

Grants Committee

Month 9 Revenue Forecast 2015/16 Item no: 8

Report by: Frank Smith **Job title:** Director of Corporate Resources
Katy Makepeace-Gray Principal Grants Manager

Date: 9 March 2016

Contact Officer: Frank Smith

Telephone: 020 7934 9700 **Email:** Frank.smith@londoncouncils.gov.uk
020 7934 9800 Katy.makepeace-gray@londoncouncils.gov.uk

Summary This report outlines actual income and expenditure against the approved budget as at 31 December 2015 (Month 9) for the Grants Committee and provides a forecast of the outturn position for 2015/16 for both actual and committed expenditure on commissions, including matched funded ESF commissions, and the administration of all commissions. At this stage, a surplus of £1.141 million is forecast over the approved budget.

Recommendations The Grants Committee is asked to :

- Note the projected surplus of £1.141 million for the year; and
- Note the projected level of Committee reserves and the commentary on the financial position of the Committee included in paragraphs 14-15.

Month 9 Revenue Forecast 2015/16

Introduction

1. This is the third and final budget monitoring report to be presented to the Committee during the current financial year. The next report will be the pre-audited outturn figures for 2015/16, which will be reported to this Committee in June/July 2016.
2. The London Councils Grants Committee's income and expenditure revenue budget for 2015/16 was approved by the Leaders' Committee in December 2014, following recommendations by the Grants Committee.

Variance from Budget

3. Table 1 below summarises the forecast outturn position for the Grants Committee:

Table 1 –Summary Forecast

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	269	378	372	(6)
Running Costs	9	46	46	-
Central Recharges	-	131	131	-
Total Operating Expenditure	278	555	549	(6)
Commissioned grants services	5,286	7,505	7,381	(124)
London Funders Group	60	60	60	-
ESF commissions – 2013-15	952	500	952	452
ESF commissions – 2016+	-	1,880	-	(1,880)
Total Expenditure	6,576	10,500	8,942	(1,558)
Income				
Borough contributions towards commissioned services	(6,394)	(8,505)	(8,520)	(15)
Borough contributions towards the administration of commissions	(371)	(495)	(495)	-
ESF Grant – 2013-15	(255)	(250)	(497)	(247)
ESF Grant – 2016+	-	(1,000)	(60)	940
Interest on Investments	(12)	-	(12)	(12)
Other Income	-	-	-	-
Transfer from Reserves	-	(250)	(499)	(249)
Total Income	(7,032)	(10,500)	(10,083)	417
Net Expenditure	(456)	-	(1,141)	(1,141)

4. The projected surplus of £1.141 million, which is explored in more detail in the narrative below, is broadly split between the following:

- A projected underspend of £124,060 in respect of S.48 borough funded commissioned services relating to 2015/16;
- A projected breakeven position relating to payments in respect of the expiring 2013-15 borough/DWP ESF programme, where projected total residual payments to providers of £952,000 and administration costs of £59,000 are funded by ESF grant of £497,000, a transfer from accumulated ESF reserves of £499,000 and borough contributions received in advance in 2014/15 of £15,000;
- A projected net underspend of £940,000 in respect of the new 2016+ ESF programme, based on the assumption that the new programme co-ordinated by the GLA/LEP will not become operational during the current financial year, although some administrative costs will be incurred of preparatory work and may attract ESG grant of up to £60,000; and
- A projected marginal underspend of £18,000 in respect of the overall administration of all commissions.

Payments to Commissions – London Councils Borough S.48 Programme

5. Table 2 below outlines the actual spend for the period 1 April to 31 December 2015 for the borough funded commissions, covering priorities 1, 2 and 4.

Table 2 – Actual Spend 1 April to 31 December 2015 – Priorities 1, 2, and 4

2015/16 budget (£)	Forecast payments 1 April to 31 December 2015 (£)	Actual Payments (£)	Projected Underspend (£)	Balance (£)
7,504,981	5,587,998	5,285,851	124,060	259,563

6. Currently there is £124,060 in projected underspend for the period. This relates to funding not utilised by projects largely due to gaps in staffing and also to funding originally awarded to Eaves Housing which went into administration in October 2015. The balance of payments on hold at 31 December was £259,563. This relates to six payments to providers with outstanding queries/ requirements. Since 31 December 2015, three of these payments totalling £65,225 have been released, leaving the balance on hold of £194,338, covering the remaining three commissions.

