

# COUNCIL BUDGET - MONTH 6 2011/12 REVENUE AND CAPITAL MONITORING

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<b>Cabinet Portfolio</b>	Finance, Property and Business Services
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<b>Papers with report</b>	None

## 1. HEADLINE INFORMATION

<b>Purpose of report</b>	The report sets out the Council's overall 2011/12 revenue & capital position, as forecast at the end of Month 6 (September). The in-year revenue position is forecast as an underspend of £2,060k. Total capital expenditure for 2011-15 is forecast to be £3,444k lower than the revised budget, with a forecast underspend in 2011/12 of £33,591k, which is largely attributed to rephasing.
<b>Contribution to our plans and strategies</b>	Achieving value for money is an important element of the Council's medium term financial plan.
<b>Financial Cost</b>	N/A
<b>Relevant Policy Overview Committee</b>	Corporate Services and Partnerships
<b>Ward(s) affected</b>	All

## 2. RECOMMENDATIONS

That Cabinet:

1. Note the forecast budget position for revenue and capital as at Month 6
2. Note the treasury 6 month update at Appendix B and agree the amendment to the 2011/12 Treasury Management Strategy
3. Approve the retaining of agency staff as detailed in Appendix C
4. Approve award of grant funding to the Willow Tree Centre in the form of match funding up to the value of £300k

## 3. INFORMATION

### Reasons for Recommendations

1. The reason for the monitoring recommendation is to ensure that 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 included to enable match funding up to £300k to the Willow Tree Centre within approved capital release from the capital budget approved by Council in February 2010. At the time of writing, match funding to the value of £226k has been raised.

## **Alternative options considered**

3. There are no other options proposed for consideration.

## **SUMMARY**

### **A) Revenue**

4. The in year revenue monitoring position as at Month 6 (September) shows that forecast net expenditure for the year 2011/12 is £2,060k less than the budget, which represents an adverse movement of £129k from Month 5. There is a £60k forecast underspend on directorate budgets comprising a pressure of £816k (£180k favourable) in SCH&H, offset by a £82k underspend (£30k favourable) in PEECS, a £543k underspend (£339k adverse) on contingency and a £252k underspend (no change) 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.
5. Although the budget position is showing an underspend there are significant budgetary risks remaining. The Government consulted over the summer on potentially further top-slicing local authority revenue support grant to fund a national shortfall in funding for Academy schools. The consultation indicated that they were considering applying this top-slice in the current financial year as well as ongoing. If the Government go ahead with top-slicing in-year this could worsen the current year's budget position by up to £1.3m.
6. 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, as agreed at Council Tax setting. The forecast balances as at 31st March 2012 are £17,289k, as a result of the budgeted drawdown from balances (-£1,793k) and the forecast in-year underspend (£2,060k).

### **B) Capital**

7. Forecast General Fund capital expenditure for 2011/12 is £61,452k, from a revised budget of £95,043k. The majority of this variance relates to expected rephasing of £29,340k Council Resourced expenditure into 2012/13 (Month 5 £27,483).
8. The Council Resourced programme for 2011-15, consisting of current projects and future programmes of works, is currently reporting a net pressure of £540k (compared with Month 5 £407k), consisting of £3,073k pressures and £2,533k of unrequired budget (full details in table 7). £4,000k of unallocated contingency remains in the Capital Programme for this period.
9. General Fund Capital Receipts for 2011/12 are projected to be lower than that forecast for the approved budget, with £6,512k expected from an approved budget of £21,319k. The associated revenue impact is mitigated in the short term by significant rephasing of capital expenditure. However the current forecast shortfall of £6,242k over the period 2011-15 will result in an increased call on Prudential Borrowing above the level included in the approved capital programme.
10. Latest forecasts on the HRA capital programme indicate a 2011/12 outturn of £13,380k (Month 6 £13,408k) from a revised budget of £15,122k. The reported variance consists of £994k underspend and £748k relating to a rephasing of expenditure into 2012/13.

## A) REVENUE

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

**Table 1**

2011/12 Original Budget	Budget Change s		2011/12 (As at Month 6)		% Var of budget	Variances (+ adv/- fav)		
			Current Budget £'000	Forecast £'000		Varianc e (As at Month 6) £'000	Variance (As at Month 5) £'000	Change from Month 5 £'000
£'000	£'000							
239,453	-2,279	Directorates Budgets on normal activities	237,175	237,115	0%	-60	-189	+129
-42,915	2,279	Corporate Budgets on normal activities	-40,636	-42,636	5%	-2,000	-2,000	0
<b>196,539</b>	<b>0</b>	<b>Total net expenditure</b>	<b>196,539</b>	<b>194,479</b>	<b>-1%</b>	<b>-2,060</b>	<b>-2,189</b>	<b>129</b>
<b>-194,746</b>	<b>0</b>	<b>Budget Requirement</b>	<b>-194,746</b>	<b>-194,746</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>1,793</b>	<b>0</b>	<b>Net total</b>	<b>1,793</b>	<b>-267</b>		<b>-2,060</b>	<b>-2,189</b>	<b>129</b>
<b>-17,022</b>		Balances b/f 1/4/011	<b>-17,022</b>	<b>-17,022</b>		<b>0</b>	<b>0</b>	<b>0</b>
		Transfer from earmarked reserves				<b>0</b>	<b>0</b>	<b>0</b>
<b>-15,229</b>	<b>0</b>	<b>Balances c/f 31/3/12</b>	<b>-15,229</b>	<b>-17,289</b>		<b>-2,060</b>	<b>-2,189</b>	<b>+129</b>

## Directorates' Forecast Expenditure Month 6

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	Budget changes	2011/12 Current Budget (as at Month 6)	Directorate		2011/12 Forecast (as at Month 6)	% Var of budget	Variances (+ adv/- fav)			
							Variance (As at Month 6) £'000	Variance (As at Month 5) £'000	Change from Month 5 £'000	
£'000	£'000	£'000			£'000		£'000	£'000	£'000	
326,915	-6,460	320,455	SCHH		Exp Inc	330,317 -209,857	3% 5%	+9,862 -9,045	+10,040 -9,043	-178 -2
-199,190	-1,621	-200,812			Total	<b>120,460</b>	<b>1%</b>	<b>+816</b>	<b>+997</b>	<b>-180</b>
<b>127,724</b>	<b>-8,081</b>	<b>119,643</b>			Exp Inc	385,215 -293,648	0% 0%	-610 +528	-550 +498	-60 +30
396,479	-10,655	385,825	PEECS		Total	<b>91,566</b>	<b>0%</b>	<b>-82</b>	<b>-52</b>	<b>-30</b>
-301,269	7,093	-294,176			Exp Inc	20,745 -8,700	-1% 0%	-224 -28	-216 -36	-8 +8
<b>95,210</b>	<b>-3,562</b>	<b>91,648</b>			Total	<b>12,045</b>	<b>-2%</b>	<b>-252</b>	<b>-252</b>	<b>0</b>
9,511	11,459	20,969	CS		Exp Inc	11,243 1,800	-5% 0%	-543 0	-882 0	+339 0
-6,578	-2,094	-8,672			Sub-Total Normal Activities	<b>237,115</b>	<b>0%</b>	<b>-60</b>	<b>-189</b>	<b>+129</b>
<b>239,453</b>	<b>-2,279</b>	<b>237,175</b>								

