

Leaders' Committee

London Councils Grants Scheme - Budget Proposals 2019/20

Item no: 9

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Date: 4 December 2018
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Summary This report considers the proposed budget for the Grants Scheme for 2019/20 and makes a recommendation to the Committee on the appropriate level to recommend to constituent councils for approval. These proposals were considered by the Grants Committee at its meeting on 21 November. The Grants Committee agreed to recommend that the Leaders' Committee approve these proposals.

Recommendations The Leaders' Committee is asked to agree:

- an overall level of expenditure of £6.909 million for the Grants Scheme in 2019/20 (inclusive of £241,000 residual gross ESF programme);
- that taking into account the application of £58,000 ESF grant and £183,000 from accumulated reserves, borough contributions for 2019/20 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 2019 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 2019/20 will be based on the ONS mid-year population estimates for June 2017
- that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £574,000 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 £139,000 required to wind down the current programme; and

- that a decision on options over the level of Grants Committee reserves going forward should be deferred until the meeting of the Grants Executive Committee in February 2019, with proposals being considered by the main Grants Committee meeting in March 2019. By this time, the end of project position in respect of the S.48 ESF programme will be clearer. The outcome will be brought back to a later meeting of this Committee for approval.
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London Councils Grants Scheme - Budget Proposals 2019/20

Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2019/20 of £6.909 million, a reduction of £1.758 million on the total programme of £8.668 million for 2018/19, comprising:
 - The cost of borough pan-London commissioned services of £6.668 million, covering priorities 1 and 2 plus the cost of administering the scheme, equating to £435,000 or 6.5% (4% excluding central recharges of £167,000) of the proposed programme. This sum includes of the membership subscriptions for boroughs for London Funders of £60,000; and
 - The residual gross cost of the ESF programme of £241,000, including £139,000 administration costs, offset by ESF grant of £58,000, leaving a net cost of £183,000 to be funded from accumulated reserves.
2. The proposed total expenditure budget of £6.909 million will be funded, therefore, by borough contributions of £6.668 million, ESF grant income of £58,000 and a transfer from accumulated S.48 ESF reserves of £183,000.
3. These proposals were considered by the Grants Committee at its meeting on 21 November. The Grants Committee agreed to recommend that the Leaders' Committee approve these proposals. The Leaders' Committee will need to reach a view on both the appropriate overall level of expenditure and to recommend the budget to constituent Councils.
4. The financial year 2019/20 represents the third 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.

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 budget proposals contained in this report were considered by the Grants Committee at its meeting on 21 November and the recommendations of the Grants Committee are reflected in this report. 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 Grants Committee decides on an overall level of expenditure, subject to the agreement of the 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 18 January 2019. 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 2019.
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 2019 the Secretary of State for Housing, 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 2019. 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 2019/20 is expected to be as follows:

Date	Action
21 November 2018	Grants Committee considered proposed budget and borough contributions for 2019/20 detailed in this report and made recommendations to Constituent Councils, subject to approval of Leaders' Committee.
4 December 2018	This Committee is asked to approve the level of budget and borough contributions for 2019/20, as recommended by the Grants Committee on 21 November
5-7 December 2018	Constituent Councils formally notified of the approved level of budget and borough contributions for 2019/20
10 December 2018 – 31 January 2019	Constituent Councils to individually ratify the overall level of expenditure for 2019/20 through their respective decision-making arrangements
1-15 February 2019	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2019/20 on Constituent Councils
15 February 2019	Constituent Councils informed of level of approved expenditure and borough contributions for 2019/20

Budget Proposal for 2019/20

15. Appendix A to this report sets out detailed information relating to the proposed budget for 2019/20. The budget assumes:

- A core, pan-London scheme of services to meet agreed service priorities 1 and 2 of £6.233 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;

- An additional gross sum of £241,000 relating to the residual liabilities arising from the current ESF joint funded programme;
- An indicative gross commissioning budget of £6.335 million, a reduction of £1.778 million on the equivalent figure for the current year; and
- In addition to the indicative gross grant payments budget of £6.335 million, the proposal includes a provision for grants administration of £574,000. This comprises of 6.5% (4% excluding central recharges) of the boroughs grants budget of £6.668 million, amounting to £435,000, plus a sum of £139,000 earmarked to complete all residual tasks in respect of the winding up of the S.48 ESF commissioned services, including the submission of the final grant claims. This sum exceeds the £120,000 provision for the current year, which equates to 5.99% of the £2 million gross S.48 ESF commissions for 2018/19.

