

LG Group and LGA Budget 2011/12

Summary

The LG Group's and the LGA's proposed budget for 2011/12 is set out in the Budget Book which is to be presented to the LG Group Executive on 19 May. This is being recommended to the LG Group Executive by the Resources Panel who reviewed the 2011/12 budget at its meeting on 27th April. A provisional budget for the LGA for 2011/12 was agreed by the LGA Leadership Board in March, before the start of the financial year. Since then, work has been underway on a final budget for the year, following the restructuring exercise across the Group that is now close to being completed.

Recommendation

Members are asked to agree the proposed budget for 2011/12 for the LGA, as part of the LG Group budget.

Action

Group Finance Director

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Background

1. At its meeting in March, LGA Leadership Board agreed a provisional budget for 2011/12 for the LGA, before the start of the financial year. Since then, work has been underway on a final budget for the year, following the restructuring exercise across the Group that is now close to being completed.
2. The 2011/12 budget is driven by the business strategy for the Group, which is set out in the Group's annual business plan and which was also agreed by Executive in March 2011. This has been developed following consultation with councils and also the steer from the LG Group Executive and Programme Boards. This takes account of the changing needs of local government against a background of significantly reduced public spending and an exceptionally tough financial settlement.
3. The Group budget also takes account of the reduced funding base of the Group – from nearly £100m in 2010/11 to expected income of just over £50m in 2011/12.

LG Group Budget - overview

4. The 2011/12 Budget Book presents for the first time an annual budget for the LG Group as a whole. This is part of the transformation programme, through which the political leadership and management of the five organisations in the LG Group – the LGA, LG Improvement and Development, LG Employers, LG Regulation and LG Leadership – is being integrated and co-ordinated to deliver greater value for money for councils.
5. Given that the company structure of the organisations in the LG Group is being retained in 2011/12, there is still also a need for budgets to be agreed for the individual organisations in the Group to demonstrate clear accountability to the individual company boards and the LGA Leadership Board. These individual budgets are set out in the 2011/12 Budget Book and are in effect sub-sets of the overall Group budget.

The LGA Budget 2011/12

6. The LGA Leadership Board approved a provisional budget for the LGA for 2011/12 at its meeting on 16 March. The final budget for the LGA is now presented in Appendix B to the Budget Book for the LG Group for 2011/12 which is included in the papers for the LG Group Executive.
7. This shows net subscription income after discounts of £10.8m in 2011/12, in line with the agreed policy of reducing subscription income by around 20% over the next three years in response to the financial challenges that member authorities face.
8. The LGA is due to receive RSG top-slice of £2.4m which is in line with the amount of RSG previously received by the LGA for the European and International Unit and which is now being used to cover the costs of those employees in the new Policy and Development Team for the Group.
9. The other main source of income for the LGA is from conferences and events. Conference income is expected to be in the region of £2.3m in 2011/12. Overall the level of conference income is expected to reduce from previous years, reflecting the pressure on councils' discretionary spend. Nonetheless, we will continue to run a comprehensive programme of events for 2011/12 as a major plank of our engagement with local government.
10. A number of ring-fenced projects will be undertaken by the LGA in 2011/12 on a cost recovery basis, including the continuing legal action on behalf of local government for the Icelandic Bank Debt recovery (£500k). The costs of the Local Government Challenge Competition are also completely covered by sponsorship (£70k).
11. LGA costs in 2011/12 relate mainly to the pay costs of the new structure, with Communications and Business Support pay and non-pay costs being apportioned across all the organisations in the Group.
12. The Resources Panel met on 27th April 2011 to review the proposed budget and amongst other things reviewed proposals for the funding of the Political Group Offices. Resources Panel asked for a budget proposal to be developed based on agreements previously applied by reference to political proportionality. A revised proposal which has the support of the Political Group Offices, has now been included in the 2011/12 budget.
13. The LGA budget for 2011/12 also includes an additional annual payment to the West Sussex pension scheme which has been discussed with Resources Panel. Leadership Board was informed about this at its last meeting..

Item 3

14. Significant transition costs will be incurred across the LG Group in the first quarter of 2011/12 as we move to the new lower level of operations. These will comprise redundancy payments to employees who are not appointed to the new structure along with their salary payments in the notice period April – July 2011. Work is currently underway to model these costs as appointments in the new structure are finalised. Taking into account the existing reserves totals and cash balances, the transition is expected to be affordable for the Group. A full assessment of transition costs for the LGA will be presented to Resources Panel and the Leadership Board in July.