

COUNCIL BUDGET - 2012/13 REVENUE AND CAPITAL OUTTURN

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

HEADLINE INFORMATION

Purpose of report	<p>The report sets out the Council's overall 2012/13 revenue and capital outturn position.</p> <p>The in-year revenue position was an underspend of £4,811k, an improvement of £1,772k from Month 11 primarily due to release of £1,642k of unspent Priority Growth funds to balances.</p> <p>Final outturn on 2012/13 General Fund capital budgets was £45,179k; with a net underspend of £5,987k. HRA capital expenditure totalled £2,133k; with a net underspend of £779k.</p>
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. Notes the revenue and capital outturn position for 2012/13.
2. Approves the final allocation of contingency budgets to services as set out in table 4 including the carry forward of £489k of unspent general contingency to 2013/14.
3. Approves the rephasing of £9,829k of General Fund capital and £357k of HRA capital budgets from 2012/13 as set out in tables 6 and 7 of the report.
4. Notes 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 2012/13, and requests drawdowns from contingency as required.

- Recommendation 3 is intended to realign capital budgets for the current capital programme over the next 3 years, enabling key projects to continue into 2013/14 and beyond.
- The Annual Treasury Report at Appendix B provides an update to Cabinet on Treasury Management performance during the financial year 2013/14.

Alternative options considered

- There are no other options proposed for consideration.

SUMMARY

A) Revenue

- The in-year revenue position was an underspend of £4,811k, an improvement of £1,772k from Month 11 primarily due to release of £1,642k of unspent Priority Growth funds to balances. As a result of this variance and the budgeted contribution of £2,126k, balances carried forward at 31 March 2013 stand at £30,250k.
- In addition to the £30,250k unallocated General Balances, the following amounts are being carried forward from 2012/13:
 - £489k Contingency carried forward
 - £59k unspent Leader's Initiative balances
 - £58k uncommitted HIP Initiatives budget
- Table 1 sets out further detail on the overall impact of the outturn expenditure now reported against the approved budget and the resulting balances position.

Table 1

2012/13 Original Budget	Budget Changes		2012/13 (As at Outturn)		% Var of budget	Variances (+ adv/- fav)		
			Final Revised Budget	Outturn		Variance (As at Outturn)	Variance (As at Month 11)	Change from Month 11
£'000	£'000		£'000	£'000		£'000	£'000	£'000
229,902	-16,964	Directorates Budgets on normal activities	212,938	210,757	-1%	-2,181	-409	-1,772
-41,360	16,964	Corporate Budgets on normal activities	-24,396	-27,646	13%	-3,250	-3,250	0
188,542	0	Sub-total Normal Activities	188,542	183,111	-3%	-5,431	-3,659	-1,772
		Exceptional items: Supplementary WLWA Levy		620		+620	+620	0
0	0	Sub-Total	0	620		+620	+620	0
188,542	0	Total net expenditure	188,542	183,731	-3%	-4,811	-3,039	-1,772
-190,668	0	Budget Requirement	-190,668	-190,668		0	0	0
-2,126	0	Net total	-2,126	-6,937		-4,811	-3,039	-1,772
-23,313		Balances b/f 1/4/012	-23,313	-23,313		0	0	0
-25,439	0	Balances c/f 31/3/13	-25,439	-30,250		-4,811	-3,039	-1,772

8. Table 2 provides analysis of the budget, outturn and variance at directorate level. Further detail on each directorate is set out in Appendix A. The group forecasts exclude sums provided for in contingency which are set out in table 4.

Table 2

2012/13 Original Budget	Budget changes	2012/13 Final Revised Budget	Directorate		2012/13 Outturn	% Var	Variances (+ adv/- fav)		
							As at Outturn	As at Month 11	Change from Month 11
£'000	£'000	£'000			£'000		£'000	£'000	£'000
22,090	164,382	186,472	Administration & Finance	<i>Exp</i>	186,254	0%	-218	-205	-13
-9,004	-165,585	-174,589		<i>Inc</i>	-175,217	0%	-628	-639	+11
13,085	-1,202	11,883		Total	11,037	-7%	-846	-844	-2
386,494	-77,701	308,793	Residents Services	<i>Exp</i>	306,550	-1%	-2,243	-3,037	+794
-298,379	74,744	-223,635		<i>Inc</i>	-222,411	-1%	+1,224	+2,087	-863
88,115	-2,957	85,158		Total	84,139	-1%	-1,019	-950	-69
315,308	-192,662	122,646	Social Care & Health	<i>Exp</i>	126,838	3%	+4,192	+3,752	+440
-205,801	181,680	-24,121		<i>Inc</i>	-27,969	16%	-3,848	-3,627	-221
109,507	-10,982	98,525		Total	98,869	0%	+344	+125	+219
16,691	-1,761	14,930	Contingency Priority Growth		15,912	7%	+982	+1,260	-278
2,504	-62	2,442			800	N/A	-1,642	0	-1,642
229,902	-16,964	212,938	Sub-Total Normal Activities		210,757	-1%	-2,181	-409	-1,772

9. **An underspend of £846k (£2k improvement)** is reported on Administration & Finance budgets, with the favorable outturn primarily due to early delivery of savings factored into the approved 2013/14 revenue budget.
10. **An underspend of £1,019k (£69k improvement)** is reported on Residents Services, again primarily from the early delivery of 2013/14 savings particularly in the Education Service as well as from windfall income across the Group. This more than compensated for significant pressures in Imported Food service testing and delays in delivering the savings target transferred into the Group with the Housing Needs service.
11. Social Care & Health are reporting a **net overspend of £344k (£125k adverse movement)** but this included providing £375k towards redundancy costs potentially arising from proposed changes in the structure and delivery of services in the Group. The Social Care & Health position contains significant pressures due to delays in the delivery 2012/13 Supported Housing savings, which have been largely covered by early delivery of other 2013/14 savings.

Progress on 2012/13 Savings

12. Table 3 below sets out the year end position in the delivery of the savings programme for 2012/13. All savings are now classed as blue (delivered in 2012/13) or red (not achieved in 2012/13).

Table 3

Rag Status of Savings (At Outturn)	Administration & Finance	Residents Services	Social Care & Health	Total (At Outturn)	%
Banked (Blue)	-1,836	-7,756	-6,125	-15,717	88.8
On track for delivery (Green)	0	0	0	0	0
Potential significant savings shortfall or a significant or risky project which is at an early stage (Amber)	0	0	0	0	0
Serious problems in the delivery of the saving (Red)	-300	-407	-1,272	-1,979	11.2
Total	-2,136	-8,163	-7,397	-17,696	100.00

13. The end of year position is showing 88.8% as banked, leaving 11.2% of the original savings proposals undelivered. Compensatory measures and early delivery of 2013/14 savings have been sufficient to enable directorate operating budgets to deliver a net underspend for the year. Given the one-off nature of some of the mitigating actions, it will be necessary to ensure these savings are delivered in full during 2013/14, or permanent compensatory savings identified, to avoid budget pressures going forward. Those items shown as red in 2012/13 will therefore continue to be reported upon through the budget monitoring process during 2013/14.

Development & Risk Contingency: £982k overspend (£278k improvement)

14. £16,691k of potential calls on the Development & Risk Contingency were incorporated into the 2012/13 budget. Following decisions by Cabinet to make a number of allocations from contingency reflecting the fact that risks were no longer contingent, the remaining contingency budget is now £14,930k. On the basis of reported outturn positions this report recommends the release of a further £15,912k from 2012/13 contingency to mitigate these pressures within operating budgets.