13. **Social Care, Health & Housing (SCH&H)** are projecting a **pressure of £816k (£180k improvement)**. The Month 6 position is showing a £303k improvement in Children's Services due to continuing management action being taken to improve pressures previously reported and the Foster Care recruitment drive. This is partially offset by an adverse movement of £122k in Older People's services due to an increased demand for Homecare.

14. **Planning, Environment, Education & Community Services (PEECS)** are forecasting a **favourable variance of £82k (£30k improvement)**. The favourable movement mainly arises from a forecast underspend in Youth & Connexions due to an additional post being held vacant. This is partially offset by an adverse movement in Planning due to a projected shortfall on pre-application advice income, reflecting continuing uncertainty in the housing market.

15. **Central Services (CS)** is forecasting a **£252k favourable variance (No change)** as at Month 6, 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 to deliver the majority of the savings. The following table summarises the status for the MTFF projects.

RAG Status	Central Services	PEECS	SCH&H	Cross Cutting	Total October	Total Sept
Blue (banked)	2,543	9,219	8,751	954	21,467	18,209
Green (on-track)	65	1,001	1,197	300	2,563	5,185
Amber (some Slippage Or Risky Project at an Early stage)	26	879	1,121	0	2,026	2,661
Red (serious Delivery problems)	0	933	300	0	1,233	1,233
Redundancy costs		-712	-338		-1,050	-1,050
<b>Total</b>	<b>2,634</b>	<b>11,319</b>	<b>11,031</b>	<b>1,254</b>	<b>26,238</b>	<b>26,238</b>

17. The projected shortfall on those savings classed as red is currently estimated at £1,233k (4.7% of total savings). Alternative savings to cover these shortfalls have been identified in the current year within both PEECS and SCH&H. The majority of this shortfall is due to not being able to fully deliver savings in-year arising from the Connexions review and the re-provision of in-house services in SCH&H. PEECS estimate that of their projects currently assessed as red (£0.933m) there will be an ongoing pressure of £0.813m. However, they have identified sufficient alternative savings from 2012/13 onwards to cover this shortfall. The actual total cumulative shortfall going forward is £537k because there is an ongoing over achievement of £0.276m on their 2010/11 savings proposals. The shortfall in SCH&H savings around the re-provision of in-house services is primarily down to delays in the project starting rather than the strategy being at fault. It is therefore expected that these savings can be delivered in full in 2012/13. 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
SCH&H	In House Services – Learning Disability	200
	In House Services – Older people's Services	100
<b>Total</b>		<b>933</b>

18. An additional £3,258k of savings has now been classified as banked during September, giving a banked total of 81.8% of the total savings.

**Development & Risk Contingency: £543k underspend (£339k adverse)**

19. £11,786k of potential calls on the Development & Risk Contingency was incorporated into the 2011/12 budget. Table 3 shows the amounts that have been allocated or earmarked as at Month 6. The £339k adverse movement in contingency is mainly as a result of an adverse movement in the Asylum funding forecast. During month 7 the £850k provision for employer's pension contributions will be moved from contingency and allocated to service budgets, reducing the net contingency to £10,936k. This sum has been held in contingency pending a decision on a capitalisation bid to central government which has now been rejected.

**Table 3**

Development and Risk Contingency	2011/12 Budget £'000	Forecast as needed £'000	Variance (+adv / - fav) £'000	Group
<b>2011/12 allocations:</b>				
<b>Commitments:</b>				
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	210	-250	PEECS
Development Control Income	350	458	+108	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	25	-50	PEECS
Potential new responsibilities in relation to Flood defence	50	15	-35	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	1,597	+717	SCHH
Social Care Pressures (Children's)	500	500	0	SCHH
Contingency against delivery of grants savings	1,058	0	-1,058	ALL
Fuel	0	100	+100	PEECS
<b>Total net contingency</b>	<b>11,786</b>	<b>11,243</b>	<b>-543</b>	

20. 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 £543k. However, this assumes that the £1m held in unallocated contingency is called upon in full between now and the year end which at this stage seems unlikely. Details of these variances are discussed below.

21. There has been a significant downward movement in the number of UASC for whom LBH can claim funding from UKBA due to an individuals change in status, increasing the Asylum funding shortfall forecast to £1,597k. This relates to children who have Exhausted All Appeals (EAA) or have been naturalised. Grant funding is no longer claimable for this group but the Authority still has a duty support them.

22. Up to and including month 4 this cohort had averaged 20 per month however, in the last 2 months there has been a significant increase to 33 in August and is now standing at 50 clients in September. Within this number those being naturalised has shown a near 40% increase from a total of 46 in Q1 to 63 in Q2. Neither LBH nor UKBA can influence a client claiming naturalisation which results in grant funding ceasing but ongoing liabilities under Leaving Care duties, potentially up to 24 years of age.

23. The forecast position for Development Control Income is a pressure of £458k, which is £108k greater than the sum held in contingency. The major application forecast has an adverse movement of £15k compared to the previous month. Minor applications recovered by £7k in Month 6 but are still 16% lower than the 4 year average. The forecast for other applications has worsened by £2k from Month 5 and applications are 1% below the 4 year average. Although not reported against this contingency, the pre-application income from developers shows a pressure of £30k, reflecting continuing uncertainty in the housing market.

24. The Flood and Water Management Act has conferred new responsibilities upon local authorities and the funding that the Council has received as part of the grant settlement for 2011/12 is £127k. The Council has completed the Preliminary Flood Risk Appraisal and this has been signed off by the Environment Agency. Recruitment will shortly begin for a flood management officer to fulfil the Council's ongoing responsibilities. However, the recruitment timetable means that the £50k previously forecast can be reduced to £15k for the current year.

