

# COUNCIL BUDGET - 2011/12 REVENUE AND CAPITAL OUTTURN

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

## HEADLINE INFORMATION

<b>Purpose of report</b>	<p>The report sets out the Council's overall 2011/12 revenue &amp; capital outturn position. The revenue outturn position was an underspend of £8,084k, an overall improvement of £2,323k on the month 11 forecast.</p> <p>The capital outturn for 2011/12 was £48,598k compared to a revised budget of £64,847k. This report recommends the rephasing of £13,016k into 2012/13, resulting in an underspend of £3,143k.</p>
<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

## RECOMMENDATIONS

That Cabinet:

1. Note the revenue and capital outturn position for 2011/12;
2. Approves the final allocation of contingency budgets to Groups as set out in table 3;
3. Approves the rephasing of £10,890k of General Fund capital and £2,126k of HRA capital budgets into 2012/13 as set out in tables 6 and 7 and;
4. Note the annual treasury report at Appendix B.

## 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 successful revenue and capital outturn position for 2011/12.
2. Recommendation 3 is intended to realign capital budgets for major projects, enabling these projects to continue into 2012/13.

## Alternative options considered

3. There are no other options proposed for consideration.

## SUMMARY

### A) Revenue

- The outturn position for 2011/12 was an underspend of £8,084k, a £2,323k improvement on the month 11 forecast.
- The balances carried forward at 31 March 2012 were £23,313k as a result of the budgeted drawdown from balances (-£1,793k) and the in-year underspend (+£8,084k).
- In addition to the £23,313k of general reserves carried forward there are a number of earmarked reserves as follows:
  - £246k committed priority growth balances
  - £33k contingency carried forward for HS2
  - £391k unspent Leader's initiative
  - £494k Abbotsfield School
- 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 Outturn)		% Var of budget	Variances (+ adv/- fav)		
			Outturn Budget	Outturn		Variance (Outturn)	Variance (As at Month 11)	Change from Month 11
£'000	£'000		£'000	£'000		£'000	£'000	£'000
239,453	-17,038	Directorates Budgets on normal activities	222,415	214,321	-4%	-8,094	-5,924	-2,170
-42,915	17,038	Corporate Budgets on normal activities	-25,876	-28,129	9%	-2,253	-2,250	-3
<b>196,539</b>	<b>0</b>	<b>Sub-total Normal Activities</b>	<b>196,539</b>	<b>186,192</b>	<b>-5%</b>	<b>-10,347</b>	<b>-8,174</b>	<b>-2,173</b>
		<b>Exceptional items:</b>						
		Transfer from earmarked balance	0	-350		-350	-350	0
		Education initiatives	0	184		+184	+334	-150
		Insurance provision	0	2,429		+2,429	+2,429	0
<b>0</b>	<b>0</b>	<b>Sub-Total</b>	<b>0</b>	<b>2,263</b>		<b>+2,263</b>	<b>+2,413</b>	<b>-150</b>
<b>196,539</b>	<b>0</b>	<b>Total net expenditure</b>	<b>196,539</b>	<b>188,455</b>	<b>-4%</b>	<b>-8,084</b>	<b>-5,761</b>	<b>-2,323</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>-6,291</b>		<b>-8,084</b>	<b>-5,761</b>	<b>-2,323</b>
<b>-17,022</b>		<b>Balances b/f 1/4/011</b>	<b>-17,022</b>	<b>-17,022</b>		<b>0</b>	<b>0</b>	<b>0</b>
		<b>Transfer from earmarked reserves</b>				<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>-23,313</b>		<b>-8,084</b>	<b>-5,761</b>	<b>-2,323</b>

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

**Table 2**

2011/12 Original Budget	Budget changes	2011/12 Outturn Budget	Directorate		2011/12 Outturn	% Var of budget	Variances (+ adv/- fav)		
							Variance (Outturn)	Variance (As at Month 11)	Change from Month 11
£'000	£'000	£'000			£'000		£'000	£'000	£'000
326,915	-19,523	307,392	SCHH	<i>Exp</i>	313,603	2%	+6,211	+5,147	+1,064
-199,190	5,438	-193,753		<i>Inc</i>	-202,189	4%	-8,436	-7,283	-1,153
<b>127,724</b>	<b>-14,085</b>	<b>113,639</b>		<b>Total</b>	<b>111,414</b>	<b>-2%</b>	<b>-2,225</b>	<b>-2,136</b>	<b>-89</b>
396,479	-18,492	377,988	PEECS	<i>Exp</i>	375,140	-1%	-2,848	-2,232	-616
-301,269	8,177	-293,092		<i>Inc</i>	-292,512	0%	+580	+18	+562
<b>95,210</b>	<b>-10,315</b>	<b>84,895</b>		<b>Total</b>	<b>82,627</b>	<b>-3%</b>	<b>-2,268</b>	<b>-2,214</b>	<b>-54</b>
9,511	10,148	19,659	CS	<i>Exp</i>	19,684	0%	+25	+89	-64
-6,578	-2,150	-8,728		<i>Inc</i>	-9,222	6%	-494	-557	+63
<b>2,933</b>	<b>7,998</b>	<b>10,931</b>		<b>Total</b>	<b>10,462</b>	<b>-4%</b>	<b>-469</b>	<b>-468</b>	<b>-1</b>
11,786	0	11,786	Contingency		9,847	-16%	-1,939	-1,106	-833
1,800	-636	1,164	Priority Growth		-29	-102%	-1,193	0	-1,193
<b>239,453</b>	<b>-17,038</b>	<b>222,415</b>	<b>Sub-Total Normal Activities</b>		<b>214,321</b>	<b>-4%</b>	<b>-8,094</b>	<b>-5,924</b>	<b>-2,170</b>

6. **Social Care, Health & Housing (SCH&H)** outturn was **an underspend of £2,225k (£89k improvement)**. The overall improvement in SCH&H from month 11 is higher than the £89k noted above, but much of this improvement has resulted in a reduced call in contingency rather than being reflected in the group position. The detail on contingency is explained in paragraph 9 below. The main reasons for the overall improvement including the reduced call on contingency were a successful outcome to negotiations regarding Mental Health transfers from Health (£373k), an improved bad debt provision relating to Housing Benefit (£380k), increased recharges to the HRA (£160k), an improved forecast for Housing Support (£90k) and a reduced provision for the accident at Colne Park (£53k).
7. **Planning, Environment, Education & Community Services (PEECS)** outturn was a **favourable variance of £2,268k (£54k improvement)**. As highlighted in the Month 11 report, capital receipts were short of budgeted levels, meaning that the costs of preparing sites for sale were not covered by the buyer's premium, leading to an additional pressure of £193k. This was offset by some further underspends in other services within the Group, notably the Music Service (£78k), Youth service (£56k), planning (£40k) and licensing (£71k). In addition to this, an underspend in relation to Children's Centre underspends has been clawed back from schools and put into an earmarked reserve to provide financial support to Abbotsfield school.
8. **Central Services (CS)** outturn was a **£469k favourable variance (£1k improvement)**. The movement from month 11 is as a result of a slight reduction costs within Finance & Procurement.
9. **Development & Risk Contingency** outturn was a **£1,939k underspend (£833k improvement)**. As part of the outturn process a critical review was undertaken of contingency requirements and contingency was only allocated where the outturn showed that it was

required. The table below details the final position, with the most significant movements from month 11 being the following 3 SCH&H items:

- **Social care pressures (Children's) (-£500k)** – the outturn position for Childrens did not require any draw down of contingency at all.
- **Social care (Adults) (-£373k)** – a reduced call on contingency of £3,716k was required rather than the £4,089k forecast.
- **Asylum (+£87k)** – An increased call on contingency was required due to an increase in the number of ineligible clients.

