

COUNCIL BUDGET -

MONTH 4 2011/12 REVENUE AND CAPITAL MONITORING

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 2011/12 revenue and capital position, as forecast at the end of Month 4 (July). The in-year revenue position is forecast as an underspend of £1,380k. Total capital expenditure for 2011-15 is forecast to be £3,236k lower than revised budget, with a forecast underspend in 2011/12 of £23,239k.
Contribution to our plans and strategies	Achieving value for money is an important element of the Council's Medium-Term Financial Plan (MTFF).
Financial Cost	N/A
Relevant Policy Overview Committee	Corporate Services and Partnerships
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. Note the forecast budget position for revenue and capital as at Month 4
2. Note the treasury update at Appendix B
3. Approves the retaining of agency staff as detailed in Appendix C
4. Approves the allocation of £330k from Priority Growth to fund a new Ward budget scheme with effect from 1st October 2011
5. Agree additional charges connected with requests for street naming and new building naming/numbering to cover matters that are not clearly defined under the existing adopted pricing structure. The proposed charges would be as set out below:
 - To name a hotel: £250+vat
 - To issue letters to confirm an address: £30+vat
6. Approves the virement of £75k of Council Resources from Primary School Expansions to Ruislip High School
7. Approves the virement of £2,277k of DfE grant funding from Schools Kitchens to Primary School Expansions

INFORMATION

Reasons for Recommendations

1. The reason for the monitoring recommendation is to ensure the Council achieves its budgetary objectives. The report informs Cabinet of the latest forecast revenue and capital position for the current year 2011/12.
2. Recommendation 5 is required for the following reason: Hillingdon Council is responsible for the naming and numbering of new or existing streets and buildings within the Borough boundaries. The Council carries out these functions under The London Buildings (amendment) Act 1939 – Part 11. Section 93 of the Local Government Act 2003 confers a general power to charge for discretionary services with the intention of allowing local authorities to recover costs, though not to generate a surplus. The current hotel charge falls under the charge for individual building naming of £100. Given that more work is required in the naming of a hotel than a single dwelling, it is considered that the charge should be the same as for road naming (which is £250 + vat). The Council is also receiving a lot of solicitors' letters to confirm existing addresses and a charge therefore needs to be imposed for such checking exercises. The proposed charge of £30+VAT has been benchmarked against other local authority charges.
3. Recommendations 6 and 7 are required to formally approve virements in capital budgets between services as part of the funding strategy for the Primary Capital Programme.
4. Recommendation 6 amends a previous allocation of £150k from Ruislip High School to Primary School Expansions in Month 2 to a lower figure of £75k.

Alternative options considered

5. There are no other options proposed for consideration.

SUMMARY

A) Revenue

6. The in year revenue monitoring position as at Month 4 (July) shows that forecast net expenditure for the year 2011/12 is £1,380k less than the budget, an improvement of £292k on month 2. There is a £619k forecast overspend on directorate budgets comprising a pressure of £1,323k (£129k adverse) in SCH&H and a £83k pressure (£241k favourable) in PEECS offset by a £636k underspend (£36k favourable) on contingency and a £150k underspend (£144k favourable) in Central Services. The remaining overspend is offset by the projected underspend in capital financing costs of £2,000k due to budgets set aside in advance for schools capital financing and other priority projects, which are not forecast to be needed in this financial year.
7. The balances brought forward at 31st March 2011 were £17,022k. £1,793k of this sum was applied in support of the 2011/12 budget as part of the budget strategy agreed at Council Tax setting. The forecast balances as at 31st March 2012 are £16,609k as a result of the budgeted drawdown from balances (-£1,793k) and the forecast in-year underspend (£1,380k).

B) Capital

8. Forecast General Fund capital expenditure for 2011/12 is £71,690k, from a revised budget of £94,929k. The majority of this variance relates to expected rephasing of £21,827k Council resourced expenditure into 2012/13 (Month 2 £13,702k).

9. The Council resourced programme for 2011-15 is currently reporting a net pressure of £751k (Month 2 £367k), consisting of £3,011k pressures and £2,260k of underspends (full details in table 7).
10. Latest forecasts on the HRA capital programme indicate a 2011/12 outturn of £13,817k (Month 2 £14,776k) from a revised budget of £15,122k. The reported variance consists of £1,079k underspend and £346k relating to a rep phasing of expenditure into 2012/13.

A) REVENUE

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

Table 1

2011/12 Original Budget £'000	Budget Changes £'000		2011/12 (As at Month 4)		% Var of budget	Variances (+ adv/- fav)		
			Current Budget £'000	Forecast £'000		Variance (As at Month 4) £'000	Variance (As at Month 2) £'000	Change from Month 2 £'000
239,453	-2,664	Directorates Budgets on normal activities	236,789	237,409	0%	+620	+912	-292
-42,915	2,664	Corporate Budgets on normal activities	-40,251	-42,251	5%	-2,000	-2,000	0
196,539	0	Total net expenditure	196,539	195,159	-1%	-1,380	-1,088	-292
-194,746	0	Budget Requirement	-194,746	-194,746		0	0	0
1,793	0	Net total	1,793	413		-1,380	-1,088	-292
-17,022		Balances b/f 1/4/011	-17,022	-17,022		0	0	0
		Transfer from earmarked reserves				0	0	0
-15,229	0	Balances c/f 31/3/12	-15,229	-16,609		-1,380	-1,088	-292

Directorates' Forecast Expenditure Month 4

12. Table 2 shows further details on the budget, forecast and variance at directorate level. Further detail on each directorate is shown in Appendix A. The group forecasts exclude sums provided for in contingency, which are set out in table 3.

