

Grants Executive Committee

Month 9 Revenue Forecast 2016/17 Item no: 7

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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 December 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 three- quarter year stage of 2016/17, which is the final year of the current four-year programme of commissions. At this stage, a surplus of £759,000 is forecast over the approved budget.

Recommendations The Grants Committee is asked to :

- Note the projected surplus of £759,000 for the year; and
- Note the projected level of Committee reserves, as detailed in paragraph 14 of this report and the commentary on the financial position of the Committee included in paragraphs 15-16.

Introduction

1. This is the final budget monitoring report to be presented to the Committee during the current financial year. The next financial report in July 2016 will outline the provisional outturn figures for 2016/17, prior to external audit.
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

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	287	382	418	36
Running Costs	21	18	28	10
Central Recharges	-	155	155	-
Total Operating Expenditure	308	555	601	46
Commissioned grants services	5,554	7,505	7,458	(47)
London Funders Group	60	60	60	-
ESF commissions – 2016+	698	1,880	349	(1,531)
One-off payment to boroughs	486	486	486	-
Total Expenditure	7,106	10,486	8,954	(1,532)
Income				
Borough contributions towards commissioned services	(6,379)	(8,505)	(8,505)	-
Borough contributions towards the administration of commissions	(371)	(495)	(495)	-
ESF Grant – 2016+	-	(1,000)	(216)	784
Interest on Investments	-	-	(11)	(11)
Other Income	-	-	-	-
Transfer from Reserves	(486)	(486)	(486)	-
Total Income	(7,236)	(10,486)	(9,713)	773
Net Expenditure	(130)	-	(759)	(759)

4. The projected surplus of £759,000, which is explored in more detail in the narrative below, is broadly split between the following:
 - A projected underspend of £69,340 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 £747,000, including administration costs, due to slippage in anticipated payments to providers and claims for grants made in respect of the new 2016+ programme; and
- A projected overspend position of £35,000 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 31 December 2016 for the borough funded commissions, covering priorities 1, 2 and 4.

Table 2 – Actual Spend 1 April to 31 December 2016 – Priorities 1, 2, and 4

2016/17 budget (£)	Forecast payments 1 April to 31 December 2016 (£)	Actual Payments (£)	Projected Underspend (£)	Balance (£)
7,504,981	5,528,736	5,553,559	69,340	5,857

6. Currently there is a £69,340 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	32,517
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	69,340

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 £47,340.
8. The balance of payments on hold at 31 December was just £5,857. This relates to a single payment to a provider with outstanding queries/ requirements. To date this payment is still on hold.
9. During the course of closing the 2015/16 accounts, liabilities of £307,146 relating to seven outstanding payments 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 in the final

quarter, which will be reflected in the provisional outturn figures scheduled to come before the Committee in July 2017.

Payments to Commissions – ESF Programme

11. For the new ESF programme, claimable expenditure of £349,000 is projected out of the £698,000 advance payments that have been made to five of the new ESF commissions during the third quarter. Claimable administration costs of £83,000 are also forecast.
12. Total spend of £432,000 is projected against the approved annual budgetary provision of £2 million, leaving a gross underspend of £1.568 million. ESF grant of £216,000 is projected to accrue, including £41,000 in respect of grants administration, against an income target of £1 million, leaving a projected net surplus of £784,000.

Administration of Commissions

13. It is projected that salaries and central cost expenditure will overspend by £46,000, offset by projected investment income on Committee reserves of £11,000, giving a net deficit of £35,000; all relating to S.48 administration.

Committee Reserves

14. Table 4 below updates the Committee on the revised estimated level of balances as at 31 March 2017. 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	12	747	759
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)
One-off payments to boroughs in 2017/18	(156)	-	(156)
Potential funding of support to the Third Sector via the City Bridge Trust in 2017/18	(75)	-	(75)
Projected uncommitted reserves as at 31 March 2017	192	1,804	1,996
Indicative total expenditure 2016/17	8,000	2,000	10,000
Forecast reserves as a % of indicative expenditure	2.4	90.2	19.96

Conclusions

15. Projected uncommitted total reserves of £1.996 million are forecast at the year-end, after considering the projected surplus of £759,000 for the year. A sum of £1.804 million relates to

borough contributions towards the funding of the new ESF commissions collected over the past two financial years, the majority of which have not been fully applied 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 period.

16. The projected residual sum of £192,000 held in reserves relates to the S.48 borough funded commissions, which equates to 2.4 % of the £8 million commissions budget. This figure is currently below the desired benchmark level of £300,000 or 3.75% established by this Committee in September 2013. However, the total approved S.48 programme budget reduces by £1.332 million to £6.668 million with effect from 1 April 2017, so the projected residual reserves sum of £192,000 will equate to 2.88% of the revised programme level, £58,000 less than the revised benchmark figure of £250,000. Officers will look for opportunities to identify efficiencies to replenish the uncommitted S.48 reserves figure to the desired benchmark level during the course of 2017/18.

Recommendations

17. Members are asked to :

- note the projected surplus of £759,000 for the year; and
- note the projected level of Committee reserves, as detailed in paragraph 14 of this report and the commentary on the financial position of the Committee included in paragraphs 15-16.

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