

London Councils Grants Committee

London Councils Grants Scheme - Item no: 8 Budget Proposals 2017/18

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Summary This report considers the proposed budget for the Grants Scheme for 2017/18 and makes a recommendation to the Committee on the appropriate level to recommend to constituent councils for approval, subject to the agreement of the overall budget by Leaders' Committee.

Recommendations Subject to the agreement of London Councils Leaders' Committee on 6 December 2016, that Members agree:

- an overall level of expenditure of £8.668 million for the Grants Scheme in 2017/18 (inclusive of £2 million gross ESF programme);
- that taking into account the application of £1 million ESF grant, borough contributions for 2016/17 should be £7.668 million;
- that, in addition and for 2016/17 only, a proposed transfer from Grants Committee reserves of £156,000 be made and returned to boroughs in the form of a repayment;
- that a further sum of £75,000 be transferred from uncommitted S.48 reserves to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector;
- that further to the recommendations above, constituent councils be informed of the Committee's recommendation and be reminded that further to the Order issued by the Secretary of State for the Environment under Section 48 (4A) of the Local Government Act 1985, if the constituent councils have not reached agreement by the two-thirds majority specified before 1 February 2017 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £10 million);
- that constituent councils be advised that the apportionment of

contributions for 2017/18 will be based on the ONS mid-year population estimates for June 2015 and that this methodology will also apply to the proposed repayment of £156,000 for 2017/18; and

- that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £555,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities, including ESF administration of £120,000.
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Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2017/18 of £8.668 million, compared to £10 million for 2015/16 (net of borough repayments and City Bridge Trust support), comprising:
 - The cost of the borough scheme of priority, pan-London commissioned services of £6.668 million, which includes the cost of administering the borough scheme, equating to £435,000 or 6.5% (5.3% excluding central recharges of £80,000) of the proposed grants programme of £8 million plus the membership subscriptions for boroughs for London Funders of £60,000; and
 - The gross cost of the ESF programme of £2 million, including £120,000 administration costs, offset by ESF grant of £1 million, leaving a net cost of £1 million to be funded by boroughs.
2. Following recommendations from Grants Committee, Leaders' Committee considered a report at their meeting 22 March 2016 and agreed that there should be a Grants Programme from April 2017 to March 2021, operating in accordance with the current principles and focused on the following priorities:
 - Priority 1: Combatting Homelessness;
 - Priority 2: Tackling Sexual and Domestic Violence; and
 - Priority 3: Tackling Poverty through Employment (ESF match funded).
3. This followed the conclusion of the Grants Review during 2015/16, which included two public consultations and consideration of a wide range of evidence including equalities impact information. As a consequence of the decision to have a programme in 2017-21 that does not contain a priority solely focused on capacity building, the budget has, therefore, been reduced by £1.332 million. On 31 March 2017, the current programme will cease, meaning that the six commissions that are funded under the current Priority 4 will also cease and will not be replaced.
4. At their meeting on 13 July 2016 Grants Committee agreed service specifications for priorities 1 and 2 with indicative budget allocations totalling £6.17m (plus costs associated with the administration of the scheme). Included within this, members agreed specifications for two service areas (1.3 and 2.5) under priorities 1 and 2, which will deliver targeted second tier support relating to priorities 1 and 2 with indicative budget allocations totalling £450,000 per year.
5. The proposed total expenditure budget of £8.668 million will be funded by borough contribution of £7.668 million and ESF grant income of £1 million.
6. In addition, for 2017/18 only, a proposed transfer from uncommitted S.48 Grants Committee reserves of £156,000 be made and returned to boroughs in the form of a repayment;
7. In addition, and subject to a review after 12 months, a further transfer from uncommitted S.48 Grants Committee reserves of £75,000 is proposed to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector. This follows the decision by members, at the Grants Committee AGM, 13 July 2016, that officers make provision in the 2017/18 budget proposals for this work. A report outlining the proposed work is included on the agenda.

