of that approval.

4.7 For expenditure of more than **£250,000** the Chair of the Workstream or Theme will need to get approval from the Programme Director and Chair of the Lancashire Strategic LGR Chief Exec Board before the spend can be authorised. They will inform the LCC Director of Finance of that approval.

5. Budget Monitoring and control

5.1 It is the responsibility of each Chair of the Workstream / Theme, as advised by the Lancashire County Council Finance team to control expenditure within their area of responsibility and to monitor performance using financial information derived from Lancashire County Council corporate financial systems maintained by the Director of Finance.

5.2 The Theme / Workstream Chair will control and manage revenue spending to ensure that each is contained within their approved budget. The Theme / Workstream Chair will investigate any variations and take appropriate action to deal with them.

5.3 The LCC Director of Finance will report quarterly to the Financial Workstream Board and the Strategic Board. Following the establishment of the Joint Committees and then

Shadow Authorities, six monthly monitoring reports will be provided reporting the levels of current spend, the overall forecast outturn position and any significant variances.

6. Spending of Budget

6.1 Lancashire County Council will set up a separate Cost Centre and Project Codes to record all expenditure from the amounts drawn down from the Reserve. The approval of all invoices and other expenditure out of the drawn down amounts including any recharges of expenditure incurred by one of the other Councils to the County Council will be the responsibility of the Director of Finance under the usual County Council governance arrangements.

6.2 The ordering of and payment for goods and services within amounts transferred will be in compliance with the Financial Standing Orders and the Contract Procurement Rules as set out in the Constitution.

7. Interest on funds held

7.1 Interest on monies held in the LGR Implementation Reserve will be calculated using the average investment rate for short term investments and charged quarterly based on the closing balance position for each quarter. It will be credited to the Reserve and added to the contingency allocation.

8. Internal Audit

8.1 The Accounts and Audit (England) Regulations 2015 specifically requires that a '…relevant body must undertake an effective internal audit of its risk management governance processes, taking into account public sector internal auditing standards or guidance'. The Director of Finance commissions regular audits on behalf of the Council of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The LGR Reserve and budgets approved from that Reserve will be within the remit of such audits.

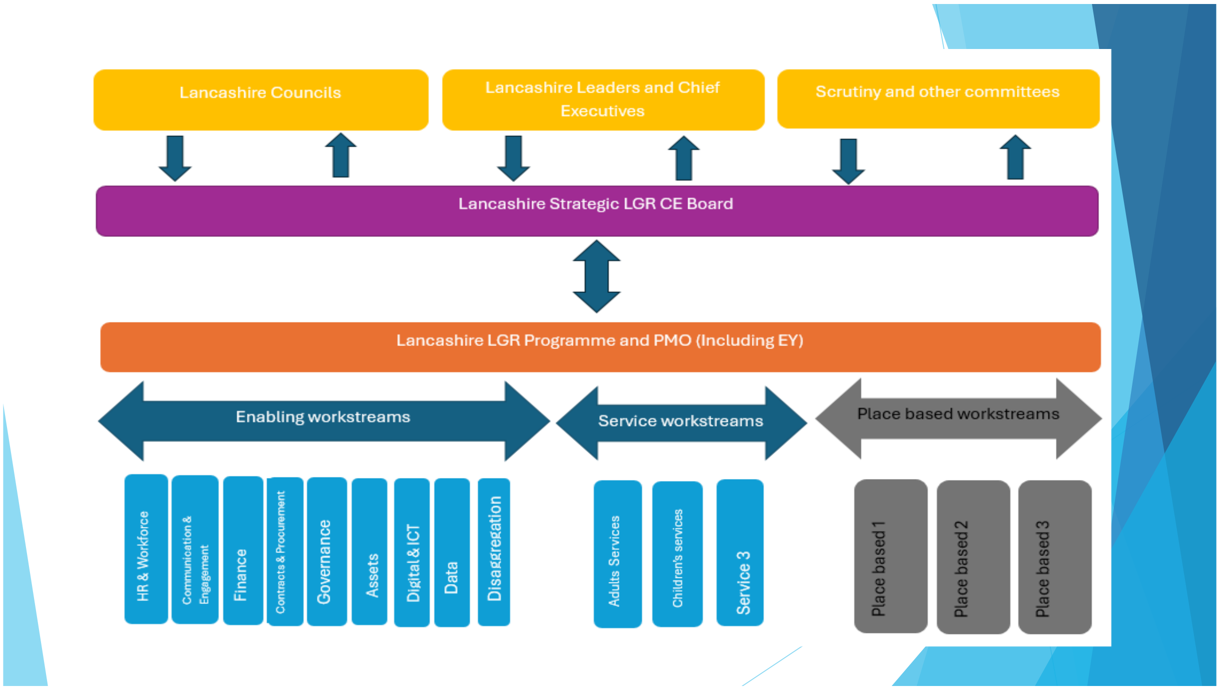
8.2 In addition, the LCC Director of Finance will commission specific regular audits of the LGR Reserve and spend relating to approved proposals to ensure they are in line with this Assurance Framework. The LCC Director of Finance will report to the Strategic Board on the outcome of such audits.

9. Transfer of LGR Implementation Reserve to host Council

9.1 The intention is for the Reserve to be held for a period of six months beyond Vesting Day, to 30 September 2028. Lancashire County Council will be the host council for the Reserve until Lancashire County Council is dissolved on 1 April 2028. At this point the Reserve will transfer to one of the new unitary authorities, as part of the agreed legacy arrangements determined by the shadow Council(s) for Lancashire County Council, who will host the Reserve until it is closed. This will be formally agreed through the sct 16 reports.

9.2 If there are any funds remaining in the Reserve as of 30 September 2028, they will be split equitably between the new unitary authorities.

Appendix 1 – Overall LGR Programme Governance



Authorisation levels	**LCC Scheme of Delegation**	**LGR Scheme of Delegation**
<£100,000	**DOF / deputy 151**	**Chair of workstream/ theme**
£100,000 - £250,000	**DOF / deputy 151**	**Chair of workstream/ theme** **Programme Director**
>£250,000	**DOF / deputy 151**	**Chair of workstream/ theme** **Programme Director** **Chair of LGR Strategic Chief Exec Board**
Virements between workstreams / contingency	**DOF / deputy 151**	**LGR Strategic Chief Exec Board**

Appendix 2 – Full Split of Council Costs

Council	% split	Value
Lancashire County Council	55%	£16.5m
Blackburn and Darwen Council	11%	£3.3m
Blackpool Council	9%	£2.7m
Burnley Council	1.5%	£458,202
Chorley Council	2.5%	£736,651
Fylde Borough Council	2.1%	£620,941
Hyndburn Borough Council	1.4%	£421,305
Lancaster City Council	2.8%	£830,748
Pendle Borough Council	1.6%	£477,478
Preston City Council	2.8%	£839,876
Ribble Valley Borough Council	1.6%	£487,571
Rossendale Borough Council	1.3%	£402,086
South Ribble Borough Council	2.4%	£726,790
West Lancs Borough Council	2.5%	£742,080
Wyre Council	2.5%	£756,272