COUNCIL BUDGET -2010/11 REVENUE AND CAPITAL OUTTURN

Cabinet Member	Councillor Jonathan Bianco
Cabinet Portfolio	Finance, Property and Business Services
Report Author	Paul Whaymand, Central Services
Papers with report	None

HEADLINE INFORMATION

Purpose of report	The report sets out the council's overall 2010/11 revenue & capital outturn position. The revenue outturn was a £3,651k underspend on normal activities and a £3,593k pressure on exceptional items, an overall improvement of £229k on the Month 11 forecast. The capital outturn for 2010/11 was £59,027k compared to a revised budget of £77,058k. This report recommends the rephasing of £14,787k into 2011/12, resulting in an underspend of £3,244k.
Contribution to our plans and strategies	Achieving value for money is an important element of the Council medium term financial plan.
Financial Cost	N/A
Relevant Policy Overview Committee	Corporate Services and Partnerships
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. **Notes the revenue and capital outturn position for 2010/11.**
2. **Notes the annual treasury report at Appendix B**
3. **Approves the rephasing of £14,323k of General Fund and £464k of HRA capital budgets into 2011/12 as set out in appendix A**

INFORMATION

Reasons for Recommendations

1. The reason for the recommendations is to ensure the Council achieves its budgetary objectives. The report informs Cabinet of the successful outturn revenue and capital position for 2010/11.

2. Recommendations 3 is included to match capital resources to planned expenditure in cases where agreed and planned expenditure fall within different financial years.

Alternative options considered
3. There are no other options proposed for consideration.

SUMMARY

A) Revenue

1 The outturn position for 2010/11 was an underspend of £58k, a £229k improvement on the month 11 forecast.

2 The balances carried forward at 31 March 2011 were £17,022k as a result of the budgeted drawdown from balances (-£1,500k), the in-year underspend (+£58k) and the transfer from earmarked reserves (+£719k).

3 In addition to the £17,022k of general reserves carried forward there are a number of earmarked reserves as follows:

- £170k unspent priority growth
- £36k contingency carried forward for HS2
- £297k unspent Leader's initiative

4 Table 1 indicates the overall impact of the expenditure forecasts now reported on the approved budget, and the resulting balances position.

2010/11 Original Budget £'000	Budget Changes £'000		2010/11 Current Budget £'000	2010/11 Outturn £'000	% Var of budget	Variances (+ adv/- fav) Variance (Outturn) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
223,425	24,225	Directorates Budgets on normal activities	247,649	246,099	-1%	-1,550	-1,343	-208
-27,731	-24,224	Corporate Budgets on normal activities	-51,955	-54,056	4%	-2,101	-2,079	-22
195,694	**0**	**Sub-total Normal Activities**	**195,694**	**192,043**	**-2%**	**-3,651**	**-3,422**	**-229**
		Exceptional items:						
		Central govt. grant cuts		2,900		2,900	2,900	0
		In-year recovery savings		-2,000		-2,000	-2,000	0
		Icelandic Impairment		2,500		2,500	2,500	0
		Team bonus underspend		-175		-175	-175	0
		Development Control		111		111	111	0
		Commercial property rental		166		166	166	0
		Golf Stockley Park		91		91	91	0
0	**0**	**Sub-Total**	**0**	**3,593**		**+3,593**	**+3,593**	**0**
195,694	**0**	**Total net expenditure**	**195,694**	**195,636**	**0%**	**-58**	**171**	**-229**
-194,194	**0**	**Budget Requirement**	**-194,194**	**-194,194**		**0**	**0**	**0**
1,500	**0**	**Net total**	**1,500**	**1,442**		**-58**	**171**	**-229**
-17,745		**Balances b/f 1/4/010**	**-17,745**	**-17,745**		**0**	**0**	**0**
		Transfer from earmarked reserves	**0**	**-719**		**-719**	**-719**	**0**
-16,245	**0**	**Balances c/f 31/3/11**	**-16,245**	**-17,022**		**-777**	**-548**	**-229**

Directorates' Outturn

5 Table 2 shows further details on the budget, outturn and variance at Directorate level now reported. Further detail on each directorate is shown in Appendix A.

Table 2

2010/11 Original Budget	Budget changes	2010/11 Final Budget (Outturn)	Directorate	2010/11 Outturn	% Var of budget	Variances (+ adv/- fav)		
						Variance (Outturn)	Variance (As at Month 11)	Change from Month 11
£'000	£'000	£'000		£'000		£'000	£'000	£'000
120,615	6,083	126,699	Social Care, Health & Housing	128,055	1%	+1,356	+1,675	-319
73,943	28,927	102,871	Planning, Environment, Education & Community Services	102,829	0%	-41	+111	-152
16,307	-412	15,895	Central Services	15,181	-4%	-714	-726	+12
10,760	-9,692	1,068	Developments Contingency	0	-100%	-1,068	-1,320	+252
1,800	-683	1,117	Growth to be allocated	34	-97%	-1,083	-1,083	0
223,425	**24,224**	**247,649**	**Sub-Total Normal Activities**	**246,099**	**-1%**	**-1,550**	**-1,343**	**-208**

6. **Social Care, Health & Housing** outturn was a **pressure of £1,356k (£319k improvement)**. The improvement from Month 11 primarily relates to a £249k improvement in housing benefits due to an improvement in the bad debt provision at outturn following a successful audit of the claim. In addition there was an £84k improvement in Mental Health arising from the finalising of cross charging arrangements with the Health bodies and £169k in children's commissioning and respite services due to additional funding being received and applied, expected costs on IT expenditure being curtailed and a tribunal payment not needing to be paid. The main adverse variances offsetting these were due to an increase in Older Peoples Services final residential care placement costs (£41k) and due to a draw down of reserves being apportioned to service budgets (£116k). This outturn exclude sums provided for in contingency for Transitional Children (£2,300k), Mental Health Services (£450k), Homelessness (£800k) and Older People's Services (£800k).

7. **Planning, Environment, Education & Community Services** outturn was an **underspend of £41k (£152k improvement)**. The favourable movement from month 11 was due to a £255k improvement in Highways, Transportation & Planning mainly due to the maximisation of TfL recharges and a lighting stock adjustment at the year-end; a £359k improvement in Business Services & ICT relating to the further transfer of Imported Food Unit balance sheet credits following a detailed review; a £194k improvement in the Learning & School effectiveness service due to lower than previously expected schools redundancy costs; and a £93k improvement in Children's Access & Inclusion due to the necessity to apply a revenue grant in-year . However there were adverse movements in corporate landlord (£595k) mainly due to costs relating to late asset sales not being able to be offset against capital receipts due to those sales being delayed due to market conditions. Additionally there were adverse movements in within Public Safety & Environment, arising in Off-Street parking of £120k as

income recovery in the final month was lower than expected and in the Directorate an adverse movement of £155k as a result of incurring specialist advice on planning matters and legal disbursements, partially offset by a £119k favourable movement in the Arts and Library Services arising from a one-off NNDR refund in relation to Library sites.

