

London Councils Grants Committee

London Councils Grants Scheme - Item no: 9 Budget Proposals 2018/19

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Summary This report considers the proposed budget for the Grants Scheme for 2018/19 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 5 December 2017, that Members agree:

- an overall level of expenditure of £8.668 million for the Grants Scheme in 2018/19 (inclusive of £2 million gross ESF programme);
- that taking into account the application of £1 million ESF grant and a matched £1 million contribution from accumulated reserves, borough contributions for 2017/18 should be £6.668 million;
- 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 2018 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £8.668 million);
- that constituent councils be advised that the apportionment of contributions for 2018/19 will be based on the ONS mid-year population estimates for June 2016; 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.

Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2018/19 of £8.668 million, the same level as for 2017/18 after deducting borough repayments and City Bridge Trust support in 2017/18, 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% (4.2% excluding central recharges of £155,000) of the proposed grants programme of £6.668 million, inclusive of 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 from accumulated reserves. Boroughs will no longer make a separate £1 million contribution to this strand of the grants programme, as the three-year funding commitment of £3 million expired at the end of 2017/18.
2. The proposed total expenditure budget of £8.668 million will be funded by borough contributions of £6.668 million, ESF grant income of £1 million and a transfer from accumulated S.48 ESF reserves of £1 million.
3. 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 5 December 2017.
4. The financial year 2018/19 represents to second year of the 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, with new commissions being agreed with effect from 1 April 2017.

Approval of Expenditure

5. 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.
6. 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 2018/19 at its meeting on 5 December 2017. 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.

7. 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

8. 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 19 January 2018. 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.
9. 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 2018.
10. 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 2018 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

11. 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.
12. 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."

13. 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 2018. 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

14. To summarise, the timetable for the approval of the budget for 2018/19 is expected to be as follows:

Date	Action
22 November 2017	Grants Committee considers proposed budget and borough contributions for 2018/19 detailed in this report and makes recommendations to Constituent Councils, subject to approval of Leaders' Committee
5 December 2017	Leaders' Committee is asked to approve the level of budget and borough contributions for 2018/19, as recommended by the Grants Committee on 22 November
6-8 December	Constituent Councils formally notified of the approved level of

2017	budget and borough contributions for 2018/19
11 December 2017 – 31 January 2018	Constituent Councils to individually ratify the overall level of expenditure for 2018/19 through their respective decision-making arrangements
1-15 February 2018	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2018/19 on Constituent Councils
15 February 2018	Constituent Councils informed of level of approved expenditure and borough contributions for 2018/19

Budget Proposal for 2018/19

15. Appendix A to this report sets out detailed information relating to the proposed budget for 2018/19. 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 current ESF joint funded programme;
- An indicative gross commissioning budget of £8.113 million, the same level as for the current year; and
- 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% (4.2% 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.

Administration of Commissions

16. The staffing costs figures within the proposed 2018/19 budget options reflects direct staffing costs delivery the S.48 Priority 1 and 2 programme plus the S.48 ESF programme, 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%.
17. 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.

18. 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, with recent cost pressures, 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 London Councils accounts. Administrative expenditure for the S.48 commissions, therefore now equate to 6.5% (or 4.2% excluding central recharges) of the boroughs S.48 budget of £6.668 million, amounting to £435,000 in total for 2018/19.
19. 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 2018/19 are, therefore, estimated to be £555,000, the same amount as for 2017/18.

ESF Grant Income

20. 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. For 2018/19, the 50% matched funding will not be provided through further borough contributions; instead it will be transferred from accumulated S.48 ESF reserves built up from borough contributions collected during 2015/16 and 2016/17 but which were not applied in these years due to slippage in the programme. Both the gross expenditure, the ESF income it attracts and the proposed transfer from reserves are reflected in Appendix A.

2017/18 Outturn Projections

21. The Month 6 forecast report is included as a separate report on this agenda and highlights projected surplus of £541,000 in total for 2017/18, reflecting:
- A projected breakeven position in respect of S.48 borough funded commissioned services relating to 2017/18;
 - A projected net surplus position of £542,000 in respect of anticipated payments made in respect of the S.48 ESF programme, after taking into account borough contributions and ESF grant; and
 - A projected marginal overspend position of £1,000 in respect of the overall administration of all commissions.

