

COUNCIL BUDGET - MONTH 5 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 & capital position, as forecast at the end of Month 5 (August). The in-year revenue position is forecast as an underspend of £2,189k. Total capital expenditure for 2011-15 is forecast to be £3,577k lower than the revised budget, with a forecast underspend in 2011/12 of £29,705k.
Contribution to our plans and strategies	Achieving value for money is an important element of the Council's medium term financial plan.
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 5
2. Note the treasury update at Appendix B
3. Approve the retaining of agency staff as detailed in Appendix C
4. Approve the allocation of £20k from Priority Growth to fund Gold Bursaries
5. Approve the virement of £50k of Council Resources from Chrysalis to the part Section 106 funded Western View Project
6. Approve the virement of £80k of Council Resources from Manor Farm Stables to Winston Churchill Hall Refurbishment

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 4 seeks to apply £20k funding from priority growth for the award of gold sports bursaries to 6 borough residents who already are or expect to represent Great Britain or England in their chosen sport. This £20k funding for gold bursaries is in addition to the funding for bronze and silver bursaries of £27k which is already provided for from within the base budget.
3. Recommendation 5 seeks to apply Chrysalis funding to maximise opportunities arising from the use of Section 106 contributions at Western View.
4. Recommendation 6 seeks to direct Council resources towards current priorities within the Capital Programme.

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 5 (August) shows that forecast net expenditure for the year 2011/12 is £2,189k less than the budget, which represents an improvement of £809k on Month 5. There is a £189k forecast underspend on directorate budgets comprising a pressure of £996k (£326k favourable) in SCH&H, offset by a £52k underspend (£135k favourable) in PEECS, a £882k underspend (£246k favourable) on contingency and a £252k underspend (£102k 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. Although the budget position is showing a healthy underspend at this point in the year 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 went ahead with top-slicing in-year this could worsen the current year's budget position by up to £1.3m.
8. 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 £17,418k as a result of the budgeted drawdown from balances (-£1,793k) and the forecast in-year underspend (£2,189k).

B) Capital

9. Forecast General Fund capital expenditure for 2011/12 is £65,224k, from a revised budget of £94,929k. The majority of this variance relates to expected rephasing of £27,483k Council Resourced expenditure into 2012/13 (Month 4 £21,827k).
10. The Council Resourced programme for 2011-15, consisting of current projects and future programmes of works, is currently reporting a net pressure of £407k (Month 4 £751k), consisting of £3,073k pressures and £2,666k of unrequired budget (full details in table 7). £4,000k of unallocated contingency remains in the Capital Programme over this period.

11. General Fund Capital Receipts for 2011/12 are projected to be lower than that forecast for the approved budget, with £6,591k 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 £8,148k over the period 2011-15 will result in an increased call on Prudential Borrowing above the level included in the approved capital programme.
12. Latest forecasts on the HRA capital programme indicate a 2011/12 outturn of £13,408k (Month 4 £13,817k) from a revised budget of £15,122k. The reported variance consists of £1,006k underspend and £708k relating to a rephasing of expenditure into 2012/13.

A) REVENUE

13. 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	Budget Changes		2011/12 (As at Month 5)		% Var of budget	Variances (+ adv/- fav)		
			Current Budget	Forecast		Variance (As at Month 5)	Variance (As at Month 4)	Change from Month 4
			£'000	£'000		£'000	£'000	£'000
239,453	-2,281	Directorates Budgets on normal activities	237,172	236,983	0%	-189	+620	-809
-42,915	2,281	Corporate Budgets on normal activities	-40,634	-42,634	5%	-2,000	-2,000	0
196,539	0	Total net expenditure	196,539	194,350	-1%	-2,189	-1,380	-809
-194,746	0	Budget Requirement	-194,746	-194,746		0	0	0
1,793	0	Net total	1,793	-396		-2,189	-1,380	-809
-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	-17,418		-2,189	-1,380	-809