8. The outturn also included a £91k pressure due to the economic downturn at Stockley Park Golf Course and a £111k pressure on Development Control over and above the contingency provision which have both been highlighted as exceptional items. Other pressures are on Development Control Income (£310k), Golf (£262k), Waste Disposal Levy (£1,528k), Recycling services (£150k), and Vehicle Fuel costs (£150k) were provided for within contingency.

9. **Central Services** outturn was a **£714k underspend (£12k adverse)**. The small adverse movement of £12k on the position reported in Month 11 was due to additional redundancy costs being incurred in the last month of the year.

10. **Development & Risk Contingency** outturn was a **£1,068k underspend (£252k adverse).** There were only 2 changes from the position reported in the month 11 report. £145k of senior management redundancy costs arising from the restructuring in PECS during the year which were 3 unable to be absorbed within existing budgets were charged against contingency. The asylum outturn position required a £1,048k call on contingency (£107k greater than that forecast at Month 11), although still £162k less than the budget provide for in contingency. This adverse movement was mainly due to a one off £65k clearance of debt in relation to asylum tenants where we could not justify Council Tax exemptions in the 2010/11 accounts. The overall underspend of £1,068k arose from the £1m general contingency not needing to be called upon during the year.

11. **Priority Growth outturn** was an **underspend of £1,083k,** no change on the month 11 position.

Corporate Budgets' Outturn

12. Table 3 shows the corporate budget outturn.

Table 3

2010/11 Original Budget £'000	Budget Changes £'000	2010/11 Final Budget £'000	Corporate Budgets	2010/11 Outturn £'000	Variances (+ adv/- fav) Variance (Outturn) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
-2,564	2,564	0	Unallocated savings	0	0	0	0
10,109	-991	9,117	Financing Costs	6,925	-2,192	-2,079	-113
9,161	-9,159	2	FRS 17 Pension Adjustment	2	0	0	0
-23,535	-29,247	-52,782	Asset Management A/c	-52,667	+115	0	+115
-20,901	12,609	-8,292	Corporate Govt. Grants	-8,316	-24	0	-24
-27,731	**-24,224**	**-51,955**	**Corporate Budgets**	**-54,056**	**-2,101**	**-2,079**	**-22**

13. The corporate budgets show an **underspend of £2,101k (£22k improvement),** mainly due to:-

- £1,000k of budget to facilitate borrowing for the Primary Capital Programme that was not undertaken during the year, and

- £1,192k under-spend on Interest Payable attributable to a combination of Treasury debt management (delaying refinancing of maturing debt by using internal resources), a macro-economic environment of interest rates that were 'lower for longer' than originally projected at budget setting, and an increased contribution from the HRA to reflect the difference in interest paid on actual HRA loans and the interest contribution they are charged determined under legislation.

14. A report on treasury management activity is attached at Appendix B.

B) Capital

Summary

15. The capital outturn for 2010/11 of £59,027k was financed from £8,534k of borrowing, £4,508k of capital receipts (£6,827k unsupported, £1,707k supported), £33,287k of grants and £12,698k of other contributions and resources.

16. General Fund outturn was £41,760k compared to a revised budget of £59,327k resulting in a variance of £17,567k. This report recommends the rephasing of £14,323k of budgets on on-going projects into 2011/12, leaving a residual underspend on projects completing in 2010/11 of £3,244k. HRA outturn was £17,267k compared to a revised budget of £17,731k with rephasing of the full variance of £464k recommended in this report.

17. Pressures of £1,824k arose during 2010/11, the most significant being £1,406k on Botwell Green Leisure Centre as reported throughout 2010/11. As at 31 March 2011, unallocated capital contingency was £1,945k.

18. The Council did not breach HMRC's VAT partial exemption limit of 5% during 2010/11, with an outturn of 2.33% (3.52% in 2009/10).

2010/11 Expenditure

19. Table 4 shows the outturn position for capital projects against revised budget, which was £4,870k lower than forecast at Month 11.

Table 4

Service Area	Original Budget	Revised Budget	Forecast Outturn Month 11	Actual Outturn 2010/11	Variance (Change from Month 11)	Outturn Variance	Rephasing into 2011/12
Planning, Environment, Education & Community Services	69,226	51,946	42,220	37,153	-5,067	-14,793	13,442
Central Services	970	1,049	1,049	186	-863	-863	749
Social Care, Health & Housing	4,960	4,387	4,200	4,421	221	34	132
Total Groups	**75,156**	**57,382**	**47,469**	**41,760**	**-5,709**	**-15,622**	**14,323**
Contingency	2,000	1,945	0	0	0	-1,945	0
General Fund Capital Programme	**77,156**	**59,327**	**47,469**	**41,760**	**-5,709**	**-17,567**	**14,323**
Housing Revenue Account	22,568	17,731	16,428	17,267	839	-464	464
Grand Total	**99,724**	**77,058**	**63,897**	**59,027**	**-4,870**	**-18,031**	**14,787**

2010/11 Financing

20. Table 6 shows financing of the 2010/11 capital programme,

Table 6

2010/11	Unsupported Borrowing £'000	Capital Receipts £'000	HRA - Capital Receipts £'000	Supported Borrowing £'000	Grants £'000	HRA (inc MRA) £'000	Section 106 and other contributions £'000	Total Capital Programme £'000
Revised Budget	18,272	1,500	0	2,564	39,604	10,043	5,075	77,058
Outturn	6,827	2,831	1,677	1,707	33,287	8,647	4,051	59,027
In-year Variance	**-11,445**	**1,331**	**1,677**	**-857**	**-6,317**	**-1,396**	**-1,024**	**-18,031**
Rephasing into 2011/12	8,176	0	0	0	5,577	399	635	14,787
Total Variance	**-3,269**	**1,331**	**1,677**	**-857**	**-740**	**-997**	**-389**	**-3,244**

21. If the recommendation to Cabinet to for the rephasing of budgets included in this report is agreed, the net underspend for 2010/11 is £3,244k of which £2,234k represents savings against Council Resourced budgets.

22. An additional £6,827k of unsupported borrowing was applied in financing the 2010/11 capital programme, bringing total prudential borrowing to £41,513k. Prioritisation of external resources has allowed approximately £4m of borrowing to be deferred, with corresponding revenue savings of £300k arising in 2011/12.