Administration of Commissions

16. The staffing costs figures within the proposed 2019/20 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 continues to be challenging 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% excluding central recharges) of the boroughs S.48 budget of £6.668 million, amounting to £435,000 in total for 2019/20.
19. For the ESF programme, the estimated level of administrative costs required in 2019/20 to close the programme down is £139,000. Total administration costs for 2019/20 are, therefore, estimated to be £574,000, a £19,000 increase on the equivalent figure for 2018/19.

ESF Grant Income

20. The proposed budget includes gross expenditure of £241,000 on activities commissioned under London Councils approved priorities, including administration costs of £139,000, which attracts grant income on eligible expenditure of £58,000, thus reducing the net cost of this activity to £183,000. For 2019/20, the matched funding element will again 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 the period 2015/16 - 2017/18 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.

Use of Reserves

21. Table 1 below updates the Committee on the revised estimated level of balances as at 31 March 2019, if all current known liabilities and commitments are considered, plus the projected underspend of £110,000 for 2018/19, highlighted in paragraph 22 above:

Table 1 – Estimated Uncommitted Reserves as at 31 March 2019

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2018	523	1,920	2,443
Approved for use in 2018/19	-	(1,661)	(1,661)
Projected surplus/(deficit) for the year	110	-	110
Projected reserves as at 31 March 2019	633	259	892

22. At its meeting in September 2013, the Grants Executive 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 2019/20. If the recommendations contained in this report are agreed by this Committee and approved by the Leaders' Committee on 4 December, the revised projected position on reserves is detailed in Table 2 below:

Table 2 – Estimated Uncommitted Reserves as at 1 April 2019

	Borough	ESF	Total
	£000	£000	£000
Projected reserves as at 31 March 2019	633	259	892
ESF commitments 2019/20	-	(183)	(183)
Projected reserves as at 1 April 2019	633	76	709
Indicative total expenditure 2019/20	6,668	241	6,909
Forecast reserves as a % of indicative expenditure	9.49	31.5	10.26

23. The projected residual level of S.48 reserves of £633,000, or 9.49%, of the £6.668 million S.48 programme, therefore, is in excess of the 3.75% benchmark. In addition, residual S.48 ESF reserves of £76,000 are projected following the recommended transfer of £183,000 to revenue to fund the residual level of commitments up until the project end date of 30 June 2019.

24. At the meeting of the Grants Committee on 21 November 2018, it was agreed that a decision on options over the level of reserves going forward should be deferred until the next meeting of the Grants Executive Committee in February 2019, with proposals being considered by the main Grants Committee meeting in March 2019. By this time, the end of project position in respect of the S.48 ESF programme will be clearer. The outcome will be brought back to a later meeting of this Committee for approval.

25. The Grants Executive also noted that outcomes arising from the London Councils Challenge are expected to be finalised during the final quarter of the current financial year. The London Councils Executive will then be considering the financial implications of any recommendations, which may lead to a potential call on reserves held by each of London Councils three funding streams. The Grants Committee will be fully consulted during this process and asked to consider any proposed use of Committee reserves

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 2019/20 have been calculated using the ONS mid-year population estimates for June 2017 and are set out in Appendix B.

Summary

27. This report considers the proposed budget for the Grants Scheme for 2019/20 and makes a recommendation to the Committee on the appropriate level to recommend to constituent councils for approval, following recommendation made by the Grants Committee at its meeting on 21 November. Specifically, the report proposes to continue with an overall level of expenditure in 2019/20 of £6.909 million, which requires borough contributions of £6.668 million (refer to Appendix B), the same level of contribution as for the current year.

28. The financial year 2019/20 represents to third 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. The Leaders' Committee is asked to agree:

- an overall level of expenditure of £6.909 million for the Grants Scheme in 2019/20, inclusive of £241,000 residual gross ESF programme;

- that taking into account the application of £58,000 ESF grant and a £183,000 contribution from accumulated reserves, borough contributions for 2019/20 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 2019 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 2019/20 will be based on the ONS mid-year population estimates for June 2017;
- that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £574,000 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 £139,000; and
- that a decision on options over the level of Grants Committee reserves going forward should be deferred until the meeting of the Grants Executive Committee in February 2019, with proposals being considered by the main Grants Committee meeting in March 2019. By this time, the end of project position in respect of the S.48 ESF programme will be clearer. The outcome will be brought back to a later meeting of this Committee for approval.

Appendices

Appendix A – Proposed revenue income and expenditure budget 2019/20;

Appendix B – Proposed borough subscriptions 2019/20;

Background Papers

Grants Committee Budget Working Papers 2018/19 and 2019/20;

Grants Committee Final Accounts Working Papers 2017/18;

Grants Committee Revenue Budget Forecast Working Papers 2018/19; and

London Councils Consolidated Budget Working Papers 2018/19 and 2019/20.