10. Cabinet is recommended to approve the contingency allocations as detailed in table 3 below:

**Table 3**

Development and Risk Contingency	2011/12 Budget	Final Draw down required	Variance (+adv / -fav)		
			Variance (Outturn)	Variance (Month 11)	Change from Month 11
<i>2011/12 allocations:</i>	£'000	£'000	£'000	£'000	£'000
General Contingency	1,000	0	-1,000	-1,000	0
Golf Courses In-sourcing		50	+50	+50	0
Riots & Traveller Incursions		10	+10	+10	0
Public liability insurance		250	+250	+250	0
Employers' Pension Contributions	850	850	0	0	0
Pump priming for BID savings	400	400	0	0	0
Uninsured claims	420	390	-30	0	-30
Carbon Reduction Commitment Energy Efficiency Scheme	460	188	-272	-250	-22
Development Control Income	350	521	+171	+188	-17
Cost Pressures on Recycling Service	150	0	-150	-150	0
Local Development Framework legal & consultancy fees	100	75	-25	-25	0
HS2 Challenge contingency	100	100	0	0	0
Assisted searches	75	25	-50	-50	0
Potential new responsibilities in relation to Flood defence	50	0	-50	-45	-5
Building Control Income	50	0	-50	-50	0
Social Care Pressures (Adults)	4,089	3,716	-373	0	-373
Increase in Transitional Children due to Demographic Changes	1,254	1,254	0	0	0
Asylum Funding Shortfall	880	1,886	+1,006	+919	+87
Social Care Pressures (Children's)	500	0	-500	0	-500
Contingency against delivery of grants savings	1,058	0	-1,058	-1,058	0
Xmas free parking	0	62	+62	0	+62
Fuel	0	70	+70	+105	-35
<b>Total net contingency</b>	<b>11,786</b>	<b>9,847</b>	<b>-1,939</b>	<b>-1,106</b>	<b>-833</b>

11. **Exceptional Items** The final outturn for the Education Initiatives Fund was £184k, £150k less than the forecast at month 11 due to a number of potential allocations not receiving approval.

12. **Priority Growth Outturn** was an underspend of £1,193k which reflects the remaining unallocated and unspent budgets for both HIP contingency and priority growth.

**Corporate Budgets' Outturn: £2,230k underspend (£3k improvement)**

13. Table 4 shows the corporate budget outturn

**Table 4**

2011/12 Original Budget	Budget Changes	2011/12 Outturn Budget	Corporate Budgets	2011/12 Outturn	Variances (+ adv/- fav)		
					Variance (Outturn)	Variance (As at Month 11)	Change from Month 11
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-400	400	0	Unallocated savings	0	0	0	0
10,697	-584	10,113	Financing Costs	7,864	-2,248	-2,250	+2
-3,322	6,055	2,733	FRS 17 Pension Adjustment	2,733	0	0	0
-35,169	6,193	-28,976	Asset Management A/c	-28,980	-4	0	-4
10,836	164	11,000	Levy's & other corp budgets	11,000	0	0	0
-25,556	4,811	-20,746	Corporate Govt Grants	-20,746	-0	0	-0
<b>-42,915</b>	<b>17,038</b>	<b>-25,876</b>	<b>Corporate Budgets</b>	<b>-28,129</b>	<b>-2,253</b>	<b>-2,250</b>	<b>-3</b>

14. Financing costs shows an outturn of £2,248k. This was primarily due to £2,000k being set aside for capital financing for schools or other priority projects which was not needed in 2011/12.

**B) CAPITAL**

**General Fund Capital Programme**

15. General Fund capital expenditure for 2011/12 totalled £37,985k from a revised budget of £51,238k, with the variance of £13,253k comprising of £10,890k slippage to be rephased into 2012/13 and £2,363k representing the underspend against project budgets. Table 6 below details the financing of this outturn position.

**Table 6:**

2011/12 General Fund Capital Programme	Original Budget	Revised Budget	Forecast Outturn		Outturn Variance	Rephasing into 2012/13	2011/12 Variance
			(Month 11)	Actual Outturn			
Prudential Borrowing	26,400	13,372	14,887	12,384	-988	-3,409	-4,397
Capital Receipts	21,319	10,304	418	555	-9,749	10,304	555
<b>Total Council Resources</b>	<b>47,719</b>	<b>23,676</b>	<b>15,305</b>	<b>12,939</b>	<b>-10,737</b>	<b>6,895</b>	<b>-3,842</b>
Grants	28,236	21,504	20,208	18,168	-3,336	3,270	-66
Other Third Party Contributions	2,952	5,629	4,729	4,904	-725	725	0
Revenue Contributions	0	429	243	1,974	1,545	0	1,545
<b>Grand Total</b>	<b>78,907</b>	<b>51,238</b>	<b>40,485</b>	<b>37,985</b>	<b>-13,253</b>	<b>10,890</b>	<b>-2,363</b>

16. The net underspend of £2,363k consists of a pressure of £984k on Botwell Green Leisure Centre, other minor pressures of £35k, £1,000k of unapplied contingency funds, £2,316k of

Council Resourced underspends primarily relating to programmes of works and £66k of HCA grant funding which could not be utilised.

17. It is proposed that the remaining £10,890k variance be rephased into 2012/13 as the majority of this relates to timing of on-going major projects, including Primary School Expansion works. This movement represents the change in forecast on General Fund projects since the major rephasing exercise reported to Cabinet in December 2011, which rephased an additional £41,899k from 2011/12 budgets.

18. 2011/12 capital receipts available to fund General Fund projects totalled £555k, which included £353k of proceeds from sale of Council houses and lease extensions. Following the December rephasing exercise, budgeted capital receipts from the sale of surplus sites were £10,304k, however, these are now expected to occur during 2012/13.

### Housing Revenue Account Capital Programme

19. 2011/12 expenditure on HRA capital projects totalled £10,703k on a revised budget of £13,609k, with the variance of £2,906k comprising £2,126k of rephasing into 2012/13 and £780k of underspend relating to the cancelled Denbigh Drive project. Rephased amounts are primarily related to Pipeline Phase 2 projects.

**Table 7:**

2011/12 HRA Capital Programme	Original Budget	Revised Budget	Forecast Outturn		Outturn Variance	Rephasing into 2012/13	2011/12 Variance
			(Month 11)	Actual Outturn			
Prudential Borrowing	4,342	3,114	0	0	-3,114	1,333	-1,781
Capital Receipts	4,742	4,742	4,270	4,418	-324	0	-324
<b>Total Council Resources</b>	<b>9,084</b>	<b>7,856</b>	<b>4,270</b>	<b>4,418</b>	<b>-3,438</b>	<b>1,333</b>	<b>-2,105</b>
Grants	3,401	3,610	2,989	2,988	-622	622	0
Other Third Party Contributions	0	0	0	0	0	0	0
Revenue Contributions	2,365	2,143	3,107	3,297	1,154	171	1,325
<b>Grand Total</b>	<b>14,850</b>	<b>13,609</b>	<b>10,366</b>	<b>10,703</b>	<b>-2,906</b>	<b>2,126</b>	<b>-780</b>

### CORPORATE CONSULTATIONS CARRIED OUT

#### Financial Implications

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

### CORPORATE IMPLICATIONS

#### Corporate Finance

21. This is a Corporate Finance report.

#### Legal

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

### BACKGROUND PAPERS

23. Monitoring report submissions from Groups.

## APPENDIX A – DETAILED GROUP FORECASTS

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

Revenue: £2,225k favourable (£89k favourable)

1. The final outturn for 2011/12 shows a favourable position of £2,225k as shown in the table below; this reflects a favourable movement of £89k from the month 11 position.
2. The favourable outturn position is primarily due to the successful outcome of the DWP external audit of the Housing Benefit grant claims for 2009/10 and 2010/11. The DWP have confirmed that they were satisfied with these claims, which totalled £150.6m and £155.4m respectively and also that they will not be initiating any clawback. As a direct result, the balance sheet provision (£1,756k), held in case of clawback for these two years, was released into the revenue account. Additionally, the department's staffing budget has under spent by £444k (1.1%) on a budget of £39.3m.