Table 2

2011/12 Original Budget £'000	Budget changes £'000	2011/12 Current Budget (as at Month 4) £'000	Directorate		2011/12 Forecast (as at Month 4) £'000	% Var of budget	Variances (+ adv/- fav)		
							Variance (As at Month 4) £'000	Variance (As at Month 2) £'000	Change from Month 2 £'000
326,915	-6,703	320,212	SCHH	Exp Inc	330,597 -209,488	3% 5%	+10,385 -9,062	+1,621 -427	+8,764 -8,635
-199,190	-1,235	-200,426							
127,724	-7,939	119,786		Total	121,109	1%	+1,323	+1,194	+129
396,479	-10,120	386,359	PEECS	Exp Inc	386,002 -294,244	0% 0%	-357 +440	-366 +690	+9 -250
-301,269	6,586	-294,684							
95,210	-3,534	91,676		Total	91,759	0%	+83	+324	-241
9,511	9,902	19,413	CS	Exp Inc	19,259 -7,667	-1% 0%	-154 +4	-1 -5	-153 +8
-6,578	-1,093	-7,671							
2,933	8,809	11,742		Total	11,592	-1%	-150	-6	-144
11,786	0	11,786	Contingency		11,150	-5%	-636	-600	-36
1,800	0	1,800	Priority Growth		1,800	0%	0	0	0
239,453	-2,664	236,789	Sub-Total Normal Activities		237,408	0%	+620	+912	-292

13. **Social Care, Health & Housing (SCH&H)** are projecting a **pressure of £1,323k (£129k adverse)**. The Month 4 position in SCH&H is showing an increased pressure in Housing Benefits, due to the increasing level of payments being made and a pressure in Older Peoples Services from residential placement increases due to a lower than expected rate of deaths than forecast. This is offset by a favourable movement in Physical and Learning Disabilities, relating to a reduction in spend on non-residential care as a result of ongoing service reviews.

14. **Planning, Environment, Education & Community Services (PEECS)** are forecasting a **pressure of £83k (£241k improvement)**. The favourable movement in PEECS arises from an underspend in Community Safety due to a realignment of the funding for community police officers from the HRA to reflect activity levels and an underspend in Education due to applying grant funding to base budget funded activities and releasing a one-off saving. These are partially offset by a pressure in SEN transport arising from an increase in client routes.

15. **Central Services (CS)** is forecasting a **£150k favourable variance (£144k improvement)** as at Month 4 largely arising from a staffing underspend as the restructure of services are implemented as part of the BID programme.

Progress on the delivery of 2011/12 Savings

16. Analysis of progress on the implementation of savings proposals included in the 2011/12 budget continues to indicate that the Council is largely on track at this stage to deliver the majority of the savings. The following table summarises the RAG status for the MTFF projects.

RAG Status	Central Services	PEECS	SCH&H	Cross Cutting	Total August	Total July
Blue (banked)	1,902	6,524	6,270	954	15,650	13,132
Green (on-track)	706	1,846	2,324	300	5,176	7,100
Amber (some Slippage or risky Project at an Early stage)	26	2,016	2,437	0	4,479	5,007
Red (serious Delivery problems)	0	933	0	0	933	999
Total	2,634	11,319	11,031	1,254	26,238	26,238

17. The projected shortfall on those savings classed as red is currently estimated at £933k (3.6% of total savings) a decrease of £66k on last month arising from a reduction in the shortfall of savings in the Corporate Landlord. A breakdown of these projects is shown in the following table:

Group	Proposal	£000s
PEECS	Corporate Landlord	98
	Youth & Connexions review	687
	Decommission Extended Services Function	148
Total		933

18. An additional £2,518k of savings has now been classified as banked during August. The £537k target in Education associated with the 5% grant savings target which was previously showing nothing banked against is now reporting £258k as banked following work undertaken during the summer. A large element of the savings still classified as Amber are the Re-ablement proposals within SCH&H and a number of income generating proposals within

PEECS. The current view on both these savings areas is that a bit more time is required to confirm that the actions officers have taken will be sufficient to deliver the required savings targets. It is for this reason they are still classified as amber rather than because the required actions have not yet been taken.

19. If the £26.2m can be delivered in full then the monitoring position during 2011/12 should be favourable because of the flexibility built into the 2011/12 budget (£2m for schools capital financing, £1m general contingency, an additional £1m contingency initially created to cover the 5% target grant saving, £800k HIP contingency & £1m priority growth).

Development & Risk Contingency: £655k underspend (£36k favourable)

20. £11,786k of potential calls on the Development & Risk Contingency were identified as part of the budget setting process for 2011/12 held in the base budget. Table 3 shows the amounts that have been allocated or earmarked as at Month 4. The £36k favourable movement in contingency is as a result of an improved forecast in relation to Development Control income partially offset by an adverse movement in the Asylum position.

Table 3

Development and Risk Contingency	2011/12 Budget £'000	Forecast as needed £'000	Variance (+adv / - fav) £'000	Group
2011/12 allocations:				
Commitments:				
General Contingency	1,000	1,000	0	All
Employers' Pension Contributions	850	850	0	All
Pump priming for BID savings	400	400	0	ALL
Uninsured claims	420	420	0	CS
Carbon Reduction Commitment Energy Efficiency Scheme	460	460	0	PEECS
Development Control Income	350	444	+94	PEECS
Cost Pressures on Recycling Service	150	150	0	PEECS
Local Development Framework legal & consultancy fees	100	75	-25	PEECS
HS2 Challenge contingency	100	100	0	PEECS
Assisted searches	75	0	-75	PEECS
Potential new responsibilities in relation to Flood defence	50	50	0	PEECS
Building Control Income	50	0	-50	PEECS
Social Care Pressures (Adults)	4,089	4,089	0	SCHH
Increase in Transitional Children due to Demographic Changes	1,254	1,254	0	SCHH
Asylum Funding Shortfall	880	1,278	+398	SCHH
Social Care Pressures (Children's)	500	500	0	SCHH
Contingency against delivery of grants savings	1,058	0	-1,058	ALL
Fuel	0	80	+80	PEECS
Total net contingency	11,786	11,150	-636	

21. At this stage, a large proportion of the total contingency is expected to be required in full. However, a net underspend on a few items and the assumption that the £1,058k contingency against delivery of grants savings will not be drawn down, have resulted in an overall underspend of £636k. Details of these variances are discussed below.

