

**LONDON BOROUGH OF BRENT**

**EXECUTIVE - 7 JANUARY 2004**

**REPORT FROM THE DIRECTOR OF EDUCATION, ARTS AND LIBRARIES**

**NAME OF WARD(S)  
ALL**

**REPORT TITLE: ALG GRANTS SCHEME**

**Above**  **Below**   
**Confidential Line**

FP REF: EAL-03/04-0038

**1. Summary**

- 1.0 This report seeks members' agreement to a new Association of London Government Grants Scheme under section 48 of the Local Government Act 1985 as a result of the resignation of the London Borough of Richmond as the designated borough for the existing scheme.
- 2.0 The report also details the recommendation from the ALG for the budget for the ALG Grants Committee for 2004/5 and recommends that members approve that budget.

**2. Recommendations**

Members are asked to:

1. Agree the new ALG Grants Scheme set out at Schedule 2 of Appendix 2 to this report.
2. Agree that the Council enter into the Variation of Agreement as set out at Appendix 2 to this report.
3. Delegate to the Borough Solicitor the authority to agree any minor variation to the Variation of Agreement.
4. Note that the designated borough for the new ALG Grants Scheme referred to in recommendation 1 will be the Common Council of the City of London (the Corporation of London).
5. Agree the budget for the ALG Grants Committee for 2004/5 as detailed in Appendix 3, namely:
  - (a) an overall level of expenditure for the London Borough Grants Scheme in 2004/5 of £28,028,788; and

- (b) predicted bank interest of £100,000 for 2004/5 and estimated balanced of £1,500,000 should contribute to the overall level of expenditure, leaving a net amount of £26,428,788 to form the total level of borough contributions for 2004/5.

### **3. Financial Implications**

- 3.1 Under the current scheme, Brent based organisations received funding of £360,000 during 2003/2004. In addition, a further £579,388 was provided to organisations who are based outside the borough but target Brent users. This equated to total funding which benefited Brent of £939,388.
- 3.2 This total funding can be compared with the payment made by Brent of £1,011,958 in 2003/2004.
- 3.3 The proposed payment for 2004/2005 is £978,817 a reduction of £33,141. In the draft Education, Arts and Libraries budget provision is available to meet this sum. However the final budget has still to be agreed and this will be considered with the overall Voluntary Sector grants budget and other payments required to the ALG.
- 3.4 If two-thirds of London Boroughs do not agree the proposed budget before 1<sup>st</sup> February the Secretary of State for ODPM has powers to intervene and set the budget at the same level as the preceding year. In such circumstances a saving of £33,141 would not be forthcoming.

### **4. Staffing Implications**

- 4.1 The new ALG Grants Scheme will be managed by staff of the ALG. Accordingly there are no implications in this report for Brent staff.

### **5. Legal Implications**

- 5.1 Section 48 of the Local Government Act 1985 ("the Act") allows London local authorities to create a scheme for the making of grants to voluntary organisations whose activities will directly or indirectly benefit either the whole of Greater London or that county or any part of it extending beyond the area of any particular constituent Council.
- 5.2 Under s48(9) of the Act a Council designated by a scheme may by giving not less than twelve months notice to the other constituent councils withdraw its consent to act as designated council with effect from the end of the financial year. Such notice may be given not earlier than the second financial year after the scheme was made. The scheme terminates when the withdrawal takes effect.
- 5.3 Under s48(7) of the Act a scheme may, in the absence of agreement between all the constituent councils, be made by a majority of those councils. Such a

scheme is binding on all the constituent councils, being the London borough councils and the Corporation of London.

- 5.4 s48(3) requires the constituent councils to contribute to any expenditure of the designated council which has been incurred with the approval of at least two thirds of the constituent councils and the amounts of the contributions are determined so that the expenditure is borne by the constituent councils in proportion to the populations of their respective areas.
- 5.5 Under the Grants to Voluntary Organisations (Specified Date) Order 1992 if the budget for 2004/5 is not approved by the constituent councils by 1 February 2004 they are deemed to have given their approval to the amount approved for the 2003/4 financial year.
- 5.6 Section 101 of the Local Government Act 1972 gives Local authorities the power to create joint committees for the carrying out of their functions
- 5.7 The function of making grants is not a function which is reserved to the Council side of the authority and therefore pursuant to section 13(2) of the Local Government Act 2000 the making of grants is a function which is the responsibility of the Executive.

