

Grants Executive Committee

Month 6 Revenue Forecast 2017/18 Item no: 8

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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 2017 for the Grants Committee;
- Provides a forecast of the outturn position for 2017/18 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 outlined in this report is at the mid-point stage of 2017/18, which is the first year of the current four-year programme of commissions. At this stage, a surplus of £541,000 is forecast over the approved budget.

Recommendations

The Grants Committee is asked to :

- Note the projected surplus of £541,000 for the year; and
- Note the projected level of Committee reserves, as detailed in paragraph 11 of this report and the commentary on the financial position of the Committee included in paragraphs 12-13.

Introduction

1. This is the first budget monitoring report to be presented to the Committee during the current financial year. The next report will be the three-quarter year figures, which will be reported to this Committee in February 2018.
2. The London Councils Grants Committee's income and expenditure revenue budget for 2017/18 was approved by the Leaders' Committee in December 2016, 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 | 202 | 423 | 431 | 8 |
| Running Costs | 14 | 18 | 18 | - |
| Central Recharges | - | 189 | 189 | - |
| Total Operating Expenditure | 216 | 630 | 638 | 8 |
| Commissioned grants services | 2,945 | 6,173 | 6,173 | - |
| London Funders Group | - | 60 | 60 | - |
| ESF commissions – 2016+ | 936 | 1,880 | 1,643 | (237) |
| One-off payment to boroughs | 156 | 156 | 156 | - |
| Total Expenditure | 4,253 | 8,899 | 8,670 | (229) |
| Income | | | | |
| Borough contributions towards commissioned services | (4,040) | (7,173) | (7,596) | (423) |
| Borough contributions towards the administration of commissions | (217) | (495) | (495) | - |
| ESF Grant | - | (1,000) | (882) | 118 |
| Interest on Investments | (7) | - | (7) | (7) |
| Other Income | - | - | - | - |
| Transfer from Reserves | - | (231) | (231) | - |
| Total Income | (4,264) | (8,899) | (9,151) | (252) |
| Net Expenditure | (11) | - | (541) | (541) |

4. The projected surplus of £541,000, which is explored in more detail in the narrative below, is broadly split between the following:
 - A projected breakeven position in respect of S.48 borough funded commissioned services relating to 2017/18;
 - A projected net surplus position of £542,000 in respect of anticipated payments made in respect of the S.48 ESF programme, after taking into account borough contributions and ESF grant; and
 - A projected marginal overspend position of £1,000 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 30 September 2017 for the borough funded commissions, covering priorities 1 and 2.

Table 2 – Actual Spend 1 April to 30 September 2017 – Priorities 1 and 2

| 2017/18 budget (£) | Forecast payments 1 April to 30 September 2017 (£) | Actual Payments (£) | Projected Underspend (£) | Balance (£) |
|-------------------------------|---|--------------------------------|---|--------------------|
| 6,173,132 | 3,086,566 | 3,064,322 | 0 | 22,244 |

6. The balance of payments on hold as at 30 September 2017 is £22,244.50. This relates to a single payment to a provider with outstanding queries/ requirements, which was released after the information was provided during October 2017.
7. During the course of closing the 2016/17 accounts, liabilities of £754,577 relating to 25 outstanding payments due to commissions was set up. At the time of writing this report, payments of £635,565 have been released during 2017/18. It is anticipated that £119,010 will not be paid out and therefore be moved to back to S.48 reserves.
8. 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 underspends relating to this period will be identified as the year progresses, which will be reflected in the further monitoring reports scheduled to come before the Committee during 2017/18.

Payments to Commissions – ESF Programme

9. For the S.48 ESF programme, expenditure of £1.643 million is projected, plus administration costs of £120,000, as the programme recovers slippage from the previous two financial years, to be compared against the approved annual budgetary provision of £2 million, leaving a gross underspend on expenditure of £237,000. ESF grant of £882,000 is projected to accrue, including £60,000 in respect of grants administration, against an income target of £1 million. Borough contributions of £1 million will be applied during 2017/18, plus an additional £423,000 collected in advance from boroughs during 2016/17, leaving a projected net surplus of £542,000.

Administration of Commissions

10. It is projected that salaries expenditure will overspend by £8,000 and projected investment income on Committee reserves of £7,000 will be accrued, giving a net deficit of £1,000.

Committee Reserves

11. Table 3 below updates the Committee on the revised estimated level of balances as at 31 March 2018, if all current known liabilities and commitments are considered:

Table 4 – Analysis of Projected Uncommitted Reserves as at 31 March 2018

| | Borough | ESF | Total |
|---|----------------|--------------|--------------|
| | £000 | £000 | £000 |
| Unaudited reserves as at 1 April 2017 | 443 | 1,575 | 2,018 |
| Write back of 2016/17 liabilities | 119 | - | 119 |
| One-off payments to boroughs in 2017/18 | (156) | - | (156) |
| Support to the Third Sector via the City Bridge Trust | (75) | - | (75) |
| Projected surplus/(deficit) for the year | (1) | 542 | 541 |
| Projected reserves as at 31 March 2018 | 330 | 2,117 | 2,447 |
| Indicative total expenditure 2017/18 | 6,668 | 2,000 | 8,668 |
| Forecast reserves as a % of indicative expenditure | 4.9 | 105.9 | 28.2 |

Conclusions

12. Projected total reserves of £2.447 million are forecast at the year-end, after considering the projected surplus of £541,000 for the year. Within this figure, a sum of £2.117 million relating to residual borough contributions towards the funding of the ESF commissions collected over the three year project period remains and will be applied in 2018/19 up until the end date of the ESF programme. The budget proposals for 2018/19, which are subject to a separate report on this agenda, recommend that an initial sum of £1 million out of the £2.117 million provision be applied in 2018/19, to replace the ceased borough contributions towards the S.48 ESF programme.
13. The projected residual sum of £330,000 held in reserves relates to the S.48 borough funded commissions, which equates to 4.9 % of the £6.668 million commissions budget. This figure exceeds the benchmark of £250,000 or 3.75% established by this Committee in September 2013.

Recommendations

14. Members are asked to :

- note the projected surplus of £541,000 for the year; and
- note the projected level of Committee reserves, as detailed in paragraph 11 of this report and the commentary on the financial position of the Committee included in paragraphs 12-13.

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 2017/18

London Councils Income and Expenditure Forecast File 2017/18