

London Councils Grants Committee

London Councils Grants Scheme - Item no: 8 Budget Proposals 2014/15

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Summary This report considers the proposed budget for the Grants Scheme for 2014/15 and makes a recommendation to the Committee on the appropriate level to recommend to constituent councils for approval, subject to the agreement of the overall budget by Leaders' Committee.

Recommendations Subject to the agreement of London Councils Leaders' Committee on 12 November 2013, that Members agree:

- an overall level of expenditure of £10 million for the Grants Scheme in 2014/15 (inclusive of £2 million gross ESF programme), the same level as the current year;
- that taking into account the application of £1 million ESF grant, borough contributions for 2014/15 should be £9 million;
- that for 2014/15 only, a proposed transfer from Grants Committee reserves of £800,000 be made and returned to boroughs in the form of a one-off repayment;
- 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 2014 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £10 million);
- that constituent councils be advised that the apportionment of contributions for 2014/15 will be based on the ONS mid-year population estimates for June 2012 and that this methodology will also apply to the proposed one-off repayment of £800,000 for 2014/15; and
- that subject to the approval of an overall level of expenditure, the

Committee agrees to set aside a provision of £520,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities, including ESF administration of £120,000.

London Councils Grants Scheme - Budget Proposals 2014/15

Introduction

1. This report details the indicative overall budget requirement for the London Boroughs Grants Scheme for 2014/15 of £10 million, the same level as for 2013/14, comprising:
 - The cost of the borough scheme of priority, pan-London commissioned services of £8 million, which includes the cost of administering the borough scheme, equating to 5%, or £400,000 of the proposed grants programme of £8 million plus the membership subscriptions for boroughs for London Funders of £60,000; and
 - The gross cost of the ESF programme of £2 million, including £120,000 administration costs, offset by ESF grant of £1 million, leaving a net cost of £1 million to be funded by boroughs.
2. The proposed total expenditure budget of £10 million will be funded by borough contribution of £9 million and ESF grant income of £1 million.
3. The Committee will need to reach a view on both the appropriate overall level of expenditure and to recommend the budget to constituent Councils, subject to approval of the overall budget by the Leaders' Committee on 12 November 2013.

Approval of Expenditure

4. 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 council chambers.
5. 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 2014/15 at their 12 November 2013 meeting. 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.
6. Section 48(3) of the Local Government Act 1985 requires that at least two-thirds of the constituent councils in Greater London must approve the proposed overall level of expenditure on grants to voluntary organisations and other costs incurred in "the making of grants". This is not a decision that can be delegated to the Grants Committee although that Committee is able to make decisions with regard to allocation of that expenditure once overall expenditure has been approved. This means that when the Committee decides on an overall level of expenditure, subject to the agreement of the London Councils Leaders' Committee, it will recommend it to the London Boroughs and the Cities of London and Westminster and at least 22 of them must agree through their respective decision-making arrangements to ratify and give effect to that overall level of expenditure. Once 22 councils have given their approval, the overall level of expenditure and contributions to it are binding on all constituent councils.

Timing of Decisions

7. 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 2014. 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.
8. 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 2014.
9. 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 2014 the Secretary of State for Communities and Local Government has powers to intervene and set the budget at the same level as the preceding year. Section 105 of the Local Government Finance Act 1992 inserted a new sub-section (4A) into section 48 of the Local Government Act 1985 which states that:

"4A. The Secretary of State may by order provide that if -

- *a scheme requires the total expenditure to be incurred under the scheme in any financial year _
 - *in the making of grants; and*
 - *in the discharging by the designated council of its functions under the scheme, to be approved in accordance with the scheme by some or all of the constituent councils; and**
- *the total expenditure to be incurred in any financial year is not approved as required by the scheme before such date as may be specified in relation to that financial year in the order, the constituent councils shall be deemed, subject to any order which has been or may be made under subsection (5) below, all to have given their approval for that financial year to total expenditure of an amount equal to the amount that was approved or, as the case may be, deemed to have been approved for the preceding financial year".*

Contributions by constituent councils

10. 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.