Directorates' Forecast Expenditure Month 5

14. 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 5)	Directorate		2011/12 Forecast (as at Month 5)	% Var of budget	Variances (+ adv/- fav)		
							Variance (As at Month 5)	Variance (As at Month 4)	Change from Month 4
							£'000	£'000	£'000
326,915	-6,501	320,414	SCHH	<i>Exp</i>	330,454	3%	+10,040	+10,385	-345
-199,190	-1,581	-200,771		<i>Inc</i>	-209,814	5%	-9,043	-9,062	+19
127,724	-8,082	119,642		Total	120,639	1%	+996	+1,323	-326
396,479	-10,443	386,036	PEECS	<i>Exp</i>	385,486	0%	-550	-357	-193
-301,269	6,831	-294,438		<i>Inc</i>	-293,940	0%	+498	+440	+58
95,210	-3,612	91,598		Total	91,546	0%	-52	+83	-135
9,511	11,303	20,814	CS	<i>Exp</i>	20,598	-1%	-216	-154	-62
-6,578	-1,890	-8,467		<i>Inc</i>	-8,503	0%	-36	+4	-40
2,933	9,413	12,346		Total	12,094	-2%	-252	-150	-102
11,786	0	11,786	Contingency		10,904	-7%	-882	-636	-246
1,800	0	1,800	Priority Growth		1,800	0%	0	0	0
239,453	-2,281	237,172	Sub-Total Normal Activities		236,983	0%	-189	+620	-809

15. **Social Care, Health & Housing (SCH&H)** are projecting a **pressure of £996k (£326k improvement)**. The Month 5 position is showing a £200k improvement in Children’s Services due management action being taken to improve pressures previously reported and the Foster Care recruitment drive. Older people’s services are also forecasting an improvement of £126k due to a lower demand for Homecare.

16. **Planning, Environment, Education & Community Services (PEECS)** are forecasting a **favourable variance of £52k (£135k improvement)**. The favourable movement mainly arises from a forecast underspend in Youth & Connexions due to posts being held vacant pending the BID review and an improvement in the Access & Inclusion underspend. This is partially offset by the Carbon Reduction Commitment (CRC) charge to DSG now being shown as an underspend on contingency.

17. **Central Services (CS)** is forecasting a **£252k favourable variance (£101k improvement)** as at Month 5 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

18. 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 September	Total August
Blue (banked)	2,543	7,134	7,578	954	18,209	15,818
Green (on-track)	65	3,005	1,815	300	5,185	5,973
Amber (some Slippage or risky Project at an Early stage)	26	959	1,676	0	2,661	4,263
Red (serious Delivery problems)	0	933	300	0	1,233	999
Redundancy costs		-712	-338		-1,050	-1,050
Total	2,634	11,319	11,031	1,254	26,238	26,238

19. The projected shortfall on those savings classed as red is currently estimated at £1,233k (4.7% of total savings) an increase of £300k on last month arising from the reclassification of the shortfall in savings in SCH&H relating to the re-provision of in-house services. 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
Total		933

20. An additional £2,391k of savings has now been classified as banked during September, giving a banked total of 69.4% of the total savings. The change in presentation of the savings tracker from this month to identify the split for each savings initiative between banked, on track, some

slippage or risk, and serious delivery problems allows for a more accurate assessment of each project. This has resulted in a decrease in the quantum of savings classified as amber. Within SCH&H an increase in banked savings of £1,308k is due to the achievement staffing savings from the implementation of the Reablement restructure £740k, £400k from the completion of review of Looked After Children's costs and £170k through the negotiation of reduced prices for external home care by the West London Alliance. In PEECS, in addition to the increase in banked savings of £610k, the presentation change had made a significant impact with savings now being shown as green rather than amber, and in Central Services there has been an increase in banked savings of £641k.

Development & Risk Contingency: £882k underspend (£246k favourable)

21. £11,786k of potential calls on the Development & Risk Contingency were incorporated into the 2011/12 budget. Table 3 shows the amounts that have been allocated or earmarked as at Month 5. The £246k favourable movement in contingency is as a result of an improved forecast in relation to the underspend in the Carbon Reduction Commitment charge to the DSG now being reported in contingency (-£250k). This is partially offset by a small adverse movement in the Development Control income position (+£4k).

