

COUNCIL BUDGET - MONTH 6 2009/10

REVENUE AND CAPITAL MONITORING

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

HEADLINE INFORMATION

Purpose of report	<p>The report sets out the council's overall 2009/10 revenue & capital position, as forecast at the end of Month 6 (September).</p> <p>The in year revenue position on normal activities is forecast as being £795k less net expenditure than budgeted, a favourable movement of £82k on the month 5 position. This favourable movement is primarily due to favourable client trends in the Mental Health service. There is an exceptional pressure of £1,830k related to asylum funding which has not changed from the month 5 position. To help mitigate these pressures the £1m in-year savings programme was put in place. The net consequence to date is the overall revenue position forecast is £35k more net expenditure than the revised budget, a favourable movement of £82k on month 5.</p> <p>Total forecast capital expenditure for the year is estimated to be £83,432k, which is £20,390k less than the latest budget and £5,275k less than that forecast in month 5.</p>
Contribution to our plans and strategies	Achieving value for money is an important element of the Council Plan for 2009/10.
Financial Cost	N/A
Relevant Policy Overview Committee	Corporate Services and Partnerships
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. Note the forecast budget position for revenue and capital as at Month 6.
2. Note the treasury management update in Appendix B.
3. Note the external funding update in Appendix C
4. Approves the use of S106 for Ruislip High School and the virement of this budget from Education & Children's Services to Major Construction Projects.

INFORMATION

Reasons for Recommendations

1. The reason for the monitoring recommendation is to ensure the Council achieves its budgetary objectives. The report informs Cabinet of the latest forecast revenue and capital position for the current year 2009/10.

Alternative options considered

2. There are no other options proposed for consideration.

SUMMARY

A) Revenue

3. The in year revenue position on normal activities is forecast as being £795k less net expenditure than budgeted, a favourable movement of £82k on the month 5 position. The main reason for the favourable movement is due to an increased favourable trend in the Mental Health services. However, there is still an exceptional pressure of £1,830k related to asylum funding which has not changed from the month 5 position.
4. In light of the forecast pressure in relation to asylum, all Groups have been working up an in-year savings strategy to achieve a further £1m in savings on top of those already agreed at Council Tax setting. The cash limits for Groups were reduced by £1m and they are reporting against these lower cash limits.
5. The overall revenue position taking account of the exceptional asylum pressure and the £1m in-year savings programme is £35k more net expenditure than budgeted, a favourable movement of £82k on month 5.
6. The most significant pressures for which contingency provides are in relation to Asylum spend, Transitional Children, Homelessness and Mental Health pressures. All of these have corporate contingencies set aside in budget setting in recognition of these pressures. However, at Month 6 the pressures are forecast to be £1,415k more than the contingency budget provides. This is primarily due to the forecast asylum spend being £1,830k more than the contingency provides. This has arisen from the proposed moderation of the under 18's claim, and a newly announced change to the indirect cost model for grant claims, creating a significant budget pressure rather than an overall improvement in the funding regime assumed at budget setting.
7. There continue to be pressures from the downturn particularly in relation to the property market and the effect this has on planning, building control and land charges income. These are treated as contingency items and at Month 6 show an adverse variance of £108k, a small favourable movement of £2k on month 5.
8. Capital financing costs are still forecast to underspend by £120k as a result of debt refinancing work undertaken since the start of the year.
9. The balances brought forward at 31st March 2009 were £16,234k. £3,540k of this sum was applied in support of the 2009/10 budget as part of the budget strategy agreed at Council Tax setting. An additional £694k in excess of the £12,000k target level of balances is earmarked for potential business efficiency investment.
10. The forecast balances as at 31st March 2010 based on the current forecast overspend of £35k are £11,965k.

B) Capital

11. Total forecast capital expenditure for the year is estimated to be £83,432k (£88,647k month 5), £20,390k less than the latest budget. This month's reduction is primarily due to the rephasing of projects into 2010/11. The projections also assume that the remainder of contingency will not be drawn down.
12. The £8,800k budgeted level of capital receipts for 2009/10 looks increasingly difficult to deliver. There are a range of outcomes still possible but receipts are now forecast to be at least £4,500k, an increase of £1,000k on month 5.
13. The net effect of the reduction in forecast capital receipts and slippage on the programme is a decrease in the forecast use of unsupported borrowing of £3,260k, from £30,351k to £27,091k. The supported borrowing forecast has decreased by £5,669k from £9,176k to £3,507k.

