

LG Group Budget 2019/20

Purpose of report

For decision.

Summary

Leadership Board received and noted the 2019/20 Budget Assumptions (including the key themes, issues, risks and opportunities for each of the LG Group Companies and Group overall) at the meeting in January 2019.

The attached detailed proposed Budget for 2019/20 has been prepared under those assumptions and is presented for agreement and recommendation to the LGA Executive.

The LG Group budget for 2019/20 allocates resources to enable the delivery of the Group's priorities as set out in the latest Business Plan.

Recommendations

Leadership Board is asked to:

1. agree the LGA Group's budget for 2019/20 for recommendation to the LGA Executive; and
2. delegate approval to make necessary budgetary adjustments to reflect the final grant notification from MHCLG to the LGA Chairman and Group Leaders, in consultation with the Deputy Chief Executive.

Action

As directed by Members.

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LG Group Budget 2019/20

Background

1. The proposed 2019/20 Budget for the LG Group is presented for agreement.

Issues

2. A consolidated budget has been developed for the LGA, the IDeA and the LGA's property and commercial companies reflecting the full integration of the management and operations of these organisations, in line with the principles of the 2019/20 Financial Strategy agreed by the Leadership Board in January 2019 – the budget draws on previously created reserves in 2019/20 as we continue to invest in new income-generating activities in the year, which will deliver significant benefits in future years.
3. The 2019/20 budget has been driven by the strategy for the LGA and the priorities set out in the annual business plan. The business plan recognises that the high level priorities identified for the last five years are still broadly relevant for 2019/20.
4. In 2019/20 the LGA's core funding is broadly at the same level as 2018/19, (including a further freeze on Subscription income), apart from a potential decrease of £1.0 million (not yet confirmed by MHCLG, but included for prudent budget purposes) in Direct Government Grant. This reduction in funding is being managed without adversely impacting on current staffing levels or operational budgets as a result of the significant overhead reductions in 2015/16, plus utilising built-up reserves.
5. The proposed Net Budget (ie the net impact on Reserves) is summarised in **Table 1** below, with more detail of the Income and Expenditure budget presented at **Appendix A**.

Table 1: Consolidated LG Group Proposed Net Budget for 2019/20 compared to the current year – **before** movements to/from Reserves:

| LG Group | 2018/19 | | 2019/20 |
|--|---------------------|-----------------------|---------------------|
| | Net Budget £'000 | Net Forecast £'000 | Net Budget £'000 |
| LGA | 1,082 | 44 | 1,113 |
| IDeA | 966 | 138 | 340 |
| Operating Companies | 2,048 | 182 | 1,453 |
| LGMB | 1,204 | 1,199 | 888 |
| LGAP | 533 | 592 | 404 |
| Property Companies | 1,738 | 1,791 | 1,292 |
| LG Group (excl Commercial) | 3,786 | 1,973 | 2,745 |
| LGCS | 645 | 1,046 | 750 |
| Commercial Company | 645 | 1,046 | 750 |
| LG Group Total (Surplus) / Deficit before contributions to Reserves | 4,431 | 3,019 | 3,495 |

6. The LGA's proposed consolidated budget for 2019/20 will be balanced by drawing down on previously created Reserves.

Implications for Wales

7. None.

Financial Implications

8. As above.

Next steps

9. Members are asked to:

- 9.1. agree the LG Group's budget for 2019/20 for recommendation to the LGA Executive; and
- 9.2. delegate approval to make necessary budgetary adjustments to reflect the final grant notification from MHCLG to the LGA Chairman and Group Leaders, in consultation with the Deputy Chief Executive.

APPENDIX A1 – 2019/20 Budget - Group Budget

| Ref | LGA GROUP BUDGET, 2019/20 *excluding intercompany transactions | Core Pay £'000 | Non- Pay £'000 | Income £'000 | Budget Total £'000 |
|-----|--|----------------------|----------------------|-----------------|--------------------------|
| 1 | Finance & Policy | 4,422 | 1,990 | (25) | 6,388 |
| 2 | Workforce, Leadership & Productivity | 8,908 | 6,237 | (2,373) | 12,772 |
| 3 | Communications | 2,531 | 1,549 | (1,900) | 2,180 |
| 4 | Member Services | 279 | 1,337 | 0 | 1,616 |
| 5 | Political Group Offices | 854 | 240 | (18) | 1,076 |
| 6 | Grant Distribution to other bodies | 0 | 980 | 0 | 980 |
| 7 | Corporate Services & Overheads | 2,897 | 5,746 | (3,290) | 5,353 |
| 8 | England Direct Government Grant | 0 | 0 | (19,000) | (19,000) |
| 9 | Subscription Income | 0 | 604 | (9,940) | (9,336) |
| 10 | Dividends | 0 | 0 | (1,592) | (1,592) |
| 11 | LGA Properties * | 0 | 1,744 | (795) | 949 |
| 12 | LGMB* | 0 | 132 | 0 | 132 |
| 13 | LGA Commercial Services Ltd* | 0 | 814 | (135) | 679 |
| 14 | Core Costs | 19,891 | 21,373 | (39,068) | 2,197 |
| 15 | Grant Programme Totals | 6,200 | 13,481 | (22,071) | (2,390) |
| 16 | Total Operating (Surplus) / Deficit before contributions to : | 26,091 | 34,854 | (61,139) | (193) |
| 17 | Contribution to Pensions Deficits | | | | 3,693 |
| 18 | Contribution to / (from) specific reserves - Operating entities | | | | (2,203) |
| 19 | Contribution to / (from) General reserves - Property Companies | | | | (1,292) |
| 20 | Total Net Budget | | | | 0 |

* These figures exclude Intercompany Transactions

APPENDIX A2 – 2019/20 Budget – Group Net Financial Summary versus current year

| LGA Group - Financial Plan (Net Cost) | Current Budget 2018/19 £'000 | Forecast Outturn 2018/19 £'000 | Net Budget 2019/20 £'000 |
|--|---|---|---|
| Finance & Policy | 6,515 | 6,446 | 6,388 |
| Workforce, Leadership & Productivity | 13,355 | 12,880 | 12,772 |
| Communications | 2,562 | 2,097 | 2,180 |
| Member Services | 1,572 | 1,553 | 1,616 |
| Political Group Offices | 1,012 | 971 | 1,076 |
| Grant Distribution to other bodies | 1,080 | 1,080 | 980 |
| Corporate Services & Overheads | 5,492 | 5,236 | 5,353 |
| Direct Government Grant | (20,000) | (20,000) | (19,000) |
| Subscriptions Income | (9,363) | (9,352) | (9,336) |
| Dividends | (1,350) | (1,580) | (1,592) |
| LGA Properties * | 1,112 | 1,349 | 949 |
| LGMB* | 452 | 674 | 132 |
| LGA Commercial Services Ltd* | 420 | 615 | 679 |
| Core Costs | 2,859 | 1,969 | 2,196 |
| Grant and Ringfenced Programmes Contributions to overheads | (2,007) | (2,549) | (2,390) |
| Total (Surplus) / Deficit before contributions to : | 852 | (580) | (195) |
| Contribution to Pensions Deficits | 3,579 | 3,598 | 3,693 |
| Contribution to / (from) specific reserves - Operating entities | (2,693) | (1,228) | (2,203) |
| Contribution to / (from) General reserves - Property Companies | (1,738) | (1,791) | (1,292) |
| Total Net Budget | 0 | (1) | 3 |

* These figures exclude Intercompany Transactions