

**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 24 February 2012	Public	Create Business Plan (Appendix A) Draft Create Grant Agreement 2012/13 (Appendix B)

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 Host Boroughs Unit (HBU), including the Forecast Outturn for 2011/12, the Budget for 2012/13, and the proposed £150,000 grant to the Create charitable company for 2012/13. 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.

2. RECOMMENDATIONS

- 2.1 The Joint Committee is asked to agree:
- i) to set the Budget for 2012/13 based on gross expenditure of £750,000, financed by 6 equal annual borough contributions of £125,000 to be invoiced to boroughs during March 2012.
 - ii) subject to the Create charitable company entering into a grant agreement by the 1st April 2012, to pay a grant of £150,000 to the company for 2012/13, financed on an equal basis by the 6 boroughs from within the overall £125,000 contributions payable by each borough.
 - iii) that the LB Hackney Corporate Director for Legal, HR and Regulatory Services be authorised to enter into a grant agreement with the Create charitable company for 2012/13.

3. RELATED DECISIONS

- 3.1 On the 28th January 2011, the Joint Committee agreed to the establishment of a limited company with charitable status to deliver the Create cultural programme.

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 contractual arrangements for consultants and agency staff. 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.
- 8.4 It is intended that on the 7th February, the Create Company Board will approve the various actions required for the Company to commence trading on the 1st April 2012, including selection of company bankers and insurers, appointment of a support service provider, agreement to TUPE transfer of staff, and acceptance of the grant terms and conditions required by the host boroughs, etc. If the Company is unable to commence trading on the 1st April 2012, the Create function and staff will remain with L B Hackney until alternative arrangements can be made.

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, and a further revised Inter Authority Agreement in 2011 reflecting the admission of Barking and Dagenham as the sixth host borough. All of the 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 equal annual borough contributions, and any grants and third party contributions.
- 9.3 Borough contributions were set at £500,000 (£100,000 per borough) when the HBU was established. The Inter Authority Agreements provide 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 were achieved on Legacy costs, so the borough contributions for 2011/12 were reduced to £750,000, based on equal amounts of £125,000 from each of the 6 boroughs. More recently the Chief Executive's Board decided that it would be appropriate for contributions to remain at £125,000 per borough for 2012/13.
- 9.4 The Inter Authority Agreements provide for any underspends to be carried forward or shared equally between the boroughs, and for any overspends to be shared equally between the Host Boroughs
- 9.5 Capital expenditure and grant is excluded, viz. DCLG Public Realm Improvement Programme Grant.

10. LEGAL CONSIDERATIONS

- 10.1 Clause 8.3.2 of the Inter Authority Agreement dated 31 October 2011 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 The draft Grant Agreement (for the Production and Delivery of the CREATE Festival) attached at Appendix B between LB Hackney (acting as Lead Host Borough) and the Create charitable company will need to be signed and sealed prior to payment of the proposed £150,000 grant to the company scheduled for April 2012. The Grant Agreement sets out the terms regarding the use of the grant funds together with the obligation on CREATE to maintain accounts and records which can be reviewed by the Host Boroughs and other funders.
- 10.3 The Recommendations in this Report are in accordance with the Inter Authority Agreement dated 31 October 2011 and the Memorandum of Understanding.

11. FORECAST OUTTURN 2011/12, BUDGET 2012/13

11.1 The Forecast Outturn for 2011/12 is summarised in the table below, based on full year spending estimates prepared jointly by LB Hackney and the HBU. This Forecast is presented on a break even basis including underspends totalling £388,971 brought forward from earlier financial years, except for the expected carry forward of an estimated £115,000 of unspent sponsorship and private funding relating to Create. This funding can be made available to the Create charitable company in 2012/13. There may be some small underspends in Legacy and Employment & Skills which can be reported when final 2011/12 outturn figures are available in May 2012.

2011/12 Forecast Outturn				
	Legacy	Employment & Skills	CREATE	Total
	£	£	£	
Expenditure				
Employee Costs	363,185	297,586	177,890	838,662
Premises, IT, Communications	16,353	8,250	6,000	30,603
Transport	500	120	1,930	2,550
Services & Commissioning	222,445	35,858	941,387	1,199,691
Support Services	58,705	8,705	14,831	82,241
Total Expenditure	661,189	350,519	1,142,038	2,153,747
Income				
HBU Reserve	144,219	244,752	-	388,971
2011/12 Borough Contributions	516,971	83,029	150,000	750,000
Other Contributions	-	-	639,088	639,088
Grants	-	22,738	467,950	490,688
Total Income	661,189	350,519	1,257,038	2,268,747
Net Expenditure	0	0	-115,000	-115,000

11.2 LB Hackney and the HBU have produced Budgets for 2012/13 summarised in the table below. Budgets are based on the Legacy and Employment & Skills work programme set out in recent reports to Leaders & Mayors and the Chief Executive's Board, and the proposal to pay £150,000 grant to the Create charitable company reported to the Joint Committee on the 28th January 2011.

11.3 Legacy work for 2012/13 includes pursuing the convergence agenda, development of the host boroughs economy, and continuing development of the Olympic Park and its environs.

- 11.4 Employment & Skills work for 2012/13 includes holding DWP Prime Contractors to account against convergence principles, continuing development of strategic links with employers and trainers, and providing an effective safety net for host borough residents temporarily employed by LOCOG and its contractors.
- 11.5 The Create Business Plan attached at Appendix A outlines the cultural festival activities to be part funded from the proposed £150,000 grant, and includes Financial Forecasts for the next three financial years. The Business Plan assumes that the grant will continue in subsequent financial years, although it is expected that the Joint Committee will only commit to the payment of grant on an annual basis. The annual nature of the grant from the host boroughs is reflected in the draft grant agreement attached at Appendix B.
- 11.6 Following the Olympics, LB Hackney and the HBU will jointly report progress on the Legacy and Employment & Skills work, and on the outcome of the 2012 Create Festival. The report will set out future options for the HBU and the associated work programmes, covering the remainder of the 2012/13 financial year and future years.

2012-13 Budget				
	Legacy	Employment & Skills	CREATE charitable company	Total
	£	£	£	
Expenditure				
Employee Costs	234,747	270,383	-	505,130
Premises, IT, Communications	12,000	8,000	-	20,000
Transport	250	100	-	350
Services & Commissioning	-	7,110	-	7,110
Grant	-	-	150,000	150,000
Support Services	58,705	8,705	-	67,410
Total Expenditure	305,702	294,298	150,000	750,000
Income				
HBU Reserve	-	-	-	0
2012/13 Borough Contributions	305,702	294,298	150,000	750,000
Other Contributions	-	-	-	0
Grants	-	-	-	0
Total Income	305,702	294,298	150,000	750,000
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	31/10/2011