A) Revenue

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

Table 1

2009/10 Original Budget	Budget Changes		2009/10 (As at Month 6)		Variances (+ adv/- fav)		
			Current Budget	Forecast	Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
			£'000	£'000	£'000	£'000	£'000
217,419	-1,103	Directorates Budgets on normal activities	216,316	215,641	-675	-593	-82
-25,844	103	Corporate Budgets on normal activities	-25,741	-25,861	-120	-120	0
191,575	-1,000	Sub-total Normal Activities	190,575	189,780	-795	-713	-82
1,210		Exceptional Items - Asylum	1,210	3,040	+1,830	+1,830	0
	1,000	In-year recovery savings	1,000		-1,000	-1,000	0
191,575	0	Total net expenditure	192,785	192,820	+35	+117	-82
189,245	0	Budget Requirement	189,245	189,245	0	0	0
3,540		Net total	3,540	3,575	+35	+117	-82
-16,234		Balances b/f 1/4/09	-16,234	-16,234	0	0	0
0		Transfer to earmarked reserves	694	694	0	0	0
-12,694	0	Balances c/f 31/3/10	-12,000	-11,965	+35	+117	-82

Directorates' Forecast Expenditure Month 6

15. Table 2 shows further details on the budget, forecast and variance at Directorate level now reported. Further detail on each directorate is shown in Appendix A.

Table 2

2009/10 Original Budget	Budget changes	2009/10 Current Budget (as at Month 6)	Directorate	2009/10 Forecast (as at Month 6)	Variances (+ adv/- fav)		
					Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
£'000	£'000	£'000		£'000	£'000	£'000	£'000
84,879	-815	84,064	Adult Social Care, Health & Housing	83,994	-70	+10	-80
37,274	-376	36,898	Environment & Consumer Protection	36,898	0	0	0
57,577	-830	56,747	Education & Children's Services	56,747	0	0	0
13,810	-290	13,520	Planning & Community Services	13,520	0	0	0
15,179	1,653	16,832	Central Services	16,832	0	0	0
6,900	-40	6,860	Developments Contingency	6,445	-415	-413	-2
0	0	0	Pay Award	-190	-190	-190	0
1,800	-405	1,395	Growth to be allocated	1,395	0	0	0
217,419	-1,103	216,316	Sub-Total	215,641	-675	-593	-82
			Exceptional items:				
1210	0	1,210	Exceptional pressure: Asylum funding	3,040	+1,830	+1,830	0
0	1000	1,000	In-year savings	0	-1,000	-1,000	0
1,210	1,000	2,210	Sub-Total	3,040	+830	+830	0
218,629	-103	218,526	Total	218,681	+155	+237	-82

16. **Adult Social Care, Health & Housing** are projecting **an underspend £70k** as at Month 6.

There is still a pressure on Mental Health Services (£240k) but this has improved by £51k this month due to clarification of client costs with the PCT. However there is a favourable variance in the Learning disability service of £387k reflecting care packages for new and transitional clients starting later. This forecast excludes sums for which contingency provides for Transitional Children (£1,675k), Mental Health Services (£450k) and Homelessness (£1,300k).

17. **Environment & Consumer Protection** are forecasting a **nil variance** as at Month 6 after identifying recovery savings to contain pressures. There is a pressure of £95k in the Street Cleansing service and residual costs and loss of economies of scale on Harlington Road Depot (£169k) net of actions being taken to reduce costs. Savings are still identified in Waste Disposal (£50k), Trade waste (£40k) and Off-Street Car parking (£80k) to offset the amount of recovery plan savings needed. This forecast excludes the additional amount for the Waste Disposal Levy (£720k), Waste and Recycling services (£200k) and Vehicle Fuel costs (£85k) which are contingency items, where the forecasts are in line with the original budgeted amounts.

18. **Education & Children's Services** are forecasting a **nil variance** as at Month 6 on normal activities. £688k out of the £913k previously unallocated recovery savings have now been applied to the individual service areas. The E&CS position excludes the pressure on asylum (£2,465k) and Exhausted All Appeal cases (£575k) which are being treated as contingency items. The Month 6 forecast for asylum represents a pressure of £1,830k on the contingency budget assumptions.
19. **Planning & Community Services** are projecting a **nil variance** as at Month 6 on normal activities and pressures are expected to be managed within services. However this excludes pressures on Development Control (£382k), Building Control (£148k) and Land Charges (£751k) income and Golf (£262k) for which contingency provides. In total there is currently a forecast pressure of £108k on these contingency funded items.
20. **Central Services** are forecasting a **nil variance** as at Month 6. There are pressures totalling £397k including Democratic Services (£82k), Human Resources (£118k), an ongoing pressure of £164k on income streams from commercial properties, a shortfall of £40k on income from schools buy back of Facilities Management services and a pressure of £15k due to maintaining and keeping secure surplus properties prior to their disposal. Recovery savings (£168k) have been allocated to services since Month 5.
21. **Pay award:** The 2009/10 budget was based on an assumed pay award of 1.5%. Of that, 0.3% was utilised to fund the late additional award for 2008/09, leaving a balance of 1.2%. Employers settled on 1% which results in an underspend of around £190k.