25. The fuel budget across the group has been increased by £108k for 2011/12 as part of the MTFF process. However, prices have continued to rise in 2011 and analysis shows that fuel budget is already under pressure at the current bulk purchase price of £1.13 per litre. A range of projections have been modelled, the worse case scenario showing a pressure of £165k and best case scenario of £87k over the increased budget. A pressure of £100k is therefore considered to be the most likely pressure at this point, given the current economic situation and the possibility of further increases.

26. BID revenue pump priming allocated figure to date is £321k, but at Month 6 is it assumed the full £400k allocation will be needed.

**Priority Growth: Nil variance (no change)**

27. £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
<b>2011/12 Unallocated Priority Growth at start of the year</b>	£'000	£'000	£'000	£'000
HIP Initiatives New budget:	800			
<b>Agreed:</b>				
Environmental projects		17		
Heritage projects		88		
<b>HIP Initiatives unallocated balance</b>	<b>800</b>	<b>105</b>	<b>0</b>	<b>695</b>
<b>Unallocated non specific growth</b>	1,000			
Ward budget scheme		330		
Gold bursaries		20		
<b>Balance of unallocated growth</b>	<b>1,000</b>	<b>350</b>	<b>0</b>	<b>650</b>
<b>Total</b>	<b>1,800</b>	<b>455</b>	<b>0</b>	<b>1,345</b>

28. HIP Steering Group has approved £105k of allocations so far this year leaving £695k as yet unallocated within the HIP initiatives budget. Cabinet have also agreed the recommendation to allocate £330k of priority growth to fund a new Ward budget scheme and £20k of priority growth to fund Gold Bursaries. This leaves £650k of priority growth budget unallocated. However, the Month 6 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)**

29. Table 5 shows budget, forecast and variance reported on corporate budgets as at Month 6.

**Table 5**

2011/12 Original Budget	Budget Changes	2011/12 Current Budget (as at Month 6)	Corporate Budgets	2011/12 Forecast Outturn (as at Month 6)	Variances (+ adv/- fav)		
					Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
£'000	£'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 Adjustment	-3,322	0	0	0
-35,169	2,875	-32,294	Asset Management A/c	-32,294	0	0	0
10,836	-383	10,453	Levy's & other corp budgets	10,453	0	0	0
-25,556	-87	-25,643	Corporate Govt Grants	-25,643	0	0	0
<b>-42,915</b>	<b>2,281</b>	<b>-40,634</b>	<b>Corporate Budgets</b>	<b>-42,634</b>	<b>-2,000</b>	<b>-2,000</b>	<b>0</b>

30. Financing costs show a forecast underspend of £2,000k at Month 6. 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.

31. Debt financing and investment income remain forecast to be in line with the budget. The six month Treasury Management report is attached at Appendix B.

## B) CAPITAL

### General Fund Capital Programme

#### Programme Monitoring

32. Table 6 sets out the latest forecast outturn on current General Fund capital projects. Forecasts for future years include live capital projects and programmes of works as included in the draft programmes for 2012/13 to 2014/15 reported to Cabinet and Council in February 2011. Financial implications included within this report do not take into account further programme development yet to be approved by members, impacts of which will be managed through the MTFF process.

**Table 6:**

General Fund Capital Programme	2011/12	2012/13	2013/14	2014/15	Total (Mth 6)	Total (Mth 5)
<b>Original Budget</b>	78,907	34,364	29,420	28,305	170,996	170,996
<b>Revised Budget</b>	95,043	34,364	29,420	28,305	187,132	187,018
<b>Forecast Outturn</b>	61,452	66,268	28,663	27,305	183,688	183,441
Council Resourced Variance – see table 7	(31,338)	29,635	(757)	(1,000)	(3,460)	(3,593)
External Grants Variance	(2,194)	2,194	-	-	-	-
Other Resources Variance	(59)	75	-	-	16	16
<b>Programme Variance</b>	(33,591)	31,904	(757)	(1,000)	(3,444)	(3,577)

33. Capital expenditure incurred to 30 September 2011 was £14,008k, 22.8% of forecast outturn (Month 5 £9,637k). As previously reported there is significant expenditure forecast for quarters 3 and 4, with a number of major projects expected to complete in early 2012/13, continuing school expansion works aiming to complete by Summer 2012 and more than £4m of Council and TfL funded infrastructure works to be completed by March 2012.

34. Quarter 2 schools returns have been included in the above YTD expenditure figure, and revised outturn forecasts indicating that £1,439k Devolved Formula Capital grant will be carried forward by schools into 2012/13.

35. £505k of Corporate Construction Team project management fees has been incurred to 30 September, representing 6.2% of relevant year to date expenditure. The full year of cost of such fees is forecast to be £1,010k or 2.9% of latest forecast outturn (2010/11 £858k or 6.4% of outturn).

36. Table 7 below sets out variances against the approved Council Resourced programme, with movements from Month 4 detailed below:

**Table 7:**

Council Resourced Variance	2011/12	2012/13	2013/14	2014/15	Total (Mth 6)	Total (Mth 5)
<b>Pressures:</b>						
Primary School Expansions - Phase 1	-	786	243	-	1,029	1,029
Primary School Expansions - Rosedale						
Temporary	-	9	-	-	9	9
Botwell Green Leisure Centre	1,187	-	-	-	1,187	1,187
Farm Barns	26	-	-	-	26	26
Highgrove Pool Phase II	-	500	-	-	500	500
Hillingdon Sports & Leisure Centre	274	-	-	-	274	274
Libraries Refurbishment	48	-	-	-	48	48
<b>Total Council Resourced Pressures:</b>	<b>1,535</b>	<b>1,295</b>	<b>243</b>	-	<b>3,073</b>	<b>3,073</b>
<b>Underspends:</b>						
Primary School Expansions - Phase 1A						
Temporary	(273)	-	-	-	(273)	(126)
Ruislip High School - Expansion	-	-	-	-	-	(280)
Laurel Lane (Longmead) Primary School Expansion	(247)	-	-	-	(247)	(247)
<b>Suspended Projects:</b>						
Arundel Road Development HIP	(2,013)	-	-	-	(2,013)	(2,013)
<b>Total Council Resourced Underspends:</b>	<b>(2,533)</b>	-	-	-	<b>(2,533)</b>	<b>(2,666)</b>
<b>Projected Rephasing:</b>	<b>(29,340)</b>	<b>29,340</b>	-	-	-	-
<b>Main Programme Variance:</b>	<b>(30,338)</b>	<b>30,635</b>	<b>243</b>	-	<b>540</b>	<b>407</b>
<b>General Contingency:</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(4,000)</b>	<b>(4,000)</b>
<b>Council Resourced Variance:</b>	<b>(31,338)</b>	<b>29,635</b>	<b>(757)</b>	<b>(1,000)</b>	<b>(3,460)</b>	<b>(3,593)</b>

37. Forecast outturn positions continue to be refined, with a £2,157k increase in rephasing from 2011/12 to £29,340k. This most recent increase in rephasing relates to Environmental Assets, Winston Churchill Hall Refurbishment and CCTV Programme which are now expected to run into 2012/13 and further rephasing on the Central Library Refurbishment project.