Services		2011/12 (Outturn)		% Var of budg et	Variances (+ adv/- fav)		
		Current Budget	Outturn		Outturn	Variance (As at Month 11)	Change from Month 11
		£'000	£'000		£'000	£'000	£'000
Children & Families Services	<i>Exp</i>	+32,360	+31,661	-2%	-700	-816	+117
	<i>Inc</i>	-3,709	-3,206	-14%	+504	+142	+362
	<b>Total</b>	<b>+28,651</b>	<b>+28,455</b>	<b>-1%</b>	<b>-196</b>	<b>-674</b>	<b>+478</b>
Asylum Services	<i>Exp</i>	+7,944	+7,931	0%	-13	-66	+53
	<i>Inc</i>	-6,715	-6,702	0%	+13	+66	-53
	<b>Total</b>	<b>+1,229</b>	<b>+1,229</b>	<b>0%</b>	<b>-0</b>	<b>+0</b>	<b>-0</b>
Older Peoples Services	<i>Exp</i>	+34,948	+37,211	6%	+2,263	+1,936	+328
	<i>Inc</i>	-8,463	-10,141	20%	-1,678	-1,423	-255
	<b>Total</b>	<b>+26,484</b>	<b>+27,070</b>	<b>2%</b>	<b>+586</b>	<b>+513</b>	<b>+73</b>
Physical & Sensory Disability Services	<i>Exp</i>	+8,780	+9,169	4%	+390	+147	+243
	<i>Inc</i>	-673	-838	25%	-165	-172	+8
	<b>Total</b>	<b>+8,107</b>	<b>+8,332</b>	<b>3%</b>	<b>+225</b>	<b>-26</b>	<b>+251</b>
Learning Disability Services	<i>Exp</i>	+30,324	+31,134	3%	+810	+282	+528
	<i>Inc</i>	-5,494	-6,182	13%	-689	-185	-503
	<b>Total</b>	<b>+24,830</b>	<b>+24,952</b>	<b>0%</b>	<b>+122</b>	<b>+96</b>	<b>+25</b>
Mental Health Services	<i>Exp</i>	+6,585	+6,484	-2%	-102	-117	+15
	<i>Inc</i>	-336	-410	22%	-73	-56	-17
	<b>Total</b>	<b>+6,249</b>	<b>+6,074</b>	<b>-3%</b>	<b>-175</b>	<b>-173</b>	<b>-2</b>
Housing Benefits	<i>Exp</i>	+162,138	+163,710	1%	+1,571	+1,106	+465
	<i>Inc</i>	-158,115	-161,925	2%	-3,810	-2,959	-851
	<b>Total</b>	<b>+4,024</b>	<b>+1,785</b>	<b>-56%</b>	<b>-2,239</b>	<b>-1,853</b>	<b>-386</b>
Housing Needs Services	<i>Exp</i>	+10,722	+13,818	29%	+3,097	+3,137	-40
	<i>Inc</i>	-7,196	-10,113	41%	-2,917	-2,984	+67
	<b>Total</b>	<b>+3,526</b>	<b>+3,705</b>	<b>5%</b>	<b>+180</b>	<b>+153</b>	<b>+26</b>
SCH&H Other Services	<i>Exp</i>	+13,602	+12,496	-8%	-1,106	-461	-645
	<i>Inc</i>	-3,051	-2,672	-12%	+379	+288	+91
	<b>Total</b>	<b>+10,550</b>	<b>+9,824</b>	<b>-7%</b>	<b>-727</b>	<b>-173</b>	<b>-554</b>
<b>Total Expenditure</b>		+307,403	+313,615	2%	+6,211	+5,147	+1,064
<b>Total Income</b>		-193,753	-202,189	4%	-8,436	-7,283	-1,153
<b>SCH&amp;H Total</b>		<b>+113,651</b>	<b>+111,426</b>	<b>-2%</b>	<b>-2,225</b>	<b>-2,136</b>	<b>-89</b>

3. The outturn shows that £6,856k of contingency is required as detailed in the table below.

Division of Service	Month 11 Forecast £000s	Final Contingency Requirement £000s	Variance £000s
Social Care Pressures (Adults)	4,089	3,716	-373
Social Care Pressures (Children's)	500	0	-500
Increase in Transitional Children due to Demographic Changes	1,254	1,254	0
Asylum Funding Shortfall	1,799	1,886	+87
<b>SCH&amp;H</b>	<b>7,642</b>	<b>6,856</b>	<b>-786</b>

### MTFF Savings

4. The group has delivered a savings programme of £10,540k representing 92% of the £11,431k target. The shortfall of £891k is primarily due to delays in establishing the supported housing new build programme (£552k), and slippage in the agreement and implementation of a revised client transport eligibility criteria, which was agreed at January Cabinet in 2012.

### Children & Family Services **£196k favourable (£478k adverse)**

5. The reason for this underspend is due to over achievement of MTFF savings for Looked After Children (£199k). There has been and continues to be a robust approach to ensuring that the placement is cost effective and meets their needs. In addition, management have been actively involved in negotiating fees with external providers to good effect.
6. Although the reported movement from the M11 position is £478k adverse, this is solely due to not drawing down the £500k contingency which had been included in forecasts to date. This draw down did not take place because the service came in under budget and therefore did not need the allocation of £500k from contingency. Taking this into account, there has been no material movement in the forecast.

### Asylum Services **£1,886k adverse (£87k adverse)**

7. The reason for this variance position is due to increased numbers of ineligible clients which is the subject of ongoing negotiations with UKBA. In context the movement of £87k from the M11 position is not considered to be material.

### Older People Services **£586k adverse (£73k adverse)**

8. The reason for this pressure is primarily due to overspends on Nursing & Residential Placements (£1,336k) offset by an underspend on Access and Assessment staffing (£746k). As reported during the year, the number of service users leaving Nursing & Residential placements was lower than the assumptions used when the budget was set resulting in approximately 3,500 more weeks being purchased than anticipated. Despite this the number of placements at the end of the financial year has reduced and is now at the same level as April 2008.
9. This significant reduction is as a result of the success of the TeleCareLine service allied with the relaunched Reablement service (both launched last April) which has enabled people to be reabled back to full or semi-independence with some support. The Reablement team supported 876 people last year of which 534 (61%) did not need any further care (the target was 50%); this enabled Homecare spend to reduce by nearly £371k when compared with last

year. The reduction in new placements this year compared with 2010/11 is equivalent to a saving of £1m (£2.2m full year effect).

**Physical Disabilities: £225k adverse (£251k adverse)**

10. The reason for this pressure is due to overspends on Placements (£73k) and Community Services (£247k) which was partly offset by an underspend on staffing (£95k). The number of placements at the end of the financial year is now at its lowest since December 2005. The demand for Community Services within Physical Disabilities has exceeded the original budget.

11. The movement of £251k from the M11 position is due to an expected recharge of £290k from Housing Related Support (previously Supporting People) for community based services not being possible as it could not be justified as originally envisaged.

**Learning Disability: £122k adverse (£25k adverse)**

12. The reason for this pressure is primarily due to overspends on Placements (£727k) due to slippage on the new build programme partially offset by a related underspend in Supported Accommodation (£292k); and a £150k provision for legal costs. This has been offset by underspends on in-house residential services (£240k) primarily due to recharges to other London boroughs (£200k) for their clients residing in our homes. The number of placements at the end of the financial year is now at its lowest since April 2008.

**Mental Health £175k favourable (£2k favourable)**

13. The reason for this underspend is due to vacancies being held pending a restructure of the service which was concluded in February 2012.

14. There has been an increase of 22 placements this year including the transferred Health cases which had been in dispute and now resolved. The trend over this year shows that placements are now more likely to move into supported accommodation rather than residential/nursing care placements.

