

Leaders' Committee

London Councils Grants Scheme - Item 12 Budget Proposals 2012/13

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Summary This report considers the proposed budget for the Grants Scheme for 2012/13 and makes a recommendation to the Committee on the appropriate level to recommend to constituent councils for approval. In considering the budget, the Committee will need to have regard to the decision in respect of the European Social Fund options paper at Item 11 on this agenda.

Recommendations The Leaders' Committee is asked to agree:

- an overall level of expenditure of £10 million in respect of the London Councils core scheme of priority, pan-London services, which includes the membership subscriptions for boroughs for London Funders of £60,000;
- the cost of administering the London Councils core scheme, equating to 5%, or £500,000 of the proposed grants programme of £10 million
- Subject to the Leaders' Committee decision in respect of the level of the ESF programme for 2012/13, as at Item 11 on this agenda, a gross joint ESF funded programme of either £4 million or £2 million, including administration costs;
- that taking into account the application of ESF grant of either £2 million (£4 million gross programme) or £1 million (2 million gross programme), net borough contributions for 2012/13 should be £12.5 million or £11.5 million respectively;

- 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 2012 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £20.767 million); and
 - that constituent councils be advised that the apportionment of contributions for 2012/13 will be based on ONS mid-year estimates for June 2010.
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London Councils Grants Scheme - Budget Proposals 2012/13

Introduction

1. This report follows the recommendations arising from the review of the priorities and structure of the London Councils Grants Scheme that would give rise to an overall expenditure budget requirement in 2012/13 of either £14.5 million or £12.5 million, comprising:
 - The cost of continuing the London Councils core scheme of priority, pan-London services of £10 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;
 - The cost of administering the London Councils scheme, equating to 5%, or £500,000 of the proposed grants programme of £10 million; and
 - The cost of continuing the current joint ESF funded programme of £4 million, inclusive of £190,000 administration costs, or £2 million, including £95,000 administrative costs. This element of the proposed budget is subject to a separate report at item 11 on this agenda and the agreed final figure for the ESF programme will determine the overall level of the budget for 2012/13.

2. The two options for the overall level of expenditure, based on the proposals for the various components of the budget outlined above, are detailed in Appendix A. In 2011/12 the total approved budget was £20.767 million, so the proposed expenditure budget of £14.5 million, based on a £4 million gross ESF budget, represents a reduction of £6.267 million, or 30.2%. The option for an overall expenditure budget of £12.5 million, based on a £2 million gross ESF budget, represents a reduction of £8.267 million, or 39.8%.

3. For the £14.5 million overall expenditure budget, borough contributions will be £12.5 million, with a further £2 million being provided by ESF grant. Proposed borough contributions of £12.5 million, therefore, represent a reduction of £1.487 million, or 10.6% in the level of borough contributions of £13.987 million levied for the current year. For the £12.5 million overall expenditure budget, borough contributions will be £11.5 million, with a further £1 million being provided by ESF grant. Proposed borough contributions of £11.5 million, therefore, represent a reduction of £2.487 million, or 17.8% in the level of borough contributions of £13.987 million levied for the current year. There is no proposed budget for investment interest earned or a recommendation to transfer any sum from existing Committee reserves for 2012/13, as has been the case in previous years.
4. The Leaders' Committee will need to reach a view on the appropriate overall level of expenditure for 2012/13 and to recommend the budget to constituent Councils.

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, the most significant being that the budget for the London Councils Grants Scheme must be approved by the London Councils Leaders' Committee by a simple majority vote. 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 budget proposals were considered by the Grants Committee at their meeting on 9 November. However, as the Committee agreed that it required more information to consider the level of the ESF budget that it was prepared to recommend to the Leaders' Committee for 2012/13; it did not feel it was appropriate to consider the overall level of expenditure for 2012/13.
7. If Leaders Committee does not agree any budget at this meeting, then it may not be possible to agree a figure to recommend to boroughs, and achieve the necessary two-thirds majority endorsement by them, before the end of January. In that case, the budget for next year will be deemed to have been agreed at the 2011/12 level (see paragraph 10).

8. 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 it is able to make decisions with regard to allocation of that expenditure once overall expenditure has been approved. This means that when the Grants Committee decides on an overall level of expenditure, subject to the agreement of this 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

9. 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 clause 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 20 January 2012. 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.
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 2012 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) 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".*

11. 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 between 1 and 15 February 2012.