8. The Committee will need to reach a view on both the appropriate overall level of expenditure and to recommend the budget to constituent Councils, subject to approval of the overall budget by the Leaders' Committee on 6 December 2016.
9. The financial year 2017/18 represents to first year of the new four-year programme of commissions provided by the Grants Committee under S.48 of the Local Government Act 1985, as recommended by the Grants Committee and approved by the Leaders' Committee in March 2016, as detailed in paragraphs 3-4 above.

Approval of Expenditure

10. The statutory basis of the Grants Scheme is Section 48, Local Government Act 1985. Constituent councils agreed to some changes to the operation of the Scheme as part of the establishment of the new ALG on 1 April 2000: these changes mean that the budget for the London Councils Grants Scheme must be approved by the London Councils Leaders' Committee. This will need to happen before any budget that is recommended to constituent councils by the Grants Committee can be formally referred to them as a basis for consideration in their respective councils.
11. The recommendations of the Grants Committee will be reported to Leaders' Committee, which will be considering the budget for the London Councils Grants Scheme for 2017/18 at its meeting on 6 December 2016. If Leaders do not accept the recommendations of the Grants Committee, and instead agree to recommend a different budget figure to Boroughs, the Grants Committee will need to meet urgently to consider the implications for the Grants programme.
12. Section 48(3) of the Local Government Act 1985 requires that at least two-thirds of the constituent councils in Greater London must approve the proposed overall level of expenditure on grants to voluntary organisations and other costs incurred in "the making of grants". This is not a decision that can be delegated to the Grants Committee although that Committee is able to make decisions with regard to allocation of that expenditure once overall expenditure has been approved. This means that when the Committee decides on an overall level of expenditure, subject to the agreement of the London Councils Leaders' Committee, it will recommend it to the London Boroughs and the Cities of London and Westminster and at least 22 of them must agree through their respective decision-making arrangements to ratify and give effect to that overall level of expenditure. Once 22 councils have given their approval, the overall level of expenditure and contributions to it are binding on all constituent councils.

Timing of Decisions

13. The Committee needs to make its recommendation in good time so that constituent councils are able to consider the budget proposal within their own decision-making arrangements and make a response within the timescales laid down for the Scheme. The Scheme approved by the boroughs provides that constituent councils shall be asked to agree to the Committee's recommended level of overall expenditure not later than the third Friday in January, in this case 20 January 2017. All constituent councils will have received copies of this report and will be informed of the Committee's recommendation as to overall expenditure for next year, once the decision has been taken.

14. The City of London Corporation has been the Designated Council for the Scheme since 1 February 2004. Bearing in mind the issues raised above, it is essential for the Committee make a recommendation today, to provide sufficient time for constituent councils to consider the matter before the 1 February deadline, and enable the City of London Corporation to approve the levy on constituent councils by the deadline of 15 February 2017.

15. In the event that constituent councils are unable to reach agreement by the two-thirds majority required on an overall level of expenditure before 1 February 2017 the Secretary of State for Communities and Local Government has powers to intervene and set the budget at the same level as the preceding year. Section 105 of the Local Government Finance Act 1992 inserted a new sub-section (4A) into section 48 of the Local Government Act 1985 which states that:

"4A. The Secretary of State may by order provide that if -

- *a scheme requires the total expenditure to be incurred under the scheme in any financial year _*
 - *in the making of grants; and*
 - *in the discharging by the designated council of its functions under the scheme, to be approved in accordance with the scheme by some or all of the constituent councils; and*
- *the total expenditure to be incurred in any financial year is not approved as required by the scheme before such date as may be specified in relation to that financial year in the order, the constituent councils shall be deemed, subject to any order which has been or may be made under subsection (5) below, all to have given their approval for that financial year to total expenditure of an amount equal to the amount that was approved or, as the case may be, deemed to have been approved for the preceding financial year".*

Contributions by constituent councils

16. Section 48(3) of the 1985 Act provides that the amount of contributions to the London Councils Grants Scheme shall be determined so that expenditure is borne by constituent councils in proportion to the population of their respective areas. Section 48(4) of the 1985 Act states that the population of any area shall be the number estimated by the Registrar-General and certified by him to the Secretary of State.