## **6. Detail**

- 6.1 The London Borough Grants Scheme is established under section 48 of the Local Government Act 1985 ("the Act"). The scheme is funded and governed by all 32 London boroughs and the Corporation of London. It enables London's local authorities to fund voluntary organisations working in more than one borough, sub-regionally or across the capital to meet the needs of London as a whole.
- 6.2 The existing scheme was established on 17 October 1985 and the London Borough of Richmond was appointed as the designated council. Broadly, the role of the designated council is to make grants on behalf of the other constituent councils and it can recover the costs of doing so from those constituent councils. The Scheme was amended in April 2000 and in December 2001 the scheme was confirmed following the introduction of executive arrangements at the constituent councils. A copy of the current scheme is attached at Appendix 1 to this report.
- 6.3 Under the current scheme, the London Borough of Richmond also undertakes certain lead borough functions in respects of the Grants Unit established under the scheme. These include housing the Grants Unit, handling all payroll activities and pension arrangements for the staff employed in the Grants Unit and providing legal and financial advice to the Unit
- 6.4 By an agreement dated 1 April 2000 the constituent Councils established a joint committee (The ALG Grants Committee) to make all decisions relating to the making of grants and the operation of the scheme except those expressly reserved to the constituent councils. The matters reserved to the constituent

councils include contributing to the costs of the designated borough and the scheme itself. Each constituent Council has one representative on this Committee. Brent's representative is Councillor Kagan.

- 6.5 The Grants Committee meets up to 4 times a year and its terms of reference are:
- (a) to ensure the proper operation of the London Borough Grants Scheme;
  - (b) to make recommendations to the Leaders' Committee on overall policies, strategy and priorities;
  - (c) to make recommendations to the Leaders' Committee on the annual budget for the London Borough Grants Scheme; and
  - (d) to consider grant applications and make grants to eligible voluntary organisations.
- 6.6 The funding received by Brent organisations and organisations which benefit Brent residents changed in 2002 as a result of a review which changed the priorities and criteria for the scheme. The changes included a move to an open bidding process against set criteria and priorities.
- 6.7 The Grants Committee has established an Outer London Members Steering Group to keep a watching brief over the Committee's progress in addressing Outer London needs. Councillor Kagan is the Chair of that Steering Group.
- 6.8 Brent based organisations funded by the scheme following the open bidding process include the Asian Women's Resource Centre, Brent Irish Advisory Service, Brent Business for the Environment, Brent Homeless Families Group, Brent Energy Network, Chricklewood Homeless Concern, The Minister Centre, Tamil Refugee Action Group and the Tricycle Theatre.
- 6.9 On 28 March 2003 the London Borough of Richmond gave notice, with effect from 31 March 2004, that they would no longer act as designated council for the London Borough Grants Scheme. Under section 48(9) of the Act Richmond's withdrawal has the effect of termination of the scheme on 31 March 2004.
- 6.10 All constituent Council's have been asked to agree to a variation of the ALG Agreement of 13 December 2001. The variation will create a new grants scheme from 1 April 2004 and will designate the Corporation of London to act as designated council. A copy of the proposed variation is attached at Appendix 2 to this report. Attached to the variation at schedule 2 is the proposed new scheme.
- 6.11 The proposed new scheme is largely the same as the existing scheme except in the following respects:
- (a) Clause 5.1 of the variation makes the Common Council of the City of London the designated council for the purposes of the scheme. As detailed above, this role was previously undertaken by the London Borough of Richmond. However, the Corporation of London will not

undertake the Lead Borough functions which were previously the responsibility of the London Borough of Richmond; and

- (b) The Grants Unit has been renamed in the variation as the Social Policy and Grants Division. Similarly, the Joint Committee previously known as the London Borough Grants Committee is renamed the ALG Grants Committee and the London Borough Grants Scheme renamed the ALG Grants Scheme in the variation.