Table 4

Group	Development and Risk Contingency	2012/13 Budget	Final Drawdown Requested	Variance (+adv / -fav)		
				Variance (As at Outturn)	Variance (As at Month 11)	Change from Month 11
	<i>2012/13 allocations:</i>	£'000	£'000	£'000	£'000	£'000
	Current Commitments:					
All	General Contingency	1,000	1,000	0	0	0
All	Pump Priming for BID Savings	500	500	0	0	0
A&F	Uninsured Claims	400	400	0	0	0
A&F	Schools withdrawal from the HR payroll and OH service	300	300	0	0	0
RS	Impact of HB Changes on Temporary Accommodation	737	737	0	0	0
RS	Waste Disposal Levy	550	665	+115	+207	-92
RS	Additional costs for two year olds	357	234	-123	-163	+40
RS	Development Control Income	500	500	0	0	0
RS	Carbon Reduction Commitment Energy Efficiency Scheme	450	311	-139	-100	-39
RS	Local Development Framework Legal & Consultancy Fees	90	90	0	0	0
RS	SEN Transport	100	873	+773	+718	+55
RS	HS2 Challenge Contingency	200	200	0	0	0
RS	Contingency against Leisure outsourced income streams	480	839	+359	+267	+92
SC&H	Social Care Pressures (Adults')	6,171	6,171	0	0	0
SC&H	Social Care Pressures (Children's)	165	165	0	0	0
SC&H	Increase in Transitional Children due to Demographic Changes	2,742	2,742	0	0	0
SC&H	Potential shortfall in reablement, LD & PD savings targets	500	500	0	0	0
SC&H	Asylum Funding Shortfall	1,449	1,190	-259	+67	-326
RS	Fuel		75	+75	+75	0
RS	Legal Costs (SAS Fire Security)		123	+123	+123	0
RS	Legal Costs (M25 Spur Road CPO)		30	+30	+30	0
RS	Traveller Incursions		0	0	+8	-8
RS	Planning Appeals		28	+28	+28	0
	Original Contingency Allocation	16,691	+17,673	+982	+1,260	-278
	Approved Permanent Allocations:					
SC&H	Social Care Pressures (Children's)	-140	-140	0	0	0
A&F	Schools withdrawal from the HR payroll and OH service	-230	-230	0	0	0
RS	Development Control Income	-500	-500	0	0	0
RS	Contingency against Leisure outsourced income streams	-380	-380	0	0	0
	Approved One-Off Allocations:					
RS	ICT Licenses - Microsoft Migration (General Contingency)	-321	-321	0	0	0
RS	Childrens' Homes Urgent Works (General Contingency)	-190	-190	0	0	0
	Forecast Remaining Contingency	14,930	+15,912	+982	+1,260	-278

15. In addition to the previously approved release of £511k from General Contingency to meet pressures identified during 2012/13, the remaining £489k is to be carried forward to provide a general contingency reserve during 2013/14 over and above the budgeted £1,000k.

16. Although a reduction in levels of waste being delivered in March has led to an improvement of £92k on the Pay as You Throw element of the West London Waste Authority Levy, there remains significant volatility in both waste tonnages and the quality of forecasting information providing by the WLWA.
17. While there has been an adverse movement from Month 11 on SEN Transport due to lower than anticipated recoupment of costs from other Local Authorities, the underlying pressure on this service continues to be linked to both the complexity of individual cases and the need to serve out of borough placements.
18. Further deterioration in pay and play income, alongside further course management pressures, has resulted in the final outturn position on the insourced golf operation being an overspend of £459k against contingency allocation of £100k. If the current low levels of income continue throughout the summer months, this pressure against contingency will continue into 2013/14.
19. The significant improvement reported on the contingency for Asylum is due to a combination of more favourable than anticipated levels of grant income and lower than forecast establishment costs at outturn. Given the on-going discussions with the successor organisation to the UKBA and the inherent uncertainties in the Asylum funding regime, it is unlikely that the underlying cost of this service to the Council Taxpayer will reduce in the medium-term.
20. Further explanation of contingency items and requested drawdowns are contained within appendix A to this report.

Priority Growth: £1,642k underspend (£1,642k improvement)

21. The 2012/13 General Fund budget approved by Council on 23 February 2012 increased the unallocated Priority Growth budget from £1,000k to £1,704k, while maintaining a budget of £800k for HIP Initiatives. Table 5 summarises the position with regards to each element of priority growth.

Table 5

Priority Growth	2012/13 Budget £'000	Agreed draw downs £'000	Unallocated £'000
2012/13 Unallocated Priority Growth at start of the year			
HIP Initiatives Budget:	800		
Communications Projects		7	
Heritage/Civic Pride Projects		321	
Business Improvement Delivery		414	
Balances c/fwd		58	
HIP Initiatives unallocated balance	800	800	0
Unallocated non specific growth	1,704		
Green Spaces (approved October 2012)		50	
Transportation Planning Policy Officer (February 2012)		12	
Balance of unallocated growth	1,704	62	1,642
Total	2,504	862	1,642

22. At outturn, the remaining unallocated HIP Initiatives funding of £58k has been carried forward to support HIP projects during 2013/14 while the unallocated balance on Priority Growth has been released to General Balances and remains available to support future investment.

Corporate Budgets Forecasts: £3,250k underspend (no movement)

23. Table 6 shows budget, forecast and variance reported on corporate budgets as at Month 11.

Table 6

2012/13 Original Budget	Budget Changes	2012/13 Final Revised Budget	Corporate Budgets	2012/13 Outturn	Variances (+ adv/- fav)		
					Variance (As at Outturn)	Variance (As at Month 11)	Change from Month 11
£'000	£'000	£'000		£'000	£'000	£'000	
12,340	-921	11,419	Financing Costs	8,169	-3,250	-3,250	0
950	1,545	2,495	IAS 19 Pension Adjustment	2,495	0	0	0
-35,583	15,373	-20,210	Asset Management A/c	-20,210	0	0	0
10,165	967	11,132	Levies & other corp budgets	11,132	0	0	0
-29,232	0	-29,232	Corporate Govt Grants	-29,232	0	0	0
-41,360	16,964	-24,396	Corporate Budgets	-27,646	-3,250	-3,250	0

24. There has been no movement on Corporate Budgets from the previously reported position, with favourable cash flows and deferral of borrowing in supported on the Primary School Expansion Programme accounting for the underspend of £3,250k on Financing Costs.

B) Capital

Programme Monitoring

25. General Fund capital expenditure for 2012/13 totalled £45,179k from a revised budget of £60,995k, with the variance of £15,816k comprising of £9,829k slippage to be rephased into 2013/14 and £5,987k representing the total net underspend against project budgets. Table 6 below details the financing of this outturn position.

Table 7

2012/13 General Fund Capital Programme	Original Budget	Revised Budget	Forecast Outturn (Month 11)		Outturn Variance	Rephasing into 2013/14	2012/13 Variance
			Forecast Outturn (Month 11)	Actual Outturn			
Prudential Borrowing	37,838	20,475	12,717	7,713	-12,762	6,775	-5,987
Capital Receipts	13,344	6,551	5,831	6,714	163	-163	0
Total Council Resources	51,182	27,026	18,548	14,427	-12,599	6,612	-5,987
Grants	36,077	26,266	23,203	23,856	-2,410	2,410	0
Other Third Party Contributions	3,316	5,009	4,417	4,202	-807	807	0
Revenue Contributions	0	2,694	1,129	2,694	0	0	0
Grand Total	90,575	60,995	47,297	45,179	-15,816	9,829	-5,987

26. The net underspend of £5,987k consists of pressures of £94k on four minor projects, £22k of unapplied contingency funds and £6,081k of Council Resourced underspends.

27. It is proposed that the remaining £9,829k variance be rephased into 2013/14 as the majority of this relates to timing of on-going major projects, including Primary School Expansion works, purchase of vehicles and major highways structural works. This movement represents the change in forecast on General Fund projects since the major rephasing exercise reported to Cabinet in December 2012, which re-phased an additional £43,511k from 2012/13 budgets.

28. 2012/13 capital receipts available to fund General Fund projects totalled £6,714k, which included £31k of proceeds from the sale two vehicles and the remainder on the sale of 8 individual Council Sites. Following the December rephasing exercise, budgeted capital receipts from the sale of surplus sites were £6,551k, generating a favourable variance of £163k.