7. During the course of closing the 2014/15 accounts, liabilities of £170,177 relating to two outstanding payment due to commissions was set up. These payments have been released during the first quarter of 2015/16.
8. As part of the approved monitoring arrangement, officers will continue to review financial information relating to each project for the remainder of the financial year and review year end audited accounts. It is possible that further underspend relating to 2015/16 will be identified during the final quarter, which will be reflected in the provisional outturn figures scheduled to come before the Committee at the AGM in July 2016.

Payments to Commissions – ESF Programme

9. There is an additional complexity in forecasting the potential outturn position for this budget head for 2015/16 due to the cessation of the 2013-15 programme and the likely slip of the start of the new 2016+ ESF programme into the 2016/17 financial year.
10. For the 2013-15 programme, residual payments to providers of £952,000 have been made, which includes a sum of £401,000 in respect of an additional quarters payment for the existing 10 commissions, as approved by the Grants Committee in November 2014 and endorsed by the Leaders' Committee in December 2014. Administration costs of £59,000 are projected to have been incurred in relation to the expiring commissions. The projected outturn figure of £1.011 million will be funded by three sources:
 - Estimated ESF grant of £497,000;
 - Borough contributions of £15,000 paid in advance in 2014/15; and
 - A transfer of £499,000 from the accumulated provision held in the Committee's reserves in respect of slippage in previous years ESF transactions.
11. For the new £2 million 2016+ joint funded ESF programme, this is now expected to commence during the 2016/17 financial year, meaning that no payments to commissions are envisaged in 2015/16. However, administration costs have been incurred in preparing the bids submitted to the GLA/LEP and in the review and drawing up of funding agreements with providers. The underspend of £1.88 million for payments to providers will be offset by a reduction in ESF grant of £940,000, leaving a net underspend of £940,000. Boroughs will have already contributed their total £940,000 toward this expenditure by the end of the

financial year and this sum will be taken into reserves and applied in subsequent financial years as the slipped programme proceeds.

12. In overall terms, therefore, there is a forecast net surplus on all provider payments of £1.064 million for the year.

Administration of Commissions

13. It is projected that salaries expenditure will underspend marginally by £6,000 and projected investment income on Committee reserves of £12,000 will be accrued, giving a projected £18,000 benefit.

Committee Reserves

14. Table 3 below updates the Committee on the revised estimated level of balances as at 31 March 2016, if all current known liabilities and commitments are considered:

Table 3– Analysis of Estimated Uncommitted Reserves as at 31 March 2016

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2015	455	869	1,324
Projected surplus/(deficit) for the year	141	1,000	1,141
Transfer from reserves in respect of 2015/16	-	(499)	(499)
Projected reserves as at 31 March 2016	596	1,370	1,966
Approved repayment to boroughs in 2016/17	(185)	(301)	(486)
Projected reserves as at 31 March 2017	411	1,069	1,480
Indicative total expenditure 2015/16	8,000	2,000	10,000
Forecast reserves as a % of indicative expenditure	5.14	40.6	14.8

Conclusions

15. Projected total reserves of £1.48 million are forecast at the year-end, after considering the projected surplus of £1.141 million for the year. A projected sum of £1.069 million relates to borough contributions towards the funding of ESF commissions, £1 million of which is projected to arise due to the anticipated slippage in the start of the new 2016+ ESF programme into 2016/17. The residual sum of £411,000 held in reserves relates to the S.48 borough funded commissions, which equates to 5.14% of the £8 million commissions budget. This figure currently exceeds the benchmark of £300,000 or 3.75% established by this Committee in September 2013.

Recommendations

16. Members are asked to :

- note the projected surplus of £1.141 million for the year; and
- note the projected level of Committee reserves and the commentary on the financial position of the Committee included in paragraphs 14-15.

Financial Implications for London Councils

As detailed in report

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Background Papers

London Councils Budget working papers 2015/16

London Councils Income and Expenditure Forecast File 2015/16