38. Final accounts have been received from the main contractor on Botwell Green Leisure Centre and disputed amounts are currently being reviewed by external quantity surveyors, with the previously forecast pressure of £1,187k still expected.

39. Although a memorandum of understanding has been received from the main contractor at Hillingdon Sports and Leisure Centre, snagging issues remain to be resolved and the Council is not yet in a position to settle the contract.

40. Project officers now report that the underspend of £280k previously forecast on the Ruislip High School Expansion will fund a number of variations to the specification, including grilles required for health and safety reasons, out of hours working and additional quantity surveyor support.

41. Underspends reported in table 7 are sufficient to off-set unfunded pressures without an increase in borrowing and associated revenue financing costs over and above that currently provided within the MTFF. Specific revenue resources have been identified to fund the increase in scope at Highgrove Pool.

42. In addition to variances reported above, there is a potential pressure on completed Children's Centre Phase 3 projects of up to £100k arising from a number of contract variations which are detailed below. There may be scope to absorb at least some of this pressure within the

Children's Centre programme and it would be possible to fund any residual pressure from DfE Capital Maintenance grant previously allocated to schools Urgent Building Condition Projects.

## Capital Financing

**Table 8:**

Capital Receipts	2011/12	2012/13	2013/14	2014/15	Total (Mth 6)	Total (Mth 5)
Budget approved February 2011	21,319	21,646	10,851	388	54,204	54,204
Forecast Disposals	6,512	15,930	12,675	12,845	47,962	46,056
<b>Variance</b>	<b>14,807</b>	<b>5,716</b>	<b>(1,824)</b>	<b>(12,457)</b>	<b>6,242</b>	<b>8,148</b>

43. Forecast capital receipts for 2011/12 are estimated to be £6,512k (Month 5 £6,591k), which would be sufficient to fund current year programmes of works unsuitable for financing from Prudential Borrowing. As General Fund capital receipts of only £182k have been achieved by 30 September 2011 and a number of high value capital receipts scheduled for quarter 4 there remains a risk that some receipts will slip into 2012/13.

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 (Mth 6)	Total (Mth 5)
Revised Budget	36,114	(9,679)	(2,523)	6,825	30,737	30,737
Council Resourced Variance	(29,314)	27,478	(757)	(1,000)	(3,593)	(3,249)
Capital Receipts Variance	14,728	5,617	2,504	(14,701)	8,148	8,635
<b>Forecast Borrowing</b>	<b>21,528</b>	<b>23,416</b>	<b>(776)</b>	<b>(8,876)</b>	<b>35,292</b>	<b>36,123</b>
<b>Variance</b>	<b>(14,586)</b>	<b>33,095</b>	<b>1,747</b>	<b>(15,701)</b>	<b>4,555</b>	<b>5,386</b>
<b>Future Revenue Impact</b>	<b>(1,021)</b>	<b>2,317</b>	<b>122</b>	<b>(1,099)</b>	<b>319</b>	<b>377</b>

45. Substantial rephasing of capital expenditure into 2012/13 is sufficient to off-set the impact of reduced and delayed disposals on the Council's borrowing requirement. Latest MTFF projections included in draft budgets currently under development contain sufficient revenue resources to support the above borrowing in addition to planned future programme development.

## Housing Revenue Account Capital Programme

46. Table 10 details the latest forecast outturn for the HRA capital programme, indicating an underspend of £994k (Month 5 £1,006k underspend). This minor movement in outturn is due to final contract settlement on HRA Pipeline Phase 1.

**Table 10:**

Housing Revenue Account Capital Programme	2011/12	2012/13	2013/14	2014/15	Total (Mth 6)	Total (Mth 5)
<b>Original Budget</b>	14,850	2,326	2,150	2,235	<b>21,561</b>	<b>21,561</b>
<b>Revised Budget</b>	15,122	2,326	2,150	2,235	<b>21,833</b>	<b>21,833</b>
<b>Forecast Outturn</b>	13,380	3,074	2,150	2,235	<b>20,839</b>	<b>20,827</b>
HRA Resourced Variance	<b>(1,516)</b>	<b>748</b>	-	-	<b>(768)</b>	<b>(780)</b>
External Grants Variance	<b>(226)</b>	-	-	-	<b>(226)</b>	<b>(226)</b>
Other Resources Variance	-	-	-	-	-	-
<b>Programme Variance</b>	<b>(1,742)</b>	<b>748</b>	-	-	<b>(994)</b>	<b>(1,006)</b>

47. Year to date expenditure at Month 6 was £5,533k or 41.4% of latest forecast (Month 5 £4,642k), suggesting that the latest forecast outturn of £13,408k will be achieved.

48. Phase 1 Pipeline Projects are now complete, providing 47 additional HRA properties available to residents from August 2011. A minor pressure of £12k is reported against £7,209k budget as a result of adverse weather and highways works, with retention payments to be settled in the New Year.

#### **4. CORPORATE CONSULTATIONS CARRIED OUT**

##### **Financial Implications**

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

##### **Corporate Finance**

7. This is a Corporate Finance report.

##### **Legal**

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

#### **5. BACKGROUND PAPERS**

9. Monitoring report submissions from Groups.

## APPENDIX A – Detailed Group Forecasts

### Social Care, Health and Housing (SCH&H)

#### **Revenue: £816k Pressure (£180k improvement)**

1. The month 6 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 improvement of £180k from the month 5 position resulting in a forecast of £816k pressure as shown in the table below.