- 6.12 Since the London Borough of Richmond gave notice that it will no longer act as the designated council, the ALG has made enquiries with the Office of the Deputy Prime Minister about dispensing with the lead council arrangement altogether and the ALG carrying out these functions in the future. Those discussions are continuing. In the interim, the Corporation of London will act as the designated council.
- 6.13 To officers knowledge, three boroughs - Enfield, Barnet and Bromley - have expressed their dissatisfaction with the share of the Grants Budget they receive in relation to their contribution and registered their objection to the new scheme as proposed. Under section 48(7) of the Act in the absence of agreement between all the constituent councils, a scheme may be made by the majority of councils.
- 6.14 As part of the amendments agreed to the scheme in 2000 the budget for the London Borough Grants Scheme must be approved by the ALG Leaders Committee before recommendation to the Constituent Councils. On 10 November 2003 the ALG Grants Committee agreed the proposed budget for the Committee for 2004/5 subject to the agreement of the overall budget by the Leaders Committee for recommendation to the constituent Councils. On 11 November 2003 the Leaders Committee endorsed the decision of the ALG Grants Committee on 10 November 2003. A copy of the report which was submitted to both the Grants Committee and the Leaders Committee is at Appendix 3 to this report.
- 6.15 The ALG Grants Committee is recommending an expenditure budget for the London Borough Grants Scheme for 2004/5 of £28,028,788 on the basis of a £1,000,000 adjustment to the grants budget to reflect current levels of commitments and allowing £1,000,000 for future flexibility. Appendix 1 to the ALG report sets out in detail the budget proposal. Appendix 2 to the ALG report sets out the proposed borough subscriptions for 2004/5. Members will note that the proposed subscription for Brent is £978,817, a reduction of £33,141 from the subscription paid by Brent in the 2003/4 financial year.

## **7. Background Information**

- 7.1 ALG Agreement dated 1 April 2000
- 7.2 ALG Agreement dated 13 December 2001

Any person wishing to inspect the above papers should contact:

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**John Christie**  
**Director of Education, Arts and Libraries**

## **Appendix 2**

**DATED**

**2003**

**ASSOCIATION OF LONDON GOVERNMENT**

**VARIATION TO AGREEMENT DATED 13 DECEMBER, 2001  
TO EFFECT A NEW SCHEME FOR GRANTS TO VOLUNTARY ORGANISATIONS**

**Ref: PR6602/54 /LJ**

THIS AGREEMENT is made on \_\_\_\_\_, 2003

BETWEEN the Councils listed in Schedule 1 (“the London Local Authorities”) in pursuance of arrangements made under section 48 Local Government Act 1985

WHEREAS:

- (A) The London Local Authorities are the constituent councils for the purposes of section 48 Local Government Act 1985 (Grants to Voluntary Organisations).
- (B) On 17<sup>th</sup> October, 1985, a Scheme for the making of grants to voluntary organisations was made by the constituent councils in accordance with the requirements of section 48 Local Government Act 1985 and the London Borough of Richmond upon Thames consented to act as designated council for the purposes of the Scheme.
- (C) By an agreement dated 1<sup>st</sup> April, 2000 (“the First Agreement”) the London Local Authorities established a joint committee under sections 101 and 102 Local Government Act 1972, resolved to delegate various functions to the joint committee and agreed to name the joint committee the Association of London Government (“ALG”).
- (D) The First Agreement made amendments to the Scheme referred to in Recital (B) above and the amendments to the Scheme were set out in Schedule 4 of the First Agreement.
- (E) An agreement dated 13<sup>th</sup> December, 2001 (“the Second Agreement”) confirmed the arrangements established by the First Agreement in accordance with the requirements of Part II Local Government Act 2000 (Arrangements with regard to Executives etc.) and continued the previous arrangements in respect of the Scheme, which was set out in full as Schedule 5 to the Second Agreement.
- (F) The London Borough of Richmond upon Thames has given notice in accordance with section 48(9) Local Government Act 1985 withdrawing its consent to act as designated council with effect from 31<sup>st</sup> March, 2004.
- (G) It is expedient that a new Scheme for the making of grants to voluntary organisations is made by the constituent councils and the Common Council of the City of London has agreed to act as designated council with effect from 1<sup>st</sup> April, 2004.

IT IS HEREBY AGREED AS FOLLOWS:

1. This Third Agreement shall establish a new Scheme for the making of grants to voluntary organisations in Greater London (“the ALG Grants Scheme”) and



the ALG Grants Scheme which is set out in Schedule 2 hereto shall be substituted for the Scheme set out in Schedule 5 of the Second Agreement with effect from 1<sup>st</sup> April, 2004.