Development & Risk Contingency: £1,415k pressure (£2k favourable)

22. £8,110k of potential calls on the Development & Risk Contingency were identified as part of the budget setting process for 2009/10, £7,320k is held in the base budget and £790k is to be met from balances. Table 3 shows the amounts that have been allocated or committed as at Month 6.

Table 3

Development and Risk Contingency	2009/10 Budget	Agreed	Forecast as needed	Variance (+adv / - fav)
<i>2009/10 allocations:</i>	£'000	£'000	£'000	£'000
Total net contingency at start of the year	8,110			
Allocations approved				
Christmas Lights Fund for Town Centres	0	30	30	30
Commitments:				
General Contingency	500		0	-500
Increase in Transitional Children due to Demographic Changes	1,675		1,675	0
Increase in Mental Health Packages due to Demographic Changes	450		450	0
Homelessness Budget - Reduction in DWP Funding	1,050		1,300	250
Asylum non-EAA monitoring pressure	660		2,465	1,805
Asylum Exhausted All Appeals	550		575	25
Waste Disposal Levy	720		732	12
Cost Pressures on Recycling Service	200		200	0
Vehicle Fuel Monitoring Pressure	85		60	-25
Local Land Charges Income	715		751	36
Development Control Income	350		382	32
Building Control Income	108		148	40
Golf Courses Income	262		262	0
Uninsured claims	450		450	0
Legal Challenges	120		40	-80
Civic Centre Energy Monitoring Pressure	100		0	-100
Provision for Planning Inquiries	75		0	-75
Joint Appointment of Director of Public Health	40		5	-35
Total net contingency	8,110		+9,525	+1,415

23. A large proportion of the total contingency is expected to be required in full and the pressure on asylum in particular has resulted in an overall pressure of £1,415k on the contingency budget. If the asylum pressure were excluded there would be an underspend of £415k on contingency.

24. The forecast asylum spend is still £3,040k in excess of base budget provision within Children's Services. This is £1,830k in excess of the net sum for which contingency provides (£1,210k). The pressure on the non EAA element of Asylum (£2,465k) comprises a pressure on over 18's due to the ongoing demand for service and the continued under-funding by the Government and a pressure on under 18's due to the moderation of the special circumstances claim. The current forecast in Exhausted all Appeals cases (£575k) represents an adverse variance of £25k.

25. Within ASCH&H the contingency items in relation to Transitional Children and Mental Health are forecast to be needed in full at this early stage of the year. The pressure on the

Homelessness contingency budget due to a reduction in DWP funding (£1,050k) is now expected to exceed this by £250k due to inflation on Private Sector Landlord rents and capped housing benefit.

26. Pressures related to the economic downturn which were highlighted in 2008/09 as exceptional items are in 2009/10 budgeted within contingency. However, as at Month 6 they are projected as being £108k more than provided within contingency. Development control income is forecast as a gross pressure of £382k, £32k in excess of that provided for within contingency. The main area of pressure is due to the limited number of major applications, however this is a volatile area and given the scale of the fees the position could change during the year. Land charge income has moved to a cost recovery basis due to a change in regulations enacted in December 2008 and current projections show a pressure on contingency of £40k. The forecast for building control income is a gross pressure of £148k, £40k above that provided for within contingency based on a reduction in income of 10% from the same period in 2008/09.
27. A sum of £85k has also been included in the contingency to cover fuel pressures. At month 6 it is forecast that £60k will be needed.
28. In addition it is forecast that £450k will be required from contingency for uninsured claims, £200k for the Recycling service and £262k for Golf income.

Priority Growth: Nil variance (No change)

29. £1,500k was included in the 2009/10 budget for priority growth of which £800k was for HIP Initiatives new growth and the continuation of schemes developed in 2008/09 including Hillingdon First and recycling pilots developed through the Waste and Energy project. In addition there is £700k of unallocated non specific growth.
30. Table 4 summarises the position with regards to each element of priority growth.