Contributions by constituent councils

12. 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.
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 by the City of London Corporation before the payment requests are sent to constituent councils. The City of London will consider this matter between 1 and 15 February 2012. 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 2012/13

15. Appendix A to this report sets out detailed information relating to the proposed budget for 2012/13. The budget assumes:

- an overall level of expenditure of £10 million in respect of the London Councils core scheme of priority, pan-London services of £10 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;
- the cost of administering the London Councils core scheme, equating to 5%, or £500,000 of the proposed grants programme of £10 million;
- Subject to the Leaders' Committee decision in respect of the level of the ESF programme for 2012/13, as at Item 11 on this agenda, a gross joint ESF funded programme of either £4 million or £2 million, including grants administration;

- In addition to the indicative gross grant payments budget of £13.81 million (£4 million ESF gross programme) or £11.905 million (£2 million ESF gross programme), the proposal includes a provision of 5% of the grant budget to provide for grants administration. For the £13.81 million programme a total of £690,000 for 2012/13, including £190,000 relating to ESF administration is recommended. This represents a reduction in grants administration expenditure of £348,000 (33.5%) compared to £1.038 million in the current year. For the £11.905 million programme a total of £595,000 for 2012/13, including £95,000 relating to ESF administration is recommended. This represents a reduction in grants administration expenditure of £443,000 (42.7%) compared to £1.038 million in the current year.

Non-Grants Expenditure

16. All predictions of grants administration expenditure levels are based upon a target of no more than 5% of the provision for grants, as previously discussed by Grants Committee in the review of non-grants expenditure levels conducted in early 2009.
17. In terms of dedicated staff, the Grants Team will reduce in the number of posts in proportion to the size of the programme. With a core gross programme of £13.81million, including ESF, staffing numbers will settle down to a core team of 5.84 fte posts now that the period of transition has been completed, including ESF administration. For a programme of £11.905 million, it is likely that the staffing establishment would need to reduce by a further 0.5 fte post to 5.34 fte posts.
18. The staffing costs figures within the proposed 2012/13 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.

Other Income

19. In previous years, budget proposals put before this Committee included other income in the form of bank interest that would be expected to accrue on cash balances held in reserves by London Councils throughout the year. However, the significant reduction in Committee reserves compared to recent years (see paragraph 23), together with the continued low interest rates currently available in the UK, has meant that it would not be prudent to rely on any material level of income from this source, so no budget has been included in respect of interest earned in the budget proposals for 2012/13.

ESF Grant Income

20. The proposed budget includes expenditure on the ESF grants programme which can be match funded by the Department of Work and Pensions at either £4m million or £2 million, pending a decision on options for the programme in 2012/13. The programme contributes to activities commissioned under London Councils Poverty priority, including administration costs, 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 £2 million or £1 million respectively. Both the gross expenditure and the ESF income it attracts are reflected in Appendix A.

21. Options for the future level of the ESF programme and approval for London Councils to continue as a co-financing body beyond the expiry of current contract of 31 March 2013 is subject to a separate report on this agenda.

2011/12 Outturn Projections

22. The half-year forecast report reported to the Grants Committee on 9 November identified projected underspends amounting to £186,000 in total during 2011/12, reflecting:

- Grants approved and committed to date of £19.501 million as compared to the budget of £19.669 million to produce a projected £168,000 saving.
- A forecast underspend of £27,000 on salary costs and £50,000 on other running costs; offset by
- A deficit of £61,000 in the anticipated level of bank interest earned on Committee reserves.

Use of Reserves

23. Audited reserves at the end of March 2011 were £3.081 million. Members originally budgeted to apply £2.33 million to support the current year's budget. However, as result of the judicial review of the revised grants programme agreed by members in December 2010, a further £2.33 million was required to order the balance the revised grants budget agreed by the Leaders' Committee in May 2011. A sum of £350,000 was used from existing Grants Committee reserves, but there were insufficient funds to finance the entire shortfall. Sums of £1.83 million and £150,000 were therefore transferred from the reserves of the Joint Committee and TEC respectively to balance the budget. The current position on Committee reserves in shown in the table below, which takes on board projected underspends from the current year (refer paragraph 22).

	£000
Audited reserves as 1 April 2011	3,081
Transfer from Joint Committee reserves	1,830
Transfer from Transport and Environment Committee Reserves	150
Sub-total	5,061
Reserves used to balance 2011/12 budget, as agreed by Leaders' Committee in May 2011	(4,660)
Residual uncommitted reserves	401
Projected underspend on grant payments 2011/12	168
Projected underspend on grants administration 2011/12	18
Projected reserves as at 31 March 2012	587

24. The Director of Corporate Resources recommends that, in line with best financial management practice, it would be appropriate to retain reserves of approximately £500,000 to £600,000 to support the future, London-wide Scheme of approximately £10 million, or £12 million net if the current level of borough contributions to the ESF programme is continued. As the above projected level of reserves fall between these benchmarks, it is therefore proposed that no reserves be applied to offset the cost of borough contributions for 2012/13.