22. The forecast asylum spend is indicating a pressure of £398k (£98k adverse) above the budgeted contingency allocation. Although there are signs of falling demand, the nature of the grant mechanism results in less income as a result which doesn't fully cover the resultant fixed costs associated with this service. Management are taking action to mitigate this impact by relocating and merging the intake teams into a single team and will continue to review this pressure.

23. The forecast for Development Control income is a gross pressure of £444k (£134k improvement) and the net position after the application of the contingency is an adverse variance of £94k. Major Applications are showing a significant decrease in their forecast level of income, the worst in 5 years, but it has improved from month 2. For the smaller Development Control income streams, numbers of applications are fairly flat and are close to the 2010/11 level. This performance is mirroring the increased activity that occurred in the first quarter of 2010/11, which then fell back after the first quarter and may well do so again. Although not reported against this contingency, the pre-application income from developers is also showing a pressure of £20k, reflecting continuing uncertainty in the housing market.

24. The fuel budget in PEECS was increased by £108k for 2011/12 as part of the MTFF process. However, prices have continued to rise in 2011 and current analysis shows that fuel budget is already under pressure at the current price of around £1.10 per litre. A range of projections have been modelled and the worse case scenario is showing a pressure of £153k and the best case scenario a pressure of £42k - this is over and above the increased budget. A mid point pressure of £80k is therefore considered to be the most likely pressure at this point, given the current economic situation, and likelihood of further increases.

25. The assumption at this stage of the year is that the other contingency requirements are likely to be required in full.

Priority Growth: Nil variance (no change)

26. £1,000k was included in the 2011/12 budget for priority growth and £800k for HIP Initiatives. Table 4 summarises the position with regards to each element of priority growth.

Table 4

Priority Growth	2011/12 Budget	Agreed draw downs	Commitments	Unallocated
2011/12 Unallocated Priority Growth at start of the year	£'000	£'000	£'000	£'000
HIP Initiatives New budget:	800			
Agreed:				
Environmental projects		27		
Heritage projects		85		
HIP Initiatives unallocated balance	800	112	0	688
Unallocated non specific growth	1,000	330		670
Balance of unallocated growth	1,000	330	0	670
Total	1,800	442	0	1,358

27. HIP Steering group have approved £112k of allocations so far this year leaving £688k as yet unallocated within the HIP initiatives budget. This report includes a recommendation to allocate £330k of Priority Growth to fund a new Ward Budget Scheme which will start on 1st October 2011. £15k will be allocated to each of the 22 Wards. The sum does not have to be spent in this financial year and any unspent balance at the end of this financial year will be carried forward to 2012/13. If this recommendation is approved then £670k of priority growth budget will remain unallocated. However, the Month 4 forecast assumes that the remaining unallocated budgets for both HIP contingency and priority growth will be spent in full.

Corporate Budgets' Forecasts: £2,000k underspend (no change)

28. Table 5 shows budget, forecast and variance now reported on corporate budgets as at Month 4.

Table 5

2011/12 Original Budget	Budget Changes	2011/12 Current Budget (as at Month 4)	Corporate Budgets	2011/12 Forecast Outturn (as at Month 4)	Variances (+ adv/- fav)		
					Variance (As at Month 4)	Variance (As at Month 2)	Change from Month 2
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-400	400	0	Unallocated savings	0	0	0	0
10,697	-524	10,172	Financing Costs	8,172	-2,000	-2,000	0
-3,322	0	-3,322	FRS 17 Pension		0	0	0
-35,169	2,875	-32,294	Adjustment	-3,322	0	0	0
			Asset Management A/c	-32,294	0	0	0
10,836	0	10,836	Levy's & other	10,836	0	0	0
-25,556	-87	-25,643	corporate budgets		0	0	0
Corporate Govt Grants			Corporate Govt Grants	-25,643	0	0	0
-42,915	2,664	-40,251	Corporate Budgets	-42,251	-2,000	-2,000	0

29. Financing costs show a forecast underspend of £2,000k at Month 4. This is due to £2,000k being set aside for capital financing for schools or other priority projects which is not likely to be needed in 2011/12.

30. Debt financing and investment income are at this early stage of the year forecast to be in line with the budget. A summary of treasury management activity is attached at Appendix B.

B) CAPITAL

General Fund Capital Programme

Programme Monitoring

31. Table 6 sets out the latest forecast outturn on current General Fund capital projects. Forecasts for future years include programmes of works as included in the draft programmes for 2012/13 to 2014/15 reported to Cabinet and Council in February 2011.

Table 6:

General Fund Capital Programme	2011/12	2012/13	2013/14	2014/15	Total
Original Budget	78,907	34,364	29,420	28,305	170,996
Revised Budget	94,929	34,364	29,420	28,305	187,018
Forecast Outturn	71,690	55,405	29,382	27,305	183,782
Council Resourced Variance – see table 7	(22,879)	20,668	(38)	(1,000)	(3,249)
External Grants Variance	(298)	298	-	-	-
Other Resources Variance	(62)	75	-	-	13
Programme Variance	(23,239)	21,041	(38)	(1,000)	(3,236)

32. Capital expenditure incurred to 31 July 2011 was £7,718k, 10.8% of forecast outturn (Month 2 £1,658k). Although significant expenditure on major projects, including primary school expansions is expected later in the year, this relatively low level of expenditure would appear to indicate that current year forecasts are ambitious.