Table 4

Priority Growth	2009/10 Budget	Agreed draw downs	Commitments	Unallocated
<i>2009/10 Unallocated Priority Growth at start of the year</i>	£'000	£'000	£'000	£'000
HIP Initiatives New budget:	500			490
Agreed:				
Angling amenities		10		
Civic pride		17		
Organisation People & Performance - PADA Audit work		6		
Corporate finance		65		
Communications		54		
Heritage - Works of art & Stained glass window		11		
Customer Experience - Hillingdon First		77		-77
Waste and energy	300	22	278	0
HIP Initiatives unallocated balance	800	262	278	260
Unallocated non specific growth	700			700
Balance of unallocated growth	700	0	0	700
Total	1,500	262	278	960

31. HIP Steering group have approved £262k of allocations so far this year the detail of which is set out in table 4. In addition there are pressures of £278k forecast in Waste associated with recycling initiatives. If it transpires that E&CP cannot absorb these costs within existing budgets there could be a potential request for funding from HIP contingency.
32. October HIP Steering Group agreed to release £5k for the stained glass window at St. Mary's Church in Harmondsworth.
33. There is also a commitment of up to £100k not included in the table above, for the two town centre pilot wireless schemes, to be approved once the final costings have been agreed.
34. As at Month 6 there is an estimated £260k remaining from the HIP initiatives budget, and £700k of unallocated non-specific priority growth budget. The Month 6 forecast assumes that the balance of unallocated growth will be spent.

Corporate Budgets' Forecasts: £120k favourable (No change)

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

Table 5

2009/10 Original Budget	Budget Changes	2009/10 Current Budget (as at Month 6)	Corporate Budgets	2009/10 Forecast Outturn (as at Month 6)	Variances (+ adv/- fav)		
					Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-1,892	115	-1,777	Unallocated savings	-1,777	0	0	0
9,026	18	9,044	Financing Costs	8,924	-120	-120	0
			FRS 17 Pension				
3,690	0	3,690	Adjustment	3,690	0	0	0
			Asset Management				
-24,703	0	-24,703	A/c	-24,703	0	0	0
-11,965	-13	-11,978	Corporate Govt Grants	-11,978	0	0	0
-25,844	120	-25,724	Corporate Budgets	-25,844	-120	-120	-120

36. Debt financing costs are now forecast to be underspent by around £120k due to debt refinancing work undertaken since the start of the year. The six month report on treasury management activity is attached at Appendix B.

B) Capital

Background

37. A budget of £88,195k was set by council in February 2009 which was revised to £94,806k following the amendments to budgets, as a result of the final outturn in 2008/9.

38. The revised budget for September 2009 is now £103,822k (£103,762k month 5). The increase in this month's budget is due additional grant for the Botwell Multi Use Games Area, additional TfL Grant and a decrease due to the rephasing of the Schools Kitchen Programme grant monies that the Council will receive which is a two year grant.

Current Year Expenditure

39. Table 6 shows the actual spend to date and the projected outturn for 2009/10.

Table 6

Groups	Original Budget	Revised Budget	Capital Spend Month 6	Actual Spend % of Revised Budget	Forecast outturn (Month 6)	Variance
	£'000	£'000	£'000	%	£'000	£'000
Adult Social Care, Health & Housing	3,715	6,590	2,502	38%	5,709	-881
Environment & Consumer Protection	8,193	8,706	2,995	34%	9,041	+335
Education & Children's Services	23,613	29,232	5,467	19%	18,432	-10,800
Planning & Community Services	2,351	2,711	383	14%	2,328	-383
Finance & Resources	2,576	2,898	701	24%	2,606	-292
Deputy Chief Executive	2,125	1,925	300	16%	1,925	0
Major Construction Projects	29,181	34,785	13,502	39%	31,473	-3,312
Group Total	71,754	86,847	25,850	30%	71,514	-15,333
Recovery from Contingency					-1,306	-1,306
Programme Contingency	3,196	3,196	0	0%	956	-2,240
Contingency	1,500	1,472	0	0%	350	-1,122
Contingency Total	4,696	4,668	0	0%	0	-4,668
HRA	11,745	12,307	3,652	30%	11,918	-389
Total	88,195	103,822	29,502	28%	83,432	-20,390

40. A summary of the programme for the Major Construction Projects is shown below as this has a direct bearing on the budgets above:

MCP Group	Original Budget	Revised Budget	Capital Spend Month 6	Actual Spend % of Revised Budget	Forecast outturn 2009/10	Var 2009/10	Forecast outturn 2010/11	Var Total
	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000
Planning & Community Services Projects	17,682	19,207	9,510	50%	19,419	+212	+742	+954
Education & Children's Projects	9,884	13,963	3,992	29%	11,644	-2,319	+4,127	+561
Finance and Resources Projects	15	15	0	0%	10	-5	0	-5
Environment Projects	1,600	1,600	0	0%	400	-1,200	+3,800	+2,600
MCP Group Total	29,181	34,785	13,502	39%	31,473	-3,312	+8,669	+4,110

41. The overall Capital Programme budget is projecting an underspend of £20,390k as at Month 6 (£15,115k month 5), an increase of £5,275k on Month 5 reported projections. This is detailed in table 6.
42. Actual spend to date is £29,502k, which equates to 28% of the programme. This is an increase of 8% from month 5, however this spend trend is slightly distorted as the schools report quarterly.
43. There are a number of schemes currently forecasting a potential overspend. These potential overspends total £2,200k a reduction from £2,700k reported in month 5. This reduction relates to a number of these pressures being anticipated to occur in 2010/11.
44. A large proportion of these overspends £1,630k are schemes that are not fully funded through Council resources e.g. TFL, Schools, S106 etc. In addition where possible Council funded scheme overspends will be funded by virement from other parts of the capital programme within the Group concerned. After taking these factors into account the remaining potential pressure on contingency is around £570k. Further work will be undertaken to refine the pressure and identify options to fund.

Current Year Financing

45. Table 7 shows the financing of both the budget and the expected outturn.

Table 7

2009/10	Unsupported	Capital Receipts	Supported	Grants	HRA (inc MRA)	Section 106 and other contributions	Total Capital Programme
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revised budget 2009/10	30,351	8,800	9,176	39,296	10,406	5,793	103,822
Outturn 2009/10	27,091	4,500	3,507	34,725	10,166	3,443	83,432

46. The level of unsupported borrowing forecast as at month 6 is £27,091k (£29,431k month 5), a decrease of £3,260k on the original budget. The supported borrowing forecast has decreased by £5,669k from £9,176k to £3,507k. This is primarily due to delays in schemes progressing and forecasts of expenditure occurring in 2010/11.
47. The £8,800k budgeted level of General Fund capital receipts for 2009/10 will not now be delivered in full due to market conditions. However, receipts of £4,500k are now projected, an improvement of £1,000k on month 5.

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

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

CORPORATE IMPLICATIONS

Corporate Finance

49. This is a Corporate Finance report.

Legal

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

BACKGROUND PAPERS

51. Monitoring report submissions from Groups.

APPENDIX A – Detailed Group Forecasts

Adult Social Care, Health and Housing (ASCH&H)

Revenue: **£70k favourable (£80k favourable)**

1. The ASCH&H budgets are predominantly demand led and affected by demographic trends requiring robust and positive management. The pattern of demand for the current year is indicating pressures first identified in the latter part of last year across a range of service areas, most notably Mental Health although this pressure has slightly reduced. The Month 6 report is showing a marginally favourable variance of £70k reflecting a favourable movement of £80k from the Month 5 position. The overall position for ASCH&H is set out in the table below.

Division of Service	Forecast Variance Month 6 £'000	Forecast Variance Month 5 £000	Change from Month 5 £000
Older Peoples Services	0	0	0
Physical & Sensory Disability Services	0	0	0
Learning Disability Services	-387	-387	0
Mental Health Services	+240	+291	-51
Housing Benefits	0	0	0
Housing Need Services	0	0	0
ASCH&H Other Services	+77	+106	-29
ASCH&H - Total	-70	+10	-80

Older People Services: Nil variance (No change)

2. This service is managing a gross budget of £41.7m, received £170k of unavoidable growth, £38k of growth; and a savings target of £1.1m as part of the 2009/10 budget setting process.
3. The service continues to manage underlying pressures from an increased demand for Nursing care and additional costs incurred in arranging alternative residential and nursing placements which have resulted from concerns about the quality of care delivered by one provider.

Physical Disabilities: Nil variance (No change)

4. This service is managing a gross budget of £10.1m, and has a savings target of £100k as part of the 2009/10 budget setting process.
5. This service is currently forecasting outturn to be on budget.

Learning Disability: £387k favourable (No change)

6. This service is managing a gross budget of £31.5m, received £935k of unavoidable growth; and a savings target of £100k as part of the 2009/10 budget setting process.
7. The favourable movement first reported in Month 4 has shown a continuing favourable trend which the Month 6 forecast reflects. In the context of a gross spend of £31.5m and residential care packages that average £60k per annum and can be double this figure in extreme cases, this movement is accepted as being within tolerance.