23. A total of £2,831k of General Fund capital receipts were applied during financing, which related to hostel sales from 2009/10 (£1,538k), right to buy and lease income (£919k) and in year disposals of general fund sites (£374k). Expenditure on Council Resourced programmes of works in 2010/11 amounted to £5,741k.

24. £1,677k of HRA capital receipts were applied to Pipeline projects instead of grants and revenue resources included in the revised budget and this further contributed to a £5,446k HRA revenue surplus for 2010/11.

VAT Partial Exemption Position

25. The Council has a concession under VAT regulations that enables it to reclaim its VAT on expenditure on exempt from VAT activities, providing this does not exceed 5% of the total VAT reclaimed in a financial year. In the event of a breach the Council would be unable to reclaim such VAT, resulting in an additional revenue charge of approximately £1,500k.

26. VAT reclaimed on exempt activities during 2010/11 was below the 5% limit at approximately £701k (2.33%) as set out below:

	2009/10 Actual	2010/11 Actual
Revenue Exempt Reclaimed VAT (%)	1.64%	1.91%
Capital Exempt Reclaimed VAT (%)	1.88%	0.42%
Total Exempt Reclaimed VAT (%)	**3.52%**	**2.33%**

27. The movement from the 2009/10 partial exemption position was due to lower capital expenditure on projects generating VAT exempt income, including leisure projects and works to Breakspear Crematorium. The outsourcing of leisure operations has also contributed towards this decrease, as the Council is no longer in receipt of VAT exempt income arising from the operation of leisure centres.

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

28. The financial implications are contained in the body of the report.

CORPORATE IMPLICATIONS

Corporate Finance

29. This is a Corporate Finance report.

Legal

30. There are no legal implications arising from this report.

BACKGROUND PAPERS

31. Monitoring report submissions from Groups.

APPENDIX A – Detailed Group Forecasts

Social Care, Health & Housing

1. The Group has an outturn pressure of £1,356k, an improvement of £319k from month 11. The improvement primarily relates to an improvement in the mental health, housing benefits and children's commissioning and respite services.

Adult Social Care, Health & Housing

Revenue: £1,892k Pressure (£155k improvement)

2. In summary adult social care, health & housing is reporting an adverse position of £1,859k, an improvement of £155k from month 11.

Services	Variances (+ adv/- fav)		
	Variance (Outturn) £000	Variance as at Month 11 £000	Change from Month 11 £000
Older Peoples Services	+1,485	+1,444	+41
Physical & Sensory Disability Services	+534	+544	-11
Learning Disability Services	+751	+748	+3
Mental Health Services	+568	+652	-84
Housing Benefits	-1,009	-760	-249
Housing Needs Services	-60	-89	+29
ASCH&H Other Services	-377	-493	+116
ASCH&H - Total	**+1,892**	**+2,047**	**-155**

Older People Services: £1,485k adverse (£41k adverse)

3. This service has improved its forecast by £491k since the start of the calendar year which is a result of a net reduction in residential care placements, the movement from month 11 is marginal in the context of a £29.8m budget. The underlying cause of this adverse position is as previously reported and primarily due to the effect of residential and nursing placements.

Physical Disabilities: £534k adverse (£11k improvement)

4. The adverse position is primarily due to increasing pressures to support people to live independently and increases in the cost of individual residential care packages following care reviews, the movement from month 11 is marginal in the context of a £8.4m budget.

Learning Disability: £751k adverse (£3k adverse)

5. The adverse position is primarily due to increasing pressures to support people to live independently; increases in the cost of individual residential care packages following care reviews; and the cost of children transferring from E&CS, the movement from month 11 is marginal in the context of a £23.6m budget.

Mental Health: £568k adverse (£84k improvement)

6. This favourable movement in forecast results from finalising the arrangements between Health bodies and LBH in respect of non-client cross charging arrangements. The underlying cause of this adverse position is as previously reported and primarily due to the effect of residential and nursing placements.

7. Throughout the year monitoring reports have referred to a potential transfer of financial responsibility for a number of clients currently funded by Health. Senior Officers from both organisations are fully engaged to resolve this issue and good progress is being made. All procedural arrangements between LBH and Health are being reviewed under the direction of the Joint Partnership Board and will ensure that future decisions are soundly based. However until these specific cases are resolved it is difficult to establish the exact liability relating to the current financial year although an informed estimate has been used for accrual purposes.

Housing Benefits: £1,009k favourable (£249k improvement)

8. The primary reason for this favourable variance is due to an excellent DWP external audit of the LBH Housing Benefits claims which is expected to result in the DWP disallowing any part of the £151m claim. This outcome has enabled the release of contingency sums set aside for any adverse impacts on housing benefit subsidy following the DWP audit.

9. The HB budget is showing a small favourable movement of £249k which is due to a minor improvement in debt provision on an income budget of £155m, gross budget £157m.

Housing Need Services: £60k favourable (£29k adverse)

10. The primary reason for this favourable variance relates to a small improvement in the PSL budget. The minor adverse movement of £29k is due to a number of small variations across a gross budget of £22m.

Other ASCH&H Services: £377k favourable (£116k adverse)

11. The primary reason for this favourable variance relates to a £122k in the low cost homes budget, the majority of which resulted from late withdrawals by some applicants from the scheme and the remainder from in-year action plan on recruitment and a reduced use of agency staff. The adverse movement from month 11 is mainly due to a draw down of reserves being apportioned to service budgets.

Children's Social Care

12. The Children's Service is reporting an underspend of £536k as at year end, an improvement of £164k from month 11. This excludes the overall pressure on asylum funding and the cost of exhausted all appeals cases which are a call on contingency.

13. The year end variances for the 2010/11 financial year are summarised in the following table:

Services	Variances (+ adv/- fav)		
	Variance (Outturn) £000	Variance (as at Month 11) £000	Change from Month 11 £000
Commissioning and Respite Services	-130	+39	-169
Safeguarding Children	-406	-411	+5
Asylum Services	0	0	0
Children & Families Services - Total	**-536**	**-372**	**-164**

14. The planned in-year savings linked to BID projects, Placements Review and the Recruitment & Retention Strategy implemented by the management group has successfully achieved savings to offset the previously reported pressure of £320k arising from activities due to the Southwark Judgement.

15. The reduction in placement costs has been achieved by ensuring that high cost care packages such as Residential and Secure Accommodation are reviewed regularly and alternatives identified for these children and young people i.e. more cost effective in-house, residential and foster care services. The main factor which is uncertain is DSG education income which ceases when the child reaches statutory school leaving age.