Housing Revenue Account Capital Programme

29. 2012/13 expenditure on HRA capital projects totalled £2,133k on a revised budget of £3,900k, with the net underspend £1,767k comprising of pressures of £190k on the New Build Pipeline Sites Phase 1 and underspends of £1,957k (works to stock £1,214k and new builds £743k). It is proposed that the underspend on new builds of £357k is re-phased into 2013/14 when these projects are now expected to complete.

Table 8

2012/13 HRA Capital Programme	Original Budget	Revised Budget	Forecast Outturn		Outturn Variance	Rephasing into 2013/14	2012/13 Variance
			(Month 11)	Actual Outturn			
Prudential Borrowing	12,639	665	644	0	-665	357	-308
Capital Receipts	2,064	0	0	743	743	0	743
Total Council Resources	14,703	665	644	743	78	357	435
Grants	820	751	465	120	-631	631	0
Other Third Party Contributions	0	0	0	0	0	0	0
Revenue Contributions	2,400	2,484	1,243	1,270	-1,214	0	-1,214
Grand Total	17,923	3,900	2,352	2,133	-1,767	988	-779

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

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

CORPORATE IMPLICATIONS

Corporate Finance

31. This is a Corporate Finance report.

Legal

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

BACKGROUND PAPERS

33. Previous Budget monitoring reports to Cabinet

Appendix A – Detailed Group Forecasts

Administration & Finance £846k underspend (£2k improvement)

1. Overall for Administration and Finance, the outturn position is an underspend of £847k, which represents an improvement of £2k from month 11.

Services	2012/13 (As at Outturn)		% Var of budget	Variances (+ adv/- fav)		
	Revised Final Budget £'000	Outturn £'000		Variance (As at Outturn) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
Administration	6,953	6,290	10%	-663	-626	-37
Finance	4,932	4,747	4%	-185	-220	35
Total	11,883	11,037	0	-846	-844	-2

Administration - £663k underspend (£37k improvement)

Services		2012/13 (As at Outturn)		% Var of budget	Variances (+ adv/- fav)		
		Revised Final Budget £'000	Outturn £'000		Variance (As at Outturn) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
Administration Directorate	<i>Exp</i>	656	604	-8%	-52	-51	-1
	<i>Inc</i>	-71	-71	0%	0	0	0
	<i>Rechgs</i>	55	55	0%	0	0	0
	Total	640	588	0%	-52	-51	-1
Corporate Communications	<i>Exp</i>	875	804	-8%	-71	-67	-4
	<i>Inc</i>	-103	-107	4%	-4	-1	-3
	<i>Rechgs</i>	-848	-848	0%	0	0	0
	Total	-76	-151	0%	-75	-68	-7
Democratic Services	<i>Exp</i>	3,285	3,252	-1%	-33	-29	-4
	<i>Inc</i>	-805	-880	9%	-75	-80	5
	<i>Rechgs</i>	592	592	0%	0	0	0
	Total	3,072	2,964	0%	-108	-109	1
Human Resources	<i>Exp</i>	3,425	3,308	-3%	-117	-96	-21
	<i>Inc</i>	-785	-791	1%	-6	-9	3
	<i>Rechgs</i>	-2,903	-2,903	0%	0	0	0
	Total	-263	-386	0%	-123	-105	-18
Legal Services	<i>Exp</i>	1,930	1,926	0%	-4	-5	1
	<i>Inc</i>	-557	-572	3%	-15	-10	-5
	<i>Rechgs</i>	-1,789	-1,789	0%	0	0	0
	Total	-416	-435	0%	-19	-15	-4
Policy & Performance	<i>Exp</i>	4,324	4,061	-6%	-263	-256	-7
	<i>Inc</i>	-576	-599	4%	-23	-22	-1
	<i>Rechgs</i>	248	248	0%	0	0	0
	Total	3,996	3,710	0%	-286	-278	-8
Total Expenditure		14,495	13,955	-4%	-540	-504	-36
Total Income		-2,897	-3,020	4%	-123	-122	-1
Total Recharges		-4,645	-4,645	0%	0	0	0
Total		6,953	6,290	10%	-663	-626	-37

Administration Directorate £52k favourable (£1k improvement)

1. The underspend in the service relates exclusively to salaries as a result of changes to the top tier structure of the Council and also the retirement of a PA.

Corporate Communications: £75k favourable (£7k improvement)

2. The overall underspend on the department is mostly as a result of a number of full and part year vacancies throughout the year, which have also covered the cost of one agency member of staff working on the BID programme. Slight improvements on advertising income from Hillingdon People and non salaries costs not incurred have led to the improved position this month.

Democratic Services: £107k favourable (£2k adverse movement)

3. The majority of the underspend this year relates to an overachievement of income within the Registrars service, this was identified earlier in the year and targets have been increased as part of the MTF 2013/14. The movement this month is a result of slight shortfall in the previously forecast amount of income received.

Human Resources: £123k favourable (£18k improvement)

4. The overall underspend is as a result of the implementation of the Senior tier restructure and the Business partner model, the full year effect of savings from which have been taken through the 13/14 MTF process. The movement this month relates to underspends within the Learning and Development budgets.

Legal Services: £20k favourable (£5k improvement)

5. Overachievement of income has resulted in the underspend position for the year. Underspends on salaries, including maternity posts not being covered through agency have enabled for an Managed Vacancy Factor of £67k to be covered.

Policy, Performance and Partnerships: £286k favourable (£8k improvement)

6. There is an underspend on salaries due to the in-year effect of the BSU restructure that has resulted in 2 vacant posts and the part year effect of various vacant posts in the Performance and Intelligence team, for which recruitment is in progress. Recharges to other departments agreed this month for employees working on BID and Housing areas have led to the slight improvement this month.

Finance - £185k underspend (£35k adverse movement)

Services		2012/13 (As at Outturn)		% Var of budget	Variances (+ adv/- fav)		
		Revised Final Budget	Outturn		Variance (As at Outturn)	Variance (As at Month 11)	Change from Month 11
		£'000	£'000		£'000	£'000	£'000
Audit & Corporate Fraud	<i>Exp</i>	1,238	1,312	6%	74	76	-2
	<i>Inc</i>	0	-14	0%	-14	-13	-1
	<i>Rechgs</i>	-1,238	-1,238	0%	0	0	0
	Total	0	60	0%	60	63	-3
Finance	<i>Exp</i>	9,087	9,375	3%	288	282	6
	<i>Inc</i>	-2,977	-3,175	7%	-198	-203	5
	<i>Rechgs</i>	-3,778	-3,778	0%	0	0	0
	Total	2,332	2,422	0%	90	79	11
Procurement	<i>Exp</i>	760	846	11%	86	83	3
	<i>Inc</i>	-45	-47	3%	-2	-2	0
	<i>Rechgs</i>	-771	-771	0%	0	0	0
	Total	-56	28	0%	84	81	3
Commissioning	<i>Exp</i>	1,415	1,344	-5%	-71	-67	-4
	<i>Inc</i>	-299	-314	5%	-15	-15	0
	<i>Rechgs</i>	-1,190	-1,190	0%	0	0	0
	Total	-74	-160	0%	-86	-82	-4
Housing Benefit	<i>Exp</i>	169,756	169,700	0%	-56	-76	20
	<i>Inc</i>	-168,442	-168,719	0%	-277	-285	8
	<i>Rechgs</i>	1,416	1,416	0%	0	0	0
	Total	2,730	2,397	0%	-333	-361	28
Total Expenditure		182,256	182,577	0%	321	298	23
Total Income		-171,763	-172,269	0%	-506	-518	12
Total Recharges		-5,561	-5,561	0%	0	0	0
Finance Total		4,932	4,747	4%	-185	-220	35

Audit and Corporate Fraud: £60k pressure (£3k improvement)

1. The staffing changes within the team have led to the overspend position this year as interim agency costs and redundancy costs have been incurred.

