

London Councils Grants Committee

London Councils Grants Scheme - Item no: 10 Budget Proposals 2020/21

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Summary	This report considers the proposed budget for the Grants Scheme for 2020/21 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	<p>Subject to the agreement of London Councils Leaders' Committee on 3 December 2019, that the Grants Committee agree:</p> <ul style="list-style-type: none">• an overall level of expenditure of £6.668 million for the Grants Scheme in 2020/21;• borough contributions for 2020/21 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 2020 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £6.909 million);• that constituent councils be advised that the apportionment of contributions for 2020/21 will be based on the ONS mid-year population estimates for June 2018;• 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• that a decision on options over the level of reserves going forward should be deferred until the meeting of the Executive Committee in February 2020, with proposals being brought back to a later meeting of this Committee for approval.

London Councils Grants Scheme - Budget Proposals 2020/21

Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2020/21 of £6.668 million, a reduction of £241,000 on the total programme of £6.909 million for 2019/20, 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 £159,000) of the proposed programme. This sum includes of the membership subscriptions for boroughs for London Funders of £60,000; and
 - A reduction of £241,000 in expenditure following the completion of the ESF programme which ended in June 2019. In the 2019/20 budget this included £139,000 administration costs, offset by ESF grant of £58,000, and a drawdown of £183,000 from accumulated reserves.
2. The proposed total expenditure budget of £6.668 million will be fully funded by borough contributions of £6.668 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 3 December 2019.
4. The financial year 2020/21 represents the final 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 recommendations of the Grants Committee will be reported to Leaders' Committee, which will be considering the budget for the London Councils Grants Scheme for 2020/21 at its meeting on 3 December 2019. 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 17 January 2020. 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 2020.
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 2020 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 2020. 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 2020/21 is expected to be as follows:

Date	Action
13 November 2019	Grants Committee considers proposed budget and borough contributions for 2020/21 detailed in this report and makes recommendations to Constituent Councils, subject to approval of Leaders' Committee
3 December 2019	Leaders' Committee is asked to approve the level of budget and borough contributions for 2020/21, as recommended by the Grants Committee on 13 November
4-6 December 2019	Constituent Councils formally notified of the approved level of budget and borough contributions for 2020/21
09 December 2019 – 31 January 2020	Constituent Councils to individually ratify the overall level of expenditure for 2020/21 through their respective decision-making arrangements
1-15 February 2020	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2020/21 on Constituent Councils
15 February 2020	Constituent Councils informed of level of approved expenditure and borough contributions for 2020/21

Budget Proposal for 2020/21

15. Appendix A to this report sets out detailed information relating to the proposed budget for 2020/21. 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;
- Therefore, an indicative gross commissioning budget of £6.233 million, a reduction of £102,000 on the equivalent figure for the current year. This relates in full to the priority 3 ESF programme which ended in June 2019; and

- 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 2020/21 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. The recharges model has been further developed in 2019/20 to take account of some central overheads which were previously not being charged to Grants. 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 2020/21.

ESF Grant Reserves position

19. Following the closure of the ESF programme in June 2019, accumulated reserves in relation ESF remain at approximately £1,019 million, subject to finalisation of final payments to providers. This is due to an overall underspend on the programme and is subject to a decision made by members at this meeting with respect to item 8.

2019/20 Outturn Projections

20. The Month 6 forecast report is included as a separate report on this agenda and highlights projected surplus of £40,000 in total for 2019/20, reflecting:

- A projected underspend position of £22,000 in respect of S.48 borough funded commissioned services relating to 2019/20;
- An increase in Central Recharges of £24,000 reflecting the net impact of a correction to the recharges model and reduction in costs associated with the ESF programme which finished in June 2019;
- A projected surplus of £30,000 on staffing budgets, net of a reduced drawdown from ESF reserves; and
- An additional sum of £12,000 from investment income on Committee reserves, not previously budgeted for.

Use of Reserves

21. Table 1 below updates the Committee on the revised estimated level of balances as at 31 March 2020, if all current known liabilities and commitments are considered, plus the projected underspend of £40,000 for 2019/20, highlighted in paragraph 20 above:

Table 1 – Estimated Uncommitted Reserves as at 31 March 2020

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2019	721	1,330	2,051
Approved for use in 2019/20	-	(311)	(311)
Projected surplus/(deficit) for the year	40	-	40
Projected reserves as at 31 March 2020	761	1,019	1,780

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 2020/21. If the recommendations contained in this report are agreed by this Committee and approved by the Leaders' Committee on 3 December, the revised projected position on reserves is detailed in Table 2 below:

Table 2 – Estimated Uncommitted Reserves as at 1 April 2020

	Borough	ESF	Total
	£000	£000	£000
Projected reserves as at 31 March 2020	761	1,019	1,780
ESF commitments 2020/21	-	-	-
Projected reserves as at 1 April 2020	761	1,019¹	1,780
Indicative total expenditure 2020/21	6,668	-	6,668
Forecast reserves as a % of indicative expenditure	11.41	-	26.69

23. The projected residual level of S.48 reserves of £761,000, or 11.41%, 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 £1,019,000 are subject to a separate report and member decision of this meeting following the end of the programme in June 2019.

Borough Contributions

24. 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 2020/21 have been calculated using the ONS mid-year population estimates for June 2018 and are set out in Appendix B.

Summary

25. This report considers the proposed budget for the Grants Scheme for 2020/21 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 2020/21 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.

¹ subject to a decision made by members at this meeting with respect to item 8.