Grants Committee Income and Expenditure Budget 2019/20

Expenditure	Revised Budget 2018/19 £000	Developments £000	Inflation £000	Original Budget 2019/20 £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
European Social Fund Co-Financing	1,880	-1,778	0	102
Sub-Total	8,113	-1,778	0	6,335
Operating (Non-Grants) Expenditure				
Contractual Commitments				
Maintenance of GIFTS Grants IT system	10	0	0	10
	10	0	0	10
Salary Commitments				
Officers	353	-61	7	299
Members	19	0	0	19
Maternity provision	10	0	0	10
	382	-61	7	328
Discretionary Expenditure				
Staff training/recruitment advertising	6	1	0	7
Staff travel	2	0	0	2
	8	1	0	9
Total Operating Expenditure	400	-60	7	347
Central Recharges	155	72	0	227
Total Expenditure	8,668	-1,766	7	6,909
Income				
Core borough subscriptions				
Contribution to grant payments	6,173	0	0	6,173
Contribution to non-grants expenditure	495	0	0	495
	6,668	0	0	6,668
Other Income				
ESF Grant Income	1,000	-942	0	58
	1,000	-942	0	58
Transfer from Reserves	1,000	-817	0	183
Central Recharges	0	0	0	0
Total Income	8,668	-1,759	0	6,909
Net Expenditure	0	7	-7	0

Borough Subscriptions 2019/20

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Appendix B

ONS Mid-2016 Estimate of Population ('000)	%	2018/19 Base Borough Contribution (£)		ONS Mid-2017 Estimate of Population ('000)	%	2019/20 Base Borough Contribution (£)	Base Difference from 2018/19 (£)
246.18	2.79%	186,799	Inner London Camden City of London Greenwich Hackney Hammersmith and Fulham Islington Kensington and Chelsea Lambeth Lewisham Southwark Tower Hamlets Wandsworth Westminster	253.36	2.87%	191,438	4,639
9.40	0.11%	7,133		7.65	0.09%	5,780	-1,352
279.77	3.17%	212,286		282.85	3.21%	213,721	1,434
273.53	3.10%	207,551		275.93	3.13%	208,492	940
179.65	2.04%	136,316		183.00	2.07%	138,274	1,958
232.87	2.64%	176,699		235.00	2.66%	177,565	866
156.73	1.78%	118,925		155.74	1.76%	117,677	-1,248
327.91	3.72%	248,814		324.05	3.67%	244,851	-3,963
301.87	3.42%	229,056		301.31	3.41%	227,669	-1,387
313.22	3.55%	237,668		314.23	3.56%	237,431	-237
304.85	3.45%	231,317		307.96	3.49%	232,694	1,377
316.10	3.58%	239,853		323.26	3.66%	244,254	4,401
247.61	2.81%	187,884		244.80	2.77%	184,970	-2,914
3,189.69	36.14%	2,420,301		3,209.14	36.36%	2,424,817	4,516
206.46	2.34%	156,660	Outer London Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hillingdon Hounslow Kingston upon Thames Merton Newham Redbridge Richmond upon Thames Sutton Waltham Forest	210.71	2.39%	159,212	2,552
386.08	4.37%	292,953		387.80	4.39%	293,021	67
244.76	2.77%	185,721		246.12	2.79%	185,968	246
328.25	3.72%	249,072		329.10	3.73%	248,667	-405
326.88	3.70%	248,033		329.39	3.73%	248,886	853
382.30	4.33%	290,085		384.84	4.36%	290,784	699
343.20	3.89%	260,416		342.74	3.88%	258,973	-1,443
331.40	3.76%	251,463		332.71	3.77%	251,395	-68
278.45	3.16%	211,285		271.22	3.07%	204,933	-6,352
248.75	2.82%	188,749		248.88	2.82%	188,053	-696
252.78	2.86%	191,807		256.04	2.90%	193,463	1,656
302.47	3.43%	229,511		302.34	3.43%	228,447	-1,064
271.14	3.07%	205,738		269.10	3.05%	203,331	-2,407
176.11	2.00%	133,630		174.61	1.98%	131,935	-1,695
205.03	2.32%	155,574		206.05	2.33%	155,691	116
340.98	3.86%	258,732		348.00	3.94%	262,948	4,216
299.25	3.39%	227,068		301.79	3.42%	228,032	964
195.85	2.22%	148,609		195.68	2.22%	147,855	-754
202.22	2.29%	153,442		203.24	2.30%	153,568	125
275.84	3.13%	209,304		275.51	3.12%	208,175	-1,130
5,598.20	63.44%	4,247,851		5,615.87	63.64%	4,243,335	-4,516
8,787.89	99.58%	6,668,152	Totals	8,825.01	100.00%	6,668,152	0

6,668,152

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