Finance: £90k pressure (£11k adverse movement)

2. This overspend is as a result of additional staffing resources required in the Revenues team for the implementation of Council Tax localisation and provision for redundancy costs as a result of the Finance and Revenues restructures.

Procurement: £84k pressure (£3k adverse movement)

3. The overspend within the service relates primarily to the costs of consultancy and agency staff who are covering posts while the new structure of the department is being implemented. This structure will be implemented in Q1 of 2013/14 and these costs will then reduce as permanent staff are recruited.

Commissioning: £86k underspend (£4k improvement)

4. The underspend is made up of vacant posts being held open within the service, underspends on consultancy budgets and unbudgeted income from the London Strategic Health Authority.

Housing Benefit: £333k favourable (£361k improvement)

5. The bulk of the underspend relates to the in year release of provision relating to the Housing Benefit subsidy grant, which has been sufficient to off-set in 2012/13 non-delivery of the £300k savings target originally intended to be delivered through subsidy budgets. The majority of costs of the Housing Benefit Reception refurbishment have been covered from existing underspends, allowing grants to be carried forward to pay for the increased costs expected as a result of the implementation of changes to the Benefit system.

Residents Services

Revenue: £1,019k underspend (£69k improvement)

1. The Group had an outturn position of a £1,019k underspend, excluding pressure areas that have identified contingency provisions.

Services		2012/13 (Outturn)		% Var of budget	Variances (+ adv/- fav)		
		Final Budget	Actual Outturn		Outturn Variance	Variance (As at Month 11)	Change from Month 11
		£'000	£'000		£'000	£'000	£'000
Corporate Property & Construction	<i>Exp</i>	3,703	4,541	23%	838	171	667
	<i>Rech</i>	-894	-894	0%	0	0	0
	<i>Inc</i>	-2,313	-2,854	23%	-541	15	-556
	Total	497	794	60%	297	186	111
Education	<i>Exp</i>	193,351	192,593	0%	-758	-1,234	476
	<i>Rech</i>	-351	-351	0%	0	0	0
	<i>Inc</i>	-170,106	-170,673	0%	-567	-26	-541
	Total	22,894	21,569	-6%	-1,325	-1,260	-65
Housing (General Fund)	<i>Exp</i>	17,043	15,131	-11%	-1,912	-1,947	35
	<i>Rech</i>	-499	-499	0%	0	0	0
	<i>Inc</i>	-10,531	-8,318	-21%	2,213	2,239	-26
	Total	6,012	6,313	5%	301	292	9
ICT Highways & Business Services	<i>Exp</i>	50,597	50,337	-1%	-260	32	-292
	<i>Rech</i>	-19,759	-19,759	0%	0	0	0
	<i>Inc</i>	-12,173	-12,127	0%	46	-35	81
	Total	18,665	18,451	-1%	-214	-3	-211
Planning Sport & Green Spaces	<i>Exp</i>	13,786	14,467	14%	681	131	550
	<i>Rech</i>	-185	-185	0%	0	0	0
	<i>Inc</i>	-4,651	-5,372	42%	-721	-236	-485
	Total	8,950	8,910	0%	-40	-105	65
Public Safety & Environment	<i>Exp</i>	51,504	50,750	-2%	-754	-140	-614
	<i>Rech</i>	-3,596	-3,596	0%	0	0	0
	<i>Inc</i>	-19,376	-18,595	-6%	781	130	651
	Total	28,531	28,558	0%	27	-10	37
Transportation Planning Policy & Community Engagement	<i>Exp</i>	4,093	4,015	-2%	-78	-50	-28
	<i>Rech</i>	0	0	0%	0	0	0
	<i>Inc</i>	-4,485	-4,472	0%	13	0	13
	Total	-392	-457	17%	-65	-50	-15
Total Expenditure		334,077	331,834	0%	-2,243	-3,037	794
Total Recharges		-25,284	-25,284	0%	0	0	0
Total Income		-223,635	-222,411	0%	1224	2,087	-863
Residents Services Total		85,158	84,139	-1%	-1,019	-950	-69

Contingency Items: Gross Pressure £3,825k (£48k adverse)

2. The Council's 2012/13 contingency budget contained provision for areas of expenditure or income for which there is a greater degree of uncertainty. The net position after the application of the contingency is shown in the table below.

Contingency Item	Gross Pressure Outturn	Gross Pressure Month 11	Change from Month 11	Contingency Allocation	Net Pressure
	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)
Impact of Housing Benefit Changes on Temporary Accommodation	737	737	0	737	0
Waste Disposal Levy	665	757	-92	550	+115
Carbon Reduction Commitment	311	350	-39	450	-139
Additional Costs for 2 Year Olds	234	194	+40	357	-123
HS2 Challenge Contingency	200	200	0	200	0
Contingency Against Leisure Outsourced Income Streams	459	367	+92	100	+359
SEN Transport	873	818	+55	100	+773
Local Development Framework	90	90	0	90	0
Fuel	75	75	0	0	+75
Traveller Incursions	0	8	-8	0	0
Planning Appeals	28	28	0	0	+28
Legal Costs (SAS Fire Security)	123	123	0	0	+123
Legal Costs (M25 Spur Road CPO)	30	30	0	0	+30
Residents Services – Total	3,825	3,777	48	2,584	1,241

3. The contingency to cover the impact of changes in Housing Benefit on temporary accommodation was required in full. This contingency relates to the impact of the migration of temporary accommodation leases to rates linked to the Local Housing Allowance, and is not directly linked to the increase in demands on the Housing Needs service that has also lead to pressures in the current year.
4. The final tonnage data on the 'pay as you throw' (PAYT) waste disposal levy from the West London Waste Authority (WLWA) confirmed that the £550k budgeted contingency provision was not sufficient. After a significant adverse movement in the WLWA financial position emerged earlier this year, WLWA eventually served a supplementary levy on the constituent Boroughs for which Hillingdon's share was £620k. This has been treated as an exceptional item; however there is a further pressure on the PAYT tonnages. For Hillingdon this relates to an increasing proportion of tonnage being sent to landfill than assumed when the levy was set, as WLWA diversion schemes have either been cancelled or not met original expectations. This has been exacerbated by an underlying increase in tonnages, errors in the WLWA PAYT rates, and erroneous seasonal profiling of the monthly PAYT payments by WLWA. The outturn variance on the contingency was £115k, an improvement of £92k compared to Month 11 due to the level of tonnages delivered in March being at the more favourable end of the range of possible outcomes.
5. The Carbon Reduction Commitment contingency is for the estimated costs for the requirement to purchase allowances for each tonne of carbon produced by the Council, the overall required allowances of £311k included the reduction in actual allowances purchased for 2011/12 reported to Cabinet in September 2012, and a further reduced provision for allowances applicable to 2012/13. It also includes the £250k budget for allowances for schools that has been provided for in the schools budget.
6. The outturn call on contingency to cover increased provision of childcare to disadvantaged two year olds under the free entitlement, which is funded from the increased allocation within

the Early Intervention Grant, was £234k, an adverse movement of £40k compared to Month 11.