16. Savings were also achieved through earlier than anticipated permanent recruitment to Social Work posts within the Assessment and Care Management team. In addition, the Family Support Service, the Child Protection Service, In-House Fostering Services and the Other Care Services are reporting improved positions.

17. There was additional income from the DfE of £50k for Social Work Practice and a favourable variance in the Directorate due to spend anticipated on tablets for Social Workers which was not incurred leading to a £35k under spend. An improved position in the in-house fostering of £45k is due to additional grant being applied. An anticipated payment for the Youth Service Industrial Tribunal is not now going to materialise leading to an under spend of £35k.

Housing HRA

18. The HRA has a gross budget of £51.4m and is reporting an underspend of £5,027k, a favourable movement of £2,023k from the month 11 position.

Division of Service	Variance (Outturn) £000	Variance (as at Month 11) £000	Change from Month 11 £000
General and Special Services	-3,032	-1,483	-1,549
Repairs Services	-83	0	-83
Subsidy Payment to Government	+279	+273	+6
Capital Funded from Revenue (RCCO)	-1,099	-1,093	-6
Other Expenditure	-788	-707	-81
Income	-304	+6	-310

In Year (Surplus) / Deficit	**-5,027**	**-3,004**	**-2,023**

General and Special Services: £3,032k favourable (£1,549k improvement)

19. The reason for the £1,549k movement on the HRA gross budget of £53m from month 11 is due mainly to a number of improvements on corporate contracts for estate services impact of new insurance contract £323k improvement, grounds maintenance £159k improvement, energy supplies £158k improvement and unused contingency and reserves not needed for the return of HH Ltd of around £660k, as well as favourable corporate legal and ICT recharges. The overall favourable outturn position includes £1m balances from the closure of Hillingdon Homes and other favourable variances previously reported including a slippage in ICT spend of £250k.

Repairs Service: £83k favourable (£83k improvement)

20. The reason for the £83k movement from month 11 is due to staffing and specialist major building work consultancy cost underspends.

Subsidy Payment to Government: £279k adverse (£6k adverse)

21. The overall adverse variance is mainly due to lower interest rate costs impact on subsidy which is offset by reduction in interest charges on HRA loans.

Capital Funded from Revenue: £1,099k favourable (£6k improvement)

22. The favourable overall outturn position is due to slippages in programmes for lift refurbishment £500k, roofing projects £200k and the main works to stock programme £399k. This variation is within the context of a £10.9m budget.

Other Expenditure: £788k favourable (£81k improvement)

23. The favourable outturn position is due to a number of variances - reduced interest costs of £279k (this offset by equal movement on Subsidy Payment to Government) a reduction of £121k for bad debts, £55k resulting from a small delay in the HRA pipeline programme and £300k of unused contingency.

Income: £304k favourable (£310k improvement)

24. The favourable outturn position is due to an improved position from the month 11 position on a £47.9m income budget, mainly due to a small improvement of around £130k on dwelling income and £178k on non-dwelling income (HRA shops and garages).

Planning, Environment, Education & Community Services

Revenue: £41k underspend (£152k favourable)

1. The Group has an outturn position of £41k favourable variance, this excludes all pressure areas that have identified contingent provisions.

Services	Variances (+ adv/- fav)		
	Variance (Outturn) £000	Variance as at Month 11 £000	Change from Month 11 £000
Corporate Landlord	+935	+340	+595
Public Safety	-258	-405	+147
Planning, Trading Standards, Consumer Protection Sport & Green Spaces	+111	+60	+51
Highways Transportation & Planning	-255	0	-255
Business Services & ICT	-167	+192	-359
Director & Youth Services	-154	-149	-5
Resources, Policy & Performance	-289	-302	+13
Learning & School Effectiveness Service	+634	+828	-194
ECS Central Budget	-237	-185	-52
Access & Inclusion – Children	-361	-268	-93
PEECS – Total	**-41**	**+111**	**-152**

Corporate Landlord: £935k pressure (£595k adverse)

2. The key pressures at outturn for Corporate Facilities and Property are outlined below and total £935k.

3. There is a final shortfall of £69k on income from the hire of the Middlesex Suite a small improvement on month 11. The pressure has been due to a general slow down in demand set against a challenging income target. The marketing of this service has been reviewed and updated, in anticipation that this could have a positive impact on the income levels.

4. The outturn pressure for Borough Wide Maintenance income target for the schools buy back of maintenance has increased to £133k, this has been due to schools opting to procure services directly rather than through the FM Team. Also under this budget a provision of £106k was made for dilapidations for Hayes One Stop shop.

5. The outturn pressure on the Harlington Road depot reduced to £121k from the previous forecast position of £159k. The pressure chiefly relates to a reduction in the intensity of usage. This is due to the movement of some Council services to the Civic Centre, together with the loss of Hillingdon Homes contributions for space occupation at the depot and use of the Stores facility. A number of space rationalisation measures have been implemented, such as Block A being decommissioned during November, resulting in some minor savings on rates and utilities.

6. The outturn for surplus property and asset sales is a pressure of £506k, this has resulted from the larger sales that were anticipated late in the year not occurring. Therefore the cost of the

assets sales team and income target set for the buyers premium which were expected to have been balanced by these late sales were not able to be offset as anticipated.

Public Safety & Environment: £258k favourable (£147k adverse)

Waste Services: £317k favourable (£43k adverse)

7. The underspend on waste service of £317k relates to the waste and recycling initiatives budget which was not spent during 2010/11. The small adverse variance from month 11 represents the net impact of a number of minor changes across a range of the service and represents 0.31% of the net annual budget. There were minor improvements in street cleansing, waste disposal, civic amenities sites and public conveniences offset by adverse movements on trade waste.

Community Safety: £97k Underspend (£52k favourable)

8. The underspend represents a saving on staffing due to maternity and sabbatical leave (£18k), a saving on the Police ASB team, due to a favourable variance on pay costs (£27k) and a vacancy of (£20k) plus underspends on supplies and services and the ASB grant (24k).

9. In addition to the revenue underspend above there were also savings on the ABG grant of £41k and the achievement of the BID savings target of £124k made in community safety.

Arts and Libraries Service: £119k favourable (£119k favourable)

10. The final outturn for Arts and Libraries is a net underspend of £119k, the Arts final position showed a pressure against a number its income lines due to the general downturn in economic conditions, this was mitigated by strict expenditure controls, elsewhere in the service. Libraries underlying position showed a pressure on its income lines as with Arts but this was balanced out by a one off windfall from a NNDR refund based across the library service sites.