Table 3

Development and Risk Contingency	2011/12 Budget	Forecast as needed	Variance (+adv / - fav)	Group
<i>2011/12 allocations:</i>	£'000	£'000	£'000	
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 (CRC)	460	210	-250	PEECS
Development Control Income	350	448	+98	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	10,904	-882	

22. 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 £882k. Details of these variances are discussed below.

23. The forecast asylum spend is indicating a pressure of £398k (no change). 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.
24. The forecast for Development Control income is a gross pressure of £448k (£4k adverse) and after the application of the contingency is an adverse variance of £98k. Major Applications are showing a significant decrease in their forecast level of income, the worst in 5 years. For the smaller Development Control income streams, numbers of applications 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 £30k, reflecting continuing uncertainty in the housing market.
25. The fuel budget was increased by £108k for 2011/12. However, prices have continued to rise in 2011 and current analysis shows that the fuel budget is already under pressure at the current price of around £1.10 per litre. A range of projections have been modelled, the worse case scenario showing a pressure of £142k and best case scenario of £66k. 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.
26. BID revenue pump priming allocated figure to date is £321k, but at month 5 it is assumed the full £400k allocation will be needed. 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)

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
<i>2011/12 Unallocated Priority Growth at start of the year</i>	£'000	£'000	£'000	£'000
HIP Initiatives New budget:	800			
Agreed:				
Environmental projects		17		
Heritage projects		84		
HIP Initiatives unallocated balance	800	100	0	700
Unallocated non specific growth	1,000			
Ward budget scheme		330		
Gold Bursaries		20		
Balance of unallocated growth	1,000	350	0	650
Total	1,800	450	0	1,350

28. HIP Steering Group have approved £100k of allocations so far this year leaving £700k as yet unallocated within the HIP initiatives budget. September Cabinet also agreed to recommendation to allocate £330k of priority growth to fund a new Ward budget scheme. This

report includes a recommendation to allocate £20k of Priority Growth to fund Gold Bursaries. If this recommendation is approved then £650k of priority growth budget will remain unallocated. However, the Month 5 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 now reported on corporate budgets as at Month 5.

Table 5

2011/12 Original Budget	Budget Changes	2011/12 Current Budget (as at Month 5)	Corporate Budgets	2011/12 Forecast Outturn (as at Month 5)	Variances (+ adv/- fav)		
					Variance (As at Month 5)	Variance (As at Month 4)	Change from Month 4
£'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
			FRS 17 Pension				
-3,322	0	-3,322	Adjustment	-3,322	0	0	0
-35,169	2,875	-32,294	Asset Management A/c	-32,294	0	0	0
			Levy's & other corp				
10,836	-383	10,453	budgets	10,453	0	0	0
-25,556	-87	-25,643	Corporate Govt Grants	-25,643	0	0	0
-42,915	2,281	-40,634	Corporate Budgets	-42,634	-2,000	-2,000	0

30. Financing costs show a forecast underspend of £2,000k at Month 5. 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. A summary of treasury management activity 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 MTF process.

Table 6:

General Fund Capital Programme	2011/12	2012/13	2013/14	2014/15	Total (Mth 5)	Total (Mth 4)
Original Budget	78,907	34,364	29,420	28,305	170,996	170,996
Revised Budget	94,929	34,364	29,420	28,305	187,018	187,018
Forecast Outturn	65,224	62,249	28,663	27,305	183,441	183,782
Council Resourced Variance – see table 7	(29,314)	27,478	(757)	(1,000)	(3,593)	(3,249)
External Grants Variance	(332)	332	-	-	-	-
Other Resources Variance	(59)	75	-	-	16	13
Programme Variance	(29,705)	27,885	(757)	(1,000)	(3,577)	(3,236)

33. Capital expenditure incurred to 31 August 2011 was £9,637k, 14.78% of forecast outturn (Month 4 £7,718k). The £65,224k forecast outturn remains ambitious given levels of expenditure to date, however, project officers' report that significant expenditure is weighted towards quarters 3 and 4.

34. Expenditure profiled for late 2011/12 includes approximately £17m towards Primary School Expansions, a further £8m for other major projects and more than £4m for Council and TfL funded infrastructure works.