**Housing Benefit: £2,239k favourable (£386k favourable)**

15. The main reason for this underspend position is due to the release of housing benefit contingencies as a result of favourable external audits by the DWP for 2009/10 and 2010/11. The DWP confirmed that as a result of these audits which totalled some £306m they were satisfied with both and would not be seeking any clawback. Accordingly the clawback provision for both years (£1,756k) could be released into revenue. A further £220k is due to a various other combinations of overspends and underspends.

16. The favourable movement of £386k from the M11 position is mainly due to an improved bad debt position for benefit overpayments that arose as a result of detailed work carried out at year end as part of the closedown process.

**Housing Needs: £180 adverse (£26k adverse)**

17. The underlying reason for this pressure is a reduction in income from Private Sector Leases (PSL) as a result of housing benefit related changes for temporary accommodation that came into force during 2010/11. Expectations of meeting the shortfall in budget from potential savings in PSL management fees and leasing costs could not be realised due to housing rental market conditions.

**SCH&H Other Services: £727k favourable (£554k favourable)**

18. The reason for the favourable outturn position of £727k is mainly due to savings on housing related support (£460k), low cost home ownership (£50k) and savings within the Commissioning Team (£202k).

19. The movement from the M11 forecast is due to an expected recharge from housing related support of £290k to Physical Disability for community based services not being possible as it could not be justified as originally envisaged; and a £160k favourable adjustment in respect of corporate recharges to the HRA.

## HOUSING HRA

20. The HRA has a gross budget of £59.8m and the outturn position for 2011/12 was an underspend of £3,342k

Services		2011/12 Budget £000	2011/12 Outturn £000	% Var of budget	Outturn £000	Variance (As at Month 11) £000	Change from Month 11 £000
General and Special Services	Expenditure	+16,055	+14,484	-10%	-1,571	-900	-671
Repairs Services	Exp	+22,287	+21,124	-5%	-1,163	-764	-399
Subsidy Payment to Government	Exp	+15,492	+15,399	-1%	-93	-78	-15
Capital Funded from Revenue (RCCO)	Expenditure	+2,384	+3,310	39%	+926	-120	+1,046
Other Expenditure	Exp	+3,568	+3,355	-6%	-213	+69	-282
Income	Inc	-57,303	-58,531	2%	-1,228	-1,105	-123
<b>In Year (Surplus) / Deficit</b>	<b>Total</b>	<b>+2,483</b>	<b>-859</b>		<b>-3,342</b>	<b>-2,898</b>	<b>-444</b>

21. The favourable movement of £444k from Month 11 forecast includes a £1,046k revenue contribution to capital that takes advantage of increased balances and is intended to generate savings in interest going forward. The main favourable movements off-setting this are £671k within General and Special Services, primarily consisting the saving against original budget in support costs (£464k) and savings on ICT costs (£136k), £399k within Repairs Services, as result of electrical testing being completed in in-house (£70k) and a number of projects being funded from the capital works to stock programme (£78k). Within Other Expenditure, the £282k movement includes a reduced provision for doubtful debt (£105k) and an element of contingency which was not required at the year end (£200k).

## Planning Environment Education and Community Services

Revenue: **£2,268k underspend (£54k improvement)**

22. The Group has a final outturn position of £2,268k underspend, excluding pressure areas that have identified contingency provisions.

Services		2011/12 (As at Month 12)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Actual Outturn		Variance (As at Month 12)	Variance (As at Month 11)	Change from Month 11
		£'000	£'000		£'000	£'000	£'000
Corporate Property & Construction	<i>Exp</i>	4,343	4,820	11%	+477	+265	+212
	<i>Inc</i>	-2,956	-2,829	-4%	+127	0	+127
	<b>Total</b>	<b>1,387</b>	<b>1,991</b>	<b>44%</b>	<b>+604</b>	<b>+265</b>	<b>+339</b>
Education	<i>Exp</i>	275,744	273,866	-1%	-1,878	-1,548	-330
	<i>Inc</i>	-251,519	-252,261	0%	-742	-792	+50
	<b>Total</b>	<b>24,225</b>	<b>21,605</b>	<b>-11%</b>	<b>-2,620</b>	<b>-2,340</b>	<b>-280</b>
ICT Highways & Business Services	<i>Exp</i>	31,814	31,790	0%	-24	+210	-234
	<i>Inc</i>	-12,022	-11,320	-6%	+702	+323	+379
	<b>Total</b>	<b>19,792</b>	<b>20,470</b>	<b>3%</b>	<b>+678</b>	<b>+533</b>	<b>+145</b>
Planning Sport & Green Spaces	<i>Exp</i>	13,969	14,290	2%	+321	-161	+482
	<i>Inc</i>	-4,113	-4,613	12%	-500	+145	-645
	<b>Total</b>	<b>9,857</b>	<b>9,678</b>	<b>-2%</b>	<b>-179</b>	<b>-16</b>	<b>-163</b>
Public Safety & Environment	<i>Exp</i>	47,769	46,373	-3%	-1,396	-858	-538
	<i>Inc</i>	-19,588	-18,753	-4%	+835	+342	+493
	<b>Total</b>	<b>28,181</b>	<b>27,620</b>	<b>-2%</b>	<b>-561</b>	<b>-516</b>	<b>-45</b>
Transportation Planning Policy & Community Engagement	<i>Exp</i>	3,984	3,636	-9%	-348	-140	-208
	<i>Inc</i>	-2,895	-2,737	-5%	+158	0	+158
	<b>Total</b>	<b>1,088</b>	<b>898</b>	<b>-17%</b>	<b>-190</b>	<b>-140</b>	<b>-50</b>
<b>Total Expenditure</b>		<b>377,623</b>	<b>374,775</b>	<b>-1%</b>	<b>-2,848</b>	<b>-2,232</b>	<b>-616</b>
<b>Total Income</b>		<b>-293,092</b>	<b>-292,512</b>	<b>0%</b>	<b>+580</b>	<b>+18</b>	<b>+562</b>
<b>PEECS Total</b>		<b>84,530</b>	<b>82,262</b>	<b>-3%</b>	<b>-2,268</b>	<b>-2,214</b>	<b>-54</b>

Contingency Items: **Gross Pressure £1,501k (£17k improvement)**

1. The Council's 2011/12 contingency budget contained provision for areas of expenditure or income for which there is a greater degree of uncertainty. The proposed drawings on the contingency are shown in the table below.

Division of Service	Gross Pressure Outturn (£000s)	Gross Pressure Month 11 (£000s)	Change from Month 11 (£000s)	Contingency (£000s)	Net Pressure (£000s)
Recycling Services	0	0	0	150	-150
Development Control Income	521	538	-17	350	+171
Carbon Reduction Commitment	188	210	-22	460	-272
Flood Defence	0	5	-5	50	-50
Building Control	0	0	0	50	-50
Local Development Framework	75	75	0	100	-25
HS2 Challenge Contingency	100	100	0	100	0
Land Charges - Assisted Searches	25	25	0	75	-50
Pump Priming for BID savings for <b>ALL Groups</b>	400	400	0	400	0
Fuel	70	105	-35	0	+70
Golf Courses In-sourcing	50	50	0	0	+50
Riots & Traveller Incursions	10	10	0	0	+10
Christmas Free Parking	62	0	+62	0	+62
<b>PEECS – Total</b>	<b>1,501</b>	<b>1,518</b>	<b>-17</b>	<b>1,735</b>	<b>-234</b>

- The £150k pressure on recycling has been fully absorbed within the waste services budget monitoring position thus eliminating the need to call on contingency.
- The outturn position for Development Control Income is a pressure of £521k, which is £171k greater than the sum held in contingency. The major application outturn had an improvement of £23k compared to the previous month's forecast. Minor applications reduced by £8k between the Month 11 forecast and outturn, and are 17% lower than the 4 year average. The outturn for other applications improved by £2k from Month 11, and applications are above the 4 year average by 1%. Although not reported against this contingency, the pre-application income from developers shows a pressure of £46k, reflecting continuing uncertainty in the housing market.
- The Flood and Water Management Act conferred new responsibilities upon local authorities and the funding that the Council received as part of the grant settlement for 2011/12 was £127k. The Council has completed the Preliminary Flood Risk Appraisal and this has been signed off by the Environment Agency. Recruitment is in progress for a flood management officer to fulfil the Council's ongoing responsibilities. However, the recruitment timetable means that the £55k full year cost can be reduced to nil for the current year.
- The Carbon Reduction Commitment contingency drawing of £188k is for the estimated costs for the requirement to purchase allowances for each tonne of carbon produced by the Council, excluding schools that have been provided for in the schools budget.
- The outturn pressure on Building Control reported below is contained within the final outturn position for the Group, so that there is no contingency drawing in the current year, however, there is a pressure of £25k on land charges income. These services are both subject to a regulatory framework on cost recovery and therefore continue to be closely monitored.
- The HS2 contingency is part of a joint fighting fund with 18 other authorities and this contingency has been fully utilised.