33. Table 7 below sets out variances against the approved Council resourced programme, with significant movements from Month 2 detailed below:

Table 7:

Council Resourced Variance	2011/12	2012/13	2013/14	2014/15	Total
Pressures:					
Primary School Expansions - Phase 1	-	14	962	-	976
Botwell Green Leisure Centre	1,187	-	-	-	1,187
Farm Barns	26	-	-	-	26
Highgrove Pool Phase II	300	200	-	-	500
Hillingdon Sports & Leisure Centre	274	-	-	-	274
Libraries Refurbishment	48	-	-	-	48
Total Council Resourced Pressures:	1,835	214	962	-	3,011
Underspends:					
Primary School Expansions - Phase 1A	-	-	-	-	-
Temporary	-	-	-	-	-
Primary School Expansions - Rosedale	-	-	-	-	-
Temporary	-	-	-	-	-
Arundel Road Development HIP	(2,013)	-	-	-	(2,013)
Laurel Lane (Longmead) Primary School Expansion	(247)	-	-	-	(247)
Total Council Resourced Underspends:	(2,260)	-	-	-	(2,260)
Projected Rephasing:	(21,454)	21,454	-	-	-
Main Programme Variance:	(21,879)	21,668	962	-	751
General Contingency:	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
Council Resourced Variance:	(22,879)	20,668	(38)	(1,000)	(3,249)

34. Revised outturn forecasts at Month 4 indicate that £21,454k of expenditure is to be rephased into 2012/13 (Month 2 £13,702k). This movement from Month 2 primarily relates to the Primary School Expansions Programme.

35. Revised cash flow forecasts from the main contractor on primary school expansions - phase 1 indicating that £3,257k of works will slip into 2012/13. However, projects officers report that this will not impact upon the provision of sufficient school places for September 2012.

36. The majority of additional rephasing since Month 2 relates to the unallocated element of the Primary School Expansions Budget which is now unlikely to be required until 2012/13.

Forecast expenditure on this programme during 2011/12 is now expected to be £19,894k, which can be fully funded from Department for Education grant and Section 106 contributions allowing the use of prudential borrowing to be deferred into 2012/13.

37. An underspend of £470k reported on provision of temporary primary school places at Rosedale is no longer expected as a third form of entry is to be provided for September 2012.
38. Final contract settlements on the Botwell and Hillingdon Sports & Leisure Centres are still pending and forecast pressures arising from the changes to the specification of the projects have not moved from Month 2.
39. There has been a reduction in pressures forecast on the libraries refurbishment programme to £48k (Month 2 £170k), arising from a re-scoping of planned Phase IV projects.
40. The £500k pressure reported on Highgrove Pool Phase II is to be supported by historical leisure savings set aside. Remaining pressures of £2,511k are not supported by any specific funding streams however, they are partially offset by underspends of £2,260k which have arisen due to cancellation or re-scoping of other projects.
41. A virement from the Schools Kitchens Programme recommended in this report is intended to support the on-going Primary School Expansions Programme, reducing the need for further Council resources beyond 2011/12 by £2,277k.

Capital Financing

Table 8:

Capital Receipts	2011/12	2012/13	2013/14	2014/15	Total
Budget approved February 2011	21,319	21,646	10,851	388	54,204
Forecast Disposals	9,127	13,006	8,347	15,089	45,569
Variance	12,192	8,640	2,504	(14,701)	8,635

42. Latest capital receipts forecasts for 2011/12 are £9,127k (Month 2 £11,147k), of which only £248k had been achieved at Month 4 (Month 2 £182k). As the majority of planned disposals are scheduled for early 2012, there remains a significant risk that minor delays in timing would defer receipts into 2012/13.
43. Disposal forecasts for 2012/13 and 2013/14 have been refined to reduce the forecast variance for 2011-15 to £8,635k (Month 2 £11,589k), however this shortfall in capital receipts will result in an increased borrowing requirement and subsequent additional revenue financing costs in future years.
44. Table 9 summarises forecast prudential borrowing requirement and the future revenue impact of the General Fund capital programme. Revenue impacts are calculated on MRP and estimated interest costs, these are tentative forecasts which will be subject to application of MRP policies, the Council's cash flow management and actual interest payable on outstanding debt.

Table 9:

Prudential Borrowing Forecast	2011/12	2012/13	2013/14	2014/15	Total
Revised Budget	36,114	(9,679)	(2,523)	6,825	30,737
Council Resourced Variance	(22,879)	20,668	(38)	(1,000)	(3,249)
Capital Receipts Variance	12,192	8,640	2,504	(14,701)	8,635
Forecast Borrowing	25,427	19,629	(57)	(8,876)	36,123
Variance	(10,687)	29,308	2,466	(15,701)	5,386
Future Revenue Impact	(748)	2,052	173	(1,099)	377

45. Variances arising within the capital expenditure programme are not expected to result in significant adverse impact on future financing costs, with the pressures included in the above table arising primarily from changes to the asset disposal programme.

46. Current forecasts for both capital expenditure and receipts assume that the Site B residential development at South Ruislip is to go ahead in 2012/13. Should this project not go ahead there would be an increase in on-going revenue financing costs of approximately £300k from 2014/15.

Housing Revenue Account Capital Programme

47. Table 10 details the latest forecast outturn on the HRA capital programme, which is reporting a variance of £1,006k (Month 2 nil variance)

Table 10:

Housing Revenue Account Capital Programme	2011/12	2012/13	2013/14	2014/15	Total
Original Budget	14,850	2,326	2,150	2,235	21,561
Revised Budget	15,122	2,326	2,150	2,235	21,833
Forecast Outturn	13,817	2,625	2,150	2,235	20,827
HRA Resourced Variance	(1,079)	299	-	-	(780)
External Grants Variance	(226)	-	-	-	(226)
Other Resources Variance	-	-	-	-	-
Programme Variance	(1,305)	299	-	-	(1,006)

48. Expenditure to Month 4 was £3,981k, 28.81% of latest outturn (£1,579k at Month 2) and projects remain on track to deliver the full forecast outturn of £13,817k.