35. £403k of Corporate Construction Team project management fees has been incurred to 31 August, representing 7.7% of relevant year to date expenditure. The full year of cost of such fees is forecast to be £967k 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 5)	Total (Mth 4)
Pressures:						
Primary School Expansions - Phase 1	-	786	243	-	1,029	976
Primary School Expansions - Rosedale Temporary	-	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
Total Council Resourced Pressures:	1,535	1,295	243	-	3,073	3,011
Underspends:						
Primary School Expansions - Phase 1A Temporary	(126)	-	-	-	(126)	-
Laurel Lane (Longmead) Primary School Expansion	(247)	-	-	-	(247)	(247)
Ruislip High School - Expansion	(280)	-	-	-	(280)	-
Suspended Projects:						
Arundel Road Development HIP	(2,013)	-	-	-	(2,013)	(2,013)
Total Council Resourced Unrequired Budget:	(2,666)	-	-	-	(2,666)	(2,260)
Projected Rephasing:	(27,183)	27,183	-	-	-	-
Main Programme Variance:	(28,314)	28,478	243	-	407	751
General Contingency:	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(4,000)
Council Resourced Variance:	(29,314)	27,478	(757)	(1,000)	(3,593)	(3,249)

37. Expected rephasing of Council Resourced projects has increased to £27,183k (Month 4 £21,454k) with changes to expenditure profiles on a number of projects. Previous expenditure forecasts for 2011/12 for Highgrove Pool and New Years Green Lane Civic Amenity Site are no longer achievable with £3,151k and £1,054k respectively now expected to be incurred early in 2012/13. A further £1,000k of expenditure on Yiewsley Health Centre has also been rephased to reflect the likelihood that construction will commence in 2012/13 at the earliest.
38. Sufficient primary school places have been provided to meet demand for the 2011/12 academic year with temporary provision at four Phase 1A schools and installation of a new 2FE primary school at Rosedale completed on schedule. An underspend of £115k against the combined budget of £3,508k is now expected. Installation of the fifth Phase 1A temporary and additional capacity at Rosedale are planned for summer 2012, alongside permanent expansions at six Phase 1 schools.
39. Additional teaching space required for the new sixth-form at Ruislip High School was completed by September 2011 and an underspend on the project of £280k now expected. As work is continuing on a dining hall expansion, the outturn position is still to be determined.
40. Final contract settlements on Botwell and Hillingdon Sports & Leisure Centres are still pending and forecast pressures arising from the changes to specification of these projects have not changed from Month 2.
41. As specific funding is in place to support a £500k pressure reported on Highgrove Pool, underspends included in table 7 are sufficient to off-set unfunded pressures without an increase in borrowing and associated on-going revenue financing costs.

Capital Financing

Table 8:

Capital Receipts	2011/12	2012/13	2013/14	2014/15	Total (Mth 5)	Total (Mth 4)
Budget approved February 2011	21,319	21,646	10,851	388	54,204	54,204
Forecast Disposals	6,591	16,029	8,347	15,089	46,056	45,569
Variance	14,728	5,617	2,504	(14,701)	8,148	8,635

42. Forecast capital receipts for 2011/12 have been lowered to £6,591k (Month 4 £9,127k) to reflect the increasing risk that some of the high value receipts scheduled for quarter 4 may be delayed until 2012/13. Only £182k of General Fund capital receipts had been achieved at 31 August 2011.
43. 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 5)	Total (Mth 4)
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
Forecast Borrowing	21,528	23,416	(776)	(8,876)	35,292	36,123
Variance	(14,586)	33,095	1,747	(15,701)	4,555	5,386
Future Revenue Impact	(1,021)	2,317	122	(1,099)	319	377

44. Delivery of existing capital projects is expected to bring the Council's total use of Prudential Borrowing since 2004/05 to £78,294k by 2014/15.

45. Current forecasts indicate that rephasing of capital expenditure is sufficient to off-set the impact of reduced and delayed disposals on the Council's borrowing requirement and associated revenue costs until 2012/13. Beyond 2012/13 it is likely that additional borrowing will be required to mitigate the impact of reduced asset disposals, which will be managed through the MTF process.