11. 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."

12. 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 2014. 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

13. To summarise, the timetable for the approval of the budget for 2014/15 is expected to be as follows:

Date	Action
29 October 2013	London Councils Executive to consider levels of uncommitted reserves for 2014/15 onwards
6 November 2013	Grants Committee considers proposed budget and borough contributions for 2014/15 and makes recommendations to Constituent Councils, subject to approval of Leaders' Committee
12 November 2013	Leaders' Committee is asked to approve the level of budget and borough contributions for 2014/15, as recommended by the Grants Committee on 6 November
13-15 November 2013	Constituent Councils formally notified of the approved level of budget and borough contributions for 2014/15
18 November 2013 – 31 January 2014	Constituent Councils to individually ratify the overall level of expenditure for 2014/15 through their respective decision-making arrangements
1-15 February 2014	The City of London Corporation, as the Designated Councils for the Grants Scheme, approves the levy for 2014/15 on Constituent Councils
15 February 2014	Constituent Councils informed of level of expenditure and borough contributions for 2014/15

Budget Proposal for 2014/15

14. Appendix A to this report sets out detailed information relating to the proposed budget for 2013/14. The budget assumes:

- A core, pan-London scheme of services to meet agreed service priorities of £7.6 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;
- An additional gross sum of £1.88 million relating to a continuance of the current ESF grants programme;
- An indicative gross grant payments budget of £9.48 million, the same level as for the current year.
- In addition to the indicative gross grant payments budget of £9.48 million, the proposal includes a provision for grants administration of £520,000. This comprises of 5% of the boroughs grants budget of £8 million, amounting to £400,000, plus 5.99% of the £2 million gross ESF programme, amounting to £120,000. Again, the level of administration costs mirrors to the level for 2013/14.
- Finally, for 2014/15 only, subject to approval by the Leaders' Committee on 12 November, a proposed transfer from Grants Committee reserves of £800,000 be made and returned to boroughs in the form of a one-off repayment.

Non-Grants Expenditure

15. All estimates of grants administration expenditure levels are based upon a target of no more than 5% of the grants budget for the borough funded scheme, as previously agreed by Grants Committee in the review of non-grants expenditure levels conducted in early 2009. For the ESF programme, the claimable amount is limited to 5.99% of the total budget as stated in the DwP EPMU guidelines, with both amounts to be met from within the budget envelopes of £8 million and £2 million respectively.
16. In terms of dedicated staff, the overall number of staff is 5.11 fte posts (5.97fte 2012/13) split between the S.48 programme of 4.25 fte posts (4.05) and 0.87 fte posts (1.92) dealing with the ESF programme.
17. The staffing costs figures within the proposed 2014/15 budget options reflects all of these posts, together with the apportionment of time spent on Grants Committee activities by other London Councils staff, such as Grants Committee servicing and Public Affairs. In addition to this, 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. The staffing budget also includes a £10,000 provision for maternity cover and the vacancy level has been reduced by 2% from 4% to 2%; both measures reflecting more effective resource management within the confines of much reduced staffing base.

ESF Grant Income

18. The proposed budget includes gross expenditure of £2m million on activities commissioned under London Councils approved priorities, including administration costs of £120,000, which attracts grant income at 50% as a consequence of London Councils status as one of London's ESF co-financing bodies, thus reducing the net cost of this activity to £1 million. Both the gross expenditure and the ESF income it attracts are reflected in Appendix A.

2013/14 Outturn Projections

19. The Month 6 forecast report is included as a separate report on this agenda and highlights projected underspends amounting to £233,000 in total for 2013/14, reflecting:

- An projected breakeven position in respect of borough S.48 grant payments for commissioned service relating to 2013/14;
- A return to revenue of estimated liabilities of £71,272 set up during the closure of the 2012/13 accounts, which will not be paid out, again in respect of the borough S.48 programme;
- A projected underspend of £376,000 relating payments relating to the borough/DWP ESF programme, as expenditure relating to the 2012-14 two year programme slips into 2014/15 , offset by shortfall in ESF grant of £203,000, giving a net surplus position of £173,000; and
- A projected net underspend of £11,000 in respect of grants administration. The split between the S.48 programme and the ESF programme is £9,000 and £2,000 respectively.

