

**REPORT OF THE CLERK TO THE JOINT COMMITTEE OF THE LONDON 2012  
OLYMPIC AND PARALYMPIC HOST BOROUGHS**

<b>HOST BOROUGHS UNIT FINANCIAL MANAGEMENT</b>  <b>Joint Committee 25 February 2011</b>	<b>Classification</b>	<b>Enclosures</b>  None
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**1. INTRODUCTION**

- 1.1 In accordance with the terms of an Inter Authority Agreement (dated 19<sup>th</sup> 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 16<sup>th</sup> April 2010 agreed an interim 2010/11 Budget based on equal annual contributions of £185,730 per borough. On the 15<sup>th</sup> 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 17<sup>th</sup> December and 4<sup>th</sup> 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 16<sup>th</sup> 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 25<sup>th</sup> 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 6<sup>th</sup> host borough LB Barking and Dagenham.. The formal incorporation of LBBDD 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 LBBDD 50% contribution for the current financial year pending the formal integration of LBBDD 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
	£	£	£	£	£
<b>Expenditure</b>					
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
<b>Total Expenditure</b>	<b>804,844</b>	<b>687,161</b>	<b>272,784</b>	<b>1,022,521</b>	<b>2,787,310</b>
<b>Income</b>					
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
<b>Total Income</b>	<b>804,844</b>	<b>687,161</b>	<b>272,784</b>	<b>1,022,521</b>	<b>2,787,310</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 6<sup>th</sup> 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**

	<b>Legacy</b>	<b>Culture</b>	<b>Employment &amp; Skills</b>	<b>Total</b>
	£	£	£	£
<b>Expenditure</b>				
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
<b>Total Expenditure</b>	<b>600,000</b>	<b>721,446</b>	<b>0</b>	<b>1,321,446</b>
<b>Income</b>				
Annual Borough Contributions	600,000	150,000		750,000
Other Contributions	0	210,000		210,000
Grants	0	361,446		361,446
<b>Total Income</b>	<b>600,000</b>	<b>721,446</b>	<b>0</b>	<b>1,321,446</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Ian Williams**

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**on behalf of Tim Shields, Chief Executive London Borough of Hackney and Clerk to the Joint Committee**

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**Background papers**

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

<b>Description of document</b>	<b>Location</b>	<b>Date</b>
Inter Authority Agreement	LB Hackney Legal Services	19/3/2010