Housing Revenue Account Capital Programme

46. Table 10 details the latest forecast outturn for the HRA capital programme, which is unchanged from Month 4 with an underspend of £1,006k (Month 4 £1,006k underspend)

Table 10:

Housing Revenue Account Capital Programme	2011/12	2012/13	2013/14	2014/15	Total (Mth 5)	Total (Mth 4)
Original Budget	14,850	2,326	2,150	2,235	21,561	21,561
Revised Budget	15,122	2,326	2,150	2,235	21,833	21,833
Forecast Outturn	13,408	3,034	2,150	2,235	20,827	20,827
HRA Resourced Variance	(1,488)	708	-	-	(780)	(780)
External Grants Variance	(226)	-	-	-	(226)	(226)
Other Resources Variance	-	-	-	-	-	-
Programme Variance	(1,714)	708	-	-	(1,006)	(1,006)

47. Year to date expenditure at Month 5 was £4,642k or 34.62% of latest forecast (Month 4 £3,981k), suggesting that the latest forecast outturn of £13,408k will be achieved.

48. Forecast outturn for 2011/12 has been reduced to reflect rephasing of £500k expenditure on Pipeline Phase 2 projects which are due to commence imminently. It is now expected that this project will be complete by July 2012.

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: £996k Pressure (£326k improvement)

1. The month 5 revenue monitoring report for 2011/12 has been compiled following analysis of relevant activity trends and implementation of the MTF £11.4m savings programme. In summary there is an improvement of £326k from the month 4 position resulting in a forecast of £966k pressure as shown in the table below.

Services		2011/12 (As at Month 5)			Variances (+ adv/- fav)		
		Current Budget	Forecast	% Var of budget	Variance (As at Month 5)	Variance (As at Month 4)	Change from Month 4
		£'000	£'000		£'000	£'000	£'000
Children & Families Services	<i>Exp</i>	+31,653	+31,714	0%	+60	+260	-200
	<i>Inc</i>	-3,651	-3,712	2%	-60	-60	0
	Total	+28,002	+28,002	0%	0	+200	-200
Asylum Services	<i>Exp</i>	+11,895	+11,895	0%	0	0	0
	<i>Inc</i>	-10,851	-10,851	0%	0	0	0
	Total	+1,044	+1,044	0%	0	0	0
Older People's Services	<i>Exp</i>	+37,652	+38,597	3%	+946	+1,072	-126
	<i>Inc</i>	-8,629	-8,886	3%	-258	-258	0
	Total	+29,023	+29,711	2%	+688	+814	-126
Physical & Sensory Disability Services		+8,751	+8,798	1%	+47	+47	0
	<i>Exp</i>						
	<i>Inc</i>	-507	-697	37%	-190	-190	0
Total	+8,244	+8,101	-2%	-143	-143	+0	
Learning Disability Services	<i>Exp</i>	+31,735	+32,133	1%	+397	+413	-16
	<i>Inc</i>	-5,494	-5,690	4%	-197	-213	+16
	Total	+26,241	+26,442	1%	+201	+201	-0
Mental Health Services	<i>Exp</i>	+7,390	+7,435	1%	+44	+47	-3
	<i>Inc</i>	-336	-380	13%	-44	-47	+3
	Total	+7,054	+7,054	0%	-0	-0	+0
Housing Benefits	<i>Exp</i>	+161,640	+167,274	3%	+5,635	+5,635	-0
	<i>Inc</i>	-158,115	-163,498	3%	-5,383	-5,383	0
	Total	+3,525	+3,776	7%	+251	+251	-0
Housing Needs Services	<i>Exp</i>	+12,741	+15,652	23%	+2,911	+2,911	+0
	<i>Inc</i>	-10,021	-12,932	29%	-2,911	-2,911	-0
	Total	+2,720	+2,720	0%	-0	+0	-0
SCH&H Other Services	<i>Exp</i>	+16,957	+16,957	0%	-0	-0	+0
	<i>Inc</i>	-3,168	-3,168	0%	-0	+0	-0
	Total	+13,789	+13,788	0%	-0	-0	-0
Total Expenditure		+320,414	+330,454	3%	+10,040	+10,385	-345
Total Income		-200,771	-209,815	5%	-9,043	-9,062	+19
SCH&H Total		+119,642	+120,639	1%	+996	+1,323	-326

2. Overall there is a fall of £326k from the month 4 forecast for social care due to management action taken in respect of Children & Families Services and Older People's Services.