17. Under The Levying Bodies (General) Regulations 1992, arrangements made under section 48 of the 1985 Act (and also section 88) use total resident population as the means of apportionment and it is no longer necessary for the Registrar General to certify the estimates. The Regulations came into force on 11 December 1992. Regulation 6(8) is of particular importance, stating that:

"A levying body shall secure that the expenses to be met by levies issued by it under these Regulations by reference to the relevant precepting power conferred by section 48 or 88 of the Local Government Act 1985 are borne by the relevant authorities in a proportion calculated by reference to the total resident population of the area of each relevant authority on 30th June in the financial year beginning two years before the beginning of the financial year in respect of which the levy is issued, as estimated by the Registrar General."

18. The Designated Council is defined as a levying body further to Sections 74 and 117 of the Local Government Finance Act 1988, which means that the levy will have to be approved formally at a meeting of the Court of Common Council of the Designated Council before the payment requests are sent to constituent councils. The Court of Common Council will consider this matter before the deadline of 15 February 2017. The Levying Bodies (General) Regulations 1992 then require the approved levy to be sent out to constituent councils by 15 February in any year. The term levy refers both to the total contributions from constituent councils and to the apportionment of that total between them.

Summary Timetable

19. To summarise, the timetable for the approval of the budget for 2017/18 is expected to be as follows:

Date	Action
23 November 2016	Grants Committee considers proposed budget and borough contributions for 2017/18 detailed in this report and makes recommendations to Constituent Councils, subject to approval of Leaders' Committee
6 December 2016	Leaders' Committee is asked to approve the level of budget and borough contributions for 2017/18, as recommended by the Grants Committee on 23 November
7-9 December 2016	Constituent Councils formally notified of the approved level of budget and borough contributions for 2017/18
12 December 2016 – 31 January 2017	Constituent Councils to individually ratify the overall level of expenditure for 2017/18 through their respective decision-making arrangements
1-15 February 2017	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2017/18 on Constituent Councils
15 February 2017	Constituent Councils informed of level of approved expenditure and borough contributions for 2017/18

Budget Proposal for 2017/18

20. Appendix A to this report sets out detailed information relating to the proposed budget for 2017/18. The budget assumes:

- A core, pan-London scheme of services to meet agreed service priorities of £6.233 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;
- An additional gross sum of £1.88 million relating to the new 2016+ ESF joint funded programme;

- An indicative gross commissioning budget of £8.113 million, a reduction of £1.332 million on the budget of £9.445 million for the current year;
- In addition to the indicative gross grant payments budget of £8.113 million, the proposal includes a provision for grants administration of £555,000. This comprises of 6.5% (5.3% excluding central recharges) of the boroughs grants budget of £6.668 million, amounting to £435,000, plus 5.99% of the £2 million gross ESF programme, amounting to £120,000.
- In addition, and subject to a review after 12 months, a proposed transfer from uncommitted S.48 Grants Committee reserves of £75,000 to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector. Further details are provided in the report on Leadership in the Third Sector on the agenda.
- Finally, for 2017/18 only, a proposed transfer from uncommitted S.48 Grants Committee reserves of £156,000 be made and returned to boroughs in the form of a repayment. For those 21 boroughs participating in the new borough ESF programme, which is managed by the Joint Committee, not the Grants Committee, the share of the repayments relating to these boroughs will be transferred to the Joint Committee to contribute towards the overall funding of the new programme.