49. A variance of £1,006k is reported on Phase 2 of the HRA Pipeline Projects (Month 2 nil variance) due to planning permission being refused at one site. If replacement sites are not identified, this could result in the loss of £226k of HCA grant funding.

VAT Partial Exemption

50. The following table sets out the latest VAT partial exemption position and the scope for additional capital expenditure on exempt projects before a breach would occur. Latest forecasts indicate that there remains limited risk of breaching the 5% limit in delivering the approved capital programme.

Table 11:

	2010/11	2011/12	2012/13	2013/14	2014/15
VAT Partial Exemption %	2.33%	2.80%	3.37%	2.16%	2.15%
Capital Expenditure Headroom (£'000)	5,008	4,656	2,987	4,469	4,425

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

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

CORPORATE IMPLICATIONS

Corporate Finance

7. This is a Corporate Finance report.

Legal

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

BACKGROUND PAPERS

9. Monitoring report submissions from Groups.

APPENDIX A – Detailed Group Forecasts

Social Care, Health and Housing (SCH&H)

Revenue: £1,323k Pressure (£129k adverse)

1. The month 4 revenue monitoring report for 2011/12 has been compiled following analysis of relevant activity trends and implementation of the MTFF £11.4m savings programme. In summary there is an adverse movement of £129k from the month 2 position resulting in a forecast of £1,323k of pressure as shown in the table below.

Services		2011/12 (As at Month 4)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget £'000	Forecast £'000		Varianc e (As at Month 4) £'000	Variance (As at Month 2) £'000	Change from Month 2 £'000
Children & Families Services	Exp Inc	+31,653 -3,651	+31,913 -3,711	1% 2%	+260 -60	+200 0	+60 -60
	Total	+28,002	+28,202	1%	+200	+200	+0
Asylum Services	Exp Inc	+11,895 -10,851	+11,895 -10,851	0% 0%	+0 +0	0 0	+0 +0
	Total	+1,044	+1,045	0%	+0	0	+0
Older People's Services	Exp Inc	+39,351 -10,329	+40,423 -10,587	3% 2%	+1,072 -258	+486 -135	+585 -123
	Total	+29,023	+29,837	3%	+814	+351	+463
Physical & Sensory Disability Services	Exp Inc	+8,751 -507	+8,798 -697	1% 38%	+47 -190	+558 -277	-511 +87
	Total	+8,244	+8,101	-2%	-143	+281	-425
Learning Disability Services	Exp Inc	+31,735 -5,494	+32,149 -5,707	1% 4%	+413 -213	+377 -15	+36 -198
	Total	+26,241	+26,442	1%	+201	+362	-162
Mental Health Services	Exp Inc	+7,390 -336	+7,438 -384	1% 14%	+47 -47	+0 +0	+47 -47
	Total	+7,054	+7,054	0%	+0	+0	+0
Housing Benefits	Exp Inc	+161,640 -158,115	+167,275 -163,498	3% 3%	+5,635 -5,383	+0 +0	+5,635 -5,384
	Total	+3,525	+3,777	7%	+251	+0	+251
Housing Needs Services	Exp Inc	+12,739 -10,021	+15,651 -12,931	23% 29%	+2,911 -2,911	+0 +0	+2,911 -2,911
	Total	+2,719	+2,719	0%	+0	+0	+0
SCH&H Other Services	Exp Inc	+16,928 -2,995	+16,928 -2,995	0% 0%	+0 +0	+0 +0	+0 +0
	Total	+13,933	+13,933	0%	+0	+0	+0
Total Expenditure		+322,084	+332,469	3%	+10,385	+1,621	+8,764
Total Income		-202,298	-211,360	4%	-9,062	-427	-8,635
SCH&H Total		+119,786	+121,109	1%	+1,323	+1,194	+129

2. Overall there is a fall of £123k from the month 2 forecast for social care primarily due to services for people with a physical disability as a result of a reduction in the spend on non residential care following service reviews. However, within this favourable movement there continues to be pressure on Older People's Services as the number of people requiring a residential placement

increases due to a lower rate of deaths this year when compared to the trend over the last 12 months.

3. The adverse movement of £251k in Housing Benefit reflects the 13% increase in caseload since April 2009 which can no longer be accommodated within existing resources. The highest increase is on private tenants who have the more complex claims to administer. In addition, the service is dealing with an added pressure from the Department for Work and Pensions relating to changes to the Benefit Scheme and additional work necessary to prepare for the move to Universal Credit from 2013.
4. The forecast assumes the full use of contingency available to the directorate and that the pressure on Asylum Services continues to be funded from the Council's general contingency.

MTFF Savings

5. The group is delivering a savings programme totalling £11.4m and to date has banked £6.3m (55%). At the present time slippage of £300k has been identified in Adult Social Care (excluding Mental Health) and is included in the forecasts set out below. The management team are exploring options to resolve this potential shortfall. The remainder of the programme is on target to deliver the balance, albeit recognising that these represent major changes in service delivery for the directorate.

Children Services: £200k adverse (no change)

6. There is no change to the forecast which reflects pressure on two fronts, firstly due to pressure on the children with disabilities budget; and secondly from increase costs associated with court cases. Management is reviewing the causes of this pressure and the solutions necessary to manage this adverse position.

Asylum: £398k adverse (£98k adverse)

7. The adverse movement relates to an increased number of children who have Exhausted All Appeals (EAA) or have been naturalised. Grant funding is no longer claimable for this group but the Council still has a duty support the children.