Mental Health: £240k adverse (£51k improvement)

8. This service is managing a gross budget of £5.3m, received £208k of unavoidable growth; and a savings target of £25k as part of the 2009/10 budget setting process.
9. The forecast shows a favourable movement of £51k from the Month 5 position primarily due to a high cost placement ending sooner than previously expected. The forecast also assumes that the £450k corporate contingency held for Mental Health Services is received reducing the gross pressure from £690k to £240k reported in this forecast.

Housing Benefits: Nil variance (No change)

10. The service is managing a gross budget of over £138m and at this stage is forecasting to be on budget. However, as reported previously this budget is experiencing pressure as a result of increased benefit uptake. Benefit applications within the privately rented accommodation area is showing increases of 23%. This is now establishing a pattern which will result in a pressure of over £300k. A nil variance is being reported as additional one-off admin grant funding and other compensating actions available to the service, which are being actively pursued, should mitigate the pressure.

Housing Need Services: Nil variance (No change)

11. This service is managing a gross budget of £39m and received £550k of unavoidable growth as part of the 2009/10 budget setting process; this budget line includes Homelessness.
12. The budget is continuing to experience considerable pressure and, as reported last month, a number of measures identified to contain the pressures are to date being successful in reducing the pressure to just over £170k. This mitigating action needs to be maintained in order to further reduce pressures on this budget. The underlying pressure remains around the level reported in recent months and officers are continuing to focus staffing efforts to contain this adverse pressure. A nil forecast is being reported as a result of the intensive management action to contain the overall expenditure within budget. However, as reported previously, efforts to contain this pressure is putting at risk the council's ability to achieve the government's 2010 temporary accommodation target.
13. The forecast assumes that the £1.3m corporate contingency held for Homelessness is received.

Other ASCH&H Services: £77k adverse (£29k improvement)

14. An improvement of £29k is due to a reduced community equipment forecast. This is offset by a £90k adverse variance on Careline for works costing £90k to switchover of the existing equipment from an analogue to a digital signal for which the Council has no discretion. Although forecast as an overspend Officers continue to work at containing this spend within existing budgets if possible. There is also an adverse variance of £14k for the Colne Park caravan site, which has resulted from legal costs associated with an Anti Social Behaviour Order (ASBO).

Housing HRA

15. The HRA has a gross budget of £48.8m. The forecast for Month 6 shows an overall favourable variance of £505k, which represents a marginal adverse movement of £35k as set out in the table below:

Division of Service	Forecast Variance Month 6 £'000	Forecast Variance Month 5 £000	Change from Month 5 £000
HH Ltd: General and Special Services	+125	0	+125
HH Ltd: Repairs Services	0	0	0
LBH: General and Special Services	-54	-5	-49
LBH: Repairs Services	+52	0	+52
Other Expenditure	-312	-312	0
Income	-316	-221	-95
In Year (Surplus) / Deficit	-505	-538	+33

Hillingdon Homes: £125k adverse (£125k adverse)

16. Hillingdon Homes are reporting an adverse variance of £125k as a result of costs associated with encouraging tenants that were under occupying larger properties to move into smaller properties to allow other tenants suffering overcrowding to move into the vacated larger properties. In addition as reported last month, Hillingdon Homes are also experiencing further pressures from higher utility costs and increased insurance costs and officers are examining possible actions for containing these pressures. However, it may be necessary to review the budget in the near future.

LBH General and Special Services: £54k favourable (£49k improvement)

17. The LBH General and Special Services forecast has improved largely as a result of reduced charges from water companies and other smaller improvements.

Other Expenditure: £312k favourable (No change)

18. As reported last month the overall variance has primarily resulted from reduced projections for capital spending from revenue. This includes work at the Coaxden Day Centre, and continuing delays in the hostels programme.

Income: £316k favourable (£80k improvement)

19. There is a relatively small favourable improvement of £80k in the income forecast as a result of a likely reduction in bad debt provision which is due to continuing good performance in rent collection performance.

Environment and Consumer Protection (E&CP)

Revenue: Nil Variance (No change)

1. At month 6, the Group is continuing to forecast a nil variance. The forecast variances are expressed net of any contingency provisions, which are detailed within the report.

