

Leaders' Committee

London Councils Grants Scheme - Budget Proposals 2023/24

Item no: 10

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Date:	13 December 2022		
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Summary	<p>This report considers the proposed budget for the Grants Scheme for 2023/24 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 30 November. The Grants Committee agreed to recommend that the Leaders' Committee approve these proposals.</p>
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Recommendations	<p>The Leaders' Committee is asked to agree:</p> <ul style="list-style-type: none">• an overall level of expenditure of £6.686 million for the Grants Scheme in 2023/24;• borough contributions for 2023/24 of £6.668 million, consistent with the current year;• a transfer from reserves of £18,000 to fully cover the costs 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
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(4A) of the Local Government Act 1985, if the constituent councils have not reached agreement by the two-thirds majority specified before 1 February 2023 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 2023/24 will be based on the ONS mid-year population estimates for June 2020; and
 - that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £453,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities.
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London Councils Grants Scheme - Budget Proposals 2023/24

Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2023/24 of £6.686 million, an increase of £18,000 on the current year, comprising the cost of borough pan-London commissioned services of £6.233 million, covering priorities 1 for Homelessness and for 2 Domestic and sexual abuse, plus the cost of administering the scheme of £453,000. This sum includes the annual membership subscriptions for boroughs for London Funders of £60,000.
2. The proposed total expenditure budget of £6.686 million will be funded by borough contributions of £6.668 million and a transfer from uncommitted reserves of £18,000.
3. These proposals were considered by the Grants Committee at its meeting on 30 November 2022. 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 2023/24 represents the 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 December 2019. The original decision covered the period from 2021 to 2025, however, due to the extension to the current programme as a result of Covid-19 this programme covers 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. 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 20 January 2023. 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 to 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 2023.
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 2023 the Secretary of State for Levelling Up, Housing and Communities 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 2023. 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 2023/24 is expected to be as follows:

Date	Action
30 November 2022	Grants Committee considered the proposed budget and borough contributions for 2023/24 detailed in this report and made recommendations to Constituent Councils, subject to approval of Leaders' Committee.
13 December 2022	Leaders' Committee is asked to approve the level of budget and borough contributions for 2023/24, as recommended by the Grants Committee on 30 November.
14-16 December 2022	Constituent Councils formally notified of the approved level of budget and borough contributions for 2023/24.
16 December 2022 – 31 January 2023	Constituent Councils to individually ratify the overall level of expenditure for 2023/24 through their respective decision-making arrangements.
1-15 February 2023	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2023/24 on Constituent Councils
15 February 2023	Constituent Councils informed of level of approved expenditure and borough contributions for 2023/24

Budgetary pressures and developments

15. This budget report is prepared against a backdrop of high inflation rates which have surged to a three decade high during 2022. The Consumer Prices Index (CPI) rose by 11.1% in the 12 months to October 2022. There are several factors contributing to the high level of inflation such as the rise in energy prices, the Russian invasion of Ukraine, supply chain bottleneck in the post Covid-19 recovery period, strong labour market etc. Rising inflation has put additional financial pressure on budgets, most notably for employee and property costs within the Grants Committee, which has resulted in a proposed contribution from reserves of £18,000 as set out in paragraph 24.
16. It is proposed that a review of London Councils operating model, inclusive of Grants Committee operations, will be carried out within the next six months to identify savings and efficiencies that reduce the use of reserves when setting the annual budget. Measures have already been taken to identify potential savings by reviewing London Councils' office space requirements with a view of moving its main office to a smaller premises.

Budget Proposal for 2023/24

17. Appendix A to this report sets out detailed information relating to the proposed budget for 2023/24. 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; and
 - In addition to the indicative gross grant payments budget of £6.233 million, the proposal includes a provision for grants administration of £453,000.

Administration of Commissions

18. The staffing costs figures within the proposed 2023/24 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%.
19. 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.
20. 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 inflationary pressures, it continues to be challenging to contain all administrative costs within the 5% envelope, especially after the introduction of the 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 6.8% (or 4.7% excluding central recharges) of the boroughs S.48 budget of £6.686 million, amounting to £453,000 in total for 2023/24.