Administration of Commissions

21. The staffing costs figures within the proposed 2017/18 budget options reflects all of these posts, together with the apportionment of time spent on Grants Committee activities by other London Councils staff, such as Grants Committee servicing and Public Affairs. The staffing budget also includes a £10,000 provision for maternity cover and the vacancy level of 2%.
22. In terms of dedicated staff, the overall number of staff is 5.99 fte posts (6.105 fte 2016/17) split between the S.48 programme of 4.69 fte posts (4.83 fte 2016/17) and 1.3 fte posts (1.275 fte 2016/17) dealing with the S.48 Borough/ESF programme.
23. In addition, an apportionment of time spent by Corporate Resources, Corporate Governance other than Committee Servicing, the Chief Executive's office, and London Councils Political Advisors are included in the central recharges figure for supporting the Committee's functions, as well as a notional rental figure for office space occupied at Southwark Street.
24. All estimates of administration expenditure levels have previously been based upon a threshold of 5% of the budget for payments to commissions in respect of the borough funded S.48 scheme, as agreed by Grants Committee in the review of non-grants expenditure levels conducted in early 2009. However, trends emerging over the current four years programme suggest that it is becoming increasingly difficult to contain all administrative costs within the 5% envelope, especially after the introduction of the new monitoring arrangements in April 2013 and the increase in central costs following the review of the recharge model during 2013/14 following an objection to the accounts. Administrative expenditure for the S.48 commissions, therefore now equate to 6.5% (or 5.3% excluding central recharges) of the boroughs S.48 budget of £6.668 million, amounting to £435,000 in total for 2017/18.

25. For the ESF programme, the claimable amount is limited to 5.99% of the total budget as stated in the funding guidelines, equating to £120,000. Total administration costs for 2017/18 are, therefore, estimated to be £555,000, the same amount as for 2016/17.

ESF Grant Income

26. The proposed budget includes gross expenditure of £2m million on activities commissioned under London Councils approved priorities, including administration costs of £120,000, which attracts grant income at 50%, thus reducing the net cost of this activity to £1 million. Both the gross expenditure and the ESF income it attracts are reflected in Appendix A.

2016/17 Outturn Projections

27. The Month 6 forecast report is included as a separate report on this agenda and highlights projected surplus of £854,000 in total for 2016/17, reflecting:

- A projected underspend of £68,092 in respect of S.48 borough funded commissioned services relating to 2016/17, offset by the additional one-off payment of £22,000 to Ashiana, as agreed by the Grants Committee in March 2016;
- A projected net underspend of £828,000, including administration costs, due to slippage in anticipated payments made in respect of the new 2016+ programme, based on the assumption that the programme becomes operational by the end of the third quarter of 2016/17 and that the funding will be applied at this point, offset by grant receipts; and
- A projected overspend position of £20,000 in respect of the administration of S.48 commissions.

Use of Reserves

28. Table 1 below updates the Committee on the revised estimated level of balances as at 31 March 2017, if all current known liabilities and commitments are considered, plus the projected underspend of £854,000 for 2016/17 highlighted in paragraph 21 above:

Table 1 – Estimated Uncommitted Reserves as at 31 March 2017

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2016	634	1,358	1,992
Projected surplus/(deficit) for the year	26	828	854
One-off payments to boroughs in 2016/17	(185)	(301)	(486)
Potential funding of a post to work with City Bridge Trust developing leadership regarding support to the Third Sector in 2016/17	(38)	-	(38)
Projected reserves as at 31 March 2017	437	1,885	2,322

29. Following discussions at the Grants Executive meeting in September 2013, it was agreed that it would be appropriate to retain a minimum level of reserves equating to 3.75% of the S.48 borough programme. Based on a reduced borough programme of £6.668 million, this equates to £250,000 for 2017/18. If the recommendations contained in this report are agreed by this Committee and approved by the Leaders' Committee on 6 December, the revised projected position on reserves is detailed in Table 2 below:

Table 2 – Estimated Uncommitted Reserves as at 31 March 2017

	Borough	ESF	Total
	£000	£000	£000
Projected reserves as at 31 March 2017	437	1,885	2,322
Repayment to boroughs in 2017/18	(156)	-	(156)
Potential funding of support to the Third Sector via the City Bridge Trust in 2017/18	(75)	-	(75)
ESF commitments 2017/18 – 2019/20	-	(1,885)	(1,885)
Projected reserves as at 31 March 2017	206	-	206
Indicative total expenditure 2016/17	6.668	2,000	8.668
Forecast reserves as a % of indicative expenditure	3.09	-	2.38