2. The Second Agreement is hereby varied as follows:

- 2.1 The following is substituted for Clause 1.5: “The London Local Authorities are the constituent council for the purposes of section 48(1)(a) Local Government Act 1985 and by an agreement dated (‘the Third Agreement’) have agreed to establish a new Scheme for the making of grants to voluntary organisations in Greater London in accordance with the provisions of the Third Agreement.”
- 2.2 In Clause 1.6, “and the ALG Grants Scheme is set out in Schedule 2 of the Third Agreement” is substituted for “and the London Boroughs Grants Scheme as amended is set out in full in Schedule 5 hereto”.
- 2.3 In Clause 4.8, “the ALG Grants Scheme as set out in Schedule 2 of the Third Agreement” shall be substituted for “the London Boroughs Grants Scheme as set out in Schedule 5”.
- 2.4 The following shall be substituted for Clause 6.10: “The Common Council of the City of London shall discharge the designated council function in accordance with section 42(2)(a) Local Government Act 1985 and the ALG Grants Scheme as set out in Schedule 2 of the Third Agreement.”
- 2.5 “ALG Grants Scheme” shall be substituted for “London Boroughs Grants Scheme” in Clauses 7.1, 11.1 and 11.2. and for “London Boroughs Grants” or “LBG” wherever they appear in Schedules 7 and 8.

3. The terms and conditions of the Second Agreement shall remain in force and be binding on all the London Local Authorities except the terms and conditions expressly varied by this Third Agreement.

4. This Agreement is executed by each Party by signing the annexed Memorandum of Participation on behalf of that Party and such Memorandum of Participation shall be evidence of execution by that Party when Memoranda executed by a majority of the Parties are incorporated into this Agreement.

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## **SCHEDULE 1**

The City of Westminster  
The London Borough of Barking and Dagenham  
The London Borough of Barnet  
The London Borough of Bexley  
The London Borough of Brent  
The London Borough of Bromley  
The London Borough of Camden  
The London Borough of Croydon  
The London Borough of Ealing  
The London Borough of Enfield  
The London Borough of Greenwich  
The London Borough of Hackney  
The London Borough of Hammersmith and Fulham  
The London Borough of Haringey  
The London Borough of Harrow  
The London Borough of Havering  
The London Borough of Hillingdon  
The London Borough of Hounslow  
The London Borough of Islington  
The Royal Borough of Kensington and Chelsea  
The Royal Borough of Kingston upon Thames  
The London Borough of Lambeth  
The London Borough of Lewisham  
The London Borough of Merton  
The London Borough of Newham  
The London Borough of Redbridge  
The London Borough of Richmond upon Thames  
The London Borough of Southwark  
The London Borough of Sutton  
The London Borough of Tower Hamlets  
The London Borough of Waltham Forest  
The London Borough of Wandsworth  
The Common Council of the City of London

## **SCHEDULE 2**

# **ASSOCIATION OF LONDON GOVERNMENT (ALG) GRANTS SCHEME**

**Made under section 48 of the Local Government Act 1985  
by the London Borough Councils and  
the Common Council of the City of London**

### **INTRODUCTION**

- 1.1 This Scheme for the making of grants to eligible voluntary organisations in Greater London is made in accordance with section 48 of the Local Government Act 1985 (hereinafter referred to as the Act) to replace the Scheme which will terminate on 31<sup>st</sup>. March, 2004, when the withdrawal of the consent of the London Borough of Richmond upon Thames to act as designated council takes effect.
- 1.2 This Scheme is made by the London Borough Councils and the Common Council of the City of London (hereinafter referred to as the constituent councils).
- 1.3 This Scheme is effective commencing 1<sup>st</sup>. April, 2004.

### **THE GRANTS COMMITTEE**

- 2.1 There shall be an ALG Grants Committee consisting of one elected member representative from each constituent council which shall make all decisions relating to the making of grants and the operation of the Scheme save those which are reserved to constituent councils under paragraph 8 below.
- 2.2 If the representative of a constituent council is unable to be present at a meeting of the Grants Committee, the council may be represented by a deputy who shall be an elected member of that council. A deputy attending a meeting of the Grants Committee shall declare themselves as such. Having done so the deputy shall be eligible to speak and vote as if they were a member of the Grants Committee.
- 2.3 The Grants Committee may establish such sub-committees and other groups of members as it considers appropriate.
- 2.4 The Grants Committee shall appoint a Chair, Vice-Chair and Deputy Chair, in accordance with the standing orders of the Grants Committee.