3. The forecast assumes the full use of contingency available to the department as shown in the table immediately below and that the pressure on Asylum services continues to be funded from the Council's general contingency.

MTFF Savings

4. The group is delivering a savings programme totalling £11.4m and to date has banked £7.6m (67%). 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: Nil Variance (£200k improvement)

5. There has been an improvement in the forecast of £200k this is as a result of the management action taken to contain the pressure previously reported and the Foster Care recruitment drive starting to take effect.

Older People Services: £688k adverse (£126k improvement)

6. The £126k improvement in the forecast is in respect of a reduced forecast for Homecare as a lower demand is anticipated when the new Extra Care Service is opened.

Housing Benefit: £251k Pressure (no change)

7. As reported in month 4, the adverse movement 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 which are the more complex claims to administer. In addition, the service is dealing with an added pressure from DWP relating to changes to the Benefit Scheme and additional work necessary to prepare for the move to Universal Credit from 2013.
8. The overall pressure is as a result of 219 out of 258 (85%) applications for HB 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

9. The HRA has a gross budget of £59.3m and is forecasting a £522k favourable position at month 5, a marginal improvement from the month 4 position.

Services		2011/12 Current Budget (as at Month 5) £000	2011/12 Forecast (as at Month 5) £000	% Var of budget	Variance (As at Month 5) £'000	Variance (As at Month 4) £000	Change from Month 4 £000
General and Special Services	Exp	+16,930	+16,773	-1%	-157	-114	-43
Repairs Services	Exp	+21,287	+21,126	-1%	-161	-163	+2
Subsidy Payment to Government	Exp	+15,492	+15,482	0%	-10	+25	-35
Capital Funded from Revenue (RCCO)	Exp	+2,384	+2,384	0%	0	0	0
Other Expenditure	Exp	+3,178	+3,235	2%	+57	+72	-15
Income	Inc	-56,796	-57,047	0%	-251	-306	+55
In Year (Surplus) / Deficit	Total	+2,475	+1,953	-21%	-522	-486	-36

Planning, Environment, Education & Community Services

Revenue: £52k underspend (£135k improvement)

10. The Group has a projected outturn position of £52k underspend, excluding all pressure areas that have identified contingency provisions.

Services		2011/12 (As at Month 5)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Forecast		Variance (As at Month 5)	Variance (As at Month 4)	Change from Month 4
		£'000	£'000		£'000	£'000	£'000
Corporate Landlord	<i>Exp</i>	4,913	5,003	2%	+90	+121	-31
	<i>Inc</i>	-4,635	-4,094	-12%	+541	+536	+5
	Total	278	909	227%	+631	+657	-26
Education	<i>Exp</i>	290,848	290,419	0%	-429	-267	-162
	<i>Inc</i>	-252,798	-252,994	0%	-196	-196	0
	Total	38,050	37,425	-2%	-625	-463	-162
Highways, Transportation & Planning Policy	<i>Exp</i>	16,208	16,148	0%	-60	-60	0
	<i>Inc</i>	-6,125	-6,125	0%	0	0	0
	Total	10,082	10,022	-1%	-60	-60	0
ICT & Business Services	<i>Exp</i>	19,082	19,233	1%	+151	+151	0
	<i>Inc</i>	-11,986	-11,986	0%	0	0	0
	Total	7,097	7,248	2%	+151	+151	0
Planning, Consumer Protection, Sport & Green Spaces	<i>Exp</i>	12,116	12,116	0%	0	0	0
	<i>Inc</i>	-3,911	-4,022	3%	-111	0	-111
	Total	8,205	8,094	-1%	-111	0	-111
Public Safety & Environment	<i>Exp</i>	42,869	42,567	-1%	-302	-302	0
	<i>Inc</i>	-14,983	-14,719	-2%	+264	+100	+164
	Total	27,887	27,849	0%	-38	-202	+164
Total Expenditure		386,036	385,486	0%	-550	-357	-193
Total Income		-294,438	-293,940	0%	+498	+440	+58
PEECS Total		91,598	91,546	0%	-52	+83	-135

Corporate Landlord: £631k overspend (£26k improvement)

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, an adverse movement of £40k compared to Month 4. 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 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. 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 MTFE savings target relating to the corporate landlord staffing review. This represents an improvement of £66k on the Month 4 position, with the restructuring implications now fully reflected in the forecast position.