7. The HS2 contingency is part of a joint fighting fund with 18 other authorities. The actual expenditure against this contingency was £71k, with the balance of £129k being carried forward as an earmarked reserve.
8. 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. An interim operational budget has been established for the service that assumes that a small surplus of £20k before overheads and capital charges is delivered, representing a saving against the contingency held for leisure.
9. The outturn position against this operational budget reflects a significant shortfall against the interim income targets. This reflects a number of variations. Due to the exceptionally wet weather during April to July playing conditions were not ideal and this has impacted upon income levels. The pay and play and associated income was £360k below target, and there was a shortfall against membership income of £35k. There was also a pressure on course management and maintenance budgets of £227k, reflecting short-term hire costs of equipment, utilities and course renovation works, an adverse movement of £53k compared to Month 11. This was offset by the staffing costs being £102k under budget, and an ongoing saving on the business rates liability of £41k as a result of a successful appeal by the former operator. The final outturn position on Golf was an adverse variance of £479k.
10. The £459k deficit on the in-house operation described above is the only call on the remaining leisure contingency of £100k, an adverse movement of £92k compared to Month 11.
11. Special Educational Needs (SEN) Transport is an area that has seen significant pressure in the last financial year. The outturn pressure on this budget was £873k, an adverse movement of £55k compared to Month 11, due mainly to a reduction in recoupment income compared to previous forecasts. The overall pressure mainly reflects the increased costs of delivering home to school transport for out-of-borough placements and children with more complex needs. There has been a net increase in contracted routes operated of 23 routes (10.7% increase) compared to April 2012. However, the cost of delivering the current route requirements also increased by around 16% since the beginning of the autumn term. This reflects the increased need to provide transport to out-of-borough placements requiring greater distances travelled, as well as an increased number of children requiring individual transport due to more complex needs.
12. The outturn position on the fuel budget was a pressure of £75k at the bulk purchase price of £1.15 per litre.
13. Across the group £8k had been spent on actions to prevent traveller incursions, however this was funded from the HIP Initiatives Budget and is not therefore a contingency call at year end.
14. Planning appeals costs of £24k were incurred on the appeal hearings for the Gutteridge Farm application, plus £4k of legal costs relating to other appeals.
15. The Council took a long-running trading standards case to court, for which legal costs in terms of Counsel's fees and disbursements were £123k.
16. The Head of Legal Services incurred costs of £30k to pursue claims relating to the compulsory purchase of land used for the M25 spur road to Heathrow Terminal 5.

Corporate Property & Construction: £297k overspend (£111k adverse)

17. A zero based budgeting exercise has been performed on business rates budgets across the group, resulting in a £74k underspend, as a result of the inclusion of rates underspends on commercial property due to lower than forecast vacant properties.
18. There was an outturn shortfall in the capitalisation of Corporate Construction staff of £191k, an adverse movement of £111k compared to Month 11, due to the impact of long-term sickness costs and work undertaken where the project management element was not capitalised. The overall staffing costs were £713k greater than budgeted, largely reflecting additional project management and surveying resources engaged to deliver Phase 2 of the Primary Schools Capital Programme, with corresponding favourable variations on the income budgets to reflect the recharging of these costs to capital projects.
19. The costs of meeting an interim wants of repair schedule served by the head landlord of Warnford Industrial Estate resulted in an outturn pressure of £62k, after having successfully challenged part of the landlord's original assessment. This was offset by an underspend of £76k in corporate property, £60k of which reflected the early delivery of savings from the review of discretionary budgets included in the 2013/14 budget.
20. The service also managed the financial risk over the recovery of costs associated with the disposal of assets that generated capital receipts. This reflects the outturn level of capital receipts in the capital programme monitoring section of the report, and there was a shortfall on costs of £26k, an improvement of £129k compared to Month 11, due to disposals that completed on last working day of the financial year.

Education: £1,325k underspend (£65k improvement)

Schools: variance not applicable

21. The Schools Budget is ringfenced 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 (£126.7 million), with the remainder (£23.2 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.
22. The outturn movement on the DSG central reserve carried forward for 2012/13 is summarised in the following table:

Schools Retained Budget Movements	Final Budget (£000s)	Outturn Variance (£000s)	Forecast Variance Month 11 (£000s)	Change from Month 11 (£000s)
Opening Balance 1 April 2012	-	-226	-226	0
DSG Income	-149,876	+69	+495	-426
Delegated to Schools	126,685	+494	-1,180	+1,674
Centrally Retained	23,191	-1,046	+538	-1,584
In-Year Movement	0	-483	-147	-336
Closing Balance 31 March 2013	-	-709	-373	-336

23. There was an overall outturn underspend of £483k against the DSG central reserve, an improvement of £336k compared to Month 11. Within this there was a net underspend of £1,046k against the centrally retained budget due to an outturn pressure on Special Educational Needs (SEN) spend at independent special schools of £1,451k, where there have been increased numbers of children being placed from September 2012, offset by underspends across a range of other budgets. These include the release of unspent contingencies (£1,600k), within which is an underspend of £1,170k due to the impact of the closure of Guru Nank primary school as a maintained school, SEN support (£194k), education out of school (£428k), increased recoupment income (£200k), and other underspends of £75k across a range of headings.
24. There was an overspend of £494k on schools delegated budgets, where the actual funded pupil numbers differ from the projected pupil numbers used to set the budget primarily due to the exclusion of the primary and nursery pupil numbers at Rosedale College from the final DSG calculation. In addition, there was an income shortfall of £69k due to backdated payments from the 16-19 Teachers Pay Grant.

General Fund: £1,325k underspend (£65k improvement)

25. The Education service identified measures to fully deliver the 2012/13 £800k saving target set on the basis that reduced responsibilities remain with the Council following the transfer of schools to Academy status, plus £305k towards the further savings required for 2013/14, an improvement of £55k compared to Month 11.
26. In addition, there were outturn underspends arising from vacant posts in parts of the service, the major variations being in the educational psychology, parent support service and the youth service, and in overall terms representing an improvement of £65k compared to Month 11. In addition to the impact of staff turnover, posts were held vacant in some areas given the need to identify further savings for the 2013/14 budget and whilst BID reviews were undertaken.
27. A review of discretionary expenditure budgets across the service identified underspends of £219k. In addition, there is an outturn underspend on schools redundancy costs of £103k, and additional buy-back of services from schools of £42k.
28. There was an outturn underspend of £270k on Children's Centres due to the service being yet to reach full operational capacity, resulting in reduced staffing and running costs.
29. There was an outturn pressure on staffing budgets in the Adult Education service, due to greater than budgeted provision of subsidised courses, so that there was an overspend on sessional tutors of £85k. This was offset by additional income of £100k relating to the 2011/12 academic year grant.

Housing: £301k overspend (£9k adverse)

Housing (General Fund): £301k overspend (£9k adverse)

30. There was an outturn overspend of £301k on Housing (General Fund) budgets. The Housing budget includes an MTF savings item from bringing the outlying HRA offices into the Civic Centre. For 2012/13 there was a shortfall on the £500k savings target of £240k.
31. As previously reported, an increase in the number of homelessness approaches to the Council as a result of welfare reform and the economic climate is now being seen. This additional workload is having an impact on bed and breakfast costs, where there was a pressure of £121k, an adverse movement of £51k compared to Month 11. This was partly offset by one-off energy credits for private sector leasing schemes of £18k, an improvement in the bad debt provision for homelessness of £36k, and a salaries underspend of £6k, reducing

the pressure on the Housing Needs budget overall to £61k. The increase in demand is expected to continue in 2013/14 given the anticipated impact of welfare reforms. Mitigating the potential pressure, especially in bed and breakfast, will at least in part depend on the ability to procure temporary accommodation properties.

Housing Revenue Account: £5,127k underspend (£1,598k adverse)

32. The Housing Revenue Account (HRA) had an in-year outturn underspend of £5,127k as shown in the table below. Despite a headline adverse movement of £1,598k compared to Month 11, the underlying position improved by £1,902k. However this has been offset by an additional contribution towards debt repayment of £3.5m, which effectively reduces the overall HRA debt by this same amount. The service delivered an MTFE saving of £229k. These savings reflect changes in the delivery of the service consistent with the BID programme enabling the service to deliver to the same level of quality as before.

Services		Final Budget (£000s)	Actual Outturn (£000s)	% Var of budget	Outturn Variance (£000s)	Variance (As at Month 11) (£000s)	Change from Month 11 (£000s)
Housing Maintenance	Exp	27,639	22,836	-17%	-4,803	-3,990	-813
Housing Management	Exp	34,543	35,583	3%	1,040	-1,639	+2,679
Rent & Other Income	Inc	-63,855	-65,219	-2%	-1,364	-1,096	-268
In Year (Surplus) / Deficit	Total	-1,673	-6,800		-5,127	-6,725	+1,598

33. There was an outturn underspend on the housing maintenance budget of £4,803k, a favourable movement of £813k compared to Month 11. The main items for the overall underspend related to slippage on several of the works to stock programmes, including the window replacement programme, adaptations on Council properties and the lift programme. This slippage has arisen mainly as a result of a major procurement review within this area to ensure that contracts provide maximum value to the Council.