### **ELIGIBLE VOLUNTARY ORGANISATIONS**

- 3.1 For the purposes of this scheme "voluntary organisation" means a body the activities of which are carried out on otherwise than for profit but does not include any public or local authority and "eligible voluntary organisation" means a voluntary organisation whose activities will directly or indirectly benefit the whole of Greater London or any part of it extending beyond the area of any particular constituent council.
- 3.2 The Grants Committee may define supplementary criteria of eligibility which shall be communicated to voluntary organisations applying for grants under the scheme.

### **REVIEW OF NEEDS**

- 4.1 The constituent councils have resolved to delegate the function specified in section 48(10) Local Government Act 1985 (review of needs of Greater London) to the ALG Leaders' Committee from 1 April 2000. The ALG's Social Policy and Grants Division

shall submit, via the Grants Committee, a proposal for reviewing the needs of Greater London to ALG Leaders' Committee for approval in September of each year.

## **THE DESIGNATED COUNCIL**

- 5.1 The Common Council of the City of London ("the Corporation") shall be the designated council for the purposes of section 48(2)(a) Local Government Act 1985 (making of grants).

## **ALG SOCIAL POLICY AND GRANTS DIVISION**

- 6.1 The Social Policy and Grants Division shall be responsible to the ALG Leaders' Committee and the ALG Grants Committee through its Director and staff for the efficient administration of the scheme and for advice on policies and priorities towards grant-giving within and between services being funded.
- 6.2 In particular the Social Policy and Grants Division shall -
- (1) keep under review the needs of Greater London and report to the Grants Committee and ALG Leaders' Committee from time to time on a strategy for collective grant giving devised with due regard to those needs;
  - (2) draw up and submit for consideration and approval by the Grants Committee detailed criteria and policies for grant giving in the light of the agreed strategy;
  - (3) prepare and submit an annual budget for consideration by the Grants Committee and ALG Leaders' Committee by the end of November each year for the financial year commencing the following April. This budget shall include the costs of staffing, office and support services considered necessary to facilitate the effective and efficient operation of the Scheme, as well as expenditure proposals for grant aid to eligible voluntary organisations, and any contingency provision;
  - (4) receive, assess and process grant applications from eligible voluntary organisations and report on them and make recommendations to the Grants Committee and or any Sub-Committees it may establish;
  - (5) administer the payment of approved grants to eligible voluntary organisations and monitor the use made of such funding;
  - (6) convene and service meetings of the Grants Committee, its sub-committees and any other bodies established by it.

## **MEETINGS**

- 7.1 There shall be meetings of the ALG Grants Committee at least twice a year in July and November, and on such other occasions as may be decided by the Committee or its Chair or in accordance with the Standing Orders of the Committee.
- 7.2 A meeting may be requisitioned by not less than one third of the members of the ALG Grants Committee. Any such requisition shall be delivered to the Director, Social Policy and Grants Division, not less than ten working days before the date of the meeting and shall specify the business to be transacted at the meeting. No business other than that set out in the summons shall be transacted at such a meeting.
- 7.3 The quorum of any meeting of the ALG Grants Committee or a Sub-Committee shall be one-third of the number of members entitled to be present. No business shall be transacted at any meeting unless a quorum is present.
- 7.4 The July meeting of the ALG Grants Committee shall approve the strategy, priorities and any delegation to sub-committees and to the Director, Social Policy and Grants

Division, for recommendation to the ALG Leaders' Committee. That meeting shall also receive a forward plan and budget for the following financial year for consideration and for approval by the ALG Leaders' Committee.

- 7.5 The November meeting shall receive details of the budget for the following financial year as approved by the ALG Leaders' Committee and shall make recommendations as to the level of overall expenditure for the consideration and approval of constituent councils as provided for under the Act. The budget shall include proposals for expenditure on grants to eligible voluntary organisations, the administrative and staffing costs of the Grants Unit and any contingency provision. In order that the level of expenditure may be speedily determined constituent councils shall respond to the recommendations of the Grants Committee by not later than the third Friday of the following January.
- 7.6 The ALG Grants Committee may make such other arrangements for the conduct of meetings as it considers appropriate.