Education: £625k underspend (£162k 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: £457k overspend (£230k improvement)

10. The Connexions service has a pressure of £687k against the MTFE 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 £230k, 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.

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

11. Part of this service area was previously funded by the ringfenced Sure Start Grant but these budgets have 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.
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.

Education Central Budget: £112k underspend (£193 adverse)

14. 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.
15. 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 revised calculation of PFI credits produces a saving of £310k, an improvement of £60k over the initial assessment of approximately £250k for the current year included in previous reports.
16. The Carbon Reduction Commitment (CRC) allowance costs for the schools emissions are to be charged to DSG, due to the application of a late change in Department of Education regulations. This had previously been counted as a credit against the education central budget, but will now provide an underspend in the Council's contingency where the costs had been initially budgeted, leading to an adverse movement of £253k here due to this presentational change.

Access & Inclusion: £309k underspend (£125k improvement)

17. The service is forecasting an underspend of £309k, which is an improvement of £125k from last month's projections. The underspend comprises of £300k 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.

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

18. 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 MTFE 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.

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

Imported Food: nil variance (no change)

19. This is a service area where significant income targets were set as part of the MTFE savings programme, which reflected the new levies for catch certificates and perishable food certificates and inspections. It is difficult to assess at this stage if the income targets will be achieved as there is limited historic data to base an analysis on, however current indications of projected outturn are broadly in line with targets, allowing for expected seasonal variations.

SEN Transport: £151k pressure (no change)

20. 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: £111k underspend (£111k improvement)

Sport & Green Spaces: nil variance (no change)

21. 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 now behind on payments on a contract contributing £280k per annum to the Council.

Planning: £111k underspend (£111k improvement)

22. 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.

23. The greatest risk area for planning concerns the Development Control income streams, which are reported above under the contingency items.

Public Safety & Environment: £38k underspend (£164k adverse)

Waste Services: £90k underspend (no change)

24. Waste Disposal is forecasting a £90k underspend. The tonnages for the first five 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.

25. 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 MTFE savings target. The indications from the first five months of the year are that the service has broadly maintained its customer base and the target will be achieved.

Parking: £100k overspend (£100k adverse)

26. 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 £100k, which 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. It is anticipated that the Parking Revenue Account will break even. The trends in PCN income and expenditure are similar to the previous financial year.

Community Safety: £112k underspend (no change)

27. 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 (£64k adverse)

28. 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.