Services		2011/12 (As at Month 6)		% Var of budg et	Variances (+ adv/- fav)		
		Current Budget	Forecast		Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
		£'000	£'000		£'000	£'000	£'000
Children & Families Services	Exp Inc	+31,616 -3,651	+31,373 -3,712	-1% 2%	-243 -60	+60 -60	-303 0
	<b>Total</b>	<b>+27,965</b>	<b>+27,662</b>	<b>-1%</b>	<b>-303</b>	<b>0</b>	<b>-303</b>
Asylum Services	Exp Inc	+11,895 -10,851	+11,895 -10,851	0% 0%	0 0	0 0	0 0
	<b>Total</b>	<b>+1,044</b>	<b>+1,044</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0</b>
Older People's Services	Exp Inc	+37,652 -8,629	+38,719 -8,887	3% 3%	+1,068 -258	+946 -258	+122 0
	<b>Total</b>	<b>+29,023</b>	<b>+29,833</b>	<b>3%</b>	<b>+810</b>	<b>+688</b>	<b>+122</b>
Physical & Sensory Disability Services	Exp Inc	+8,751 -507	+8,798 -696	1% 37%	+47 -190	+47 -190	0 0
	<b>Total</b>	<b>+8,244</b>	<b>+8,101</b>	<b>-2%</b>	<b>-143</b>	<b>-143</b>	<b>0</b>
Learning Disability Services	Exp Inc	+31,735 -5,494	+32,132 -5,690	1% 4%	+397 -197	+397 -197	0 0
	<b>Total</b>	<b>+26,241</b>	<b>+26,442</b>	<b>1%</b>	<b>+201</b>	<b>+201</b>	<b>0</b>
Mental Health Services	Exp Inc	+7,390 -336	+7,438 -383	1% 14%	+47 -47	+44 -44	+3 -3
	<b>Total</b>	<b>+7,054</b>	<b>+7,054</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0</b>
Housing Benefits	Exp Inc	+161,640 -158,115	+167,274 -163,498	3% 3%	+5,634 -5,383	+5,635 -5,383	0 0
	<b>Total</b>	<b>+3,525</b>	<b>+3,776</b>	<b>7%</b>	<b>+251</b>	<b>+251</b>	<b>0</b>
Housing Needs Services	Exp Inc	+12,741 -10,021	+15,652 -12,932	23% 29%	+2,911 -2,911	+2,911 -2,911	0 0
	<b>Total</b>	<b>+2,720</b>	<b>+2,720</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0</b>
SCH&H Other Services	Exp Inc	+17,042 -3,215	+17,042 -3,215	0% 0%	0 0	0 0	0 0
	<b>Total</b>	<b>+13,827</b>	<b>+13,827</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Expenditure</b>		+320,461	+330,323	3%	+9,862	+10,040	-178
<b>Total Income</b>		-200,818	-209,864	5%	-9,045	-9,043	-2
<b>SCH&amp;H Total</b>		<b>+119,643</b>	<b>+120,459</b>	<b>1%</b>	<b>+816</b>	<b>+997</b>	<b>-180</b>

2. Overall there is a fall of £180k from the month 5 forecast for social care due to continuing management action taken in respect of Children & Families Services, albeit this is offset by increased pressure in Older People's services.

## **MTFF Savings**

3. The group is delivering a savings programme totalling £11.4m and to date has banked £8.8m (77%). 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 group.

### **Children Services: £303k favourable (£303k improvement)**

4. There has been further improvement in the forecast of £303k which is as a result of reduced spend in the P&V sector for Fostering and Residential along with reductions in direct payment packages; management action continues to be taken to contain the pressure previously reported.

### **Asylum: £717k adverse (£319k adverse)**

5. There has been a significant downward movement in the number of UASC for whom LBH can claim funding from UKBA due to an individuals change in status. This relates to children who have Exhausted All Appeals (EAA) or have been Naturalised. Grant funding is no longer claimable for this group but the Authority still has a duty support them.
6. Up to and including M4 this cohort had averaged 20 per month however, in the last 2 months there has been a significant increase to 33 in August and is now standing at 50 clients in September. Within this number those being Naturalised has shown a near 40% increase from a total of 46 in Q1 to 63 in Q2. Neither LBH or UKBA can influence a client claiming Naturalisation which results in grant funding ceasing but ongoing liabilities under Leaving Care duties, potentially up to 24 years of age.

### **Older People Services: £810k adverse (£122k adverse)**

7. The £122k adverse movement primarily relates to increase in demand for Homecare which reverses the trend seen at M5 on this £5m budget.

### **Physical Disabilities: £143k favourable (no change)**

8. There is no movement in the forecast since last month.

### **Learning Disability: £201k adverse (no change)**

9. There is no movement in the forecast since last month.

### **Housing Benefit: £251k Pressure (no change)**

10. As reported in recent months, the adverse movement in Housing Benefit (HB) reflects the 13% increase in caseload since April 2009 which is proving increasingly difficult to accommodate within existing resources. The increase relates to private tenants which are the more complex claims to administer; the added pressures from changes to the Benefit Scheme and; the additional work necessary to prepare for the move to Universal Credit from 2013. This results in a projected overspend on staffing costs of £251k.
11. The overall pressure from applications for HB from the private sector in Q1 of this financial year has slightly eased. If this is sustained in the second half of the year then the net benefits paid out should be contained within budget.

## Housing HRA

12. The HRA has a gross budget of £59.3m and is forecasting a £871k favourable position at month 6, an improvement of £349k from the month 5 position.

Services		2011/12 Budget (as at Month 6) £'000	2011/12 Forecast (as at Month 6) £'000	% Var of budget	Variance (As at Month 6) £'000	Variance (As at Month 5) £'000	Change from Month 5 £'000
General and Special Services	Exp	+16,930	+16,694	-1%	-236	-157	-79
Repairs Services	Exp	+21,287	+21,078	-1%	-209	-161	-48
Subsidy Payment to Government	Exp	+15,492	+15,482	0%	-10	-10	0
Capital Funded from Revenue (RCCO)	Exp	+2,384	+2,384	0%	0	0	0
Other Expenditure	Exp	+3,178	+3,207	1%	+29	+57	-28
Income	Inc	-56,796	-57,241	1%	-445	-251	-194
<b>In Year (Surplus) / Deficit</b>	<b>Total</b>	<b>+2,475</b>	<b>+1,604</b>	<b>-35%</b>	<b>-871</b>	<b>-522</b>	<b>-349</b>

13. The major reason for the improvement is a favourable movement in the income forecast resulting from an improvement in the pattern of voids performance which is now reasonably established. The voids performance has also contributed to the smaller improvement in Repairs Service budget.

## Planning, Environment, Education & Community Services

### Revenue: £82k underspend (£30k improvement)

14. The Group has a projected outturn position of £82k underspend, excluding all pressure areas that have identified contingency provisions.