Use of Reserves

22. Table 1 below updates the Committee on the revised estimated level of balances as at 31 March 2018, if all current known liabilities and commitments are considered, plus the projected underspend of £541,000 for 2017/18, highlighted in paragraph 21 above:

Table 1 – Estimated Uncommitted Reserves as at 31 March 2018

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2017	443	1,575	2,018
Write back of 2016/17 overstated liabilities	119	-	119
One-off payments to boroughs in 2017/18	(156)	-	(156)

Funding for City Bridge Trust/ Third Sector liaison in 2017/18	(75)	-	(75)
Projected surplus/(deficit) for the year	(1)	542	541
Projected reserves as at 31 March 2018	330	2,117	2,447

23. 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 proposed 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 2018

	Borough	ESF	Total
	£000	£000	£000
Projected reserves as at 31 March 2018	330	2,117	2,447
ESF commitments 2018/19 – 2019/20	-	(2,117)	(2,117)
Projected reserves as at 1 April 2018	330	-	330
Indicative total expenditure 2017/18	6.668	2,000	8.668
Forecast reserves as a % of indicative expenditure	4.94	-	-

24. The projected residual level of S.48 reserves of £330,000, or 4.94%, of the £6.668 S.48 programme, therefore, is in excess of the 3.75% benchmark.

25. Reserves of £2.117 million are attributable to the 2015-18 S.48 ESF programme, now managed by the GLA/LEP. The start of the programme slipped until November 2016, so this sum will be applied over the period up until the revised project end date of March 2019. This report recommends that an initial sum of £1 million out of this provision be applied in 2018/19, to replace the ceased borough contributions towards the S.48 ESF programme.

Borough Contributions

26. Paragraphs 11 to 13 of this report set out the legal position relating to contributions payable by constituent councils to the London Councils Grants Scheme. Contributions for 2018/19 have been calculated using the ONS mid-year population estimates for June 2016 and are set out in Appendix B.

Summary

27. This report considers the proposed budget for the Grants Scheme for 2018/19 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 £6.668 million (refer to Appendix B), a £1 million reduction on the figure of £7.668 million contributed by boroughs in 2017/18.

28. The financial year 2018/19 represents to second year of the 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.

Recommendations

29. Subject to the agreement of London Councils Leaders' Committee on 5 December 2017, that Members agree:

- an overall level of expenditure of £8.668 million for the Grants Scheme in 2018/19, inclusive of £2 million gross ESF programme;
- that taking into account the application of £1 million ESF grant and a matched £1 million contribution from accumulated reserves, borough contributions for 2017/18 should be £6.668 million;
- 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 2018 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £8.668 million);
- that constituent councils be advised that the apportionment of contributions for 2018/19 will be based on the ONS mid-year population estimates for June; 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 2018/19;

Appendix B – Proposed borough subscriptions 2018/19;

Background Papers

Grants Committee Budget Working Papers 2017/18 and 2018/19;

Grants Committee Final Accounts Working Papers 2016/17;

Grants Committee Revenue Budget Forecast Working Papers 2017/18; and

London Councils Consolidated Budget Working Papers 2017/18 and 2018/19.

Grants Committee Income and Expenditure Budget 2018/19

Expenditure	Revised Budget 2017/18 £000	Developments £000	Inflation £000	Original Budget 2018/19 £000
Payments in respect of Grants				
London Councils Grants Programme	6,173	0	0	6,173
Membership Fees to London Funders (for all boroughs)	60	0	0	60
City Bridge trust Liaison	75	-75	0	0
European Social Fund Co-Financing	1,880	0	0	1,880
Sub-Total	8,188	-75	0	8,113
Operating (Non-Grants) Expenditure				
Contractual Commitments				
Maintenance of GIFTS Grants IT system	10	0	0	10
	10	0	0	10
Salary Commitments				
Officers	353	0	0	353
Members	19	0	0	19
Maternity provision	10	0	0	10
	382	0	0	382
Discretionary Expenditure				
Staff training/recruitment advertising	6	0	0	6
Staff travel	2	0	0	2
	8	0	0	8
One-off payment to boroughs	156	-156	0	0
Total Operating Expenditure	556	-156	0	400
Central Recharges	155	0	0	155
Total Expenditure	8,899	-231	0	8,668
Income				
Core borough subscriptions				
Contribution to grant payments	7,173	-1,000	0	6,173
Contribution to non-grants expenditure	495	0	0	495
	7,668	-1,000	0	6,668
Other Income				
ESF Grant Income	1,000	0	0	1,000
	1,000	0	0	1,000
Transfer from Reserves	231	769	0	1,000
Central Recharges	0	0	0	0
Total Income	8,899	-231	0	8,668
Net Expenditure	0	0	0	0