34. The outturn position for the housing management budget has been affected by the contribution towards debt repayment, offsetting an underlying favourable position to show a net adverse variance of £1,040k. The debt contribution will have long-term favourable impacts through reducing overall debt, which both improves the overall HRA borrowing capacity by the same amount, and reduces the ongoing debt costs. The overall underspend reflect savings from closure of outlying HRA offices, reduced insurance costs, and improvement in bad debt provisions.

35. The income budget has an overall favourable outturn variance of £1,364k, an improvement of £268k compared to Month 11. Within the context of an overall income budget of £63.8 million this overall variance amounts to just over 2%.

ICT Highways & Business Services: £214k underspend (£211k improvement)

36. There is an outturn pressure of £345k on maintenance budgets for day to day repairs for both the Civic Centre and outstations around the borough, an adverse movement of £195k compared to Month 11 reflecting continued maintenance requirements across the Council estate and that these works were not part of the capital programme.

37. A restructure of the Facilities Management service delivered a £41k saving this financial year, which has a full year effect feeding into the budgeted savings for 2013/14.

38. There was an outturn underspend of £29k on postage costs, reflecting work across the Council to reduce the use of external mail services.

39. The significant risks around the outdoor advertising income target meant that it was flagged as 'red' in the savings tracker, with a pressure against the overall target of £100k, no change compared to Month 11.
40. The fleet management service was in a transitional position as the vehicle replacement programme took effect. The outturn position was a net overspend of £39k, an improvement of £67k compared to Month 11. The service has actively been managing down maintenance costs as older vehicles are replaced. However in this interim period there were pressures on contract hire and leased vehicles due to short-term arrangements being put in place while replacement vehicles were procured
41. There is an underspend on salaries budgets across the division of £79k, due to posts being held vacant pending further restructures, as part of the ongoing BID work.
42. There was also an underspend of £45k on Ordnance Survey mapping charges which have been covered this financial year directly by the Government, an improvement of £5k compared to Month 11.
43. In the highways and street scene services, income from the London Common Permit Scheme exceeded the target set by £369k, an improvement of £234k compared to Month 11 due to a reduction in the level of income that should be carried forward. There was an outturn underspend of £25k on winter maintenance and £69k on street lighting. The latter mainly due to energy credits received during the year. There was also reduced turnover of £306k on signage and contractual items recharged to capital projects and externally funded schemes due to the rephasing of these programmes.

Planning Sport & Green Spaces: £40k underspend (£65k adverse)

44. The outturn position for Development Control income was an excess over the income target of £198k. The position this year was significantly boosted by one-off Council-led applications for school expansions through the Primary Schools Capital Programme.
45. Pre-application advice income from developers showed an outturn pressure of £43k, reflecting continuing weak demand for major applications other than for very large sites where the trend is towards funding this advice through planning performance agreements (gift funding). £168k of gift funding was used during the year, and was fully committed to the additional temporary staff engaged by the service to deliver these agreements.
46. The outturn pressure on building control was £80k, driven by the budgeted over-recovery of fee income compared to the costs of processing building control applications under the cost recovery model, which is ringfenced to the service.
47. There was an outturn underspend of £45k on centrally held leisure budgets for consultancy and clothing. These were included in the budgeted savings for 2013/14 arising from the review of discretionary budgets.
48. There was an outturn overspend of £80k on green spaces, reflecting contract costs during the interim period up to the establishment of the in-house grounds maintenance service from January 2013.

Public Safety & Environment: £27k overspend (£37k adverse)

49. There was an outturn shortfall of £177k on off-street parking income which is attributable to Cedars and Grainges multi-storey car parks in Uxbridge town centre.
50. The Parking Revenue Account had an in-year overspend of £28k, due to pressures on income from Penalty Charges Notices, an improvement of £117k compared to Month 11, due to the continuing impact of tight controls over expenditure.
51. There was a staffing underspend of £165k in Technical Administration and Business Support, an improvement of £75k compared to Month 11, as the impact of restructuring in these support services took effect. In addition, there was an underspend across the division of £67k on training, printing and stationery costs that are also included in budgeted savings for 2013/14.
52. Waste Services had an £80k net outturn underspend. There was a pressure of £47k on the New Years Green Lane Civic Amenity site as a result of the refurbishment works, whilst Trade Waste and Graffiti services returned underspends of £98k and £29k respectively to offset this pressure.
53. Within the Public Protection service there was a staffing pressure of £46k reflecting delays in delivering the savings from the risk-based assessment project. There was a net pressure of £144k on the imported food service. Income targets for this service were exceeded by £77k, mainly due to strong imports of seasonal fruit and vegetables, however the costs of testing these products was overspent by £221k, with a significant acceleration of costs towards the end of the financial year due to changes in the sampling requirements specified by the European Union for these products. If this continues into the new year there could be continuing challenges in meeting the financial targets set for the service. Elsewhere in the service Licensing income exceeded the income targets set by £33k and during the year responsibility for the Health Control Unit was passed to the Health Protection Agency resulting in reduced externally funded expenditure of £1,695k.
54. There was a net shortfall of income compared to expenditure of £34k on the environmental enforcement pilot project, mainly due to contractual issues, offset by a £29k underspend on staffing budgets within the Community Safety service.

Transportation Planning Policy and Community Engagement: £65k underspend (£15k improvement)

55. The service had a £60k favourable outturn position due to the impact of vacant posts across the service. This included the part-year effect of the restructure of the town centres and community engagement teams into a single team.

Social Care and Health Services

Revenue: £344k overspend (£125k adverse)

1. Social Care & Health are reporting a net overspend of £344k (£125k adverse movement) after drawdown from contingency, which includes provision of £375k towards redundancy costs potentially arising from changes in the structure and delivery of services. The position contains significant pressures due to delays in the Supported Housing build programme, which have been covered during the current year by early delivery of 2013/14 savings.
2. The net pressure in Adult services of £1,388k (prior to £500k of contingency being applied) is primarily due to slippage in the Supported Housing programme which has been estimated at £1,500k and resulted in clients not being able to move from Residential placements to supported living placements. This has been offset by strong management controls across the whole service.

Services		2012/13 (As at Outturn)		% Var of budget	Variances (+ adv/- fav)		
		Final Revised Budget £'000	Forecast £'000		Variance (As at Outturn) £'000	Variance (As at Month 11) £000	Change from Month 11 £000
Children & Families Services	<i>Exp</i>	+30,938	+30,584	-1%	-354	-351	-3
	<i>Inc</i>	-3,381	-3,254	-4%	+127	+275	-149
	Total	+27,557	+27,330	-1%	-227	-76	-151
Asylum Services	<i>Exp</i>	+8,061	+8,061	0%	-0	+0	-0
	<i>Inc</i>	-6,715	-6,715	0%	+0	+0	+0
	Total	+1,345	+1,345	0%	+0	+0	-0
Older Peoples Services	<i>Exp</i>	+33,589	+35,317	5%	+1,728	+1,613	+115
	<i>Inc</i>	-7,677	-9,193	20%	-1,516	-1,426	-91
	Total	+25,913	+26,124	1%	+212	+188	+24
Physical & Sensory Disability Services	<i>Exp</i>	+8,475	+9,125	8%	+649	+679	-29
	<i>Inc</i>	-587	-812	38%	-225	-225	+0
	Total	+7,888	+8,313	5%	+425	+454	-29
Learning Disability Services	<i>Exp</i>	+27,946	+28,900	3%	+954	+842	+112
	<i>Inc</i>	-4,036	-4,165	3%	-130	-98	-31
	Total	+23,910	+24,734	3%	+824	+743	+81
Mental Health Services	<i>Exp</i>	+5,860	+5,468	-7%	-391	-303	-88
	<i>Inc</i>	-394	-364	-8%	+30	-25	+55
	Total	+5,466	+5,105	-7%	-361	-328	-33
SCH&H Other Services	<i>Exp</i>	+7,778	+9,008	16%	+1,230	+1,273	-42
	<i>Inc</i>	-1,332	-3,466	160%	-2,133	-2,129	-5
	Total	+6,446	+5,542	-14%	-903	-856	-47
Total Expenditure		+122,646	+126,462	24%	+3,816	+3,752	+64
Total Income		-24,121	-27,969	210%	-3,847	-3,627	-221
SC&H Sub Total		+98,525	+98,494	-12%	-31	+125	-157
Redundancy Provision		0	+375	n/a	+375	0	+375
SC&H Total		+98,525	+98,869	0%	+344	+125	+218