Services		2011/12 (As at Month 6)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget £'000	Forecast £'000		Variance (As at Month 6) £'000	Variance (As at Month 5) £'000	Change from Month 5 £'000
Corporate Landlord	Exp	5,074	5,164	2%	+90	+90	0
	Inc	-4,546	-4,005	-12%	+541	+541	0
	<b>Total</b>	<b>528</b>	<b>1,159</b>	<b>119%</b>	<b>+631</b>	<b>+631</b>	<b>0</b>
Education	Exp	290,480	289,991	0%	-489	-429	-60
	Inc	-252,736	-252,932	0%	-196	-196	0
	<b>Total</b>	<b>37,744</b>	<b>37,059</b>	<b>-2%</b>	<b>-685</b>	<b>-625</b>	<b>-60</b>
Highways, Transportation & Planning Policy	Exp	16,208	16,148	0%	-60	-60	0
	Inc	-6,125	-6,125	0%	0	0	0
	<b>Total</b>	<b>10,082</b>	<b>10,022</b>	<b>-1%</b>	<b>-60</b>	<b>-60</b>	<b>0</b>
ICT & Business Services	Exp	19,264	19,415	1%	+151	+151	0
	Inc	-11,986	-11,986	0%	0	0	0
	<b>Total</b>	<b>7,279</b>	<b>7,430</b>	<b>2%</b>	<b>+151</b>	<b>+151</b>	<b>0</b>
Planning, Consumer Protection, Sport & Green Spaces	Exp	12,025	12,025	0%	0	0	0
	Inc	-3,911	-3,992	2%	-81	-111	+30
	<b>Total</b>	<b>8,114</b>	<b>8,033</b>	<b>-1%</b>	<b>-81</b>	<b>-111</b>	<b>+30</b>
Public Safety & Environment	Exp	42,774	42,472	-1%	-302	-302	0
	Inc	-14,873	-14,609	-2%	+264	+264	0
	<b>Total</b>	<b>27,901</b>	<b>27,863</b>	<b>0%</b>	<b>-38</b>	<b>-38</b>	<b>0</b>
<b>Total Expenditure</b>		<b>385,825</b>	<b>385,215</b>	<b>0%</b>	<b>-610</b>	<b>-550</b>	<b>-60</b>
<b>Total Income</b>		<b>-294,176</b>	<b>-293,648</b>	<b>0%</b>	<b>+528</b>	<b>+498</b>	<b>+30</b>
<b>PEECS Total</b>		<b>91,648</b>	<b>91,566</b>	<b>0%</b>	<b>-82</b>	<b>-52</b>	<b>-30</b>

### Corporate Landlord: £631k overspend (no change)

1. The key pressures for Facilities Management and Property are outlined below and total £533k.
2. There is a forecast pressure of £270k across facilities management, maintenance and Borough-wide maintenance budgets, no change compared to Month 5. The larger proportion of this is due to a pressure against the income target to sell services to the schools and other externally funded services, 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 additional hire income.
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. A number of further measures will be explored as part of wider review of Depot Management within the BID process.

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 £98k pressure which relates to the underachievement on the 2011/12 MTFF savings target relating to the corporate landlord staffing review.

**Education: £685k underspend (£60k improvement)**

**Schools: variance not applicable**

7. The Schools Budget is ring-fenced and funded from the 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.
8. 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.
9. 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.

**Youth & Connexions: £415k overspend (£42k improvement)**

10. 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. The Youth Service is now reporting an underspend of £272k, an improvement of £42k compared to Month 5, due to the service having a significant number of staff vacancies, as the service is undergoing a major BID review. These are being held vacant where it does not affect service delivery, and will assist with delivering the 2012/13 full year saving target, as well as providing a one-off in year saving. The improvement of £42k relates to an additional post that has become vacant since the previous report.

**Childcare, Early Years and Children Centres: £411k underspend (no change)**

11. Part of this service area was previously funded by the ringfenced Sure Start Grant - these budgets have now been incorporated into the base budget.
12. The other part of this service area continues to be DSG funded and includes Hillingdon's three Early Years 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.
13. Children's Centres budgets have been reviewed and are being reduced by 8.4% giving a BID saving of £411k.

### **School Improvement Service: £250k underspend (no change)**

14. 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 Service's staffing costs - this will release base budget to achieve a one-off saving for the current year of £250k.

### **Education Central Budget: £112k underspend (no change)**

15. This area consists of the Education Central Support Cost budget, certain centrally managed items and corporate charges such as debt interest which will be charged at the year-end in line with the budget.

16. There is an underspend on the Barnhill PFI project 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 revised calculation of PFI credits produces a saving of £310k, no change compared to Month 5.

17. The remainder of the forecast for these items includes £148k representing the MTFF saving on extended schools support that can not be achieved, plus a £50k shortfall on the MTFF saving for the education business support review that is offset by brought forward savings on the group-wide review of support functions reported within Public Safety and Environment below.

### **Access & Inclusion: £309k underspend (no change)**

18. The service is forecasting an underspend of £309k, comprising £300k underspend in the Educational Psychology service, an underspend of £50k in the Pupil Support Service and an underspend of £44k in the Parent Support Service, where there are a number of vacant posts, netted down by a pressure of £85k relating to 'not school' provision. The Educational Psychology position reflects the bringing forward of savings targeted for 2012/13 in order to cover the shortfall on Connexions savings identified above.

### **Organisation & Resources: £18k underspend (£18k improvement)**

19. This service is now reporting an underspend of £18k on staffing budgets due to the impact of staff on maternity leave.

### **Highways Transportation and Planning Policy: £60k underspend (no change)**

20. The service is reporting a £60k favourable position, due to the anticipated net savings resulting from a restructure in the Road Safety service, which is included in the MTFF savings assumptions for 2012/13. However, there are some risk areas for the service division, in particular for street lighting the uncertainty around the energy tariffs and their potential increase which may be greater than budgeted inflation. The rest of the service area is reporting in line with budget.

### **ICT & Business Services: £151k overspend (no change)**

#### **Imported Food: nil variance (no change)**

21. This is a service area where significant income targets were set as part of the MTFF savings programme, which reflected the new levies for catch certificates and perishable food certificates and inspections. Although there is limited historic data to base an analysis on, current indications of the projected outturn for these new income streams are broadly in line with targets, allowing for expected seasonal variations. However, there are also risks to be

managed in relation to the targets for the existing business of the service. There was a ban imposed on the import of Egyptian green beans during Quarter 2, the certification of which is a significant source of work for the service, and consequently officers are closely monitoring the strength of the recovery in imports now that the ban has been lifted. There is, nevertheless, the potential for a pressure to emerge on this service if the economic outlook continues to worsen.

#### **SEN Transport: £151k pressure (no change)**

22. 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, there has been an increase of 15 routes since April, the service is endeavouring to minimise the cost impact by consolidating routes wherever possible.

#### **Planning, Consumer Protection, Sport & Green Spaces: £81k underspend (£30k adverse)**

##### **Sport & Green Spaces: nil variance (no change)**

23. Although Leisure services are currently forecasting a nil variance there are a number of risks associated with the economic downturn and the consequential financial stress that the contracted leisure providers are experiencing. This has resulted in two providers requesting rent reductions over the last year and although these have been turned down, there is a risk of non-payment. One provider is behind on payments on a contract contributing £280k per annum to the Council.