Use of Reserves

20. Audited reserves at the end of March 2013 were £1.752 million, inclusive of £610,000 relating to ESF programme slippage. The current position on Committee reserves in shown in the table below, which takes on board projected underspends from the current year (refer paragraph 19).

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2013	1,142	610	1,752
Projected surplus/(deficit) for the year	62	171	233
Transfer from reserves	-	-	-
Proposed one-off payment to boroughs 2014/15*	(800)	-	(800)
Projected reserves as at 31 March 2014	404	781	1,185
Indicative total expenditure 2013/14	8,000	2,000	10,000
Forecast reserves as a % of indicative expenditure	5.05%	39.05%	11.85%

21. Following discussions at the Grants Executive meeting in September 2013, the Director of Corporate Resources recommends that, in line with best financial management practice, it would be appropriate to retain reserves of at least £300,000 to support the future borough programme of approximately £8 million. This equates to 3.75% of the programme value. The London Councils Executive will be considering a report at its meeting on 29 October on the overall levels of London Councils reserves moving forward into 2014/15. It is recommended in the report to London Councils Executive that £800,000 of Grants Committee reserves be transferred to the revenue account as a one off payment in 2014/15 to reduce overall borough contributions in 2014/15 only. Should this proposal be approved by the London Councils Executive, adopted by this Committee at this meeting and endorsed by the Leaders' Committee on 12 November, the projected residual level of reserves as at 31 March 2014, therefore, clearly achieves this revised reserves benchmark. For the ESF programme, reserves attributable to this area of the programme have accumulated due to slippage and are therefore likely to be fully utilised in the subsequent years of each programme element – effectively acting as an earmarked reserve, so benchmarking a desirable level of future reserves is not appropriate.

Borough Contributions

22. Paragraphs 10 to 12 of this report set out the legal position relating to contributions payable by constituent councils to the London Councils Grants Scheme. Contributions for 2014/15 have been calculated using the ONS mid-year population estimates for June 2012 and are set out in Appendix B. The same methodology will be used to apportion the one-off repayment to boroughs of £800,000 in 2014/15, if approved.

Summary

23. This report considers the proposed budget for the Grants Scheme for 2014/15 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 2014/15 of £10 million, which requires borough contributions of £9 million (refer to Appendix B). A one-off repayment to boroughs of £800,000 from Committee reserves is also recommended, subject to approval from the Leaders' Committee on 12 November.

Recommendations

24. Subject to the agreement of London Councils Leaders' Committee on 12 November 2013, that Members agree:

- an overall level of expenditure of £10 million for the Grants Scheme in 2014/15 (inclusive of £2 million gross ESF programme), the same level as the current year;
- that taking into account the application of £1 million ESF grant, borough contributions for 2014/15 should be £9 million;
- that for 2014/15 only, a proposed transfer from Grants Committee reserves of £800,000 be made and returned to boroughs in the form of a one-off repayment;
- 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 2014 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £10 million);

- that constituent councils be advised that the apportionment of contributions for 2014/15 will be based on the ONS mid-year population estimates for June 2012 and that this methodology will also apply to the proposed one-off repayment of £800,000 for 2014/15; and
- that subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £520,000 for costs incurred by London Councils in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities, including ESF administration of £120,000.

Appendices

Appendix A – Proposed revenue income and expenditure budget 2014/15;

Appendix B – Proposed borough subscriptions 2014/15;

Background Papers

Grants Committee Budget Working Papers 2013/14 and 2014/15;

Grants Committee Final Accounts Working Papers 2012/13;

Grants Committee Revenue Budget Forecast Working Papers 2013/14; and

London Councils Consolidated Budget Working Papers 2013/14 and 2014/15.