8. The fuel budget across the group was increased by £108k for 2011/12 as part of the MTFF process. However, prices have continued to rise in 2011/12 and there is a pressure at outturn of £70k. This has been reduced (compared to Month 11) as part of the increased cost has been carried forward as stock.
9. Cabinet on 24 November 2011 approved the draw down of £50k from contingency to support the interim in-house operation of three of the Council's golf courses.
10. Across the group £10k has been spent on actions connected with the threat of riots in August and on preventing traveller incursions.
11. A drawing from contingency of £62k is now being requested for the income foregone as a result of free parking in Hillingdon over certain weekends leading up to Christmas 2011.

**Corporate Property & Construction: £604k overspend (£339k adverse)**

12. Property Disposal and empty buildings have an outturn pressure of £220k, and adverse movement of £185k compared to Month 11, of which £27k relates to the cost of maintaining vacant assets within the Estate, and £193k relates to the shortfall in the recovery of costs associated with the disposal of assets that were intended to generate capital receipts in 2011/12.
13. In addition, there is an outturn pressure of £47k arising from unbudgeted consultancy costs being incurred to investigate a compensation claim for contaminated land at New Years Green Lane, and a pressure of £55k on utilities costs that are not recoverable from certain tenants within the commercial property portfolio.
14. There is a £98k outturn pressure which relates to the underachievement on the 2011/12 MTFF savings target relating to the corporate landlord staffing review and which has been incorporated into the 2012/13 budget.
15. There is also an outturn pressure of £42k relating to urgent revenue works to properties undertaken by the corporate construction team, no change compared to Month 11.
16. The outturn pressure on Building Control £136k, an adverse movement of £136k compared to Month 11. This movement is driven by the over-recovery of fee income compared to the costs of processing building control applications under the cost recovery model of £132k, which is ringenced to the service.

**Education: £2,620k underspend (£280k improvement)**

**Schools: *variance not applicable***

17. The Schools Budget is ring fenced and funded from the Dedicated Schools Grant (DSG), and covers a range of services directly linked to schools. The majority of the DSG is delegated to schools (£163.2 million), with the remainder (£16.4 million) being retained by the Council. The rules applying to the DSG allow for any surplus and deficit balances to be carried forward into the next financial year, for both schools delegated budgets and the centrally retained DSG element (decisions on how this is used lie with the Schools Forum). It should be noted that the Schools Budget is completely separate to the General Fund and no interaction between these two funds is allowable.

18. The movement on the DSG reserves carried forward for 2011/12 is summarised in the following table:

Schools Budget Movements	DSG Delegated to Schools (£000s)	DSG Retained (£000s)
Opening Balance 1 April 2011	20,773	3,266
Drawing on Reserve	+8,056	+2,519
In-Year Overspend / (Underspend)	-4,923	+521
<b>Closing Balance 31 March 2012</b>	<b>17,640</b>	<b>226</b>

19. The DSG reserves delegated to schools reduced by £3,133k in 2011/12, however, this includes the transfer of £8,056k of surplus balances to convertor Academy schools, which after taking this into account, results in an increase in the maintained schools balances of £4,923k. The following table provides a further breakdown of the balances by sector:

Sector	Closing Balance 31 March 2012 (£000s)
Nursery	143
Primary	15,229
Secondary	1,350
Special	918
<b>Total</b>	<b>17,640</b>

20. The centrally retained DSG reserves reduced by £3,040k in 2011/12 - of this, Schools Forum agreed to draw down £2,519k, the majority of which was paid directly to schools (£1,995k), with the remainder being used to pay for Equal Pay claims (£281k), the set up costs for Rosedale Primary school (£238k) and other minor expenses (£5k). The balance of £521k reflects an in-year overspend on the centrally retained budgets and primarily relates to an overspend on Special Educational Needs (SEN) placements in Independent School settings and support for pupils placed in non-school education establishments.

**Youth & Connexions: £43k overspend (£56k improvement)**

21. As previously reported, the Connexions service has an outturn pressure of £687k against the MTF savings target, due to delays in the implementation of new legislation, which has been revised to remove the pressure for the 2012/13 financial year. The youth service is reporting an outturn underspend of £644k, an improvement of £56k compared to Month 11. The underspend is mainly due to the service having a significant number of staff vacancies, as the service underwent a major BID review. These have been held vacant where it does not affect service delivery, and assists with delivering the 2012/13 full year saving target, as well as providing a one-off in year saving. The improvement compared to Month 11 reflects project-based expenditure that will now fall into the 2012/13 financial year.

**Childcare, Early Years and Children's Centres: £1,010k underspend (£18k adverse)**

22. Part of this service area was previously funded by the ringfenced Sure Start Grant - these budgets have now been incorporated into the base budget. Children's Centres budgets have been reviewed and an outturn saving of £213k is included in the position and the 2012/13 budget.

23. Within the outturn expenditure for this service area, other underspends have been identified consisting of £135k in the Children's Centres budget, which was earmarked for the completion of the Phase III Centres, which is no longer required as it can be met from one-off surplus funds that have been recouped; a one-off underspend of £349k in the Phase III Children's Centres that are still not fully operational, but were allocated a full year budget; and underspends of £148k on training providers, £87k on SEN / Inclusion and Disabled Access, and on central administration of £78k. All of these budgets are subject to a zero based budget review and have targeted reductions included in the 2012/13 budget.

**School Improvement Service: £664k underspend (£164k improvement)**

24. The outturn position on the service's budget, expenditure and grant income is an underspend of £664k, which relates to the service having a number of vacant posts, and the application of grant income to eligible expenditure up to August 2011 - this has released base budget to achieve a one-off saving for the current year.

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

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

26. 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.

27. The remainder of the outturn for these items includes £148k representing the MTFE saving on extended schools support that can not be achieved, plus a £50k shortfall on the MTFE 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: £558k underspend (no change)**

28. The service's final outturn position is an underspend of £558k, comprising of a £307k underspend in the Educational Psychology service, an underspend of £135k in the Pupil Support Service (which includes the transfer of hospital tuition costs to the retained schools budget), an underspend of £105k in the Parent Support Service, where there are a number of vacant posts, and a minor underspend of £11k across the rest of the service. Both the Educational Psychology position and the hospital tuition position reflect the bringing forward of savings targeted for 2012/13.

**Organisation & Resources: £169k underspend (no change)**

29. This service has an outturn underspend of £18k on staffing budgets due to the impact of staff on maternity leave. In addition, there is an underspend on ICT and consultancy support costs of £115k, and a surplus on rental income from Hillingdon Manor independent school of £36k.

**Music Service: £150k underspend (£78k improvement)**

30. Following a review of demand for the service after the increase in fees for the new academic year, efficiencies have been made in the scheduling of sessional staff producing an underspend of £150k, which represents advanced delivery of the full year savings allocated to the service in 2012/13 in the MTFE. This has increased by £78k compared to Month 11 due to the inclusion of further savings on sessional staff usage made in the spring term.

**ICT Highways & Business Services: £678k overspend (£145k adverse)**

**ICT: £31k underspend (£31k improvement)**

31. The outturn for ICT is an underspend of £31k, mainly on the staffing budget, where posts have been held vacant pending the further restructuring of the service.

