

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

HOST BOROUGHS UNIT FINANCIAL MANAGEMENT Joint Committee – 27th May 2011	Classification	Enclosures None
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1. INTRODUCTION

- 1.1 In accordance with the terms of an Inter Authority Agreement between the Host Boroughs, this report covers the financing of the reshaped Host Boroughs Unit (HBU), including the Outturn for 2010/11, and the Budget for 2011/12. Financial information has been prepared jointly between the HBU and LB Hackney acting as Lead Borough/Accountable Body for HBU management, staffing and financial arrangements. The report has been approved by the Host Boroughs Chief Executive's Board.
- 1.2 The Joint Committee of the London 2012 Olympic and Paralympic Host Boroughs was summoned to meet on 25 February 2011 and 25 March 2011 to consider the draft Host Boroughs Unit budget 2011/2012 [including projected outturn 2010/2011]. Both meetings could not proceed as they were inquorate. This report provides updated information regarding the Outturn 2010/2011 for Members to consider in determining the Budget 2011/2012.

2. RECOMMENDATIONS

- 2.1 The Joint Committee is asked to agree:
- i) to carry forward the £244,752 underspend in 2010/11 for use in 2011/12; and
 - ii) to set the Budget for 2011/12 based on gross expenditure of £1,566,198, financed by grants, third party contributions, 6 equal annual borough contributions of £125,000 to be invoiced in June 2011, and the underspend from 2010/11.

3. RELATED DECISIONS

- 3.1 The Chief Executive's 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 host 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 raised to £928,650 for 2010/11 (£168,845 per borough, plus a voluntary contribution of £84,425 from LB Barking and Dagenham. Savings have been achieved on Legacy costs, so the borough contributions proposed for 2011/12 total to £750,000, which is based on equal contributions of £125,000 from each of the 6 boroughs.
- 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 Executive's 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 Executive's Board and Joint Committee by no later than 1 March.
- 10.2 There are no other immediate legal implications arising from the report.

11. OUTTURN 2010/11, BUDGET 2011/12

- 11.1 The Outturn 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 Budget for 2010/11 was approved by the Chief Executive's Board on the 16th April 2010, 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 decided to pay a further final £150,000 in January 2011. 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. All of these costs have now been fully recovered from the ODA. Costs of the Employment and Skills function, including a small contribution to Support Services costs, is covered in full by related grant income. Savings and additional income in the Legacy area has resulted in a net surplus of £244,752 in the 2010/11 Outturn.

2010/11 Outturn

	Legacy	Culture	JLARS	Employment & Skills	Total
	£	£	£	£	£
Expenditure					
Employee Costs	457,051	212,498	180,699	378,060	1,228,308
Premises	35,264	9,430		35,780	80,474
Transport	460	620		553	1,633
Supplies & Services	153,238	445,281	267,327	285,645	1,151,491
Support Services	64,086	13,320	30,000	4,834	112,240
Total Expenditure	710,099	681,149	478,026	704,872	2,574,146
Income					
Annual Borough Contributions	778,846	149,804			928,650
Other contributions		151,495	478,026		629,521
Grants	176,005	379,850		704,872	1,260,727
Total Income	954,851	681,149	478,026	704,872	2,818,898
Net Income (underspend)	-244,752	0	0	0	-244,752

- 11.2 LB Hackney and the HBU have produced Budgets for 2011/12 summarised in the table below. Budgets have been based on the need to achieve savings, and to reflect the admission of London Borough of Barking and Dagenham as a 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 potential costs and benefits of reshaping the Culture activities to form CREATE, a company limited by guarantee with charitable status. The HBU Executive Director will be advising on the business planning considerations underlying the Employment and Skills Budget.

2011/12 Budget

	Legacy	Culture	Employment & Skills	Total
	£	£	£	£
Expenditure				
Employee Costs	406,755	204,761	305,056	916,572
Premises, IT, Communications	20,000	16,000	8,000	44,000
Transport	500	3,500	100	4,100
Services & Commissioning	29,562	482,354	5,920	517,836
Support Services	60,154	14,831	8,705	83,690
Total Expenditure	516,971	721,446	327,781	1,566,198
Income				
2010/11 Underspend			244,752	244,752
2011/12 Borough Contributions	516,971	150,000	83,029	750,000
Other Contributions		210,000		210,000
Grants		361,446		361,446
Total Income	516,971	721,446	327,781	1,566,198
Net Expenditure	0	0	0	0

**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**

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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