	Forecast Variance Month 6	Forecast Variance Month 5	Change from Month 5
Division of Service	£'000	£'000	£'000
Street Cleansing	+95	+95	0
Harlington Road Depot	+169	+169	0
Waste Disposal	-50	-50	0
Trade & Clinical Waste net	-40	-40	0
Off Street Parking Income	-80	-80	0
Recovery Plan Savings	-94	-94	0
E&CP - Total	0	0	0

Contingent Items

2. The Council's 2009/10 contingent budget contains sums relating to the Waste Disposal Levy and cost pressures on Recycling Services and Vehicle Fuel which impact on the ECP Group position. West London Waste have set the 2009/10 levy and this utilises the full amount of the contingency with a minor adverse variance of £12k. The Borough's recycling activity continues to exceed base budgeted levels, and the position forecasts full use of the contingency. The bulk diesel purchase prices continues to show an upward trend but remains volatile and potential contingency usage of £60k continues to be assumed at the half-year point.

	Gross Pressure Month 6	Gross Pressure Month 5	Change from Month 5	Contingency	Net Pressure
Division of Service	£'000	£'000	£'000	£'000	£'000
Waste Disposal Levy	732	732	0	720	+12
Recycling Services	200	200	0	200	0
Vehicle Fuel	60	60	0	85	-25
E&CP - Total	992	992	0	1,005	-13

Street Cleansing: £95k adverse (No change)

3. The net forecast pressure across Street Cleansing services relates to activity required to maintain service standards. The group are continuing to examine options and undertake actions to reduce this pressure without impacting on service levels.

Public Conveniences: Nil variance (No change)

4. A balanced position is currently forecast. Management action is being undertaken to minimise the one-off demolition and installation costs for the units. There will also be some running costs savings from delays in commissioning the units that can offset these costs.

Waste Services: £90k underspend (No change)

5. **Recycling Costs:** The overall pressure on Recycling is forecast to be £502k. The major elements of the variance relate to Gate Fees and recycling bags, reflecting a continuing improvement in recycling performance across both Household and composting recycling. This position allows for the continuation of new initiatives that were implemented during 2008/09, for Estates Based recycling, the Blue Sky scheme, Specialist collections and Battery Bank. The forecast position makes some allowance for expected seasonal variations in the income and expenditure profiles. Income and rebates has been reasonably buoyant in the first half of the year, but prices for some recycling streams are extremely volatile and will be closely monitored over the remainder of the year, given their potential impact on the overall position. There is £200k available in the contingency for Waste & recycling cost pressures that can partially offset this position.
6. **Waste Disposal:** The gross pressure of £732k reflects that the increase in the 2009/10 waste levy that has now been confirmed by West London Waste Authority (WLWA) and is currently held in contingency. If this is released the current forecast for this area is a variance of £12k. The Section 52(9) budget has been reset as part of the 2009/10 levy setting. The trends in tonnages are susceptible to many variables and highly seasonal, and this position will be closely monitored as the year progresses. September tonnages showed an increase from the August levels - which is an expected seasonal variation – but in overall terms tonnages remain below 2009/10 levels. It is therefore still expected that the Section 52(9) budget will show an underspend of at least £50k. The reduction in landfill tonnages also means that WLWA are now indicating that they can stay within the Landfill Allowance Trading Scheme (LATS) allowances for 2009/10, and therefore avoid any potential penalties that would ultimately be apportioned to the constituent Boroughs.
7. **Trade Waste:** The position remains a £70k favourable variance due to overachievement of income. As price increases are linked to the Landfill Tax accelerator the level of business coming to the Council is beginning to show signs of reducing, however the economic downturn may also have impacted. The levels of aged debt position continue to be closely monitored. The overachievement on this service has been reduced by the forecast pressure on Clinical Waste, giving a net position of £40k favourable.
8. **Civic Amenity Sites:** A nil variance is forecast across this service area. The position on this service area will continue to be closely monitored in line with variations in activity.
9. **Clinical Waste:** The collection and disposal of Clinical waste from resident's homes has to date been undertaken by Hillingdon Primary the Care Trust (HPCT). All associated costs of the service have also been covered by HPCT. However recently the Council have been approached by the Trust and asked to take responsibility for delivering this service. This can be required as the Environmental Protection Act 1990 clearly places the responsibility for such collection on the local authority. The other West London boroughs are already providing this service.
10. The details of the service provision are still under discussion with the PCT, however based on the client data provided to date the potential pressure from taking responsibility for this service will be £30k for 2009/10, based on half year provision. If client numbers change the costs will vary accordingly.

Harlington Road Depot: £169k adverse (No change)

11. The pressure on the depot chiefly relates to a reduction in the intensity of usage, with 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. Options to mitigate the pressures through space rationalisation and potentially letting space to external

contractors currently working with the Council, continue to be pursued and implemented. The reported position makes an assumption that this work will make savings in 2009/10, however this will be subject to the timing of implementing such changes and any one-off costs that may be incurred.

