

Grants Executive Committee

Month 6 Revenue Forecast 2016/17 Item no: 5

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Summary

This report:

- Outlines actual income and expenditure against the approved income and expenditure in the budget to the end of September 2016 for the Grants Committee;
- Provides a forecast of the outturn position for 2016/17 for both actual and committed expenditure on commissions, including:
 - Those matched funded ESF commissions that are within the Grants Programme (i.e., excluding borough-specific ESF projects); and
 - London Councils' administration of all these commissions.

Members are reminded that the position reported in this report is at the half-year stage of 2016/17, which is the final year of the current four-year programme of commissions. At this stage, a surplus of £854,000 is forecast over the approved budget.

Recommendations

The Grants Committee is asked to :

- Note the projected surplus of £854,000 for the year; and
- Note the projected level of Committee reserves, as detailed in paragraph 13 of this report and the commentary on the financial

position of the Committee included in paragraphs 14-15.

Introduction

1. This is the first budget monitoring report to be presented to the Committee during the current financial year following the cancelled of the September Grants Executive meeting, which ordinarily would have received a report on the forecast position as at 30 June 2016 (month 3). The next report will be the three-quarter year figures, which will be reported to this Committee in February 2017.
2. The London Councils Grants Committee's income and expenditure revenue budget for 2016/17 was approved by the Leaders' Committee in December 2015, 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

	M6 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	190	382	415	33
Running Costs	10	18	18	-
Central Recharges	8	155	168	13
Total Operating Expenditure	208	555	601	46
Commissioned grants services	3,227	7,505	7,459	(46)
London Funders Group	-	60	60	-
ESF commissions – 2016+	-	1,880	205	(1,675)
One-off payment to boroughs	486	486	486	-
Total Expenditure	3,921	10,486	8,811	(1,675)
Income				
Borough contributions towards commissioned services	(4,252)	(8,505)	(8,505)	-
Borough contributions towards the administration of commissions	(248)	(495)	(495)	-
ESF Grant – 2016+	-	(1,000)	(173)	827
Interest on Investments	(6)	-	(6)	(6)
Other Income	-	-	-	-
Transfer from Reserves	(486)	(486)	(486)	-

Total Income	(4,992)	(10,486)	(9,665)	821
Net Expenditure	(1,071)	-	(854)	(854)

4. The projected surplus of £854,000, which is explored in more detail in the narrative below, is broadly split between the following:
- A projected underspend of £68,092 in respect of S.48 borough funded commissioned services relating to 2016/17, offset by the additional one-off payment of £22,000 to Ashiana, as agreed by the Grants Committee in March 2016;
 - A projected net underspend of £828,000, including administration costs, due to slippage in anticipated payments made in respect of the new 2016+ programme, based on the assumption that the programme becomes operational by the end of the third quarter of 2016/17 and that the funding will be applied at this point, offset by grant receipts; and
 - A projected overspend position of £20,000 in respect of the administration of S.48 commissions.

Payments to Commissions – London Councils Borough S.48 Programme

5. Table 2 below outlines the actual spend for the period 1 April to 30 September 2016 for the borough funded commissions, covering priorities 1, 2 and 4.

Table 2 – Actual Spend 1 April to 30 September 2016 – Priorities 1, 2, and 4

2016/17 budget (£)	Forecast payments 1 April to 30 September 2016 (£)	Actual Payments (£)	Projected Underspend (£)	Balance (£)
7,504,981	3,752,490	3,226,879	68,092	457,519

6. Currently there is a £68,092 projected underspend for the period, as shown in the following table:

Table 3 – Projected underspend on S.48 commissions 2016/17

	£
St Mungo Community Housing Association	31,269
Thames Reach	25,802
Homeless Link	5,302
Tender Education and Arts	986
Galop	1,827
Women's Resource Centre	2,906
Total projected underspend	68,092

7. In addition to the above payments, there will be an additional one-off payment of £22,000 to Ashiana, as agreed by the Grants Committee in March 2016, which will be met from the above underspend, leaving a net projected underspend of £46,092.

8. The balance of payments on hold at 30 September was £457,519. This relates to nine payments to providers with outstanding queries/ requirements. Three of these have since been released and the remaining balance on hold is £264,581, covering six commission.
9. During the course of closing the 2015/16 accounts, liabilities of £307,146 relating to seven outstanding payment due to commissions was set up. These payments have been released during the first quarter of 2016/17.
10. As part of the approved monitoring arrangement, officers will continue to review financial information relating to each project during the course of the year and the audited accounts at the end of the year. It is possible that further underspends will be identified as the year progresses, which will be reflected in the further monitoring reports scheduled to come before the Committee during 2016/17.

Payments to Commissions – ESF Programme

11. For this part of the new ESF programme, expected to commence by the end of the third quarter of 2016/17, expenditure of £205,000 is projected, plus administration costs of £140,000 against the approved annual budgetary provision of £2 million, leaving a gross underspend of £1.655 million. ESF grant of £173,000 is projected to accrue, including £70,000 in respect of grants administration, against an income target of £1 million, leaving a projected net surplus of £828,000.

Administration of Commissions

12. It is projected that salaries and central cost expenditure will overspend by £46,000, offset by projected investment income on Committee reserves of £6,000 and ESF grant income of £10,000, giving a net surplus of £30,000. This figure is splits between S.48 administration of £20,000 and £10,000 relating to ESF administration.

Committee Reserves

13. Table 4 below updates the Committee on the revised estimated level of balances as at 31 March 2017. The figures include the confirmed audited position in respect of 2015/16 (£1.992 million), which is no change from the provisional outturn position reported to this Committee in July 2016. If all current known liabilities and commitments are considered, the projected position on reserves as at 31 March 2017 is as follows:

Table 4 – Analysis of Estimated Uncommitted Reserves as at 31 March 2017

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2016	634	1,358	1,992
Projected surplus/(deficit) for the year	26	828	854
One-off payments to boroughs in 2016/17	(185)	(301)	(486)
Potential funding of support to the Third Sector via the City Bridge Trust in 2016/17	(38)	-	(38)
Projected reserves as at 31 March 2017	437	1,885	2,322
Indicative total expenditure 2016/17	8,000	2,000	10,000
Forecast reserves as a % of indicative expenditure	5.46	94.25	23.33

Conclusions

14. Projected total reserves of £2.322 million are forecast at the year-end, after considering the projected surplus of £854,000 for the year. A sum of £1.885 million relates to borough contributions towards the funding of the new ESF commissions collected over the past two financial years, but which have not been used due to the slippage in the start of the 2016+ ESF programme. This sum will be applied against project expenditure over the three-year project life.
15. The projected residual sum of £437,000 held in reserves relates to the S.48 borough funded commissions, which equates to 5.5 % of the £8 million commissions budget. This projected sum includes a provision of £38,000 to potentially fund a post to support the Third Sector through the City Bridge Trust during the current year, as agreed in principle by the Grants Committee in July 2016. This figure currently exceeds the benchmark of £300,000 or 3.75% established by this Committee in September 2013, and the option of the Grants Committee making recommendations to the Leaders' Committee to repatriate a further sum to boroughs is included in the 2017/18 budget proposals, which is subject to a separate report of this agenda.

Recommendations

16. Members are asked to :

- note the projected surplus of £854,000 for the year; and
- note the projected level of Committee reserves, as detailed in paragraph 13 of this report 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 2016/17 and 2017/18
London Councils Income and Expenditure Forecast File 2016/17