## **CONTRIBUTIONS TO EXPENDITURE**

- 8.1 The constituent councils shall be required to contribute to any expenditure of the designated council which has been incurred with the approval of at least two-thirds of the constituent Councils; and the amounts of the contributions shall be determined so that the expenditure in respect of which they are payable is borne by the constituent councils in proportion to the populations of their respective areas.
- 8.2 For the purpose of approving expenditure under the Scheme, constituent councils' approval to overall expenditure for the year shall require the appropriate majority to agree<sup>1</sup> but decisions with regard to the allocation of expenditure within the overall expenditure approved shall be taken by the ALG Grants Committee in accordance with the Scheme and the detailed operational arrangements.
- 8.3 For the purposes of paragraph 8.1 above the population of any area shall be determined in accordance with Regulation 6(8) of the Levying Bodies (General) Regulations 1982 (or a re-enactment or modification of such Regulations<sup>2</sup>).
- 8.4 The total annual expenditure incurred under the scheme by the designated council shall not exceed such amount as is prescribed by an order made by the Secretary of State, if so prescribed.
- 8.5 The designated council (or the ALG on behalf of the designated council) shall invoice constituent councils one month in advance for their contributions to the approved budget for the Scheme in the following way:

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<sup>1</sup> The Grants to Voluntary Organisations (Specified Date) Order 1992 provides that if the total expenditure to be incurred in any financial year is not approved as required by the Scheme before 1<sup>st</sup> February in the year in which that financial year begins, the constituent councils shall be deemed, subject to any order which has been made under section 48(5) Local Government Act 1985, 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.

<sup>2</sup> Regulation 6(8) of the Levying Bodies (General) Regulations 1992 provides:

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 population of the area of each relevant authority on 30<sup>th</sup>. 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.

- (1) in March and December of each year for half the costs incurred by the designated council in discharging the designated council function and a quarter of the expenditure proposed for grants to eligible voluntary organisations and any agreed contingency provision;
  - (2) in June and December of each year for a quarter of the expenditure proposed for grants to eligible voluntary organisations and any agreed contingency provision.
- 8.6 Constituent councils shall pay their contributions to the Scheme not later than the 8th day of April, July, October and January of each financial year in order that payments of approved grants may be made to eligible voluntary organisations before the end of those months, generally in quarterly instalments.
- 8.7 The ALG shall keep proper records of income and expenditure, and shall prepare for the July meeting of the Grants Committee a statement of account for the financial year ended on the previous 31 March. The statement shall be approved by ALG Leaders' Committee and audited by independent auditors appointed by the ALG.

#### **OPERATIONAL MATTERS AND SUPPLEMENTARY PROVISIONS**

- 9.1 This Scheme shall be read in conjunction with the Eligibility Criteria approved by constituent councils and reported to the Grants Committee on 17 October, 1985, and the Decision-Making Procedures and Operational Arrangements in force from time to time. Any provisions of the Scheme which are supplementary to those prescribed by section 48 Local Government Act 1985 may be varied by a two-thirds majority of the constituent councils acting by ALG Leaders' Committee on a recommendation from the ALG Grants Committee.

#### **PERIOD OF OPERATION OF THE SCHEME**

- 10.1 The scheme will continue in force for at least two financial years after that in which it is made, that is at least until 31<sup>st</sup>. March 2006.
- 10.2 Subject to paragraph 10.1, the Scheme may be revoked by the constituent councils (or, in the absence of agreement between all of them, by a majority of those councils) with effect from the end of any financial year after that in which the decision to revoke is made.
- 10.3 The designated council may, by giving not less than twelve months' notice to the other constituent councils withdraw its consent to act as designated council with effect from the end of any financial year not earlier than the second financial year after that in which this Scheme was made; and in that event this Scheme shall terminate when the withdrawal takes effect.

## Appendix 3



# Grants Committee

## Leaders' Committee

### London Boroughs Grants Scheme - Item 5 Budget Proposals 2004/5 no:

**Report by:** Ian Redding **Job title:** Head of Overview & Scrutiny, SPG

Frank Smith **Job title:** Director of Finance & Admin, ALG

**Date:** 10 November 2003

11 November 2003

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**Summary:** This report considers the proposed budget for the ALG Grants Committee for 2004/5 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 the ALG Leaders' Committee on 11 November 2003, that Members agree:

1. an overall level of expenditure for London Boroughs Grants Scheme in 2004/5 of £28,028,788 to effect an adjustment of £1,000,000 on grants provision to protect expenditure at the current level of commitment (Appendix 1);
2. that further to recommendation 1 and with reference to appendices 1 and 2, it is recommended that predicted bank interest of £100,000 for 2004/5 and estimated balances of £1,500,000 should contribute to the overall level of expenditure, which leaves a net amount of £26,428,788 to form the total level of borough contributions for 2004/5 (which represents a 4.15%, or £1,144,582 decrease from the 2003/4 subscription level of £27,573,370 or 7.03% in real terms).
3. that further to recommendations 1 and 2, 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, agreement by the two-thirds majority specified is required before 1 February 2004;
4. that constituent councils be advised that the apportionment of contributions for 2004/5 will be based on ONS mid-year estimates for June 2002.
5. that, subject to the approval of an overall level of expenditure, the Committee agrees to set aside a provision of £1,628,788 for costs incurred by the ALG in providing staff and other support services to ensure delivery of the Committee's "making of grants" responsibilities. This figure can be compared against £1,523,370 for 2003/4 (an increase of 6.9%).



## **Introduction**

1. This report considers an expenditure budget for the London Boroughs Grants Scheme for 2004/5 of £28,028,788 on the basis of a £1,000,000 adjustment on the grants budget to reflect current levels of commitments (as forecast following decisions taken by Grants Committee Elected Officers on 10 September 2003), and allowing £1,000,000 for future flexibility: a report outlining how the £1,000,000 is to be used is at item 6 on the Grants Committee's agenda. In terms of borough contributions there would be a reduction of £1,144,582 or 4.13% compared to 2003/4, (or 7.03% in real terms).
2. The overall level of expenditure is based on the proposals for the various components of the budget outlined in Appendix 1. For comparative purposes, the approved overall levels of expenditure since 1986/87 (the first year of the London Boroughs Grants Scheme) have varied between £27 million and £30.155 million. In 2003/4 the approved budget was £28,923,370.
3. The Committee will need to reach a view on the appropriate overall level of expenditure and to recommend it to constituent Councils, subject to approval of the overall budget by the ALG Leaders' Committee on 11 November 2003.

## **Approval to Expenditure**

4. The statutory basis of the Grants Scheme is Section 48 of the Local Government Act 1985.
5. 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 Boroughs Grants Scheme must be approved by the ALG 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.
6. The recommendations of the Grants Committee will be reported to ALG Leaders' Committee, which will be considering the budget for the London Boroughs Grants Scheme for 2004/5 at their 11 November 2003 meeting. If they do not give their agreement to the recommendations of the Grants Committee, it will need to meet again on 3 December 2003 in order to consider the advice on budget given by the ALG Leaders' Committee.
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 the Committee is able to decide on the details of that expenditure once approved. This means that when the Committee decides on an overall level of expenditure, subject to the agreement of the ALG Leaders' Committee, it will recommend it to the London Boroughs and the Cities of London and Westminster and at least 22 of them must pass resolutions in their own Councils to ratify and give effect to that overall level of expenditure. Once 22 constituent councils have given their approval, the overall level of expenditure and contributions to it are binding on all the 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 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 in section 7.5 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 16 January 2004. All constituent councils will have received copies of this report and will be quickly informed of the Committee's recommendation as to overall expenditure for next year, once it is made.
  
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 2004 the Secretary of State for ODPM 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) a scheme requires the total expenditure to be incurred under the scheme in any financial year -*
    - (i) in the making of grants; and*
    - (ii) 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*
  - (b) 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".*
  
10. This makes it essential for the Committee to make a recommendation today (or at the latest on the 3 December 2003, a provisional meeting date held in reserve), so that the 2004/5 levy can be confirmed at a Council Meeting of the Designated Council on 3 February 2004, having allowed constituent councils time to consider the matter before the 1 February deadline.
  
11. An upper limit on expenditure to be incurred for the London Boroughs Grants Scheme in any financial year can be prescribed by an order made by the Secretary of State, further to Section 48(5) of the 1985 Act.

## Contributions by constituent councils

12. Section 48(3) of the 1985 Act provides that the amount of contributions to London Boroughs 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.
  
13. 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."*

14. 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 Council Meeting of the Designated Council before the payment requests are sent to constituent councils. The Designated Council has arranged a special council meeting on 3 February 2004 to deal with approval of the levy. 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.