Off-Street Parking: £120k pressure (£120k adverse)

11. The outturn position for parking income is a pressure of £120k. The reduced levels of income experienced during 2009/10 continued into the first half of 2010/11, with the economic climate considered to be a significant factor. The 3rd quarter began to suggest a more positive trend, however the adverse weather over the Christmas period is considered to have reduced the usual seasonal boost, and although there was some recovery in February of the income from the surface car parks this was insufficient to recover the entire position. The position also factors in the funding of the free parking costs estimated at £38k for the Christmas period, which was agreed at February Cabinet.

Directorate: £155k pressure (£155k adverse)

12. The outturn pressure is a result of a range of smaller staffing pressures and some consultancy costs related to the specialist advice on planning matters such as Third Runway and the transformational project work for the BID savings programme, plus there was also a pressure on legal disbursement costs of £71k.

Planning, Trading Standards, Consumer Protection, Sport & Green Spaces: £111k pressure (£51k adverse)

Sport & Greenspaces : £68k Pressure (£8k adverse)

13. The final outturn for Leisure services of £143k is due to the pressure caused by the late opening of Botwell earlier in the year, this impacted on both the providers management fee and the additional costs of running Hayes Pool for a longer than originally planned period. A general provision has also been included in the closing accounts to mitigate against any bad debts that may occur. Greenspaces has shown a compensating underspend due to the impact of tight control of it's discretionary spend.

Planning: £43k Pressure (£43k adverse)

14. The final position for planning is a pressure which is largely due to a shortfall on the pre application fee income of £37k which, is linked to the downturn in the economy and a reduced level of major application developments coming forward in the year, plus a minor staffing pressure in the planning teams.

Highways, Transportation & Planning Policy: £255k favourable (£255k favourable)

15. There have been a range of favourable outturns within Highways transportation budgets of £224k, and a number of underspends on staffing across teams including structures and lighting due to some vacancies and the maximisation of the recharge to TFL for project work. The lighting budget has also seen a £91k adjustment for stock held at year end. Plus there has been a range of minor improvements across all non pay budgets due to the policy of tight control on discretionary spend, operating in the year.

16. Planning Policy has had a £31k favourable outturn due to slippage in recruitment of vacancies late in the year.

Business Services & ICT: £167k favourable (£359k favourable)

17. The service underspent by £167k, which is an improvement of £359k on the month 11 projections, due primarily to a transfer of credit balances from the balance sheet, following a review of the need for them.

18. The underspend of £167k is due to a number of over and underspends across the service as follows. There was an underspend of £456k on Staffing costs (£172k in Passenger Services, £118k in SEN Transport, £118k in Building Control and £116k in ICT Services, netted down by an overspend of £41k in the Imported Food Unit and £27k in Emergency Planning), due to posts being held vacant throughout the year, pending proposed implementations of staff restructurings. Further, a surplus of £277k relating to the Imported Food Unit credit balances were transferred from the balance sheet following a detailed review, added to this was a overachievement of £258k on the Imported Food Unit income which was due to a number of new levies being introduced throughout the year.

19. This was netted down by an overspend of £459k on SEN Transport costs, relating to an historical increase in the number of children needing support, an overspend of £230k on Passenger Services income, due to a number of changes in the clients requirements, and a cost of redundancy totalling £93k, following a number of restructurings.

20. Fleet Management outturn was reduced from the previously reported pressure of £195k to £43k. The main reason for the improvement was a saving resulting from the budgeted financing costs. Additional financing costs are calculated on the basis of the capital spend in the previous year. In 2009/10 no prudential capital spend was utilised although it was anticipated that there would be such expenditure at the time the budget was set and thus a budget was provided for the associated revenue costs being incurred in 2010/11 onward. As a result, this was not required

which, coupled with additional savings resulting from treasury management restructuring of debt resulted in this saving being achieved.

Resources, Policy & Performance: £289k Underspend (£13k adverse movement)

21. The service is reporting an underspend of £289k, an adverse movement of £13k, mainly due to the transfer of part year salary budgets from Research and stats to Corporate ICT for the ECS research and stats officer post. This is part of the centralisation of the Council's research and stats teams.

ECS Central Budget: £237k Underspend (£52k improvement)

22. The ECS Central budget is reporting an under spend of £237k, an improvement of £52k. The improvement is mainly due to releasing the previously held Milk subsidy creditor of £42k back into the revenue account. The balance of £10k is made of small improvements from various areas.

Learning & School Effectiveness: £634k Pressure (£194k Improvement)

23. The service is reporting an overspend of £634k due to redundancy cost within schools and School Improvement services. This is an improvement of £194k since month 11 mainly due to lower than reported schools redundancy costs incurred in 2010-11. Additionally, some earmarked reserves were applied against school redundancy costs.

Director's, Youth & Connexions: £154k Underspend (£5k improvement)

24. There has been a slight improvement to the position previously reported within the service area.

Access & Inclusion – Children: £361k Underspend (£93k improvement)

25. At Month 11 the service made an unsuccessful bid to carry forward unspent TaMHS grant into the 2011-12 financial year to complete the project. As a result of this the Education Psychology service is reporting an additional £60k improvement. The other £33k improvement relates to efficiency savings from various areas.

Schools: £8,280k underspend

Services	Variances (+ adv/- fav)		
	Variance (Outturn) £000	Variance as at Month 11 £000	Change from Month 11 £000
Schools	-5,877	n/a	n/a
Central DSG	-2,403	n/a	n/a

26. The Schools Budget is ring fenced and funded from the DSG. The individual schools budget underspend for 2010-11 is £5,877k which will be carried forward to future financial years as part of schools balances. These do not affect the General Fund.

27. The balance of £2,403k underspend is within LA managed DSG to be carried forward into 2011-12 and would have no effect on the General Fund.

Central Services

Revenue: £714k underspend (£12k adverse)

1. The 2010/11 outturn position for the central services revenue budget was an underspend of £714k, an adverse movement of £12k on the position reported in Month 11, resulting from additional unforeseen redundancy costs being incurred in the last month of the year. An analysis by service area is provided in the following table:

Services	Variances (+ adv/- fav)		
	Variance (Outturn) £000	Variance as at Month 11 £000	Change from Month 11 £000
Chief Executive/Deputy Chief Executive	-2	-9	+7
Audit and Enforcement	-7	-9	+2
Corporate Communications	-118	-61	-57
Democratic Services	-56	-47	-9
Finance and Procurement Services	-110	-265	+155
Human Resources	-197	-146	-51
Legal Services	+93	+123	-30
Policy and Performance	-317	-312	-5
CS - Total	**-714**	**-726**	**+12**

2. Major variances to note were an underspend of £358k on staffing costs across the service, where a number of posts have been held vacant and where staffing structures have been reviewed as part of the BID Review process, an underspend of £226k on non staffing costs across the group due to having a freeze on all non essential expenditure, additional income from the Housing Revenue Account to reflect the transfer of Hillingdon Housing Services back into Council control in October, totalling £149k, an underspend of £107k on anticipated charitable relief that would be provided through NNDR, and an overachievement of the in year savings target by £79k, which was identified as part of the Expenditure Review. These were netted down by the cost of redundancy, which totalled £216k and an increase of £120k in the Bad Debt Provision.

