



Meeting of the

JOINT COMMITTEE OF THE LONDON 2012 OLYMPIC AND PARALYMPIC HOST BOROUGHES

Friday, 25 February 2011 at 9.30 a.m.

A G E N D A

VENUE

COUNCIL CHAMBER, OLD TOWN HALL STRATFORD, 29 THE
BROADWAY, LONDON E15 2BQ

Members:

Deputies (if any):

(Note: The quorum for this body is 3 Members).

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact: Roxanne Misir / Robert Walker Tel: 020 8356 3326 / 020 8356 3578 e-mail: roxanne.misir@hackney.gov.uk / robert.walker@hackney.gov.uk

LONDON BOROUGH OF TOWER HAMLETS
**JOINT COMMITTEE OF THE LONDON 2012 OLYMPIC AND
PARALYMPIC HOST BOROUGHES**

Friday, 25 February 2011

9.30 a.m.

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST**
- 3. MINUTES OF PREVIOUS MEETING (Pages 1 - 2)**
- 4. HOST BOROUGHES UNIT: FINANCIAL MANAGEMENT (Pages 3 - 8)**

Agenda Item 3

MINUTES OF A MEETING OF THE JOINT COMMITTEE OF THE LONDON 2012 OLYMPIC AND PARALYMPIC HOST BOROUGHES

FRIDAY, 28TH JANUARY, 2011

- Councillors Present:** Mayor Robin Wales in the Chair
Cllr Paul Brickell, Cllr John Fahy, Cllr Guy Nicholson, Mayor Lutfur Rahman and Cllr Geraldine Reardon (LB Waltham Forest)
- Apologies:** Mayor Jules Pipe, Cllr Chris Robbins, Cllr Chris Roberts
- Officers in Attendance:** Kim Bromley-Derry (LB Newham), Kevan Collins (LB Tower Hamlets), Frances Dolan (LB Greenwich), Gifty Edila (LB Hackney), Charlie Forman (LB Hackney), Roxanne Misir (LB Hackney), Clive Morton (LB Waltham Forest), Yinka Owa (London Borough of Hackney), Tim Shields (LB Hackney), Roger Taylor (Host Borough Unit) and David Woods (LB Barking and Dagenham).
- Also in Attendance:** Cllr Mick McCarthy (LB Barking and Dagenham)

1 Apologies for absence

Apologies for absence were received from Mayor Jules Pipe, Cllr Chris Robbins and Cllr Chris Roberts.

2 Declarations of interest

There were no declarations of interest.

3 Minutes of the previous meeting

The minutes of the meeting held on 24th September 2010 were approved.

4 CREATE - Arrangements for the future

The Joint Committee **RESOLVED** that:

- 1.1 a limited company with charitable status be established to deliver the CREATE programme;
- 1.2 the Clerk to the Joint Committee be authorised to take all necessary actions to register and launch the company actions;
- 1.3 the Chief Executives' Board be authorised to appoint 6 independent directors and after consultation with Leaders and Mayors, an independent Chair;
- 1.4 That six members, one from each of the Host Boroughs with effect from 1 April 2011, be nominated to the Board of CREATE;

Friday, 28th January, 2011

- 1.5 That the London Borough of Hackney retain its operational and administrative supporting role for the CREATE programme on behalf of the Host Boroughs, including some short term administrative support to the company.

Duration of the meeting: 9.35 - 9.37 am

Agenda Item 4

| REPORT OF THE CLERK TO THE JOINT COMMITTEE OF THE LONDON 2012 OLYMPIC AND PARALYMPIC HOST BOROUGHS | | |
|---|-----------------------|-------------------|
| HOST BOROUGHS UNIT FINANCIAL MANAGEMENT | Classification | Enclosures |
| Joint Committee 25 February 2011 | | None |

1. INTRODUCTION

- 1.1 In accordance with the terms of an Inter Authority Agreement (dated 19th March 2010) between the 5 Host Boroughs, this report covers the financing of the reshaped Host Boroughs Unit (HBU), and recommends a Revised Budget for 2010/11, and a Budget for 2011/12. The budgetary information has been prepared jointly between the HBU and LB Hackney acting as Lead Borough/Accountable Body for HBU management, staffing and financial arrangements.

2. RECOMMENDATIONS

- 2.1 The Joint Committee is asked to agree to:
- i) a Revised Budget for 2010/11 based on gross expenditure of £2,787,310, financed by grants, third party contributions, 5 equal annual borough contributions of £168,845, and a voluntary contribution of £84,425 from LB Barking and Dagenham; with contributions to be collected from boroughs this month;
 - ii) a Budget for 2011/12 based on gross expenditure of £1,321,446, financed by grants, third party contributions, and 6 equal annual borough contributions of £125,000 to be invoiced in April 2011.