Older People's Services: £814k adverse (£463k adverse)

8. Although the number of new people requiring a residential placement has remained steady for several months, there has been a lower rate of deaths this year when compared to the trend over the last 12 months. This has resulted in a net increase in the number of placements being funded, which is in excess of previous forecasts leading to an increase in pressure on this service.

Physical Disabilities: £143k favourable (£425k improvement)

9. The improvement from the month 2 position primarily reflects the outcome of individual service reviews to date for people supported in community placements.

Learning Disabilities: £201k adverse (£162k improvement)

10. The improvement from the month 2 position primarily reflects the reduction of 3 residential placements in the last 2 months.

Housing Benefit: £251k Pressure (£251k adverse)

11. The adverse movement in Housing Benefit reflects the 13% increase in caseload since April 2009 and it can no longer be accommodated within existing resources. The highest increase is on private tenants who have the more complex claims to administer. In addition, the service is dealing with an added pressure from Department for Working and Pensions relating to changes to the Benefit Scheme and additional work necessary to prepare for the move to Universal Credit from 2013.

12. This pressure is as a result of 219 out of 258 (85%) applications for Housing Benefit from the private sector related in Q1 of this financial year, which is significantly above the norm which would generally be in the 20 to 30 range.

Housing HRA

13. The HRA has a gross budget of £59.3m and as at month 4 is forecasting a £486k favourable position.

Division of Service		2011/12 Current Budget (as at Month 4) £'000	2011/12 Forecast (as at Month 4) £'000	% Var of budget	Variance (as at Month 4) £'000	Variance (as at Month 2) £'000	Change from Month 2 £'000
General and Special Services	Exp	+16,930	+16,656	-1%	-114	0	-114
Repairs Services	Exp	+21,287	+21,124	-1%	-163	0	-163
Subsidy Payment to Government	Exp	+15,492	+15,517	0%	+25	0	+25
Capital Funded from Revenue (RCCO)	Exp	+2,384	+2,384	0%	0	0	0
Other Expenditure	Exp	+3,178	+3,250	2%	+72	0	+72
Income	Inc	-56,796	-57,302	1%	-306	0	-306
In Year (Surplus) / Deficit	Total	+2,475	+1,629	-20%	-486	0	-486

Planning, Environment, Education & Community Services

Revenue: £83k overspend (£241k improvement)

1. The directorate has an outturn position of £83k variance. This excludes all pressure areas that have identified contingent provisions.

Services		2011/12 (As at Month 4)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget £'000	Forecast £'000		Variance (As at Month 4) £'000	Variance (As at Month 2) £'000	Change from Month 2 £'000
Corporate Landlord	Exp Inc	4,880 -4,635	5,001 -4,099	2% -12%	+121 +536	+121 +536	0 0
	Total	245	902	269%	+657	+657	0
Public Safety	Exp Inc	42,666 -14,993	42,364 -14,893	-1% -1%	-302 +100	-170 +100	-132 0
	Total	27,674	27,472	-1%	-202	-70	-132
Planning, Trading Standards, Consumer Protection, Sport & Green Spaces	Exp Inc	12,116 -3,911	12,116 -3,911	0% 0%	0 0	0 0	0 0
	Total	8,205	8,205	0%	0	0	0
Highways, Transportation & Planning Policy	Exp Inc	16,208 -6,125	16,148 -6,125	0% 0%	-60 0	-50 0	-10 0
	Total	10,082	10,022	-1%	-60	-50	-10
Business Services & ICT	Exp Inc	19,082 -11,986	19,233 -11,986	1% 0%	+151 0	0 0	+151 0
	Total	7,096	7,247	2%	+151	0	+151
Education	Exp Inc	291,409 -253,034	291,142 -253,230	0% 0%	-267 -196	-267 +54	0 -250
	Total	38,375	37,912	-1%	-463	-213	-250
Total Expenditure		386,359	386,002	0%	-357	-366	+9
Total Income		-294,684	-294,244	0%	+440	+690	-250
PEECS Total		91,676	91,759	0%	+83	+324	-241

Corporate Landlord: £657k pressure (no change)

1. The key pressures for Corporate Facilities and Property are outlined below and total £493k.
2. There is a forecast pressure of £230k across maintenance and Borough-wide maintenance budgets. The larger proportion of this is due to a pressure against the income target to sell services to the schools, where schools have opted out and have purchased FM services directly. There are also pressures on maintenance budgets for day to day repairs.
3. The Middlesex Suite is forecasting a pressure of £65k. 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, however the impact of this is yet to be reflected in the performance.
4. The forecast for Harlington Road depot is £163k. 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 last November, resulting in some minor savings on rates and utilities.

5. Property Disposal and empty buildings are forecasting a pressure of £35k which relates to the cost of maintaining vacant assets within the estate.
6. There is a £164k pressure which relates to the under-achievement on the 2011-12 MTFF savings target relating to the Corporate Landlord staffing review. This restructure is still in progress and once complete may give potential to improve this position.

Public Safety & Environment: £202k favourable (£132k improvement)

Waste Services: £90k favourable (£20k improvement)

7. Waste Disposal is forecasting a £90k underspend. The tonnages for the first four months of the year are below the levels anticipated in the variable element of the levy.
8. Overall the rest of the Waste Services are reporting a nil variance with pressures in kerbside recycling assuming to be met from the contingency sum of £150k . The Trade Waste Service has increased its fees and has an associated MTFF savings target. The indications from the first quarter are that this will be achieved.

Community Safety: £112k favourable (£112k improvement)

9. The underspend is due to a realignment of the funding for police officers from the Housing Revenue Account to reflect activity levels.