3. The adverse movement from Month 11 was due to redundancy costs in Finance, however these were largely absorbed by positive movements elsewhere within Central Services.

Capital Programme

SCHH – General Fund

1. A summary of the 2010/11 general fund Social Care, Health & Housing capital programme is set out below:

Capital Project	Revised Budget	Forecast Outturn Month 11	Actual Capital Expenditure 2010/11	Variance (Month 11 Forecast - Actual Capital Expenditure)	Variance (Revised Budget - Actual Capital Expenditure)	Rephasing into 2011/12
Disabled Facility & Private Sector Renewal Grants	3,907	3,719	3,965	246	58	107
Other Projects	480	481	456	-25	-24	25
Social Care, Health & Housing	4,387	4,200	4,421	221	34	132

2. Pressures amounting to £243k are forecast on Disabled Facilities Grants as a result of additional referrals from Social Care; however forecast outturn remains within the original approved budget of £2,823k.

3. Final contract payments and retentions on Mead House are due in 2011/12 with £25k to be rephased to cover this expenditure.

SCHH – Housing Revenue Account

4. The HRA Capital Programme for 2010/11 contains the following projects:

Capital Project	Revised Budget	Forecast Outturn Month 11	Actual Capital Expenditure 2010/11	Variance (Month 11 Forecast - Actual Capital Expenditure)	Variance (Revised Budget - Actual Capital Expenditure)	Rephasing into 2011/12
Works to Housing Stock	10,240	9,688	9,849	161	-391	391
New Build Pipeline Projects	7,491	6,740	7,418	678	-73	73
Housing Revenue Account	**17,731**	**16,428**	**17,267**	**839**	**-464**	**464**

5. Investment in Council Dwellings continued in 2010/11 through works to stock and LDA funded estates improvement programmes, part of these budgets are to be rephased into 2011/12 to allow completion of a number of projects delayed due to tender, leaseholder consultation and site access issues.

6. Works are continuing on the new build pipeline projects, with nine sites within Phase 1 to be completed by May 2011 and the remaining 6 to be handed over to the Council by July 2011. HCA Grant funding for these Phase 1 projects has been fully drawn down and used to finance 2010/11 expenditure.

7. Pipeline Phase 2 works at one site scheduled to begin in 2010/11 have been delayed for two months due to birds nesting in the structure, the five houses on this site are now expected to complete by the end of July 2011. The HCA have confirmed that this rephasing will not affect the availability of grant funding for these units.

PEECS

1. A summary of 2010/11 capital projects within PEECS is set out below:

Service Area	Revised Budget	Forecast Outturn Month 11	Actual Capital Expenditure 2010/11	Variance (Month 11 Forecast - Actual Capital Expenditure)	Variance (Revised Budget - Actual Capital Expenditure)	Rephasing into 2011/12
Business Services	1,317	855	892	37	-425	0
Civic Centre & Property Works Programmes	2,005	1,790	1,250	-540	-755	0
Community Safety Projects	50	50	56	6	6	0
Culture & Heritage Projects	936	155	58	-97	-878	877
Highways & Infrastructure Projects	6,037	5,720	4,799	-921	-1,238	1,066
Libraries Projects	3,052	1,647	972	-675	-2,080	2,075
Leisure Projects	2,955	4,508	3,334	-1,174	379	1,000
Locality Budgets	1,842	1,352	1,073	-279	-769	0
School Estates	11,222	9,620	9,565	-55	-1,657	1,377
School Expansions	11,965	8,752	8,110	-642	-3,855	3,705
Surestart Projects	5,344	4,748	4,617	-131	-727	681
Waste & Recycling Projects	1,900	200	116	-84	-1,784	1,784
Youth Projects	2,248	1,953	1,710	-243	-538	394
Other PEECS Projects	1,073	870	601	-269	-472	483
Total PEECS	**51,946**	**42,220**	**37,153**	**-5,067**	**-14,793**	**13,442**

2. Corporate Construction Fees of £858k are included within 2010/11 expenditure shown above, accounting for 6.44% of the £13,330k total expenditure on these projects. Of these fees only £241k were funded from Council Resources.

Business Services: £425k underspend (no rephasing requested)

3. The reported underspend on the ICT Single Development Plan relates to a planned scaling back of on-going projects and residual expenditure on the Improving Information Management and Benefits ICT projects being rephased into 2011/12. Following quarter 4 expenditure returns budgets on devolved programmes were increased by £826k of schools contributions, bringing contribution towards 2010/11 expenditure from schools own resources to £1,638k.

Civic Centre & Property Works Programmes: £755k underspend (no rephasing requested)

4. An underspend of £660k is reported against the Civic Centre Works budget as a result of projects not taking place in 2010/11, including members car park improvements, kitchen & WC improvements and the deferral of elements of works to quadrant lighting & air handling. Works continuing into 2011/12 will be funded from new year civic centre works budgets approved by Council in February 2011.

Culture & Heritage Projects: £878k variance (rephasing of £877k requested)

5. Manor Farm Stables and Winston Churchill Hall projects did not commence in 2010/11, with works expected to begin on the Manor Farm site in early 2011/12 alongside potential Chrysalis works.

Highways & Infrastructure Projects: £1,238k variance (rephasing of £7,066k requested)

6. As a result of the majority of TfL projects included in the 2010/11 Local Implementation Plan not commencing until quarter 4, projects to the value £1,007k are to be rephased into 2011/12 and completed by 31 August.

7. Other highways programmes of works reported an underspend for 2010/11 of £172k, which mainly arose within Street Lighting.

Libraries Projects: £2,080k variance (rephasing of £2,075k requested)

8. 2010/11 saw completion of works to a new library at Botwell Green. The £557k variance on Libraries Refurbishments relating to contractor delays on phase III works at Eastcote and Northwood Hills, which are expected to complete by June 2011.

Leisure Projects: £379 pressure (rephasing of £1,000k requested)

9. The expected outturn on Botwell Green Sports & Leisure centre remains an overspend of £2,593k due to late design changes. It had been anticipated that this would be settled in 2010/11, however this amount remains disputed and is now expected to be agreed in 2011/12.