##### **Planning: £81k underspend (£30k adverse)**

24. There is an in-year surplus of £111k against the income target for Section 106 administration fees due to the conclusion of two large agreements.

25. Pre-application advice income from developers shows a pressure of £30k, reflecting continuing uncertainty in the housing market.

#### **Public Safety & Environment: £38k underspend (no change)**

##### **Waste Services: £90k underspend (no change)**

26. Waste Disposal is forecasting a £90k underspend. The tonnages for the first six months of the year are below the levels anticipated in the variable element of the levy. There is an expectation that this figure could improve as waste tonnages tend to be higher in the first half of the year.

27. Overall the rest of the Waste services are reporting a nil variance, with pressures in kerbside recycling assumed 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 six months of the year are that the service has broadly maintained its customer base and the target will be achieved.

##### **Parking: £150k overspend (£50k adverse)**

28. New parking charges for non-residents were introduced on 31 January 2011, and although these charges have been implemented, there has been a sharp fall in activity levels over the summer. Consequently there is a projected shortfall of around £150k on off-street parking, an adverse movement of £50k compared to Month 5. This is largely attributable to Cedar

and Grainges multi-storey car parks in Uxbridge town centre, partly reflecting pressures reported last financial year and a further reduction in consumer confidence among shoppers, in view of the worsening economic outlook.

29. There is also a pressure of £50k for on-street parking income reflecting a similar trend in PCN income to last year. There are compensating savings of £50k on the expenditure side, and as a result it is anticipated that the PRA will break even.

***Community Safety: £112k underspend (no change)***

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

***Libraries: £64k overspend (no change)***

31. There is an underlying pressure across the income streams, currently forecast at £64k which can not be contained within the overall Library budget. This relates to reduced fine income due to the implementation of on-line renewals, as well as the ongoing trend reduction in demand for audio-visual material.

***Directorate Support: £50k underspend (£50k improvement)***

32. The BID reviews of business support and technical administration have been undertaken on a group-wide basis, and been now been implemented producing an additional saving of £50k this financial year, representing the bringing forward of part of the saving already identified for the 2012/13 financial year.

## Central Services

Revenue: £252k favourable (No change)

Services		2011/12 (As at Month 6)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget £'000	Forecast £'000		Variance (As at Month 6) £'000	Variance (As at Month 5) £'000	Change from Month 5 £'000
Chief Executive/Deputy Chief Executive	Exp	519	514	-1%	-5	-6	+1
	Inc	0	0	0%	0	0	0
	Rechgs	-8	-8	0%	0	0	0
	<b>Total</b>	<b>511</b>	<b>505</b>		<b>-5</b>	<b>-6</b>	<b>+1</b>
Audit & Enforcement	Exp	1,441	1,415	-2%	-26	-26	0
	Inc	0	-4		-4	-4	0
	Rechgs	-898	-898	0%	0	0	0
	<b>Total</b>	<b>543</b>	<b>513</b>		<b>-30</b>	<b>-30</b>	<b>0</b>
Corporate Communications	Exp	919	825	-10%	-94	-94	0
	Inc	-27	-26	-4%	-1	1	0
	Rechgs	-862	-839	-3%	33	33	0
	<b>Total</b>	<b>30</b>	<b>-40</b>		<b>-60</b>	<b>-60</b>	<b>0</b>
Democratic Services	Exp	3,258	3,294	1%	36	36	0
	Inc	-453	-484	7%	-31	-31	0
	Rechgs	412	412	0%	0	0	0
	<b>Total</b>	<b>3,217</b>	<b>3,222</b>		<b>5</b>	<b>5</b>	<b>0</b>
Finance & Procurement Services	Exp	10,701	10,795	1%	94	94	0
	Inc	-522	-528	2%	-6	-10	+4
	Rechgs	-6,064	-6,064	0%	0	0	0
	<b>Total</b>	<b>4,115</b>	<b>4,199</b>		<b>88</b>	<b>84</b>	<b>+4</b>
Human Resources	Exp	5,099	5,071	0%	-28	-24	-4
	Inc	-1,126	-1,144	1%	-18	-20	+2
	Rechgs	-3,702	-3,702	0%	0	0	0
	<b>Total</b>	<b>271</b>	<b>286</b>		<b>-46</b>	<b>-44</b>	<b>-2</b>
Legal Services	Exp	1,934	1,979	2%	45	44	+1
	Inc	-152	-129	-15%	23	23	0
	Rechgs	-1,819	-1,819	0%	0	0	0
	<b>Total</b>	<b>-37</b>	<b>30</b>		<b>68</b>	<b>67</b>	<b>+1</b>
Policy & Performance	Exp	4,495	4,249	-5%	-246	-240	-6
	Inc	-114	-140	25%	-26	-28	+2
	Rechgs	-734	-734	0%	0	0	0
	<b>Total</b>	<b>3,647</b>	<b>3,375</b>	<b>0</b>	<b>-272</b>	<b>-268</b>	<b>-4</b>
<b>Total Expenditure</b>		<b>28,366</b>	<b>28,142</b>	<b>-1%</b>	-224	-216	-8
<b>Total Income</b>		<b>-2,394</b>	<b>-2,455</b>	<b>2%</b>	-61	-69	+8
<b>Total Recharges</b>		<b>-13,675</b>	<b>-13,642</b>	<b>0%</b>	33	33	0
<b>CS Total</b>		<b>12,297</b>	<b>12,045</b>	<b>-2%</b>	<b>-252</b>	<b>-252</b>	<b>0</b>

### **Audit and Enforcement: £30k favourable (No change)**

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 to ensure that controls are maintained during this period of restructuring.

### **Finance and Procurement: £88k pressure (Adverse movement £4k)**

2. The pressure in finance relates to one-off redundancy costs arising from the BID restructure of the service.

### **Corporate Communications: £60k favourable (No change)**

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: £5k pressure (No change)**

4. Overspends within salaries due to the inability to achieve the MVF as a result of a full establishment, have been reduced by an expected over-recovery of income and various non salary underspends.

### **Policy, Performance and Partnerships: £272k favourable (Improvement £4k)**

5. The restructure of the Policy and Performance Team is now complete and set to deliver significant savings. There are also substantial staffing savings within the Partnerships team. These savings will be taken as part of the MTFF 2012/13, but provide an in-year underspend in 2011/12. A review of non-salaries spend across the teams has helped to improve the monitoring position this month.