3. RELATED DECISIONS

- 3.1 The Chief Executives Board of the 16th April 2010 agreed an interim 2010/11 Budget based on equal annual contributions of £185,730 per borough. On the 15th October, the Board considered a possible reduction in the borough contribution. The recommended reduced contribution levels of £168,845 for 2010/11 and £125,000 for 2011/12 were agreed at meetings of the Board on the 17th December and 4th February.

4. ALTERNATIVE OPTIONS

4.1 No alternative options have been identified

5. SUSTAINABILITY AND LEGACY

5.1 Activities funded by the budget will promote sustainable post 2012 uses of Olympic and Paralympic facilities, and a cultural legacy for the area of the 5 boroughs.

6. ECONOMIC IMPACT

6.1 The work of the HBU will benefit local residents but also help to show that this is an attractive place to visit, live, work, invest and do business.

7. HUMAN RIGHTS AND EQUALITIES

7.1 There are no human rights issues. The report has no direct impact on the equalities policies of the Host Boroughs.

8. RISK

8.1 Financial risks are raised due to the complexity of work carried out or commissioned by the HBU, and the unusual staffing arrangements relating to secondments from other bodies and short term use of agency staff. In addition there are a number of grant programmes where there is a risk of policy changes or breach of conditions leading to potential withdrawal of grant or repayment of grant already spent. The Inter Authority Agreement provides for any overspends to be shared equally between the Host Boroughs.

8.2 As the HBU is not a separate legal entity, the accounts, payments, receipts, purchasing and payroll transactions have been handled by LB Hackney as Lead Borough.

8.3 An Internal Audit report recommended providing regular HBU financial monitoring reports to the Chief Executive's Board and Joint Committee from the 2010/11 financial year. Internal Audit also identified a need to produce grants monitoring reports to the Board and Joint Committee, so the intention is to produce one shortly.

9. FINANCIAL CONSIDERATIONS

9.1 The Host Boroughs entered into an Inter Authority Agreement in 2006 in respect of both the 2012 Games programme and the HBU, which was superseded by a

revised Inter Authority Agreement in 2010. Both Agreements appoint Hackney as Lead Borough for employment of staff and for the Budget. Accordingly, Hackney has been responsible for the employment and management of the staff of the HBU, and for the financial management and administration of the budget, income and expenditure of the Unit. Hackney applies its own financial, procurement and human resources procedures in carrying out these Lead Borough responsibilities.

- 9.2 Budgets for the HBU are required to be prepared on a break even basis taking account of grants, third party contributions, and equal annual borough contributions.
- 9.3 Borough contributions were set at £500,000 (£100,000 per borough) when the HBU was established. The Inter Authority Agreement provides for contributions to be raised annually in line with inflation, and for consideration of growth proposals. To allow for inflation and growth in the work of the HBU, contributions were raised to £902,500 (£180,500 per borough) during 2008/09. As inflation had fallen to NIL early in 2009, the 2009/10 contributions were left unchanged at £902,500. Based on the December 2009 CPI (Consumer Prices Index) increase of 2.9%, borough contributions were initially raised to £928,650 for 2010/11. Assuming that LB Barking and Dagenham is incorporated in the Inter Authority Agreement as a sixth host borough, contributions can be reduced as indicated elsewhere in the report.
- 9.4 The Inter Authority Agreement provides for any underspends or overspends to be shared equally between the Host Boroughs.
- 9.5 Capital expenditure and grant is excluded, viz. DCLG Public Realm Improvement Programme Grant.
- 9.6 Although Hackney is designated Lead Borough in the Inter Authority Agreement, Hackney is not automatically designated as Lead Borough for each new grant programme which is secured by the HBU. The Chief Executives Board and Joint Committee determine such Lead Borough responsibilities on a case by case basis. It may however be necessary for Hackney to deal with grant issues on an urgency basis where appropriate.

10. LEGAL CONSIDERATIONS

- 10.1 Clause 8.3.2 of the Inter Authority Agreement provides that for each financial year Hackney will produce a budget for approval by the Chief Executives Board and Joint Committee by no later than 1 March.
- 10.2 Admission of LB Barking and Dagenham to the Host Boroughs will be subject to formal Cabinet approval by each of the six Boroughs. Reports are being prepared for the Cabinet meetings in February 2011 and if approved there will be sufficient time to complete an addendum to the Inter Authority Agreement prior to formal admission on 1 April 2011.
- 10.3 There are no other immediate legal implications arising from the report.