Borough Contributions

25. Paragraphs 12 to 14 of this report set out the legal position relating to contributions payable by constituent councils to the London Councils Grants Scheme. Contributions for 2012/13 for the two budget options have been calculated using ONS mid-year population estimates for 2010 and are set out in Appendix B.

26. The overall review of the Grants Scheme priorities and future arrangements, will, if approved, reduce the overall level of borough contributions needed in 2012/13 to £12.5 million or £11.5 million, dependant upon the level of the ESF programme approved by members for 2012/13.

27. Appendix B details the 2012/13 contributions required borough by borough. Members should note that the proposal is likely to lead to further reductions in contributions in the following years as the transitional arrangements fall out and the future scheme is focused solely on priority, London-wide services.

Equalities Implications

28. As the Grants Committee is aware, in reaching a decision on the appropriate budget it is required to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any conduct prohibited by the Equality Act 2010;
- advance equality of opportunity between persons who share a relevant protected characteristic (i.e. age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

29. The requirement to have due regard to the need to advance equality of opportunity includes having due regard to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant characteristic that are different from the needs of person who do not share it (including steps taking account of disabled persons' disabilities); and
- encourage persons who share a relevant characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

30. In summary, the decision on the overall level of expenditure for 2012/13 includes decisions on the following issues, with potential equality implications:

- First, it is recommended that London Councils continues to fund the current A* commissions for their fixed terms at a cost of £5.3m. This decision was taken in May 2011 and the Leaders Committee is referred to the equality impact assessment undertaken at that time; and
- Secondly, it is recommended that London Councils has a budget to enable it to extend some of the A* commissions beyond the end of their fixed term contracts and until the end of 2012/13. As explained below, the decision not to continue funding all A* commissions beyond the end of their fixed term has equality implications (whichever commissions are selected, following consultation and consideration of the equality impacts).

31. Looking beyond 2012/13, London Councils proposes to consult on the principles and priorities for commissions for 2013/14 including any future ESF schemes that might be match funded. The Committee is not asked to make any budget decision for 2013/14 at this stage.

32. London Councils has provided funding for schemes that support the London population and which have sought to offer services that assist people across the equalities groups age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation. The range of actions and assistance was reviewed in 2010/11 when London Councils decided its portfolio of schemes that would continue to be funded into 2012/13. Full detail of this and detail for the overall scheme and individual organisations, including the outcome of the public consultation at the Grants Committee held on 6 May 2011 is available on the London Councils website. No change in either the principles, priorities or extension of individual grants (up to the end of their fixed terms) is proposed in this budget report.

33. The draft Budget therefore includes provision for the continuation of the current portfolio of 105 funded organisations to receive funds until the end of each agreement between the voluntary organisation and London Councils. The cost of funding to the end of their agreements with London Councils is £5.3 million. This was agreed by Leaders in May 2011 following consultation and consideration of the equalities effects. The Committee is advised to have due regard to the equality impact assessment in considering the appropriate budget for 2012/13.

34. The proposed budget also includes provision to extend some grants from the end of their current agreements to 31 March 2013. The Committee has to decide the amount (if any) of additional funding; the recommendation is an additional £4.7 million based on average costs of the extension of some 80% of the current portfolio of commissions funded currently by London Councils. The financial effect of funding all 105 commissions in the current portfolio of organisations until 31 March 2013 will be an additional £5.7 million. The budget proposal includes £4.7 million additional funding and is an opportunity to support organisations that deliver effectively to continue to provide services at the end of their current services until the start of new commissions in 2013/14. This is not sufficient for every commission to be extended to 31 March 2013; this would require an additional £1.042 million.
35. As explained in further detail below, the priorities of the grants programme for 2013/15 are to be decided after March 2012 following consultation. On completion of the consultation, London Councils can consider which commissions should be extended from the end of their fixed term until the start of the new commissions. In reaching this decision, London Councils will consider the equality impact of the proposals and options.
36. Whilst London Councils has not yet decided which commissions would be extended (which will be subject to consultation and consideration of the equality impact), there are equality implications resulting from the decision not to fund every A* commission beyond the end of the fixed terms. The recommended budget is intended to mitigate the effects on equalities groups receiving services and suggests provision for some 80% of the current commissions being extended and enabling an assessment of the equalities effects in making recommendations to members about priorities, whilst balancing this against the need to have an appropriate budget in a context of large reductions in public spending and the review leading to a significantly reduced London-wide scheme.
37. A decision on which of the current commissions would receive additional funding up to the end of 2012/13 will be informed by consultation, review of equalities effects of each commission and an equalities impact assessment on the potential priorities to be funded under the new commissioning programme¹.

