

Leaders' Committee

London Councils Grants Scheme - Budget Proposals 2021/22

Item no: 8

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Summary

This report considers the proposed budget for the London Boroughs Grants Scheme for 2021/22 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 11 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 £6.668 million for the Grants Scheme in 2021/22;
- borough contributions for 2021/22 to fully cover the scheme 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 2021 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £6.668 million);
- that constituent councils be advised that the apportionment of contributions for 2021/22 will be based on the ONS mid-year population estimates for June 2019;
- that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £435,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities; and
- agree that a 'response' fund, funded through reserves, is used

flexibly to support aspects of transition and recovery as proposed by the Grants Committee at its 11 November meeting. If agreed the Grants Executive will consider the detail of the response fund at its February 2021 meeting.

London Councils Grants Scheme - Budget Proposals 2021/22

Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2021/22 of £6.668 million, the same as the current year, 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% (4.0% excluding central recharges of £169,000) of the proposed programme. This sum includes of the membership subscriptions for boroughs for London Funders of £60,000;
2. The proposed total expenditure budget of £6.668 million will be fully funded by borough contributions of £6.668 million.
3. These proposals were considered by the Grants Committee at its meeting on 11 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 2021/22 represents the final year of the extended five-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. Consultation will shortly commence on the priorities for the new grants programme covering the four years 2022 to 2026.

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 13 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 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 15 January 2021. 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 2021.
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 2021 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 2021. 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 2021/22 is expected to be as follows:

Date	Action
11 November 2020	Grants Committee considered proposed budget and borough contributions for 2021/22 detailed in this report and made recommendations to Constituent Councils, subject to approval of Leaders' Committee.
8 December 2020	This Committee is asked to approve the level of budget and borough contributions for 2021/22, as recommended by the Grants Committee on 11 November.
9-11 December 2020	Constituent Councils formally notified of the approved level of budget and borough contributions for 2021/22.
11 December 2020 – 31 January 2021	Constituent Councils to individually ratify the overall level of expenditure for 2021/22 through their respective decision-making arrangements.
1-15 February 2021	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2021/22 on Constituent Councils.
15 February 2021	Constituent Councils informed of level of approved expenditure and borough contributions for 2021/22.

Budget Proposal for 2021/22

15. Appendix A to this report sets out detailed information relating to the proposed budget for 2021/22. 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;

- In addition to the indicative gross grant payments budget of £6.233 million, the proposal includes a provision for grants administration of £435,000 which amounts to 6.5% (4% excluding central recharges) of the boroughs grants budget of £6.668 million.

Administration of Commissions

16. The staffing costs figures within the proposed 2021/22 budget options reflects direct staffing costs delivery the S.48 Priority 1 and 2 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 4.0% excluding central recharges) of the boroughs S.48 budget of £6.668 million, amounting to £435,000 in total for 2021/22.

Use of Reserves

19. Table 1 below updates the Committee on the revised estimated level of balances as at 31 March 2021, if all current known liabilities and commitments are considered, plus the projected underspend of £31,000 for 2020/21:

Table 1 – Estimated Uncommitted Reserves as at 31 March 2021

	Borough	ESF/NRPF	Total
	£000	£000	£000
Audited reserves as at 1 April 2020	820	1,074	1,894
Approved for use in 2020/21	-	(960)	(960)
Projected surplus/(deficit) for the year	31	-	31
Projected reserves as at 31 March 2020	851	114	965

20. 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 2021/22. If the recommendations contained in this report are approved by this committee, the revised projected position on reserves is detailed in Table 2 below:

Table 2 – Estimated Uncommitted Reserves as at 1 April 2021

	Borough	ESF/NRPF	Total
	£000	£000	£000
Projected reserves as at 31 March 2021	851	114	965
Commitments in 2021/22	-	-	-
Projected reserves as at 1 April 2021	851	114	965
Indicative total expenditure 2020/21	6,668	-	6,668
Forecast reserves as a % of indicative expenditure	12.76	-	14.47

21. The projected residual level of S.48 reserves is £851,000, or 12.76% of the £6.668 million S.48 programme. In addition, residual S.48 ESF/NRPF reserves of £114,000 remain and will be subsumed into the Borough S.48 reserves. This raises the level of reserves to £965,000, or 14.47%, which is in excess of the 3.75% benchmark.

Borough Contributions

22. 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 2021/22 have been calculated using the ONS mid-year population estimates for June 2019 and are set out in Appendix B.

Summary

23. This report considers the proposed budget for the Grants Scheme for 2021/22 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 11 November. Specifically, the report proposes to continue with an overall level of expenditure in 2021/22 of £6.668 million, which requires borough contributions of £6.668 million (refer to Appendix B), the same level of contribution as for the current year.
24. The financial year 2021/22 represents the final year of the extended five-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

25. The Leaders Committee is asked to agree:
- an overall level of expenditure of £6.668 million for the Grants Scheme in 2021/22;
 - borough contributions for 2021/22 should be £6.668 million to fully cover the cost of the scheme;
 - 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 2020 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £6.668 million);
 - that constituent councils be advised that the apportionment of contributions for 2021/22 will be based on the ONS mid-year population estimates for June 2019;
 - that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £435,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities; and

- agree that a 'response' fund, funded through reserves, is used flexibly to support aspects of transition and recovery as proposed by the Grants Committee at its 11 November meeting. If agreed the Grants Executive will consider the detail of the response fund at its February 2021 meeting.