11. REVISED BUDGET 2010/11, BUDGET 2011/12

- 11.1 The Revised Budget for 2010/11 is summarised in the table below, based on the latest full year spending forecast prepared jointly by LB Hackney and the HBU. Since the Original Budget for Legacy and Culture was approved by the Board on the 16th April, savings in Legacy Employee Costs and Services & Commissioning (particularly a provision for Research, Policy and Performance) have been initiated. DCLG paid a £150,000 Olympic Park Grant in 2008/09 and 2009/10 towards the HBU running costs. It was expected that this would not continue, but DCLG have now decided to pay a further £150,000 before the end of 2010/11, subject to receipt of additional business plan information. Once the issue is resolved the grant can be reflected in the HBU Accounts for 2010/11 and made available to fund future expenditure. As the JLARS accountable body role has transferred to Newham, and is subject to restructuring, the table below largely reflects costs of the central JLARS unit incurred by Hackney up to and including the transfer date of the 25th September 2010. Recovery of all these costs from the ODA is currently under discussion with Newham. The accountable body role for Employment and Skills is transferring to Greenwich. Costs of this function, including a small contribution to Support Services costs, is expected to be covered in full by related grant income. At this stage, the Revised Budget does not reflect the potential costs and benefits of reshaping the Culture activities to form CREATE, a company limited by guarantee with charitable status.
- 11.2 It is recommended that the annual borough contribution total of £928,650 is recovered in the form of 5 full year contributions from the present host boroughs (£168,845 each) plus a half year voluntary contribution of £84,425 from the proposed 6th host borough LB Barking and Dagenham.. The formal incorporation of LBBD will require each authority to agree through their own decision making bodies, which is likely to take until March 2011. The agreement will need to refer to the LBBD 50% contribution for the current financial year pending the formal integration of LBBD as a host borough. This is being dealt with by legal officers of the boroughs lead by LBH.

2010/11 Revised Budget

| | Legacy | Culture | JLARS | Employment & Skills | Total |
|------------------------------|----------------|----------------|----------------|------------------------------------|------------------|
| | £ | £ | £ | £ | £ |
| Expenditure | | | | | |
| Employee Costs | 522,655 | 215,625 | 181,722 | 376,434 | 1,296,436 |
| Premises, IT, Communications | 36,393 | 8,939 | 0 | 35,780 | 81,112 |
| Transport | 2,000 | 4,500 | 0 | 600 | 7,100 |
| Services & Commissioning | 178,260 | 444,777 | 76,062 | 604,873 | 1,303,972 |
| Support Services | 65,536 | 13,320 | 15,000 | 4,834 | 98,690 |
| Total Expenditure | 804,844 | 687,161 | 272,784 | 1,022,521 | 2,787,310 |
| Income | | | | | |
| Annual Borough Contributions | 778,839 | 149,811 | 0 | 0 | 928,650 |
| Other contributions | 0 | 134,495 | 272,784 | 0 | 407,279 |
| Grants | 26,005 | 402,855 | 0 | 1,022,521 | 1,451,381 |
| Total Income | 804,844 | 687,161 | 272,784 | 1,022,521 | 2,787,310 |
| Net Expenditure | 0 | 0 | 0 | 0 | 0 |

- 11.3 LB Hackney and the HBU have produced detailed Legacy and Culture Budgets for 2011/12 based the need to achieve savings and the assumption that the London Borough of Barking and Dagenham becomes a 6th host borough. Substantial savings have been achieved by implementing a previously agreed restructure which reduces the number of Legacy staff and associated premises costs. As the accountable body role for JLARS has transferred to Newham, Hackney has not prepared a 2011/12 JLARS Budget, which will in any event be fully funded by the ODA. Culture budgets do not yet reflect the possible budgetary impact of the CREATE company proposal referred to at the end of paragraph 11.1. Further information is awaited on the new DWP Work Programme, so it has therefore not been possible to produce an Employment and Skills Budget for 2011/12 at this stage, or determine whether such a Budget could be fully funded from grant income as has previously been the case.

2011/12 Budget

| | Legacy | Culture | Employment & Skills | Total |
|------------------------------|----------------|----------------|------------------------------------|------------------|
| | £ | £ | £ | £ |
| Expenditure | | | | |
| Employee Costs | 336,996 | 204,761 | | 541,757 |
| Premises, IT, Communications | 12,000 | 16,000 | | 28,000 |
| Transport | 2,000 | 3,500 | | 5,500 |
| Services & Commissioning | 180,145 | 482,354 | | 662,499 |
| Support Services | 68,859 | 14,831 | | 83,690 |
| Total Expenditure | 600,000 | 721,446 | 0 | 1,321,446 |
| Income | | | | |
| Annual Borough Contributions | 600,000 | 150,000 | | 750,000 |
| Other Contributions | 0 | 210,000 | | 210,000 |
| Grants | 0 | 361,446 | | 361,446 |
| Total Income | 600,000 | 721,446 | 0 | 1,321,446 |
| Net Expenditure | 0 | 0 | 0 | 0 |

Ian Williams**Corporate Director of Finance and Resources of the Lead Borough****on behalf of Tim Shields, Chief Executive London Borough of Hackney and Clerk to the Joint Committee**

Report Originating Officers: Bruce Bainbridge ☎020-8356-3103

Financial Considerations: David Bell ☎020-8356-7688

Legal considerations: Graham White ☎020-8356-6234

Background papers

The following document has been relied upon in the preparation of this report:

| Description of document | Location | Date |
|--------------------------------|---------------------------|-------------|
| Inter Authority Agreement | LB Hackney Legal Services | 19/3/2010 |