¹ The London Councils consultation is to be launched in December 2011 and run for 12 weeks.

38. The budget also makes provision for the continuation of the ESF Grants Programme delivered by London Councils at either the current level of £4 million, offset by £2 million grant from the Department of Work and Pensions that administers with ESF programme in the UK, or at the reduced level of £2 million, offset by £1 million ESF grant. A report on the options on the future of the ESF programme is provided at item 11 of the agenda for Leaders' Committee. The schemes, delivered by the voluntary sector to priority groups, enable workless people gain access to training, into work support and tackles poverty by supporting access to employment and services. The proposed continuation of the ESF Grants Programme will give a further opportunity for organisations to receive grants in 2012/13 directed to generate training and job opportunities for people who have been unemployed for long periods and lack skills.
39. Organisations and the public are advised that London Councils is considering an indicative budget of £8 million to support a new grants scheme for financial year 2013/2014. Interested bodies will have an opportunity to comment on principles and priorities during the consultation and identify specific equalities effects. London Councils is making proposals to amend the principles and priorities of the programme and will consult on the current range of principles and priorities and whether London Councils should focus on a smaller number and making a stronger impact through funding organisations better.
40. The Grants Scheme provides support across equalities groups social care, housing and advocacy needs and services for young people who face homelessness. There is a high prevalence of equalities groups currently supported through the Grants Scheme with service users alone from the groups identified as age, disability, race, gender and sexual orientation being supported by commissioned groups². London Councils Supplementary consultation³ carried out in April 2011 also showed that the largest impact on equalities groups with any reduction, or withdrawal of grant provision would be on age (children and young people including 190,000 recorded incidents of use of commissions) race (primarily Black and Minority Ethnic groups – 197,000 recorded incidents of use of services) and sex (services for women with 108,000 recorded incidents of use of services). In considering future funding decisions will include consideration of the potential effects drawing on available data.

² This figure is derived from responses given by some of the currently commissioned groups.

³ London Councils Supplementary consultation: Leaders' Committee Report: Review of Future Role and Scope of London Councils Grants Scheme: Annex 1:

http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=4428

41. There may be some potential for positive impact, with a reduced budget, if for example, this results in targeted work, on a pan-London scale, are focused better on services felt to be most needed. London Councils will review the level of need in London as well as the equalities effects of potentially reducing the range of priorities that may be supported in future and a potential reduction in funding, within the forthcoming consultation.

42. A 12 week public consultation is to be completed and the Grants Committee will be advised the outcome and the equalities impacts of recommendations to support decisions on the scope of a new grants programme for 2013/15. An equalities effects report on the recommendations affecting individual commissions will be made in the spring 2012.

Summary

43. This report considers the proposed budget for the Grants Scheme for 2012/13 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. The report proposes options for either:

- an overall level of expenditure in 2012/13 of £14.5 million, based on a £4 million ESF programme, a reduction of 30.2%, compared to the current year figure of £20.767; which requires borough contributions of £12.5 million; a reduction of 10.6% compared to the current year contributions of £13.987 million; or
- an overall level of expenditure in 2012/13 of £12.5 million, based on a £2 million ESF programme, a reduction of 39.8%, compared to the current year figure of £20.767; which requires borough contributions of £11.5 million; a reduction of 17.8% compared to the current year contributions of £13.987 million.

Recommendations

44. The Leaders' Committee is asked to agree:

- an overall level of expenditure of £10 million in respect of the London Councils core scheme of priority, pan-London services, which includes the membership subscriptions for boroughs for London Funders of £60,000;

- the cost of administering the London Councils core scheme, equating to 5%, or £500,000 of the proposed grants programme of £10 million;
- Subject to the Leaders' Committee decision in respect of the level of the ESF programme for 2012/13, as at Item 11 on this agenda, a gross joint ESF funded programme of either £4 million or £2 million, including administration costs;
- that taking into account the application of ESF grant of either £2 million (£4 million gross programme) or £1 million (2 million gross programme), net borough contributions for 2012/13 should be £12.5 million or £11.5 million respectively;
- 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 2012 they shall be deemed to have approved expenditure of an amount equal to the amount approved for the preceding financial year (i.e. £20.767 million);
- that constituent councils be advised that the apportionment of contributions for 2012/13 will be based on ONS mid-year estimates for June 2010.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background papers used in this report.

1. Review of Future Role and Scope of the London Boroughs grants Scheme (Grants Cttee Nov 25th 2010 and Leaders Committee December 14th 2010)
2. London Councils Grants Scheme, overall level of expenditure 2011/12 (Grants Committee and Leaders' Cttee – Nov/Dec 2010).
3. Grants to Voluntary Organisations - Financial Overview Report (Grants Cttee – Nov 2011).