### **Human Resources: £46k favourable (Improvement £2k)**

6. A review of recharges within the service has resulted in an improvement to the monitoring position in month 6. There are some pressures remaining within salaries due to the MVF.

### **Legal Services: £68k pressure (Adverse movement £1k)**

7. Salary overspends due to MVF and cover required for maternity leave along with a shortfall in the income target for charges to capital schemes make up this overspend. Vacancy savings have contributed to the improvement this month. 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 - Six Month Treasury Report 2011 /12**

This report summarises the Council's treasury management activities for the first six months of 2011/12 including borrowing, debt management, investment activity, treasury prudential indicators and the expected budget outturn.

### **Borrowing and Debt Management**

A new £7m fixed rate loan was taken and £1.5m of debt naturally matured. Over the six months, yields have steadily reduced making premiums rise and the premature redemption of debt unviable. The 2011/12 budget for interest costs was £6.07m and the estimated outturn for the year is expected to be £6.04m. The total of loans outstanding as at 30 September was £167.1m with an average rate of 3.60%, which remains one of the lowest average rates in London.

### **Investment Activity**

The UK economy continues to suffer from poor economic growth and the Bank of England has maintained base rates at 0.5%, resulting in short term money market rates remaining low. The average investment balance over the period represented by the Council's reserves, working capital etc, was £108m. The Council's budgeted investment income for the year was estimated at £135k, however high average balance and mixture of deposit periods have resulted in an estimated outturn of £745k. The average rate earned on investments for the six month period was 0.93%, whilst total investments as at 30 September was £113.2m.

Security of capital remains the Council's primary investment objective. Investments during the year included deposits with the Debt Management Office, other local authorities, 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.

Adjustments made to the counterparty list included the suspension of Clydesdale Bank following the downgrade of their parent National Australia Bank. Additionally, the maximum maturity limit on new fixed term investments was reduced to three months following growing stress and concern in the finance sector.

### **Iceland**

At 1<sup>st</sup> April 2011 the outstanding unpaid investments with Icelandic banks were £7.4m with Heritable and £5m with Landsbanki. Since then the administrators of Heritable have issued three dividends totalling £2.1m, with total Heritable dividends now equating to 65% of the principal. Following the latest guidance issued by CIPFA in September 2011 (LAAP Bulletin 82 Update 5) it is expected that 86%-90% of the Heritable principal will be recovered overall.

On 28<sup>th</sup> October, the Icelandic Supreme Court found in favour of the test case for UK local authorities, awarding them priority creditor status in relation to Landsbanki deposits. Hillingdon being a non-test case was referred to the court earlier this year and were stayed pending the decision of the Supreme Court in the test cases. It is expected that the winding up board of Landsbanki will apply the Supreme Court decision to the non-test cases but this is yet to be confirmed. It is forecast that the recovery amount could be 98%, however the timeline for payment may run until 2018.

### **Housing Reform**

In February 2011, the CLG set out the rationale, methodology and financial parameters for the Reform in Council Housing Finance. Subject to the Localism Bill receiving Royal Assent and a commencement order being passed, final self-financing determinations are expected in January 2012 and the proposed transfer date is 28<sup>th</sup> March 2012.

The self-financing model provides an indicative sustainable level of opening housing debt and for the council has been estimated at approximately £172m. This figure is due to be confirmed later in the year but is likely to rise due to the inflationary element within the calculation. The Council will be required to fund this amount in the medium term through internal resources and external borrowing either from the PWLB or the market.

### **Prudential Indicators**

As a result of a prudent approach the Council can confirm that it has complied with its Prudential Indicators for 2011/12.

### **Events post 30 September 2011**

On 7 October 2011 the rating agency Moody's downgraded 12 UK financial institutions and of these 3 were on the Council's approved counterparty lending list - Royal Bank of Scotland plc, Nationwide Building Society and Lloyds TSB Bank plc. Then on 13 October 2011 the rating agency, Fitch also downgraded both Royal Bank of Scotland plc and Lloyds TSB Bank plc.

Following these downgrades all three institutions fell below the Council's minimum credit criteria and were suspended for new deposits and liquid funds removed from instant the access account at Royal Bank of Scotland. The Council currently has the following fixed term deposits in place with these institutions:

<b>Bank</b>	<b>Deposit</b>	<b>Rate</b>	<b>Date Placed</b>	<b>Maturity</b>
RBS	£3.0m	1.02%	06-Jun-11	14-Dec-11
Nationwide	£5.1m	1.05%	01-Jul-11	13-Jan-12
Nationwide	£1.6m	1.02%	05-Jul-11	13-Jan-12
Lloyds	£4.0m	1.70%	15-Apr-11	13-Jan-12
Lloyds	£4.4m	1.70%	03-May-11	03-Feb-12
Lloyds	£2.0m	2.65%	16-May-11	27-Jul-12

Currently the Council has no plans to request a break of these deposits and this decision is supported by the Council's treasury advisers Arlingclose. However, the status of the banks will be continually monitored and further action taken if required.

The Council recognises that bank accounts are held with Royal Bank of Scotland and Lloyds TSB Bank in areas outside of the main Treasury function. To accommodate these institutions for operational purposes, until a new strategy is approved in February 2012, an amendment to the current Treasury Management Strategy Statement/Annual Investment Strategy is included below.

### **Amendment to the 2011/12 Treasury Management Strategy Statement and Annual Investment Strategy**

Financial institutions which were approved in the 2011/12 Treasury Management Statement and Annual Investment Strategy but no longer meet the minimum long term credit rating of A+ (or equivalent) may still be used for bank current accounts, Adults at Risk client accounts, short term liquidity requirements-(overnight and weekend investments) and business continuity arrangements.

Institutions which now fall into this category are classified as non specific investments as they do not meet the "high credit quality" as determined by the Council in its Treasury Management Strategy Statement / Annual Investment Strategy.

## 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 and Housing to maintain essential services whilst recruitment is in process or to deliver key improvement projects.

Ref.	Post Title	Start Date	Proposed End Date	2010/11 spend £000	2011/12 Est spend £000	Total Cumulative Spend £000
1	Support Worker (Asylum)	11-May-09	31-Dec-11	38	16	54
2	Senior Social Worker (C&F)	01-Apr-11	01-Jan-12	0	59	59
3	Senior Social Worker (C&F)	07-Apr-10	31-Mar-12	46	56	102
4	Social Worker (Mental Health)	09-Aug-10	31-Mar-12	34	56	90
5	Social Worker (OPS)	02-Aug-10	31-Mar-12	21	60	81
6	Social Worker (OPS)	21-Mar-11	31-Mar-12	1	74	75
7	CWD Team Manager	22-Oct-10	31-Jan-12	25	67	92