**SEN Transport & Passenger Services: £251k overspend (£100k adverse)**

32. This is an area that had seen significant pressure in the 2010/11 financial year and as a result growth monies were allocated to the service for 2011/12. The service is reporting an outturn pressure of £251k due to a combination of increased SEN routes being provided compared to 2010/11, and the challenge of delivering the service's share of the savings targets allocated across business services as a whole, against the background of increased demand for the service especially in the spring term.

**Fleet Management: £98k overspend (£11k adverse)**

33. An outturn pressure of £98k is reported, an adverse movement of £11k compared to Month 11. The service has incurred additional costs of £117k for upgrading vehicles to meet the statutory modifications regarding exhaust regulations. This is offset by savings on the salaries budget of £30k which relates to posts included for deletion in the MTF for 2012/13, but where staff have already been released this year. The movement from Month 11 reflects an increase in the outturn expenditure on self-insured accidental damage to vehicles.

**Bereavement Services: £65k overspend (£65k adverse)**

34. The outturn pressure for this service area is driven by a shortfall in cemeteries income attributable to the mild weather during the autumn and winter months.

**Facilities Management: £355k overspend (no change)**

35. There is an outturn pressure of £270k across facilities management, maintenance and Borough Wide Maintenance budgets. The larger proportion of this is due to a pressure against the income target to sell services to the schools 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.

36. The Middlesex Suite has an outturn 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 hires.

37. In addition there is a pressure of £20k relating to increased postage prices, which can not be contained within budget, no change compared to Month 11.

**Highways: £60k underspend (no change)**

38. The unusually mild winter has meant that gritting requirements have been lower than average, producing an underspend on the winter maintenance budget of £60k.

**Planning Sport & Green Spaces: £179k underspend (£163k improvement)**

***Sport & Green Spaces : £59k underspend (£123k improvement)***

39. In December 2011 the Council took over the operation of three golf courses, where these have been re-possessed from the previous golf operator that had incurred significant rent arrears. £50k has been released from contingency to establish effective management of the courses, however there are pressures resulting from income foregone due to the re-possession, totalling £250k. In addition, the turnover income target for 2011/12 of £100k has effectively transferred to the in-house operation. The net shortfall of income against costs for this latter part of the year was £25k, after the application of contingency funding, an improvement of £15k compared to Month 11. Hence the total current pressure this financial year is £375k.

40. There are compensating savings elsewhere in the service arising from bringing litter collection in parks in-house (£30k), from one-off reduced maintenance commitments this financial year (£356k) and retrospective business rate refunds on Hayes Pool and Yiewsley Pool (£48k). This represents an improvement of £86k across green spaces compared to Month 11.

***Planning: £120k underspend (£40k improvement)***

41. There was an in-year surplus of £177k against the income target for Section 106 administration fees mainly due to the conclusion of two large agreements. This target has been increased to 2012/13, and also covers administration fees arising from the implementation of the Mayoral Community Infrastructure Levy (CIL).

42. Pre-application advice income from developers shows a pressure of £46k, an improvement of £3k compared to Month 11, reflecting continuing uncertainty in the housing market.

43. Planning appeals costs are showing an outturn pressure of £11k due to an increase in the number of costs appeals following changes to the appeals process made by the Planning Inspectorate. Appeals costs have been met from the general contingency in previous years.

**Public Safety & Environment: £561k underspend (£45k improvement)**

***Waste Services: £545k underspend (no change)***

44. The first year of the variable 'pay as you throw' levy arrangement through West London Waste gave an underspend of £367k. The levy has been reset for 2012/13.

45. Overall the rest of the waste services are reporting a £178k underspend, after pressures in kerbside recycling of £50k have been absorbed that were previously assumed to be met from the corporate contingency of £150k. The Trade Waste service has increased its fees and has an associated MTFE savings target. The service has maintained its customer base and the target has been over-achieved, and this has been reflected in the 2012/13 budget. There were also underspends on graffiti removal, public conveniences and special waste collection, these are being partially offset by some one-off costs for waste disposal.

***Harlington Road Depot: £163k overspend (no change)***

46. The outturn for Harlington Road Depot is a pressure of £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.

***Parking: £155k overspend (£5k adverse)***

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47. There was an outturn shortfall of £155k on off-street parking, which is largely attributable to Cedars and Grainges multi-storey car parks in Uxbridge town centre, partly reflecting pressures reported in the 2010/11 financial year, and a further reduction in consumer confidence among shoppers in view of the worsening economic outlook.

**Community Safety: £168k underspend (no change)**

48. There was an underspend of £112k due to a realignment of the funding for police officers from the Housing Revenue Account to reflect activity levels, which has been factored into the budget for 2012/13. There was also an underspend of £56k across the staffing budget for the service, due to staff on maternity leave and other posts being held vacant.

**Libraries: £68k overspend (£4k adverse)**

49. There was an underlying pressure across the income streams, leading to an outturn pressure of £68k on the libraries budget. This relates to reduced fine income due to on-line renewals, as well as the ongoing trend reduction in demand for audio-visual material.

**Public Protection: £40k underspend (no change)**

50. There was an underspend of £40k on salaries budgets across the service due to posts being held vacant in anticipation of BID savings for 2012/13 onwards.

**Licensing: £54k underspend (£54k improvement)**

51. The outturn for the licensing service is an underspend of £54k reflecting vacant posts and additional gambling licence income this financial year.

**Directorate Support: £140k underspend (no change)**

52. The BID reviews of business support and technical administration have been undertaken on a group-wide basis, and were implemented producing additional savings of £140k in 2011/12, no change compared to Month 11. This represents the bringing forward of part of the saving identified for the 2012/13 financial year.

**Transportation Planning Policy and Community Engagement: £190k underspend (£50k improvement)**

53. The service is reporting an outturn underspend of £190k, which is largely due to one-off underspends arising from a significant number of vacant posts across the service, an improvement of £50k compared to Month 11.

## Central Services

Revenue: £469k favourable (£1k Improvement)