10. Negotiations with the main contractor are continuing on Hillingdon Sports & Leisure Centre, with the final outturn expected to represent a pressure of between £271k and £644k to be settled in 2011/12.

Locality Budgets: £769k underspend (no rephasing requested)

11. Investment in community assets through the Chrysalis programme amounted to £672k for 2010/11, from a revised budget of £915k. This included expenditure on Environmental Improvements, Park Security and Community Safety projects including alley gating.

School Estates: £1,657k variance (rephasing of £1,377k requested)

12. Following quarter 4 expenditure returns budgets on devolved programmes were increased by £826k of schools contributions, bringing contribution towards 2010/11 expenditure from schools own resources to £1,638k.
13. Despite this increased expenditure within devolved budgets, there remains £869k of DFC to be rephased into 2011/12 bringing total brought forward balances held by individual schools to £2,967k for 2011/12. In light of the pressing need for school places and estate modernisation, potential for utilising such balances more effectively will be investigated.
14. In line with recommendations included within the James Report into School Capital, DfE grant allocations have greater flexibility in order to allow more effective targeting of funding at the local level. In order to reflect this move away from relatively small ring-fenced allocations new year budgets most smaller budgets included above (including school travel plans and specialist schools capital) will be consolidated into the main urgent building condition works budget.

15. There remains a risk that an element of Schools Kitchen Grant funding may become repayable to the DfE during 2011/12 if suitable projects are not identified, however given the requirement for such facilities within the Primary School Capital Programme officers are investigating options for application of this grant.

School Expansions: £3,855k variance (rephasing of £3,705k requested)

16. Significant rephasing of Primary School Expansions expenditure into 2011/12 is not expected to prevent completion of six permanent expansions in Phase 1 by August 2012 and provision of temporary accommodation for September 2011 in Phase 1A. Contractors have now been appointed to deliver both phases and are expected to be on sites by summer 2011.
17. Contractors have been appointed to proceed with construction of a sixth form at Ruislip High School following completion of feasibility and design works. These works are to be completed by October 2011, with classroom provision in place by September to accommodate September's pupils.

Surestart Projects: £727k variance (rephasing of £681k requested)

18. Children's Centre projects are approaching final completion with 2010/11 Surestart grant funding drawn down in full. Charville, Yeading and Pinkwell Centres were completed in 2010/11, with final works at Coteford, Whitehall and Deanesfield due to be completed by June 2011. It is expected that remaining costs will be contained within £681k to be rephased into 2011/12.
19. Surestart grant funded works at Merrifields was completed during 2010/11, with £2k underspend applied to fund additional fit-out costs included within Surestart AHDC budget.

Youth Projects: £538k variance (rephasing of £394k requested)

20. The second of three Young People's Centre opened at Northwood in June 2010, with the third centre at South Ruislip opening in February 2011. Remaining budget of £54k is to be rephased into 2011/12 to fund final contract settlement and retentions.

Central Services & Partners

1. 2010/11 outturn on Central Services capital and payments to partners is set out below:

Capital Project	Revised Budget	Forecast Outturn Month 11	Actual Capital Expenditure 2010/11	Variance (Month 11 Forecast - Actual Capital Expenditure)	Variance (Revised Budget - Actual Capital Expenditure)	Rephasing into 2011/12
Leader's Initiative	300	300	186	-114	-114	0
LAA Reward Grant Payments to Partners	749	749	0	-749	-749	749
Central Services	1,049	1,049	186	**-863**	**-863**	749

2. The underspend on Leader's Initiatives is due to timing of Burglar Alarm purchases, should additional budget be required in 2011/12 this underspend will be rephased into 2011/12.

3. LAA Reward Grant payments to partners are to be reprofiled into 2011/12.

APPENDIX B - Annual Treasury Report 2010 /11

1. Summary

This report explains the Council's treasury management activities during 2010/11 and presents details of capital financing, borrowing, debt management, investment transactions and the outturn position.

During the period no new long term borrowing was taken and £6m of debt naturally matured, which was not refinanced. A further £5m of debt was prematurely redeemed at a discount leaving a year end loan balance of £161.6m with an average rate of 3.60%, one of the lowest average rates in London. The overall strategy of using internal resources in lieu of borrowing proved successful and provided savings of £0.6m with interest costs totalling £5.97m against an original budget of £6.57m.

As a result of poor economic growth the Bank of England maintained base rates at 0.5% which resulted in short term money market rates remaining low. This impacted investment income with returns for the year yielding 0.83%; however by incorporating a mix of short and longer term deposits outturn totalled £387k against a budget of £135k.

At the start of the financial year there were unpaid investments with Icelandic banks; Heritable (£9.7m) and Landsbanki (£5.0m). The administrators of Heritable issued dividends during the year totalling £2.3m leaving a balance of £7.4m. Total dividends received for Heritable now equate to 56% of the claim value. No dividends have been received from Landsbanki.

As a result of a prudent approach there were no breaches of Prudential Indicators during the period. The Council also complied with a balanced budget requirement.

2. The Borrowing Requirement and Debt Management

	Balance on 31/3/2010 £m	New Borrowing £m	Debt Maturing £m	Debt Prematurely Repaid £m	Balance on 31/3/11 £m	Avg Rate %
CFR	213.75				217.67	
PWLB Fixed Rate Maturity	94.60	-	3.00	5.00	86.60	3.86
PWLB Fixed Rate EIP	15.00	-	1.50		13.50	2.89
Market Fixed Rate	48.00	-	-	-	48.00	4.11
PWLB Variable Rate EIP	15.00	-	1.50	-	13.50	0.71
Temporary Borrowing	10.00	14.36	24.36	-	0.00	0.00
Total	**182.60**	**14.36**	**30.36**	**5.00**	**161.60**	**3.60**
Other Long Term Liabilities	3.95				3.30	
Total External Debt	**186.55**				**164.90**	

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2011 was £217.67m. The Council's borrowing requirement, the difference between the CFR and the total borrowing figure was £56.07m.

Given the significant cuts to local government funding putting pressure on Council finances, the strategy was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at over 4%. As such the use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments.

The Council has £48m of market loans, which are LOBO loans (Lender's Options Borrower's Option) of which £10m of loans were in their option state in 2010/11. During the year the lenders of these loans did not exercise any call options and therefore the loans remain outstanding on the same terms.

Cash balances reduced towards the end of the year and market temporary borrowing was utilised to alleviate short term cash flow pressures.

By using internal resources in lieu of borrowing and redeeming debt prematurely, loan interest costs for the year totalled £5.97m against a budget of £6.57m, achieving an overall saving of £0.6m.