Use of Reserves

21. Table 1 below updates the Committee on the revised estimated level of balances as at 31 March 2023, if all current known liabilities and commitments are considered, plus the projected underspend of £3,000 for 2022/23:

Table 1 – Estimated Uncommitted Reserves as at 31 March 2023

	Borough Total
	£000
Unaudited reserves as at 1 April 2022	745
Projected surplus/(deficit) for the year	3
Projected reserves as at 31 March 2023	748

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 £6.686 million, this equates to £251,000 for 2023/24. If the recommendations contained in this report are agreed by this Committee, the projected position on reserves is detailed in Table 2 below:

Table 2 – Estimated Uncommitted Reserves as at 1 April 2023

	Amount
	£000
Projected reserves as at 31 March 2023	748
Commitments in 2023/24	(18)
Projected reserves as at 1 April 2023	730
Indicative total expenditure 2023/24	6,686
Forecast reserves as a % of indicative expenditure	10.92

23. Due to the budgetary pressures, as set out in paragraph 15 above, it is proposed that a one-off contribution from uncommitted reserves be made in 2023/24. This one-off contribution from reserves will be used to manage this transitional period while the review of London Councils operating model is completed and a move to a smaller office space is secured.
24. The projected residual level of S.48 reserves is £730,000, or 10.92% of the £6.686 million S.48 programme, which is in excess of the 3.75% benchmark.

Borough Contributions

25. 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 2023/24 have been calculated using the latest available ONS mid-year population estimates for June 2020 and are set out in Appendix B. The mid-year estimates for June 2021 have not yet been released by ONS.

Grants Committee Medium-term Financial Plan 2024/25 to 2025/26

26. The indicative Grant Committee budgets for 2024/25 and 2025/26 have been prepared on the basis that borough contributions to the scheme will remain frozen over the three-year period to 2025/26. In addition to reductions on premises costs, the review of London Councils operating model will seek to identify annual savings and efficiencies within the Grants Committee budget ranging from £20,000 to £50,000. The detailed Grants Committee budget for 2024/25 and 2025/26 can be found at Appendix C.

Summary

27. This report considers the proposed budget for the Grants Scheme for 2023/24 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 30 November. Specifically, the report proposes to an overall level of expenditure in 2023/24 of £6.686 million, which requires borough contributions of £6.668 million (refer to Appendix B), the same level of contribution as for the current year, and a transfer from uncommitted reserves of £18,000.
28. The financial year 2023/24 represents the 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 December 2019.
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Appendices

Appendix A – Proposed revenue income and expenditure budget 2023/24;

Appendix B – Proposed borough subscriptions 2023/24;

Appendix C – Indicative revenue income and expenditure budget 2024/25 and 2025/26.

Background Papers

Grants Committee Budget Working Papers 2022/23 to 2025/26;

Grants Committee Final Accounts Working Papers 2022/23;

Grants Committee Revenue Budget Forecast Working Papers 2022/23; and

London Councils Consolidated Budget Working Papers 2022/23 to 2025/26.

Grants Committee Income and Expenditure Budget 2023/24

Expenditure	Revised Budget 2022/23 £000	Developments £000	Inflation £000	Original Budget 2023/24 £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
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	242	12	8	262
Members	19	0	1	20
Maternity provision	10	0	0	10
	271	12	9	292
Discretionary Expenditure				
Staff training/recruitment advertising	7	0	0	7
Staff travel	2	0	0	2
	9	0	0	9
Total Operating Expenditure	290	12	9	311
Central Recharges	145	-3	0	142
Total Expenditure	6,668	9	9	6,686
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	18	0	18
Central Recharges	0	0	0	0
Total Income	6,668	18	0	6,686
Net Expenditure	0	9	-9	0