## **Budget Proposal for 2004/5**

15. Appendix 1 to this report sets out detailed information relating to the proposed budget for 2004/5. Under this proposal, there is a £1,144,582 (4.15%) decrease in the overall level of borough contributions in reducing the provision for grants by £1,000,000 from the 2003/4. The proposal anticipates use of balances totalling £1,500,000 to offset borough subscriptions. The underlying decrease is accounted for by changes to the following parts of the budget:
  - Increases in non-grant expenditure of £50,111 comprising
    - £37,283 for staffing costs, taking account of anticipated pay award for 2004/5 of 3.5% and
    - £12,828 for inflationary effects on non-staffing costs, estimated to be 2.8% in line with the Treasury mid-range forecast for 2004/5
  - An additional £55,307 has been added to the non-grants budget for 2004/5 to cover a proportion of the cost of the Corporate Services Recharge. This recharge covers the cost of the ALG Chief Executive Unit, which envelops the work of the Programme Office and the political advisers, as well as support to the Chief Executive. The actual Corporate Services Recharge for 2002/3 was £101,000. The residual

amount will be met from an overall review of all central recharges apportioned to the three separate funding streams at the ALG, which will be undertaken in early 2004, in time for the 2004/5 financial year. The Committee will be informed of the outcome of this review, which will include full financial implications.

- Decreases in grants expenditure of £1,000,000 to reflect current commitment levels.

### **Borough Contributions**

16. Paragraphs 12 to 14 of this report set out the legal position relating to contributions payable by constituent councils to the London Boroughs Grants Scheme. Contributions for 2004/5 have been calculated using ONS mid-year population estimates for 2002 and are set out in Appendix 2.

### **Other Income & Use of Balances**

17. The proposed budget set out in Appendix 1 to this report provides for other income in the form of bank interest that will be received on cash balances held by ALG throughout the year. The budgeted figure of £100,000 is a prudent estimate based on the experience of returns achieved from balances held by the Grants Committee over the past two to three years. Any fluctuations to these assumptions will, of course, affect the estimated level of income expected. The cash balances of the Committee as at 31 March 2003 were £6.4 million enveloped within the overall level of reserves of £4.4 million.
18. At the meeting of the Grants Committee held on 10 July 1996 the Committee agreed that a working balance equivalent to three months administration costs only should be retained by the Scheme. In 2003/4 this resulted in a sum of £380,843 being made available to maintain the overall expenditure budget at £28,923,370. Though Members have continued to support this approach since the Grants Committee became part of the ALG it is now considered that this process is no longer necessary, given that the ALG has the contractual obligation to provide or arrange all non-grants activity in support of the Committee's work. Therefore, a working balance has not been provided for within the budget calculation.

### **Conclusions: 2004/5 Overall Level of Expenditure**

19. This report proposes an overall level of expenditure in 2004/5 of £28,028,788 on the basis of an adjustment of £1,000,000 in the overall expenditure on grants (refer to Appendix 1). This proposal will result in a decrease of £1,144,582 or 4.15% on the overall level of borough contributions (or 7.03% in real terms).
20. In reaching a decision about its recommendation to the London boroughs for the 2004/5 overall level of expenditure, the Committee will need to consider that this option will:

- (1) provide adequately for grants to be made to eligible voluntary organisations to meet the current levels of commitments (£25.4 million as forecast following decisions taken by Grants Committee Elected Officers on 10 September 2003), addressing the ALG's funding priorities in 2004/5;
  - (2) provide adequately for future funding flexibility (£1 million is proposed, and a report outlining how the £1,000,000 is to be used is at item 6 on the Grants Committee's agenda);
  - (3) cover the estimated costs of the ALG providing appropriate staff, premises and support services to deliver the Committee's "making of grants" responsibilities; and
  - (4) be affordable by the constituent councils.
21. Whilst undoubtedly the effects of inflation upon the grants budget does, in real terms, reduce further the capacity of the grants budget to deliver the Committee's funding programme, financial pressures upon constituent councils would make such an increase difficult to resource at this stage. For this reason it is recommended that the Committee agree the proposal as the basis for their recommendation to constituent councils for 2004/5.
22. The overall level of expenditure to be recommended to constituent councils is subject to approval by ALG Leaders' Committee.

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## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

### **List of background papers used in this report.**

1. **London Boroughs Grants Scheme, overall level of expenditure 2003/4 (ALG Grants Cttee - Nov 2002).**
2. **ALG Grants Committee Final Accounts 2002/3 (ALG Grants Cttee Elected Officers - June 2003).**