3. The draft outturn assumes the draw down of contingency as shown in the table immediately below.

Division of Service	Gross Pressure Outturn	Contingency	Net Pressure
Current Commitments:			
Asylum Funding Shortfall	+1,190	+1,449	-259
Social Care Pressures (Children's)	+165	+165	0
Social Care Pressures (Adults)	+6,171	+6,171	0
Increase in Transitional Children due to Demographic Changes	+2,742	+2,742	0
Potential shortfall in reablement, LD & PD savings targets	+500	+500	0
Original Contingency Allocation	+10,768	+11,027	-259
Approved Allocations:			
Social Care Pressures (Children's)		-140	
Remaining Contingency Allocation		+10,887	

4. The call down on contingency is £326k less than the previous forecast of £67k due to a favourable movement in the provision for Asylum; the reasons for which are reported below.

MTFF Savings

5. The group has delivered savings of £6,125k (83%) against the target of £7,397k. The shortfall of £1,272k results from the BID children's services business support review (£255k), review of LD Day Services (£311k), and Supported Housing (referred to below). With these exceptions the remainder of the programme has been delivered representing major changes in service delivery for the group.
6. The Supported Housing capital programme has for a number of reasons slipped from its original timetable; the revenue impact of this slippage in 2012/13 has been estimated at £1.5m (£803k 2011/12 savings and £706k 2012/13 savings). The MTFF did allow for £0.5m contingency for Social Care demographics and this has been allocated to Learning Disability where the pressure is greatest.

Children Services: £227k favourable (£151k favourable)

7. The favourable outturn position of £227k on a gross budget for this service of £30.9m is due primarily to the difficulties the service is currently experiencing with recruitment to Children services. Although the staffing budget was underspent by £485k this has been offset primarily by additional legal costs (£124k) and pressures relating to looked after children (£65k). The favourable movement from the Month 11 position is due to a favourable movement in the staffing forecast of £160k due to a reduction in agency staff coupled with start dates for permanent staff being later than originally forecast.
8. The service includes an MTFF saving target of £1,968k which has been delivered; the £1,673k placements saving being the most significant. The MTFF savings strategy from April 2011 is to retain, recruit and increase the number of in-house Foster placements thereby reducing reliance on the independent foster agencies (IFA). This has been very successful to date resulting in the proportion of IFA's reducing from 63% to 49%. Since this strategy started there has been a net increase in the number of in-house foster families from 74 to 81 enabling the proportion of placements with in-house foster parents to also increase from 37% to 51%. It is this successful approach which has enabled the service to reduce the spend on IFA's from £6,713k in 2010/11 to £4,508k in 2012/13, thus contributing towards £1,988k saving target.

Asylum: Nil Variance (no change)

9. An adverse pressure on contingency had been flagged in previous Cabinet reports of £67k based on analysis of the Q1 and Q2 claims to UKBA which showed a higher rate of rejection than experienced previously. The forecast assumed this would be repeated for Q3 and Q4. In the event these two claims were more favourable than anticipated and resulted in additional UKBA grant income of £140k over that previously forecast. In line with mainstream children services the staffing forecast has reduced by £115k as the service has also experienced difficulties in recruitment. There has also been a £70k favourable movement in accommodation costs.
10. The Department is in ongoing discussion with UKBA on specific LBH matters with regard to the funding shortfall. As a result representations have been made to the UKBA regarding the ongoing financial support LBH receive from the 'Gateway' grant. In addition the council has been engaging with the three other most affected councils to lobby the UKBA on areas of joint interest. As a result Officers from the four most affected councils have met with UKBA officials regarding a replacement 'Gateway' agreement; the current agreement finishes on 31st March 2014.

Older People Services: £212k adverse (£24k adverse)

11. There has been no material movement from the Month 11 forecast on a gross budget for this service of £33.6m which has delivered the MTFF saving of £1,985k. The gross budget for placements and community support services is £26.4m.
12. The adverse outturn position of £212k is primarily due to a £277k pressure in community services which support people to live in their own homes.
13. There continues to be robust management scrutiny of residential and nursing placement requests and full application of the benefits of the TeleCareLine service and Reablement. These actions have been instrumental in enabling the total number of new placements in 2012/13 reducing to 310 compared with 505 in the previous year. As a result the number of Older People Care placements at the end of March is 490 compared with 639 at April 2011.

Physical Disabilities: £425k adverse (£29k favourable)

14. There has been no material movement from the Month 11 forecast on a gross budget for this service of £8.5m which has delivered an MTFF saving of £442k against the target of £517k. The £75k slippage is due to the reasons outlined under MTFF Savings above. The gross budget for placements and community support services is £7,128k. The forecast for the remainder of this service is currently on budget.
15. The adverse outturn position of £425k is due to the increase in demand for services for people with complex long term conditions and unavailability of supported accommodation. The 2012/13 budget was based on an estimated need to provide 2,094 placement weeks but due to the build programme slippage the service needed to provide for 3,275 placement weeks. This additional pressure was offset by an underspend on community services resulting in a net pressure of £389k across this part of the service.

Learning Disability: £824k adverse (£81k adverse)

16. The adverse outturn position of £824k on a gross budget for this service of £27.9m assumes that £500k can be drawn down from the Contingency held for this purpose mitigating the pressure from £1,324k to £824k as reported.

17. This adverse outturn is due to the delays in the Supported Housing programme (£942k) for the reasons outlined under MTFF Savings above, coupled with delays in re-providing day service provision (£475k) due to the Judicial Review challenge which has now been successfully resolved. The gross budget for placements and community support services is £24,696k. The 2012/13 budget was based on an estimated need to provide 10,454 placement weeks but due to the slippage the service needed to provide for 11,984 placement weeks. This additional pressure was offset by an underspend on community services resulting in a net pressure of £630k across this part of the service.
18. There has been a £81k adverse movement from the Month 11 forecast due to a number of small movements across various budgets.

Mental Health: £361k favourable (£33k favourable)

19. The favourable outturn position of £361k on a gross budget for this service of £5.9m is due to the successful partnership work with the Central & North West London Trust (CNWL). Through this partnership approach and within a joint placements efficiency project the service has delivered £339k savings in 2012/13; the full year effect of £370k has been factored into revenue budgets from 2013/14.
20. There has been no material movement from the Month 11 forecast on a gross budget for this service of £5.9m which has delivered the MTFF saving of £500k. The gross budget for placements and community support services is £3,038k.

SC&H Other Services: £903k favourable (£47k favourable)

21. The favourable outturn position of £903k on a gross budget of £7.8m is primarily due to successful renegotiation of contracts relating to the delivery of housing related support (£720k). TeleCareLine service has fully delivered its objectives and satisfied all assessed need the outcome has resulted in less equipment (£182k) being required than was expected.
22. There has been no material movement from the Month 11 forecast on a gross budget for this service of £7.8m which has delivered the MTFF saving of £1,465k.