Services		2011/12		% Variance of Budget	Variances (+ adv/- fav)		
		(As at Outturn)			Variance Outturn	Variance Month 11	Change from Month 11
		Outturn Budget	Outturn Actual				
		£'000	£'000				
Chief Executive/Deputy Chief Executive	<i>Exp</i>	630	629	0%	-1	-1	0
	<i>Inc</i>	-69	-69	0%	0	0	0
	<i>Rechgs</i>	46	46	0%	0	0	0
	<b>Total</b>	<b>607</b>	<b>606</b>		<b>-1</b>	<b>-1</b>	<b>0</b>
Audit & Enforcement	<i>Exp</i>	1,442	1,385	-4%	-57	-71	14
	<i>Inc</i>	0	-28	0%	-28	-12	-16
	<i>Rechgs</i>	-1,249	-1,249	0%	0	0	0
	<b>Total</b>	<b>194</b>	<b>108</b>		<b>-86</b>	<b>-83</b>	<b>-3</b>
Corporate Communications	<i>Exp</i>	918	805	-12%	-113	-115	2
	<i>Inc</i>	-128	-103	-20%	26	3	23
	<i>Rechgs</i>	-790	-790	0%	0	33	-33
	<b>Total</b>	<b>0</b>	<b>-88</b>		<b>-87</b>	<b>-79</b>	<b>-8</b>
Democratic Services	<i>Exp</i>	3,117	3,337	7%	220	154	66
	<i>Inc</i>	-745	-938	26%	-193	-101	-92
	<i>Rechgs</i>	679	679	0%	0	0	0
	<b>Total</b>	<b>3,050</b>	<b>3,078</b>		<b>27</b>	<b>53</b>	<b>-26</b>
Finance & Procurement Services	<i>Exp</i>	11,049	11,618	5%	569	637	-68
	<i>Inc</i>	-3,449	-3,724	8%	-275	-472	197
	<i>Rechgs</i>	-4,114	-4,114	0%	0	0	0
	<b>Total</b>	<b>3,490</b>	<b>3,752</b>		<b>294</b>	<b>165</b>	<b>129</b>
Human Resources	<i>Exp</i>	4,477	4,284	-4%	-193	-178	-15
	<i>Inc</i>	-1,581	-1,498	-5%	83	42	41
	<i>Rechgs</i>	-2,828	-2,828	0%	0	0	0
	<b>Total</b>	<b>68</b>	<b>-42</b>		<b>-110</b>	<b>-136</b>	<b>26</b>
Legal Services	<i>Exp</i>	2,023	2,081	3%	59	58	1
	<i>Inc</i>	-611	-650	6%	-40	-21	-19
	<i>Rechgs</i>	-1,403	-1,403	0%	0	0	0
	<b>Total</b>	<b>9</b>	<b>28</b>		<b>19</b>	<b>37</b>	<b>-18</b>
Policy & Performance	<i>Exp</i>	5,022	4,562	-9%	-460	-395	-65
	<i>Inc</i>	-441	-508	15%	-66	-29	-37
	<i>Rechgs</i>	72	72	0%	0	0	0
	<b>Total</b>	<b>4,653</b>	<b>4,127</b>		<b>-526</b>	<b>-424</b>	<b>-102</b>
<b>Total Expenditure</b>		28,623	28,648	0%	25	89	-64
<b>Total Income</b>		-6,966	-7,493	8%	-527	-590	63
<b>Total Recharges</b>		-9,587	-9,587	0%	0	33	-33
<b>CS Total</b>		<b>12,071</b>	<b>11,569</b>		<b>-502</b>	<b>-468</b>	<b>-34</b>
Finance & Procurement - Corporate	<i>Exp</i>	11,371	11,443		72	0	72
	<i>Inc</i>	-80	-86		-6	0	-6
	<i>Rechgs</i>	-232	-298		-65	0	-65
	<b>Corporate total</b>	<b>Total</b>	<b>11,000</b>	<b>11,033</b>		<b>0</b>	<b>0</b>
<b>CS Total</b>		<b>23,071</b>	<b>22,602</b>		<b>-469</b>	<b>-468</b>	<b>-1</b>

**Audit and Enforcement: £86k favourable (Improvement £3k)**

1. This underspend is as a result of vacant posts within the team for which recruitment has now been completed. There was also unbudgeted income as a result of Proceeds of Crime monies received which have totalled £12k this year.

**Finance and Procurement: £294k pressure (Adverse movement £129k)**

2. The additional restructure within the Corporate Finance team has led to further redundancy costs being incurred within this financial year and in addition, agency and overtime costs have been incurred to ensure that levels of service are maintained across the Accounting structure while restructures are taking place. This overspend also includes overspends on some Corporate levies and subscriptions which have come in higher than was originally advised, e.g Western District Coroners Service.

**Corporate Communications: £87k favourable (Improvement £8k)**

3. This underspend has arisen from staff vacancies continuing to be held open following the restructure.

**Democratic Services: £27k pressure (Improvement £26k)**

4. This overspend relates to an additional transfer that has been made this year to the Elections earmarked reserve in order to ensure that sufficient funding is in place to cover the expected costs of the next election. This has been netted down this month by an over-recovery of income on Citizenship Ceremonies.

**Policy, Performance and Partnerships: £526k favourable (Improvement £102k)**

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. Reductions in the expected level of redundancy costs to be incurred has led to the improvement this month.

**Human Resources: £110k favourable (Adverse Movement £30k)**

6. Restructures within the service and the early delivery of 2012/13 MTF savings has delivered the underspend within Human Resources. The adverse movement in outturn relates to reductions in the level of income received from schools.

**Legal Services: £19k pressure (Improvement £18k)**

7. The small overspend was due to the need to cover maternity leave during the year. The improvement in outturn relates to additional costs recovered compared to the previous forecast.

**Contingency**

8. The final outturn for the insurance position of the Council required a contingency allocation of £390k out of the £420k available. This excluded the specific reserve for the Colne Park Gas Explosion which was provided for by Housing.

## Annual Treasury Report 2011/12

### 1. Summary

This report summaries the Council's treasury management activities during 2011/12 and presents details of capital financing, borrowing, debt management and investment transactions alongside an outturn position.

Borrowing during the year consisted of new HRA borrowing totalling £191.6m, to finance the Housing Reform Settlement, £7m of new long term General Fund borrowing and an additional £58.2m funded from internal resources, which avoided the cost of carry presently incurred in the current interest rate environment. £3.4m of debt naturally matured, which was not separately refinanced, leaving a year end loan balance of £356.8m (£100.21 General Fund, £256.57m HRA) with an overall average rate of 3.01%, one of the lowest average rates in London. Interest paid on loans for 2011/12 totalled £6.04m.

Due to poor economic growth, a bearish view on inflation and stimulus packages intervention, the Bank of England maintained the base rate at 0.5% which resulted in short term money market rates remaining low. This subdued investment income with returns for the year yielding 0.85% (0.83% 2010/11), with interest of £815k achieved.

At the start of the financial year there were unpaid investments with Icelandic banks; Heritable (£7.4m) and Landsbanki (£5.0m). The administrators of Heritable issued dividends during the year totalling £2.7m leaving a balance of £4.7m. Total dividends received for Heritable now equate to 68% of the claim value. The administrators of Landsbanki issued a dividend this year totalling £1.5m, which is 29% of the claim value, leaving a balance outstanding of £3.5m at the end of March. At the start of the 2012/13 financial year further dividends of £572k and £617k have been received from Heritable and Landsbanki.

Careful treasury and cashflow management resulted in no breaches of Prudential Indicators during the period. The Council also complied with the balanced budget requirement set before the start of the year.

## 2. The Borrowing Requirement and Debt Management

	Balance on 31/3/2011 £m	New Borrowing £m	Debt Maturing £m	Debt Prematurely Repaid £m	Balance on 31/3/12 £m	Average Rate %
CFR	417.96					
<b>GF Loans</b>						
PWLB Fixed Rate Maturity	54.60	-	-	-	54.60	3.66
PWLB Fixed Rate EIP	13.50	7.00	1.89		18.61	3.10
Market Fixed Rate	15.00	-	-	-	15.00	4.28
PWLB Variable Rate EIP	13.50	-	1.50	-	12.00	0.75
Temporary Borrowing	0.00	-	-	-	0.00	0.00
<b>Total GF Loans</b>	<b>96.60</b>	<b>7.00</b>	<b>3.39</b>	<b>0.00</b>	<b>100.21</b>	<b>3.29</b>
<b>HRA Loans</b>						
PWLB Fixed Rate Maturity	32.00	66.57	-	-	98.57	3.56
PWLB Fixed Rate EIP	0.00	85.00	-	-	85.00	2.75
Market Fixed Rate	33.00	-	-	-	33.00	4.03
PWLB Variable Rate Maturity	0.00	40.00	-	-	40.00	0.62
PWLB Variable Rate EIP	0.00	-	-	-	0.00	0.00
Temporary Borrowing	0.00	-	-	-	0.00	0.00
<b>Total HRA Loans</b>	<b>65.00</b>	<b>191.57</b>	<b>0.00</b>	<b>0.00</b>	<b>256.57</b>	<b>2.89</b>
<b>Total Loans</b>	<b>161.60</b>	<b>198.57</b>	<b>3.39</b>	<b>0.00</b>	<b>356.78</b>	<b>3.01</b>
Other Long Term Liabilities	3.30				3.00	
<b>Total External Debt</b>	<b>164.90</b>				<b>359.78</b>	

The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR) and as at 31/3/2012 was £417.96m. The Council's borrowing requirement, the difference between the CFR and total physical borrowing, was £58.18m.