Borough Subscriptions 2018/19

Appendix B

ONS Mid-2015 Estimate of Population ('000)	%	2017/18 Base Borough Contribution (£)		ONS Mid-2016 Estimate of Population ('000)	%	2018/19 Base Borough Contribution (£)	Base Difference from 2017/18 (£)
241.06	2.74%	213,113	Inner London	246.18	2.80%	186,799	-26,314
8.76	0.10%	7,744	Camden	9.40	0.11%	7,133	-612
274.80	3.13%	242,941	City of London	279.77	3.18%	212,286	-30,655
269.01	3.06%	237,823	Greenwich	273.53	3.11%	207,551	-30,271
179.41	2.04%	158,610	Hackney	179.65	2.04%	136,316	-22,294
227.69	2.59%	201,293	Hammersmith and Fulham	232.87	2.65%	176,699	-24,594
157.71	1.79%	139,426	Islington	156.73	1.78%	118,925	-20,501
324.43	3.69%	286,818	Kensington and Chelsea	327.91	3.73%	248,814	-38,003
297.33	3.38%	262,859	Lambeth	301.87	3.44%	229,056	-33,804
308.90	3.52%	273,088	Lewisham	313.22	3.56%	237,668	-35,420
295.24	3.36%	261,012	Southwark	304.85	3.47%	231,317	-29,695
314.54	3.58%	278,074	Tower Hamlets	316.10	3.60%	239,853	-38,221
242.30	2.76%	214,209	Wandsworth	247.61	2.82%	187,884	-26,326
			Westminster				
3,141.18	35.74%	2,777,011		3,189.69	36.30%	2,420,301	-356,710
			Outer London				
201.98	2.30%	178,564	Barking and Dagenham	206.46	2.35%	156,660	-21,904
379.69	4.32%	335,671	Barnet	386.08	4.39%	292,953	-42,718
242.14	2.76%	214,068	Bexley	244.76	2.79%	185,721	-28,347
324.01	3.69%	286,446	Brent	328.25	3.74%	249,072	-37,374
324.86	3.70%	287,198	Bromley	326.88	3.72%	248,033	-39,165
379.03	4.31%	335,088	Croydon	382.30	4.35%	290,085	-45,003
343.06	3.90%	303,288	Ealing	343.20	3.91%	260,416	-42,871
328.43	3.74%	290,354	Enfield	331.40	3.77%	251,463	-38,891
272.86	3.10%	241,226	Haringey	278.45	3.17%	211,285	-29,942
247.13	2.81%	218,479	Harrow	248.75	2.83%	188,749	-29,731
249.09	2.83%	220,212	Havering	252.78	2.88%	191,807	-28,405
297.74	3.39%	263,222	Hillingdon	302.47	3.44%	229,511	-33,711
268.77	3.06%	237,610	Hounslow	271.14	3.09%	205,738	-31,873
173.53	1.97%	153,412	Kingston upon Thames	176.11	2.00%	133,630	-19,782
204.57	2.33%	180,853	Merton	205.03	2.33%	155,574	-25,279
332.82	3.79%	294,235	Newham	340.98	3.88%	258,732	-35,503
296.79	3.38%	262,382	Redbridge	299.25	3.41%	227,068	-35,314
194.73	2.22%	172,154	Richmond upon Thames	195.85	2.23%	148,609	-23,545
200.15	2.28%	176,946	Sutton	202.22	2.30%	153,442	-23,504
271.17	3.09%	239,732	Waltham Forest	275.84	3.14%	209,304	-30,428
5,532.55	62.96%	4,891,141		5,598.20	63.70%	4,247,851	-643,290
8,673.73	98.70%	7,668,152	Totals	8,787.89	100.00%	6,668,152	-1,000,000

7,668,152

6,668,152