APPENDIX B – Annual Treasury Report 2012/13

1. Summary

This report summaries the Council's treasury management activities during 2012/13 and presents details of capital financing, borrowing, debt management and investment transactions alongside an outturn position.

During the year the imbalance between the rates paid on investments and borrowing remained, leading to a continued cost of carry for any funds borrowed but not drawn upon. As a result the Council maintained a policy of utilising internal balances and no new borrowing was taken to fund capital expenditure. The Council's loan portfolio has one of the lowest average rates in London at 3.0%, whilst the sustained downward pressure on gilt yields made the premature repayment of debt cost prohibitive. The portfolio was reduced by £10.3m with debt that matured naturally leaving a balance at year end of £346.5m. (General Fund £93.4m, HRA £253.1m). With interest rates remaining low the strategy of holding a proportion of variable rate debt proved successful as a hedge against the fixed element. The total interest paid over the year totalled £10.5m (GF £3.1m, HRA £7.4m)

Economic growth continued to prove illusive leading the Bank of England to hold base rate fast at 0.5%. Further government stimulus packages such as the Funding for Lending Scheme were introduced to increase liquidity but also a contributory cause for short term money market rates remaining very low. This subdued investment income with returns for the year yielding just 0.66% (0.85% 2011/12). However, by incorporating a mix of short and longer term deposits, interest income totalled £774k (£815k in 2011/12). This favourable outturn was largely due to maintaining high balances as a result of rephasing within the Capital Programme and higher than expected capital receipts.

At the start of the financial year there were unpaid deposits with Icelandic banks; Heritable (£4.8m) and Landsbanki (£3.5m). The administrators of Heritable issued dividends during the year totalling £1.4m leaving a balance of £3.4m. Total dividends received for Heritable now equate to 77% of the claim value. The administrators of Landsbanki issued a dividend this year totalling £0.9m, which is 18% of the claim value, leaving a balance outstanding of £2.6m at the end of March.

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 31/3/2012 £m	New Borrowing £m	Debt Maturing £m	Debt Prematurely Repaid £m	Balance on 31/3/2013 £m	Average Rate %
CFR	417.96				408.00	
GF Loans						
PWLB Fixed Rate Maturity	54.60	-	3.00	-	51.60	3.66
PWLB Fixed Rate EIP	18.61	-	2.28		16.33	3.10
Market Fixed Rate	15.00	-	-	-	15.00	4.28
PWLB Variable Rate EIP	12.00	-	1.50	-	10.50	0.75
Temporary Borrowing	0.00	-	-	-	0.00	0.00
Total GF Loans	100.21	0.00	6.78	0.00	93.43	3.28
HRA Loans						
PWLB Fixed Rate Maturity	98.57	-	-	-	98.57	3.56
PWLB Fixed Rate EIP	85.00	-	3.50	-	81.50	2.75
Market Fixed Rate	33.00	-	-	-	33.00	4.03
PWLB Variable Rate Maturity	40.00	-	-	-	40.00	0.62
PWLB Variable Rate EIP	0.00	-	-	-	0.00	0.00
Temporary Borrowing	0.00	-	-	-	0.00	0.00
Total HRA Loans	256.57	0.00	3.50	0.00	253.07	2.89
Total Loans	356.78	0.00	10.28	0.00	346.50	3.00
Other Long Term Liabilities	3.12		0.49		2.63	
Total External Debt	359.90		10.77		349.13	

The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR) which, as at 31/3/2013, was £408m (31/3/2012 £417m). The Council's borrowing requirement (the difference between the CFR and total physical borrowing) was £58.5m. This amount represents the level of internal borrowing, primarily supported by the Council's own reserves.

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 in 2012/13 was 2.47% with £40m of variable rate loans at a rate between 0.54% and 0.62%. In addition, £3.5m of principal was repaid with another £7.7m set aside for future principal repayment or towards financing future capital schemes.

This, coupled with unusually low capital spend in 2012/13 within the HRA resulted in its CFR falling by £10.8m. Under the current borrowing cap regime this amount represents additional available headroom for potential borrowing. The borrowing capacity of the HRA is now £57m before the cap is breached.

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 2012/13. 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 £10.5m, avoiding interest costs of £1.755m that would have been incurred otherwise.

3. Investment Activity

The table below shows investment balances on 31st March 2013, which historically tends to be the lowest level of balances during the financial year due to lower Council Tax and NNDR receipts during March.

Investments	Balance on 31/3/2012 £m	Balance on 31/03/2013 £m
Call Accounts	0.00	30.70
Money Market Funds	26.20	30.10
Short Term Investments	45.00	25.60
Long Term Investments	0.00	0.00
Investment Default	8.50	6.00
Total Investments	79.70	92.40
Average Rate	0.85%	0.66%

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 2012/13. Investments during the year included deposits with the Debt Management Office, Local Authorities, investments in AAA-rated Constant Net Asset Value Money Market Funds and deposits, both instant access and fixed term with Banks and Building Societies systematically important to the UK banking system.

Credit Risk: Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A- across all three rating agencies, Fitch, Standard & Poor's 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 0.66%

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 deposits with Icelandic Banks

At the beginning of 2012/13 the Council had unpaid deposits of £4.8m with Heritable Bank and £3.5m with Landsbanki Islands. During the year three dividends were received from the administrators of Heritable; 3.79% in April, 2.85% in July, 2.72% in January, totalling £1.4m. Total dividends received for Heritable at the end of March equated to 77% of the claim value and predictions of an 88% recovery rate still remain the best estimate, although there are significant prospects of this figure being revised upwards.

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 is now 100%. During the year Landsbanki issued dividends totalling £0.91m, representing 18% 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.

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 2012/13, set in February 2012 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	100.00
Upper Limit for Variable Rate exposure	50	(55.47)

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 31/3/2013 (£m)	Percentage of total as at 31/3/2013
under 12 months	25	0	10.28	2.97%
12 months and within 24 months	25	0	9.28	2.68%
24 months and within 5 years	50	0	36.83	10.63%
5 years and within 10 years	75	0	105.44	30.43%
10 years and within 20 years	100	0	54.00	15.58%
20 years and within 30 years	100	0	54.07	15.60%
30 years and within 40 years	100	0	0.0	0.0%
40 years and within 50 years	100	0	28.60	8.25%
50 years and above	100	0	48.00	13.86%

For 2012/13 the total principal sums invested for periods longer than 364 days was set at £50m and during the year there were no fixed term deposits placed for >364 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 2012/13

1 Estimated and Actual Capital Expenditure

Prudential Indicator	2012/13	2012/13
Capital Expenditure	Estimated £m	Outturn £m
Non-HRA	87.3	43.7
HRA	17.9	5.2
Total	105.2	48.9

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

Prudential Indicator	2012/13	2012/13
Ratio of Financing Costs to Net Revenue Stream	Estimated %	Outturn %
Non-HRA	4.00%	3.66%
HRA	15.23%	26.08%
Total	9.07%	8.34%

3 Capital Financing Requirement

Prudential Indicator	Estimated (£m)	Outturn (£m)
CFR	31/03/12	31/03/12
Non-HRA	191.2	163.1
HRA	268.0	245.3
Total	429.7	408.4

The Council had no difficulty meeting its CFR in 2012/13. On both General Fund & Housing Revenue Account there has been significant rephasing of projects to be funded from borrowing into 2013/14, accounting for the reduction in capital expenditure & CFR for 2012/13.

4 Actual External Debt

Actual External Debt as at 31/03/2013	£m
Borrowing	346.50
Other Long-term Liabilities	2.63
Total	349.13

5 Incremental Impact of Capital Investment Decisions

Incremental Impact of Capital Investment Decisions	2012/13 (£)
Increase in Band D Council tax	9.35
Increase in average weekly housing rents	0.00

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. Any increases in borrowing costs will be contained within existing HRA budgets.

There was no increase in Hillingdon's Council Tax for 2012/13, with any additional borrowing costs being supported through savings and efficiencies.