Following the introduction of the Localism Act 2011 the London Borough of Hillingdon was required to borrow £191.6m to finance the HRA Housing Reform Settlement in March 2012. A broad portfolio containing both Maturity and EIP loans were taken with variable and fixed rates and with varying maturities. The average rate payable on this tranche of borrowing is currently 2.48%. The mix of loan structures and maturities not only allows flexibility in terms of debt management but also provides a repayment profile aligned to the HRA's thirty year business plan and furthermore, will enable capacity within the borrowing headroom for future Housing development.

Given the significant cuts to local government funding creating pressures on Council finances, a strategy to minimise debt interest without compromising the longer-term stability of the portfolio was adopted. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at over 3%. Therefore the temporary use of internal resources in lieu of new borrowing was judged, and remains, the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments with counter parties.

The Council has £48m of market loans, which are LOBO loans (Lender's Options Borrower's Option) of which £8m of loans were in their option state in 2011/12. During the year the lenders of these loans did not exercise any call options and therefore the loans remain outstanding on the same terms.

By using internal resources in lieu of borrowing, loan interest costs for the year totalled £6.04m, avoiding interest costs of £102k that would have been incurred otherwise.

Following the Comprehensive Spending Review of October 2010, the PWLB increased the margin for new borrowing to an average 1% above the yield on the corresponding UK Government Gilt. Over the year new fixed rate borrowing increased by approximately 0.87% across all maturities and new variable rate borrowing by 0.90%. Premature repayment rates did not benefit from the increase in the margin and as a result it was not beneficial to reschedule or repay any debt during 2011/12.

### 3. Investment Activity

The table below shows investment balances on 31st March, which is historically the lowest level of balances during the year due to lower Council Tax and NNDR receipts during March.

<b>Investments</b>	Balance on 31/3/2011 £m	Average Rate % Received	Balance on 31/03/2012 £m	Average Rate % Received
Call Accounts	7.70		0.00	
Money Market Funds	15.30		26.20	
Short Term Investments	10.80		45.00	
Long Term Investments	0.00		0.00	
Investment Default	12.60		8.50	
<b>Total Investments</b>	<b>46.40</b>	<b>0.83%</b>	<b>79.70</b>	<b>0.85%</b>

Security of capital remained the Council's chief investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2011/12. Investments during the year included deposits with the Debt Management Office, 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.

There were a number of institutions downgraded during the year, including Barclays, Lloyds TSB Group, Nationwide and RBS, who all fell below Hillingdon's minimum credit criteria, resulting in the suspension of new deposits. At the time of the suspensions, investments falling below the minimum credit criteria peaked at £32.7m with £2m still outstanding on 31<sup>st</sup> March 2012.

**Credit Risk:** Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies,

Fitch, Standard & Poors and Moody's). However reliance does not rest solely with these agencies and are supplemented by use of market/economic information, media updates and intelligence from the Council's Treasury Advisors.

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

**Yield:** The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year with short term money market rates also remaining at very low levels. Most short-term money was placed in instant access accounts as these were achieving higher rates of interest than those offered on short fixed term deposits of up to three months. A small proportion of longer dated deposits were placed to enhance income in a low interest rate environment. The two approaches resulted in an average return on Investments of 0.85%

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

#### **Update on Investments with Icelandic Banks**

At the beginning of 2011/12 the Council had unpaid investments of £7.4m with Heritable Bank and £5m with Landsbanki Islands. During the year four dividends were received from the administrators of Heritable; 6.25% in April, 4.06% in July, 4.18% in October and 3.32% in January, totalling £2.69m. Total dividends received for Heritable at the end of March equated to 68% of the claim value and predictions of an 88% recovery rate still remain the best estimate. Since the start of 2012/13, an additional £572k (3.79% of the claim) has been received.

For Landsbanki, creditors lost their appeal and the Icelandic courts have upheld the original decision to award priority status to Local Authorities and the expected recovery rate for Local Authorities remains at 94.85%. During the year Landsbanki issued a dividend totalling £1.5m, representing 29% of the claim value. In addition to this first distribution 6,962k of Icelandic Krona (ISK) is being held in an Icelandic escrow account. As there are currently controls on the distribution of ISK, the funds will remain in this account until the winding up board has obtained permission from the Central Bank of Iceland (CBI) to pay the money to Creditors. The Local Authorities' Steering Committee and Bevan Britten are negotiating with CBI to release funds. Since the start of 2012/13, an additional £617k (12.23% of the claim) has been received.

#### **4. Compliance with the Prudential Code and Prudential Indicators**

The Local Government Act 2003 gave freedoms to local authorities to borrow subject to macro economic considerations however, only on condition that compliance with the Prudential Code is observed. The code developed a series of 'prudential indicators' (Appendix 1) that were designed to provide greater information to the council tax payer and the rent payer on the impact of any borrowing decisions taken.

The main objectives of the prudential code are to demonstrate affordability of the authority's capital expenditure plans and ensure prudent external borrowing levels, which are sustainable in the future. It also verifies that treasury management decisions are taken in accordance with best professional practice.

The Council can confirm that it has complied with its Prudential Indicators for 2011/12, set in February 2011 as part of the Council's Treasury Management Strategy Statement. The levels of debt were measured on an ongoing basis during the year for compliance with the Authorised Limit of £492m and the Operational Boundary of £462m, the former being somewhat higher to allow for fluctuations in cash-flow. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £356.78m.

#### Upper Limits for Interest Rate Exposure:

	Estimated %	Actual %
Upper Limit for Fixed Rate exposure	100	99.34
Upper Limit for Variable Rate exposure	50	(49.42)

The negative variable rate exposure shown above is the result of a having more variable rate investments compared to variable rate loans.

#### Maturity Structure of Fixed Rate borrowing:

	Upper limit %	Lower limit %	Actual Borrowing as at 31/3/2012 (£m)	Percentage of total as at 31/3/2012
under 12 months	25	0	10.28	2.88%
12 months and within 24 months	25	0	10.28	2.88%
24 months and within 5 years	50	0	21.56	6.04%
5 years and within 10 years	75	0	92.99	26.07%
10 years and within 20 years	100	0	80.00	22.42%
20 years and within 30 years	100	0	55.00	15.42%
30 years and within 40 years	100	0	10.07	2.82%
40 years and within 50 years	100	0	28.60	8.02%
50 years and above	100	0	48.00	13.45%

For 2011-12 the total principal sums invested for periods longer than 364 days was set at £50m and during the year there was one £2m fixed term deposit placed for 438 days.

Non-treasury related Prudential Indicators are included in Appendix 1.

#### 5. Balanced Budget

The Council complied with the Balanced Budget requirement.

#### 6. Training

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

## Non Treasury Prudential Indicators 2011/12

**1 Estimated and Actual Capital Expenditure**

Prudential Indicator	2011/12	2011/12
Capital Expenditure	Estimated £m	Outturn £m
Non-HRA	51.5	38.0
HRA	13.5	16.0
<b>Total</b>	<b>65.0</b>	<b>54.0</b>

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

Prudential Indicator	2011/12	2011/12
Ratio of Financing Costs to Net Revenue Stream	Estimated %	Outturn %
Non-HRA	4.16%	3.10%
HRA	2.94%	3.50%
<b>Total</b>	<b>3.87%</b>	<b>3.20%</b>

**3 Capital Financing Requirement**

Prudential Indicator	Estimated (£m)	Outturn (£m)
CFR	31/3/12	31/3/12
Non-HRA	161700	160382
HRA	268000	256576
<b>Total</b>	<b>429700</b>	<b>416958</b>

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

**4 Actual External Debt**

Actual External Debt as at 31/03/2012	£m
Borrowing	356.78
Other Long-term Liabilities	3.00
<b>Total</b>	<b>359.78</b>

**5 Incremental Impact of Capital Investment Decisions**

Incremental Impact of Capital Investment Decisions	2011/12 (£)
Increase in Band D Council tax	7.41
Increase in average weekly housing rents	0

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

There was no increase in Hillingdon's Council Tax for 2011/12, with any additional borrowing costs being supported through savings and efficiencies.