30. The projected residual level of reserves of £206,000, or 3.09%, of the S.48 programme, therefore, is clearly less than the 3.75% benchmark. However, over the past four years, monitoring has been tight, with no overspends reported on individual commissions. In fact, the opposite has prevailed with early interventions ensuring that in a number of instances, funding has been withheld if outcomes or information cannot be verified, resulting in some minor underspends that have been taken into reserves. It is envisaged, therefore, that based on recent trends, uncommitted reserves are likely to replenish towards the desired benchmark level during the course of 2017/18. It is proposed, therefore, that the Committee approves the return of £156,000 to boroughs in the form of a repayment in 2017/18 as laid out in this report.

31. For the ESF programme, reserves of £1.808 million are attributable to the new 2016+ ESF funding arrangements that are now managed by the GLA/LEP. The start of the new programme has slipped until November 2016, so this sum will be applied over the three-year project period up until the revised project end date of 2019/20. The residual £77,000 relates to the expired 2013-15 ESF programme, the final position for which is close to being finalised and this sum will be used to fund any residual liabilities or shortfalls in grant funding.

Borough Contributions

32. Paragraphs 16 to 18 of this report set out the legal position relating to contributions payable by constituent councils to the London Councils Grants Scheme. Contributions for 2017/18 have been calculated using the ONS mid-year population estimates for June 2015 and are set out in Appendix B, together with the effect of the proposed repayment to boroughs of £156,000.

Summary

33. This report considers the proposed budget for the Grants Scheme for 2017/18 and makes a recommendation to the Committee on the appropriate level to recommend to constituent councils for approval, subject to the agreement of the overall budget by Leaders' Committee. Specifically, the report proposes to continue with an overall level of expenditure in 2017/18 of £8.668 million, which requires borough contributions of £7.668 million (refer to Appendix B). A repayment to boroughs of £156,000 from Committee reserves is also recommended, subject to approval from the Leaders' Committee on 6 December, as well as an additional sum of £75,000 from reserves to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector.

34. The financial year 2017/18 represents to first year of the new four-year programme of commissions provided by the Grants Committee under S.48 of the Local Government Act 1985, as recommended by the Grants Committee and approved by the Leaders' Committee in March 2016. This has resulted in a reduction in the £8 million budget for the priority, pan-London commissioned services of £1.332 million to £6.668 million, with all of the reduction applying to the existing Priority 4 Capacity Building stream of work.

Recommendations

35. Subject to the agreement of London Councils Leaders' Committee on 6 December 2016, that Members agree:
- an overall level of expenditure of £8.668 million for the Grants Scheme in 2017/18 (inclusive of £2 million gross ESF programme);
 - that taking into account the application of £1 million ESF grant, borough contributions for 2016/17 should be £7.668 million;
 - that, in addition and for 2017/18 only, a proposed transfer from Grants Committee uncommitted S.48 reserves of £156,000 be made and returned to boroughs in the form of a repayment;
 - that a further sum of £75,000 be transferred from uncommitted S.48 reserves to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector;
 - that further to the recommendations above, constituent councils be informed of the Committee's recommendation and be reminded that further to the Order issued by the Secretary of State for the Environment under Section 48 (4A) of the Local Government Act 1985, if the constituent councils have not reached agreement by the two-thirds majority specified before 1 February 2017 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £10 million);
 - that constituent councils be advised that the apportionment of contributions for 2017/18 will be based on the ONS mid-year population estimates for June 2015 and that this methodology will also apply to the proposed repayment of £156,000 for 2017/18; and
 - that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £555,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities, including ESF administration of £120,000.

Appendices

Appendix A – Proposed revenue income and expenditure budget 2017/18;

Appendix B – Proposed borough subscriptions 2017/18;

Background Papers

Grants Committee Budget Working Papers 2016/17 and 2017/18;

Grants Committee Final Accounts Working Papers 2015/16;

Grants Committee Revenue Budget Forecast Working Papers 2016/17; and

London Councils Consolidated Budget Working Papers 2016/17 and 2017/18.