

Grants Committee

Month 6 Revenue Forecast 2018/19 Item no: 6

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Summary

This report outlines actual income and expenditure against the approved budgets for 2018/19 to the end of September 2018 for the Grants Committee and provides a forecast of the outturn position for 2018/19 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 end of the second quarter of 2018/19, which is the second year of the current four-year programme of commissions. At this stage, a surplus of £110,000 is forecast over the approved budget.

Recommendations

The Grants Committee is asked to :

- Note the projected surplus of £110,000 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.

Month 6 Revenue Forecast 2018/19

Introduction

1. This is the second budget monitoring report to be presented to the Committee during the current financial year and therefore includes half-year figures.
2. The London Councils Grants Committee's income and expenditure revenue budget for 2018/19 was approved by the Leaders' Committee in December 2017, 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	160	382	376	(6)
Running Costs	15	18	18	-
Central Recharges	78	155	155	-
Total Operating Expenditure	253	555	549	(6)
S.48 Commissioned services	3,006	6,173	6,093	(80)
S.48 ESF Commissioned services	492	1,880	4,159	2,279
London Funders Group	60	60	60	-
Total Expenditure	3,811	8,668	10,861	2,193
Income				
Borough contributions towards commissioned services	(3,087)	(6,173)	(6,685)	(512)
Borough contributions towards the administration of commissions	(248)	(495)	(495)	-
ESF Grant	(268)	(1,000)	(2,120)	(1,120)
Interest on Investments	(5)	-	(10)	(10)
Other Income	-	-	-	-
Transfer from Reserves	-	(1,000)	(1,661)	(661)
Total Income	(3,608)	(8,668)	(10,971)	(2,303)
Net Expenditure	203	-	(110)	(110)

4. The projected surplus of £110,000, which is explored in more detail in the narrative below, is broadly split between the following:
 - A projected underspend of £80,449 in respect of S.48 borough funded commissioned services relating to 2018/19 which largely relates to St Mungo Community Housing Association and Shelter;

- A projected underspend of £5,720 on Grant related staffing costs due to a vacancy within the team;
- A projected surplus of investment income of £10,000, not previously budgeted for; and
- There is also projected planned overspend in respect of anticipated payments made in respect of the S.48 ESF programme largely due to the timing of the programme, where expenditure is met by accumulated ESF reserves and ESF grant (see paragraph 8).

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 2018 for the borough funded commissions, covering priorities 1 and 2.

Table 2 – Actual Spend 1 April to 30 September 2018 – Priorities 1 and 2

2018/19 budget (£)	Forecast payments 1 April to 30 September 2018 (£)	Actual Payments (£)	Projected Underspend (£)	Balance (£)
6,173,132	3,086,566	3,006,117	80,449	0

6. As at 30 September 2018 there are no payments on hold.
7. 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 underspend will be identified as the year progresses, which will be reflected in the further monitoring reports scheduled to come before the Committee during 2018/19.

Payments to Commissions – ESF Programme

8. For the S.48 ESF programme, expenditure of £4.159 million is projected, plus administration costs of £134,000. The total projected cost is therefore £4.293 million, £2.293 million above the budgeted provision of £2 million. Due to the payment structure for ESF projects, higher levels of spend are recognised in the account towards the latter stages of projects, when outcomes (job entries and sustained jobs) can be verified. Additionally, the programme continues to recover the under delivery from the previous financial years and a revised

payment model is in place from August 2018. The additional expenditure of £2.293 million will be funded by:

- ESF grant of £1.12 million;
- Borough subscriptions paid in advance of £512,000; and
- Additional transfer from accumulated reserves of £661,000.

Administration of Commissions

9. It is projected that salaries expenditure will underspend by £6,000 and projected investment income on Committee reserves of £10,000 will be accrued, giving a net surplus of £16,000.

2017/18 Audited Outturn

10. The Committee received a report at its July meeting outlining a provisional surplus of £656,000 in respect of the 2017/18 financial year. The external audit of the Committee's accounts was concluded in September, the outcome of which resulted in the confirmation of the surplus figure, with no amendment, and with an unqualified audit opinion being issued in respect of the Committee's accounts for the year. The annual audit report was presented to the meeting of the Audit Committee on 18 September 2018, following which the Committee's accounts were approved. The confirmed surplus of £656,000 for 2017/18, therefore, is included in the audited reserves figure of £2.443 million as at 1 April 2018 shown at Table 3.

Committee Reserves

11. Table 3 below updates the Committee on the revised estimated level of balances as at 31 March 2019, if all current known liabilities and commitments are considered:

Table 3 – Analysis of Projected Uncommitted Reserves as at 31 March 2019

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2018	523	1,920	2,443
Transfer from reserves in respect of ESF payments	-	(1,661)	(1,661)
Projected surplus/(deficit) for the year	110	-	110
Projected reserves as at 31 March 2019	633	259	892
Indicative total expenditure 2018/19	6,668	2,000	8,668
Forecast reserves as a % of indicative expenditure	9.49%	12.95%	10.29%

Conclusions

12. Projected total reserves of £892,000 are forecast at the year-end, after considering the projected surplus of £110,000 for the year. After applying £1.661 million from reserves to cover planned increased ESF expenditure, a sum of £259,000 remains that relates to residual borough contributions towards the funding of the ESF commissions collected over the past three financial years.
13. The projected residual sum of £633,000 held in reserves relates to the S.48 borough funded commissions, which equates to 9.49 % of the £6.668 million commissions budget. This figure exceeds the benchmark of £250,000 or 3.75% established by the Grants Executive Committee in September 2013. The current position on reserves is fully explored in the budget proposals for 2019/20, which is subject to a separate report on this agenda.

Recommendations

14. Members are asked to :

- note the projected surplus of £110,000 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 2018/19

London Councils Income and Expenditure Forecast File 2018/19