Premature Debt Repayment: The Council took advantage of an opportunity to prematurely repay a £5m PWLB loan at 3.95% with 43 years left until maturity. The repayment of this loan resulted in a discount of £56.8k and reduced interest costs for the year of £87.7k. This change in the debt portfolio also achieved a reduction in the overall debt cost whilst decreasing the average life from 29.3 years to 28.8 years.

Debt Rescheduling: Following the Comprehensive Spending Review at the end of October 2010, on instruction from HM Treasury, the PWLB increased the margin for new borrowing to an average 1% above the yield on the corresponding UK Government Gilt. New fixed rate borrowing increased by approximately 0.87% across all maturities and new variable rate borrowing by 0.90%. Premature repayment rates did not benefit from the increase in the margin which potentially makes future rescheduling of PWLB loans more challenging and resulted in no debt rescheduling taking place during 2010/11.

3. <u>Investment Activity</u>

Investments	Balance on 31/3/2010 £m	Average Rate % Received	Balance on 31/03/2011 £m	Average Rate % Received
Call Accounts	12.80		7.70	
Money Market Funds	0.00		15.30	
Short Term Investments	45.00		10.80	
Long Term Investments	0.00		0.00	
Investment Default	14.80		12.60	
Total Investments	**72.60**	**1.74%**	**46.4**	**0.83%**

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2010/11. Investments during the year included deposits with the Debt Management Office, investments in AAA-rated Stable Net Asset Value Money Market Funds and deposits, both instant access and fixed term with Banks and Building Societies systemically important to the UK banking system

Credit Risk: Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, Standard & Poors and Moody's); credit default swaps and share price.

Liquidity: In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds, overnight deposits and the use of call accounts.

Yield: The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates remained at very low levels. Most short-term money was placed in instant access accounts as these were achieving higher rates of interest than those offered on short fixed term deposits of up to three months. A small proportion of longer dated deposits were placed to enhance income in a low interest rate environment. The two approaches resulted in an average return of Investments of 0.83%

The Council's budgeted investment income for the year had been £135k, however by placing longer term investments actual investment income earned was £387K.

All investments made during the year complied with the Council's agreed Treasury Management Strategy, Prudential Indicators, Treasury Management Practices and prescribed limits. Maturing investments were repaid to the Council in full and in a timely manner.

Update on Investments with Icelandic banks
At the beginning of 2010/11 the Council had unpaid investments of £9.8m with Heritable Bank and £5m with Landsbanki Islands. During the year three dividends were received from the administrators of Heritable; 6.27% in July, 4.14% in October and 4.72% in January, totalling £2.28m. Total dividends received for Heritable now equate to 56% of the claim value and predictions of an 85% recovery rate remain the best estimate.

In terms of Landsbanki, the Icelandic courts have awarded priority status to Local Authorities, however this decision is being appealed by other creditors and will be heard later this year. If priority status is maintained the expected recovery rate is 94.85%. If non priority status is awarded, recovery is expected to be 38%. To date no repayments have been received.

4. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2010/11, which were set in February 2010 as part of the Council's Treasury Management Strategy Statement.

The levels of debt were measured on an ongoing basis during the year for compliance with the Authorised Limit of £302m and the Operational Boundary of £272m. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £186.55m.

Upper Limits for Interest Rate Exposure:

	Estimated %	Actual %
Upper Limit for Fixed Rate exposure	100	100
Upper Limit for Variable Rate exposure	50	(243.7)

The negative variable rate exposure shown above is the net result of a greater variable rate investment balance compared to the variable rate loan balance.

Maturity Structure of Fixed Rate borrowing:

	Upper limit %	Lower limit %	Actual Borrowing as at 31/3/2011 (£m)	Percentage of total as at 31/3/2011
under 12 months	25	0	1.89	1.22%
12 months and within 24 months	25	0	5.28	3.40%
24 months and within 5 years	50	0	9.55	6.16%
5 years and within 10 years	75	0	46.39	29.91%
10 years and within 20 years	75	0	15.39	9.92%
20 years and within 30 years	75	0	0	0.00%
30 years and within 40 years	75	0	0	0.00%
40 years and within 50 years	75	0	28.60	18.44%
50 years and above	75	0	48.00	30.95%

Total principal sums invested for periods longer than 364 days:
For 2010-11 this limit was set at £47m, however at no time during the year did deposits exceed this period.

Non-treasury related Prudential Indicators are included in the Appendix.

5. Balanced Budget

The Council complied with the Balanced Budget requirement.

6. Training

As part of the Council's continuous performance and development programmes officers received treasury management training by attended workshops and seminars provided by CIPFA and the Council's treasury advisers Arlingclose.

Members of the Audit Committee received specific training in relation to the scrutiny of Treasury Management Strategy Statements and Annual Investment Strategies.

Appendix

Compliance with Non Treasury Prudential Indicators 2010/11

1 Estimated and Actual Capital Expenditure

Prudential Indicator	2010/11	**2010/11**
Capital Expenditure	Estimated £m	**Outturn £m**
Non-HRA	77.1	41.7
HRA	22.6	**17.3**
Total	**99.7**	**59.00**

2 Estimated and Actual Ratio of Financing Costs to Net Revenue Stream

Prudential Indicator	2010/11	**2010/11**
Ratio of Financing Costs to Net Revenue Stream	Estimated %	**Outturn %**
Non-HRA	5.11	**3.33**
HRA	4.40	**3.05**
Total	**4.95**	**3.26**

3 Capital Financing Requirement

Prudential Indicator	Estimated (£m)	**Outturn (£m)**
CFR	31/3/11	**31/3/11**
Non-HRA	181.2	**153.6**
HRA	68.3	**64.1**
Total	**249.5**	**217.7**

The Council had no difficulty meeting its CFR in 2010/11. On both General Fund & Housing Revenue Account there has been significant rephasing of projects to be funded from borrowing into 2011/12, accounting for the reduction in capital expenditure & CFR for 2010/11.

4 Actual External Debt

Actual External Debt as at 31/03/2011	**£m**
Borrowing	161.60
Other Long-term Liabilities	3.30
Total	**164.90**

5 Incremental Impact of Capital Investment Decisions

Incremental Impact of Capital Investment Decisions	2010/11 (£)
Increase in Band D Council tax	9.71
Increase in average weekly housing rents	0.21

Capital investment decisions do not impact on the weekly housing rents as the Council sets its housing rents in line with the policy laid down by CLG. Savings have been identified within the HRA to off-set any increase in borrowing costs.

There was no increase in Hillingdon’s Council Tax for 2010/11, with any additional borrowing costs being supported through savings and efficiencies.