

Grants Committee

Month 6 Revenue Forecast 2019/20 Item no: 7

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Date: 13 November 2019
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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 2019 for the Grants Committee;
- Provides a forecast of the outturn position for 2019/20 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 2019/20, which is the third year of the current four-year programme of commissions. At this stage, a surplus of £40,000 is forecast over the approved budget.

Recommendations

The Grants Committee is asked to :

- Note the projected surplus of £40,000 for the year; and
 - Note the projected level of Grants Committee reserves, as detailed in paragraph 9 of this report and the commentary on the financial position of the Grants Committee included in paragraphs 10-11.
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Month 6 Revenue Forecast 2019/20

Introduction

1. This is the second budget monitoring report to be presented to the Executive 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 2019/20 was approved by the Leaders' Committee in December 2018, 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	149	328	288	(40)
Running Costs	11	19	19	-
Central Recharges	133	227	251	24
Total Operating Expenditure	293	574	558	(16)
S.48 Commissioned services	3,064	6,173	6,151	(22)
S.48 ESF Commissioned services	822	102	822	720
London Funders Group	60	60	60	-
Total Expenditure	4,239	6,909	7,591	682
Income				
Borough contributions towards commissioned services	(3,438)	(6,173)	(6,382)	(209)
Borough contributions towards the administration of commissions	(209)	(495)	(495)	-
ESF Grant	(430)	(58)	(431)	(373)
Interest on Investments	(6)	-	(12)	(12)
Other Income	-	-	-	-
Transfer from Reserves	-	(183)	(311)	(128)
Total Income	(4,083)	(6,909)	(7,631)	(722)
Net Expenditure	156	-	(40)	(40)

4. The projected surplus of £40,000, which is explored in more detail in the narrative below, is broadly split between the following:
 - A projected underspend of £22,237 in respect of 2019/20 S.48 borough funded commissioned services which largely relates to St Mungo Community Housing Association (paragraph 5);
 - An underspend of £40,000 in respect of employee costs due to vacancies within the team and an underspend on the maternity provision, although partly offset by a reduction in draw down from ESF reserves, therefore net underspend of £30,000;
 - A net increase in central recharges of £24,000 made up of:

- £39,000 in additional costs which are attributed to members of staff working on Grants related activities, which previously were not being fully passed on to Grants; and
 - £15,000 reduction in central recharges as a result of the s.48 ESF scheme coming to an end in June 2019;
- An additional sum of £12,000 from investment income is forecasted to be received on Committee reserves, 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 and slippage of the programme. The S.48 ESF programme was completed by 30 June 2019 and the additional expenditure above the approved budget is met by accumulated ESF reserves and ESF grant. (see paragraph 7).

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 2019 for the borough funded commissions, covering priorities 1 and 2.

Table 2 – Actual Spend 1 April to 30 September 2019 – Priorities 1 and 2

2019/20 budget (£)	Forecast payments 1 April to 30 September 2019 (£)	Actual Payments (£)	Projected Underspend (£)	Balance (£)
6,173,132	3,086,566	3,064,329	22,237	-

6. As part of the approved monitoring arrangements, officers will continue to review financial information relating to each project during 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 2019/20.

Payments to Commissions – ESF Programme

7. 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. The current S.48 ESF programme concluded on 30 June 2019 and the final expenditure to providers in 2019/20 is £822k, plus administration costs of £129k. Based on this expenditure, accumulated ESF reserves of £311k will be applied during the current financial year to jointly fund the residual programme with ESF grant.

Administration of Commissions

8. It is projected that non ESF related salaries expenditure will underspend by £30,000 due to vacancies within the team. Should staff changes occur this forecasted surplus may reduce, a further update will be provided during the month 9 forecast report. Projected investment

income on Committee reserves of £12,000 and additional recharges costs of £24,000 as described in paragraph 4 have been recognised in the forecast.

Committee Reserves

9. Table 3 below updates the Committee on the revised estimated level of balances as at 31 March 2020, if all current known liabilities and commitments are considered:

Table 3 – Analysis of Projected Uncommitted Reserves as at 31 March 2020

	Borough	ESF	Total
	£000	£000	£000
Audited reserves as at 1 April 2019	721	1,330	2,051
Transfer from reserves in respect of ESF payments	-	(311)	(311)
Projected surplus/(deficit) for the year	40	-	40
Projected reserves as at 31 March 2020	761	1,019	1,780
Indicative total expenditure 2019/20	6,668	241	6,909
Forecast reserves as a % of indicative expenditure	11.44%	94.35%	22.91%

Conclusions

10. Projected total reserves of £1,780,000 are forecast at the year-end, after considering the projected surplus of £40,000 for the year. After applying £311,000 from reserves to cover the final ESF expenditure in the current year, a sum of £1,019,000 remains that relates to residual borough contributions towards the funding of the ESF commissions (Priority 3) collected between 2015/16 and 2017/18. The residual contributions held in reserves are subject to a decision made by members at this meeting with respect to item 8.
11. In addition, a projected residual sum of £761,000 held in reserves relates to the S.48 borough funded commissions (Priorities 1&2), which equates to 11.41% 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 by some £511,000. The excess reserves held in respect of Priorities 1&2 will be subject to further discussion by members and there remains the option of carrying forward such amounts to the planned new grants programme covering the period 2021-2025. The current position on reserves is fully reflected in the budget proposals for 2020/21, which is subject to a separate report on this agenda.

Recommendations

12. Members are asked to:

- note the projected surplus of £40,000 for the year; and
 - note the projected level of Grants Committee reserves, as detailed in paragraph 9 of this report and the commentary on the financial position of the Grants Committee included in paragraphs 10-11.
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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 2019/20

London Councils Income and Expenditure Forecast File 2019/20