Highways Transportation and Planning Policy: £60k favourable (£10k improvement)

10. The service is reporting a £60k favourable position. This is mainly due to the anticipated net savings resulting from a restructure in the Road Safety Service. However, there are some risk areas for the service, in particular for street lighting the uncertainty around the energy tariffs and their potential increase may be greater than budgeted inflation. The rest of the service area is reporting in-line with the budget.

Business Services & ICT: £151k pressure (£151k adverse)

SEN Transport £151k pressure (£151k adverse)

11. This is an area that has seen significant pressure in the last financial year and as a result growth monies were allocated to support the service for 2011/12. The service is currently reporting a pressure of £151k and there has been an increase of 15 routes since April. The service is endeavouring to minimise the cost impact by consolidating routes wherever possible.

Education: £463k favourable (£250k improvement)

Schools: Nil variance

12. The Schools Budget is ring fenced and funded from the Direct Schools Grant (DSG). Schools' expenditure is monitored quarterly with any forecast year-end deficits being the subject of detailed discussions with the schools concerned. Schools forecasting deficits are required to work with the Schools Finance Team and supply recovery plans identifying how they intend to eliminate their deficit. It should be noted that the DSG budgets are completely separate to the General Fund and no interaction between these two funds is allowable.

13. Any underspend or overspend of the Schools Budget in 2011/12 would be carried forward as the schools own balances into 2012/13 and would have no effect on the General Fund.
14. The retained DSG element follows the similar procedure but is carried forward as a whole for the Schools Forum then to decide how to allocate it in 2012/13.

Directorate & Youth Services: £687k pressure (no change)

15. The Connexions service has a pressure of £687k against the MTFF savings target. A reduced contract price has been agreed that has produced a saving for the current year and continues to deliver the Connexions service.

Learning & School Effectiveness Services: £661k favourable (£250k improvement)

16. Part of this area was previously ring fenced Surestart Grant and this funding has now been incorporated into the base budget. A significant number of these budgets are demand driven and budgets may need to be adjusted to accurately reflect take up.
17. The other part of this area continues to be DSG funded and includes Hillingdon's three Early Year Centres and 3&4 Year Old Nursery grants. The Hillingdon's Early Years Centres are either confirmed Children's Centres or building up to Children's Centre status. The additional funding for this is met from the base budget.
18. A review of the Standards Fund grant that was carried forward from 2010/11 has identified that it can be applied against the School Improvement Services staffing costs. This will release the base budget to achieve a one-off saving for the current year of £250k.
19. Children's Centres budgets have been reviewed and are being reduced by 8.4% giving a BID saving of £411k.
20. The Music Service is currently anticipating full achievement of the 2011/12 MTFF savings and therefore reporting a nil variance.

ECS Central Budget: £305k favourable (no change)

21. This area consists of the Education Central Support Cost Budget and corporate charges such as debt interest, which will be charged at the year-end in line with the budget. The reported underspend is a result of the following.
22. There is an underspend on the Barnhill PFI projects revenue budget. The original General Fund allocation was to cover a range of associated costs amongst which included the FM contract and legal costs. The current assessment is that there will be a saving of approximately £250k for the current year, with residual costs still to be confirmed.
23. The Carbon Reduction Commitment (CRC) allowance costs for the schools emissions are to be charged to DSG, which was a result of advice received from the Department for Education. This will now provide an underspend in the Council's General Fund where it had been initially budgeted.

Access & Inclusion: £184k Underspend (no change)

24. The teams are forecasting an underspend of £184k, which is mainly due to additional income forecasted from academies, although the hospital recoupment budget is historically very volatile and will continue to be closely monitored throughout the year. The Education Psychology Team is also currently carrying vacancies that are contributing to this underspend.

Central Services

Revenue: £150k favourable (£144k improvement)

Services		2011/12 (As at Month 4)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget £'000	Forecast £'000		Variance (As at Month 4) £'000	Variance (As at Month 2) £'000	Change from Month 2 £'000
Chief Executive/Deputy Chief Executive	Exp	519	513	-1.16%	-6	-6	0
	Inc	0	0	0%	0	0	0
	Rechgs	-8	-8	0%	0	0	0
	Total	511	505		-6	-6	0
Audit & Enforcement	Exp	1,441	1,422	-1%	-19	-32	+13
	Inc	0	-4	0%	-4	-4	0
	Rechgs	-898	-897	0%	+1	0	+1
	Total	543	521		-22	-36	+14
Corporate Communications	Exp	919	827	-10%	-92	-48	-44
	Inc	-27	-26	-4%	+1	0	+1
	Rechgs	-862	-824	-4%	+38	0	+38
	Total	30	-23		-53	-48	-5
Democratic Services	Exp	3,258	3,287	1%	+29	+33	-4
	Inc	-453	-481	6%	-28	0	-28
	Rechgs	412	412	0%	0	0	0
	Total	3,217	3,218		+1	+33	-32
Finance & Procurement Services	Exp	9,831	9,978	1%	+147	+4	+143
	Inc	-255	-301	0%	-46	-3	-43
	Rechgs	-6,064	-6,064	0%	0	0	0
	Total	3,512	3,613		+101	+1	+100
Human Resources	Exp	5,148	5,090	-1%	-58	+56	-114
	Inc	-1,126	-1,099	-2%	+27	-12	+39
	Rechgs	-3,702	-3,702	0%	0	0	0
	Total	320	289		-31	+44	-75
Legal Services	Exp	1,934	1,998	3%	+64	+23	+41
	Inc	-152	-129	-15%	+23	+23	0
	Rechgs	-1,819	-1,819	0%	0	0	0
	Total	-37	50		+87	+46	+41
Policy & Performance	Exp	4,495	4,276	-5%	-219	-33	-186
	Inc	-115	-123	0%	-8	-7	-1
	Rechgs	-734	-734	0%	0	0	0
	Total	3,646	3,419		-227	-40	-187
Total Expenditure		27,545	27,391	-1%	-154	-3	-151
Total Income		-2,128	-2,163	2%	-35	-3	-32
Total Recharges		-13,675	-13,636	0%	+39	0	+39
CS Total		11,742	11,592		-150	-6	-144

Audit and Enforcement: £22k favourable (£14k Adverse)

1. This underspend relates primarily to vacant posts within the teams, the recruitment to which is intended for later in the year and will bring the team to full establishment.