Central Services

Revenue: **£252k favourable (Improvement £101k)**

Services		2011/12 (As at Month 5)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Forecast		Variance (As at Month 5)	Variance (As at Month 4)	Change from Month 4
		£'000	£'000		£'000	£'000	£'000
Chief Executive/Deputy Chief Executive	<i>Exp</i>	519	513	-1%	-6	-6	0
	<i>Inc</i>	0	0	0%	0	0	0
	<i>Rechgs</i>	-8	-8	0%	0	0	0
	Total	511	505		-6	-6	0
Audit & Enforcement	<i>Exp</i>	1,441	1,415	-2%	-26	-19	-7
	<i>Inc</i>	0	-4		-4	-4	0
	<i>Rechgs</i>	-898	-898	0%	0	1	-1
	Total	543	513		-30	-22	-8
Corporate Communications	<i>Exp</i>	919	825	-10%	-94	-92	-2
	<i>Inc</i>	-27	-26	-4%	1	1	0
	<i>Rechgs</i>	-862	-839	-3%	33	38	-5
	Total	30	-40		-60	-53	-7
Democratic Services	<i>Exp</i>	3,258	3,294	1%	36	29	7
	<i>Inc</i>	-453	-484	7%	-31	-28	-3
	<i>Rechgs</i>	412	412	0%	0	0	0
	Total	3,217	3,222		5	1	4
Finance & Procurement Services	<i>Exp</i>	10,701	10,795	1%	94	147	-53
	<i>Inc</i>	-522	-532	2%	-10	-46	36
	<i>Rechgs</i>	-6,064	-6,064	0%	0	0	0
	Total	4,115	4,199		84	101	-17
Human Resources	<i>Exp</i>	5,148	5,124	0%	-24	-58	34
	<i>Inc</i>	-1,126	-1,136	1%	-20	27	-47
	<i>Rechgs</i>	-3,702	-3,702	0%	0	0	0
	Total	320	286		-44	-31	-13
Legal Services	<i>Exp</i>	1,934	1,978	2%	44	64	-20
	<i>Inc</i>	-152	-129	-15%	23	23	0
	<i>Rechgs</i>	-1,819	-1,819	0%	0	0	0
	Total	-37	30		67	87	-20
Policy & Performance	<i>Exp</i>	4,495	4,255	-5%	-240	-219	-21
	<i>Inc</i>	-114	-142	25%	-28	-9	-19
	<i>Rechgs</i>	-734	-734	0%	0	0	0
	Total	3,647	3,379	0	-268	-228	-40
Total Expenditure		28,415	28,199	-1%	-216	-154	-62
Total Income		-2,394	-2,453	2%	-59	-36	-23
Total Recharges		-13,675	-13,652	0%	23	39	-16
CS Total		12,346	12,094	-2%	-252	-151	-101

Audit and Enforcement: £30k favourable (Improvement £8k)

1. This underspend relates primarily to vacant posts within the team, the recruitment to which is planned for later in the year. This will bring the team to full establishment which is important to help ensure that controls are maintained in the Council during this period of significant change.

Finance and Procurement: £84k pressure (Improvement £17k)

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

Corporate Communications: £60k favourable (Improvement £7k)

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

Democratic Services: £5k pressure (Adverse movement £4k)

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: £268k favourable (Improvement £40k)

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 MTF 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: £44k favourable (Improvement £13k)

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: £67k pressure (Improvement £20k)

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 - Treasury Management Report

1. As at 31 August 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: 0.92%

	Actual £m	Actual %	Bench-mark %
Up to 1 Month	36.5	33.58	50.00
1-2 Months	3.5	3.22	0.00
2-3 Months	13.9	12.79	5.00
3-6 Months	41.7	38.36	45.00
6-9 Months	0.0	0.0	0.00
9-12 Months	2.0	1.84	0.00
12-18 Months	0.0	0.0	0.00
Subtotal	97.6	89.77	100.00
Unpaid Maturities	11.1	10.21	0.00
Total	108.7	100.00	100.00

2. 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. Deposits are currently held with the following institutions; Deutsche MMF, Fidelity MMF, Goldman Sachs MMF, HSBC MMF, Ignis MMF, Invesco Aim MMF, PSDF MMF, Barclays Bank, Lloyds TSB Banking Group, Nationwide BS, Royal Bank of Scotland and Lancashire County Council.
3. During August fixed-term deposits continued to mature in line with cash flow requirements. £12m was placed in medium term deposits to enhance investment income. Any other surplus funds were placed in instant access accounts in order to meet near term cash flow requirements and remain within our counterparty limits.

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

4. There were no early debt repayments or rescheduling activities during August.
5. There were no breaches of the prudential indicators during August.
6. 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.
7. During August outstanding PWLB loans carried premiums and therefore made rescheduling of debt 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 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	Electrical Services Officer	1-Oct-10	10-Feb-12	22	40	62
2	Interim Lead working on self directed support & personalised budgets	1-Jul-11	28-Feb-12	0	82	82
3	Support Worker (Asylum)	11-May-09	31-Dec-11	38	16	54

Retaining of agency staff in PEECS

The Delivery Officer is required to be retained within the Corporate Construction Team to provide co-ordinated project management across the corporate construction programme of works including leading on the supported housing programme.

Ref.	Post Title	Start Date	Proposed end date	2010/11 spend £000	2011/12 Est spend £000	Total Cumulative Spend £000
1	Delivery Officer	17-Mar-11	4-Feb-12	0	74	74