Borough Subscriptions 2023/24

ONS Mid-2020 Estimate of Population ('000)	%	2022/23 Base Borough Contribution (£)		ONS Mid-2020 Estimate of Population ('000)	%	2023/24 Base Borough Contribution (£)	Base Difference from 2022/23 (£)
Inner London							
279.52	3.10%	207,038	Camden	279.52	3.10%	207,038	0
10.94	0.12%	8,102	City of London	10.94	0.12%	8,102	0
289.03	3.21%	214,088	Greenwich	289.03	3.21%	214,088	0
280.94	3.12%	208,093	Hackney	280.94	3.12%	208,093	0
183.54	2.04%	135,951	Hammersmith and Fulham	183.54	2.04%	135,951	0
248.12	2.76%	183,779	Islington	248.12	2.76%	183,779	0
156.86	1.74%	116,189	Kensington and Chelsea	156.86	1.74%	116,189	0
321.81	3.57%	238,367	Lambeth	321.81	3.57%	238,367	0
305.31	3.39%	226,143	Lewisham	305.31	3.39%	226,143	0
320.02	3.55%	237,037	Southwark	320.02	3.55%	237,037	0
331.97	3.69%	245,890	Tower Hamlets	331.97	3.69%	245,890	0
329.74	3.66%	244,235	Wandsworth	329.74	3.66%	244,235	0
269.85	3.00%	199,877	Westminster	269.85	3.00%	199,877	0
3,327.64	36.96%	2,464,789		3,327.64	36.96%	2,464,789	0
Outer London							
214.11	2.38%	158,589	Barking and Dagenham	214.11	2.38%	158,589	0
399.01	4.43%	295,545	Barnet	399.01	4.43%	295,545	0
249.30	2.77%	184,658	Bexley	249.30	2.77%	184,658	0
327.75	3.64%	242,767	Brent	327.75	3.64%	242,767	0
332.75	3.70%	246,470	Bromley	332.75	3.70%	246,470	0
388.56	4.32%	287,809	Croydon	388.56	4.32%	287,809	0
340.34	3.78%	252,091	Ealing	340.34	3.78%	252,091	0
333.59	3.71%	247,088	Enfield	333.59	3.71%	247,088	0
266.36	2.96%	197,291	Haringey	266.36	2.96%	197,291	0
252.34	2.80%	186,907	Harrow	252.34	2.80%	186,907	0
260.65	2.90%	193,064	Havering	260.65	2.90%	193,064	0
309.01	3.43%	228,887	Hillingdon	309.01	3.43%	228,887	0
271.77	3.02%	201,298	Hounslow	271.77	3.02%	201,298	0
179.14	1.99%	132,691	Kingston upon Thames	179.14	1.99%	132,691	0
206.45	2.29%	152,920	Merton	206.45	2.29%	152,920	0
355.27	3.95%	263,146	Newham	355.27	3.95%	263,146	0
305.66	3.40%	226,401	Redbridge	305.66	3.40%	226,401	0
198.14	2.20%	146,763	Richmond upon Thames	198.14	2.20%	146,763	0
207.71	2.31%	153,849	Sutton	207.71	2.31%	153,849	0
276.94	3.08%	205,130	Waltham Forest	276.94	3.08%	205,130	0
5,674.85	63.04%	4,203,363		5,674.85	63.04%	4,203,363	0
9,002.49	100.00%	6,668,152	Totals	9,002.49	100.00%	6,668,152	0

Grants Committee Indicative Income and Expenditure Budget

2024/25 and 2025/26

Expenditure	Indicative Budget 2024/25 £000	Indicative Budget 2025/26 £000
Payments in respect of Grants		
London Councils Grants Programme	6,173	6,173
Membership Fees to London Funders (for all boroughs)	60	60
Sub-Total	6,233	6,233
Operating (Non-Grants) Expenditure		
Contractual Commitments		
Maintenance of GIFTS Grants IT system	10	10
	10	10
Salary Commitments		
Officers	268	273
Members	19	19
Maternity provision	10	10
	297	302
Discretionary Expenditure		
Staff training/recruitment advertising	7	7
Staff travel	2	2
	9	9
Savings and Efficiency Targets	-8	-20
Total Operating Expenditure	308	301
Central Recharges	127	134
Total Expenditure	6,668	6,668
Income		
Core borough subscriptions		
Contribution to grant payments	6,173	6,173
Contribution to non-grants expenditure	495	495
	6,668	6,668
Transfer from Reserves	0	0
Central Recharges	0	0
Total Income	6,668	6,668
Net Expenditure	0	0