Finance and Procurement: £101k pressure (£100k Adverse)

2. The pressure relates to one-off redundancy costs of the Finance & Procurement BID restructure.

Corporate Communications: £53k favourable (£5k improvement)

3. The favourable movement arises from staff vacancies continuing to be held open following the restructure and a review of the funding strategy of Hillingdon People.

Democratic Services: £1k pressure (£32k improvement)

4. The previously projected overspend within salaries, due to the inability to achieve the MVF as a result of a full establishment, have now been largely mitigated by an expected over-recovery of income and other non-salary underspends.

Policy, Performance and Partnerships: £227k favourable (£187k improvement)

5. The restructure of the Policy and Performance Team is now complete and is set to deliver significant savings both in year and going forward in the MTFF. There are also potentially further savings within the Partnerships team arising from proposals that are currently being consulted upon.

Human Resources: £31k favourable (£75k improvement)

6. A review of non-salaries budgets across the service has resulted in an improvement to the monitoring position in month 4. There are some pressures remaining within salaries due to difficulties achieving the MVF.

Legal Services: £87k pressure (£41k adverse)

7. Salary overspends due to difficulties achieving the MVF and cover required for maternity leave, along with a shortfall in the income target for charges to capital schemes, make up this overspend. Reviews of business processes are continuing within Legal, focusing on court cost recovery and business processes within the support team with the aim of delivering savings going forward.

APPENDIX B - Treasury Management Report

1. The following information is provided to update you on the activities on the Treasury function for the month of July 2011.
2. As at 31st July 2011 the Council's portfolio of deposits and debt were as follows (deposit balances can move substantially from day to day in line with cash flow requirements).

Outstanding Deposits - Average Rate of Return on Deposits: 0.90%

	Actual £m	Actual %	Bench-mark %
Up to 1 Month	54.8	47.65	55.00
1-2 Months	0.0	0.00	0.00
2-3 Months	0.0	0.00	0.00
3-6 Months	32.8	28.52	15.00
6-9 Months	14.3	12.44	15.00
9-12 Months	0.0	0.0	10.00
12-18 Months	2.0	1.74	5.00
Subtotal	103.9	90.35	100.00
Unpaid Maturities	11.1	9.65	0.00
Total	115.0	100.00	100.00

3. With the exception of the unpaid Icelandic investments, our deposits are held with UK institutions, which hold at a minimum a Fitch AA- long-term credit rating.
4. Deposits are currently held with the following institutions; Deutsche MMF, Fidelity MMF, Goldman Sachs MMF, Ignis MMF, Invesco Aim MMF, PSDF MMF, Royal Bank of Scotland, Barclays Bank, Lloyds TSB Banking Group, Nationwide BS and Lancashire County Council.
5. During July, fixed-term deposits continued to mature in line with cash flow requirements. £13.4m was placed in medium to long term deposits to enhance investment income. Any other surplus funds were spread between instant access accounts and short-term fixed deposits in order to meet near term cash flow requirements and remain within our counterparty limits.
6. The eighth interim dividend of £612k was received from the administrators of Heritable. Dividends now total £9,117k and are just over 60% of the deposit value.

Outstanding Debt - Average Interest Rate on Debt: 3.60%

	Actual £m	Actual %
PWLB	119.85	71.40
Long-Term Market	48.00	28.60
Temporary	0.00	0.00
Total	167.85	100

7. There were no early debt repayments or rescheduling activities during July.

Prudential Indicators

8. There were no breaches of the prudential indicators during July.

Ongoing Strategy

9. In order to maintain an element of liquidity for day-to day business operations, short-term balances will be placed in instant access accounts as these are yielding a higher rate of interest than those offered on fixed term deposits of up to two months. However, if necessary short-term fixed deposits will be placed to ensure counterparty limits are not breached. When cash flow allows, medium term deposits will be placed to enhance investment income for 11/12.
10. During July outstanding PWLB loans carried premiums and therefore made rescheduling of debit unfeasible. Early redemption opportunities will continue to be monitored however, it is unlikely the market will move to an extent which will make it viable.

Appendix C

Retaining of agency staff for Social Care, Health, and Housing Services

The following agency staff are required to be retained within Social Care to maintain essential services whilst recruitment is in process or to deliver key improvement projects:

Post No.	Post Title	Proposed End Date	2010/11 spend £000	2011/12 Est spend £000	Total Cumulative Spend £000
1	Asylum Support Worker	31-Dec-11	56	11	67
2	Care Manager	31-Mar-12	43	48	91
3	IAS Protocol worker	31-Mar-12	78	75	153
4	IAS Protocol worker	31-Mar-12	55	81	136
5	IAS Protocol worker	31-Mar-12	48	90	138
6	Children in need Team Manager	31-Dec-11	7	61	68
7	Children in need Social worker	31-Dec-11	81	38	119
8	Children in need Senior Social Worker	31-Dec-11	49	39	88
9	Children in need Social Worker	31-Dec-11	47	53	100
10	Mental Health worker	04-Dec-11	34	38	72
11	Mental Health worker	31-Dec-11	21	46	67
12	Mental Health Consultant	31-Mar-12	7	63	70
13	Senior Social Worker	31-Dec-11	52	45	97
14	Family Support Worker	31-Dec-11	46	36	82
15	C&F Programme Manager	31-Mar-12	49	40	89