26. The financial year 2020/21 represents the final 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

27. Subject to the agreement of London Councils Leaders' Committee on 3 December 2019, that Members agree:

- an overall level of expenditure of £6.668 million for the Grants Scheme in 2020/21;
- borough contributions for 2020/21 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. £6.909 million);
- that constituent councils be advised that the apportionment of contributions for 2020/21 will be based on the ONS mid-year population estimates for June 2018;
- 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
- that a decision on options over the level of reserves going forward should be deferred until the meeting of the Executive Committee in February 2020, with proposals being brought back to a later meeting of this Committee for approval (subject to a member decision on the S.48 ESF programme underspend).

Appendices

Appendix A – Proposed revenue income and expenditure budget 2020/21;

Appendix B – Proposed borough subscriptions 2020/21;

Background Papers

Grants Committee Budget Working Papers 2019/20 and 2020/21;

Grants Committee Final Accounts Working Papers 2018/19;

Grants Committee Revenue Budget Forecast Working Papers 2019/20; and

London Councils Consolidated Budget Working Papers 2019/20 and 2020/21.

Grants Committee Income and Expenditure Budget 2020/21

Expenditure	Revised Budget 2019/20 £000	Developments £000	Inflation £000	Original Budget 2020/21 £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	102	-102	0	0
Sub-Total	6,335	-102	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	299	-75	4	228
Members	19	0	0	19
Maternity provision	10	0	0	10
	328	-75	4	257
Discretionary Expenditure				
Staff training/recruitment advertising	7	0	0	7
Staff travel	2	0	0	2
	9	0	0	9
Total Operating Expenditure	347	-75	4	276
Central Recharges	227	-68	0	159
Total Expenditure	6,909	-245	4	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
Other Income				
ESF Grant Income	58	-58	0	0
	58	-58	0	0
Transfer from Reserves	183	-183	0	0
Central Recharges	0	0	0	0
Total Income	6,909	-241	0	6,668
Net Expenditure	0	4	-4	0

Borough Subscriptions 2020/21

ONS Mid-2017 Estimate of Population ('000)	%	2019/20 Base Borough Contribution (£)		ONS Mid-2018 Estimate of Population ('000)	%	2020/21 Base Borough Contribution (£)	Base Difference from 2019/20 (£)
253.36	2.84%	191,438	Inner London	262.23	2.94%	196,291	4,853
7.65	0.09%	5,780	Camden	8.71	0.10%	6,520	740
282.85	3.18%	213,721	City of London	286.19	3.21%	214,227	506
275.93	3.10%	208,492	Greenwich	279.67	3.14%	209,346	854
183.00	2.05%	138,274	Hackney	185.43	2.08%	138,803	529
235.00	2.64%	177,565	Hammersmith and Fulham	239.14	2.68%	179,007	1,442
155.74	1.75%	117,677	Islington	156.20	1.75%	116,923	-754
324.05	3.64%	244,851	Kensington and Chelsea	325.92	3.66%	243,966	-885
301.31	3.38%	227,669	Lambeth	303.54	3.41%	227,214	-455
314.23	3.53%	237,431	Lewisham	317.26	3.56%	237,484	53
307.96	3.46%	232,694	Southwark	317.71	3.57%	237,821	5,127
323.26	3.63%	244,254	Tower Hamlets	326.47	3.66%	244,378	124
244.80	2.75%	184,970	Wandsworth	255.32	2.87%	191,119	6,149
3,209.14	36.02%	2,424,817	Westminster	3,263.79	36.64%	2,443,099	18,283
210.71	2.37%	159,212	Outer London	212.00	2.38%	158,692	-520
387.80	4.35%	293,021	Barking and Dagenham	392.14	4.40%	293,535	515
246.12	2.76%	185,968	Barnet	247.26	2.78%	185,086	-882
329.10	3.69%	248,667	Bexley	330.80	3.71%	247,619	-1,048
329.39	3.70%	248,886	Brent	331.10	3.72%	247,844	-1,042
384.84	4.32%	290,784	Bromley	385.35	4.33%	288,453	-2,331
342.74	3.85%	258,973	Croydon	341.98	3.84%	255,988	-2,985
332.71	3.73%	251,395	Ealing	333.87	3.75%	249,917	-1,477
271.22	3.04%	204,933	Enfield	270.62	3.04%	202,572	-2,361
248.88	2.79%	188,053	Haringey	250.15	2.81%	187,249	-804
256.04	2.87%	193,463	Harrow	257.81	2.89%	192,983	-480
302.34	3.39%	228,447	Havering	304.82	3.42%	228,172	-275
269.10	3.02%	203,331	Hillingdon	270.78	3.04%	202,691	-640
174.61	1.96%	131,935	Hounslow	175.47	1.97%	131,348	-587
206.05	2.31%	155,691	Kingston upon Thames	206.19	2.31%	154,343	-1,348
348.00	3.91%	262,948	Merton	352.01	3.95%	263,496	548
301.79	3.39%	228,032	Newham	303.86	3.41%	227,453	-578
195.68	2.20%	147,855	Redbridge	196.90	2.21%	147,389	-466
203.24	2.28%	153,568	Richmond upon Thames	204.53	2.30%	153,100	-467
275.51	3.09%	208,175	Sutton	276.70	3.11%	207,123	-1,052
5,615.87	63.04%	4,243,335	Waltham Forest	5,644.34	63.36%	4,225,053	-18,283
8,825.01	99.07%	6,668,152	Totals	8,908.13	100.00%	6,668,152	0

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