Appendices

Appendix A – Proposed revenue income and expenditure budget 2021/22;

Appendix B – Proposed borough subscriptions 2021/22;

Background Papers

Grants Committee Budget Working Papers 2020/21 and 2021/22;

Grants Committee Final Accounts Working Papers 2019/20;

Grants Committee Revenue Budget Forecast Working Papers 2020/21; and

London Councils Consolidated Budget Working Papers 2020/21 and 2021/22.

Grants Committee Income and Expenditure Budget 2021/22

Expenditure	Revised Budget 2020/21 £000	Developments £000	Inflation £000	Original Budget 2021/22 £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	0	0	0	0
Sub-Total	6,233	0	0	6,233
Operating (Non-Grants) Expenditure				
Contractual Commitments				
Maintenance of GIFTS Grants IT system	10	0	0	10
	10	0	0	10
Salary Commitments				
Officers	228	-16	6	218
Members	19	0	0	19
Maternity provision	10	0	0	10
	257	-16	6	247
Discretionary Expenditure				
Staff training/recruitment advertising	7	0	0	7
Staff travel	2	0	0	2
	9	0	0	9
Total Operating Expenditure	276	-16	6	266
Central Recharges	159	0	10	169
Total Expenditure	6,668	-16	16	6,668
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
Transfer from Reserves	0	0	0	0
Central Recharges	0	0	0	0
Total Income	6,668	0	0	6,668
Net Expenditure	0	16	-16	0

Borough Subscriptions 2021/22

ONS Mid-2018 Estimate of Population ('000)	%	2020/21 Base Borough Contribution (£)		ONS Mid-2019 Estimate of Population ('000)	%	2021/22 Base Borough Contribution (£)	Base Difference from 2020/21 (£)
262.23	2.94%	196,291	Inner London Camden City of London Greenwich Hackney Hammersmith and Fulham Islington Kensington and Chelsea Lambeth Lewisham Southwark Tower Hamlets Wandsworth Westminster	270.03	3.01%	200,915	4,623
8.71	0.10%	6,520		9.72	0.11%	7,233	713
286.19	3.21%	214,227		287.94	3.21%	214,243	16
279.67	3.14%	209,346		281.12	3.14%	209,167	-179
185.43	2.08%	138,803		185.14	2.07%	137,755	-1,048
239.14	2.68%	179,007		242.47	2.71%	180,407	1,400
156.20	1.75%	116,923		156.13	1.74%	116,168	-756
325.92	3.66%	243,966		326.03	3.64%	242,585	-1,381
303.54	3.41%	227,214		305.84	3.41%	227,561	347
317.26	3.56%	237,484		318.83	3.56%	237,225	-259
317.71	3.57%	237,821		324.75	3.62%	241,626	3,805
326.47	3.66%	244,378		329.68	3.68%	245,296	918
255.32	2.87%	191,119		261.32	2.92%	194,432	3,313
3,263.79	36.64%	2,443,099		3,299.00	36.81%	2,454,612	11,513
212.00	2.38%	158,692	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	212.91	2.38%	158,412	-280
392.14	4.40%	293,535		395.87	4.42%	294,546	1,010
247.26	2.78%	185,086		248.29	2.77%	184,738	-348
330.80	3.71%	247,619		329.77	3.68%	245,366	-2,254
331.10	3.72%	247,844		332.34	3.71%	247,274	-570
385.35	4.33%	288,453		386.71	4.32%	287,731	-722
341.98	3.84%	255,988		341.81	3.81%	254,320	-1,668
333.87	3.75%	249,917		333.79	3.72%	248,359	-1,558
270.62	3.04%	202,572		268.65	3.00%	199,886	-2,685
250.15	2.81%	187,249		251.16	2.80%	186,875	-374
257.81	2.89%	192,983		259.55	2.90%	193,119	136
304.82	3.42%	228,172		306.87	3.42%	228,326	154
270.78	3.04%	202,691		271.52	3.03%	202,026	-665
175.47	1.97%	131,348		177.51	1.98%	132,074	726
206.19	2.31%	154,343		206.55	2.30%	153,682	-661
352.01	3.95%	263,496		353.13	3.94%	262,749	-747
303.86	3.41%	227,453		305.22	3.41%	227,100	-354
196.90	2.21%	147,389		198.02	2.21%	147,336	-53
204.53	2.30%	153,100		206.35	2.30%	153,534	433
276.70	3.11%	207,123		276.98	3.09%	206,089	-1,034
5,644.34	63.36%	4,225,053		5,662.99	63.19%	4,213,540	-11,513
8,908.13	100.00%	6,668,152	Totals	8,961.99	100.00%	6,668,152	0

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