Off-Street Parking: £80K favourable (No change)

12. The favourable movement represents a forecast improvement in the position on Season Ticket income, based on a revision to the capital financing arrangements for the Car Parks Improvements capital project, which has now been released from moratorium.

Recovery Plan Savings: £92k underspend (No change)

13. Management action continues to be undertaken across the group to address the residual pressure and the recovery savings already identified have been factored into the relevant services position.

Vehicle Fuel Pressure – contingency item: £25k underspend (No change)

14. The bulk diesel purchase price has averaged 84.75 pence per litre for the first half of 2009/10. The prices remain higher than at the end of 2008/09 when they dropped back to 79 pence per litre. Following the fuel price duty increase in September prices are now at the highest level since this time last year. The price has continued to rise since the duty increase and the current purchase price stands at 88.4 pence per litre. The Freight Transport Association data continues to indicate a steady increase across the remainder of the financial year and beyond.

15. On the basis of the continuing upward trend in prices it is not proposed to adjust the position reported at month 5, which forecast that £60k of the £85k contingency sum would be required. However, given the volatility of this area, a close focus on trends in the market will continue to be undertaken, alongside any fluctuations in usage. The impact on prices of oil based/dependent materials also continues to be closely monitored.

Education and Children Services (E&CS)

Revenue: Nil variance (No change)

1. The Group is projecting a nil variance as at Month 6 for the 2009/10 financial year.
2. Previously reported unallocated savings of £688k out of £913k has been applied to the individual areas where the savings were identified through management action implemented as reported in the previous month.
3. This excludes the overall pressure on asylum funding and the cost of exhausted all appeals cases which are reported under exceptional items elsewhere in this report.
4. The projected variances at Month 6 are summarised in the following table:

Division of Service	Forecast Variance Month 6 £'000	Forecast Variance Month 5 £'000	Change from Month 5 £'000
Schools	0	0	0
Director & Youth Services	0	-31	+31
Resources, Policy & Performance	0	-19	+19
Learning & School Effectiveness Service	0	0	0
E&CS Central Budget	+225	+913	-688
Children & Families Service	0	-290	+290
Recovery Plan Savings	-225	-573	+348
E&CS - Total	0	0	0

Schools: Nil variance (No change)

5. The Schools Budget is ring fenced and funded from the DSG. Schools' payroll and non-payroll expenditure is monitored quarterly with any forecast year-end deficits being the subject of detailed discussions with the schools concerned. Schools forecasting deficits are required to supply recovery plans identifying how they intend to eliminate their deficit, but these do not affect the general fund.
6. Any underspend or overspend of the Schools Budget in 2009-10 would be carried forward into 2010-11 and would have no effect on the General Fund.

Director & Youth Services: Nil variance (£31k adverse)

7. Adverse movement from Month 5 is due to application of unallocated savings kept in Central budget to services areas.

Resources, Policy & Performance: Nil variance (£19k adverse)

8. Adverse movement from Month 5 is due to application of unallocated savings kept in Central budget to services areas.

Learning & School Effectiveness: Nil variance (No change)

9. There has been no major change to the position reported within the Learning & School Effectiveness service areas.

E&CS Central Budget: £225k pressure (£688k Improvement)

10. As reported previously £688k of the unallocated savings has been applied to individual service areas where the savings has been identified through recovery plans.
11. An action plan is currently being implemented by the management group to identify and apply the remaining £225k unallocated savings.

Children and Families: Nil variance (£290k adverse)

12. The Children & Families projected underspend and the improvement achieved during Month 6 has been netted off against the unallocated savings for the Group leaving a break even position for the service.

Recovery Plan Savings: £225k target (£352k improvement)

13. The group management team are continuously taking action to address the remaining savings target of £225k through reviewing all ECS grant allocations to apply funding where possible. Also recruitment to new and vacant posts continues to be closely monitored and challenged by senior management.

Exceptional Items: Asylum Service £3,040k (£1,830k greater than that provided for in contingency)

14. There is no change in the reported budget pressure of £2,465k in the Asylum Service. The pressure is due to the ongoing demand for the service and the continued under-funding by the Government and in respect of the moderation of the Special Circumstances grant for under 18's.
15. There is no change in the reported pressure of £575k for Exhausted All Appeal.
16. Action has already been undertaken to reduce the shortfall on Asylum funding whilst maintaining service levels. However, the age profile of the clients has led to a decrease in grant income as more asylum seekers turn 18. This has led to the net position being worse than in previous years even though numbers are falling. However, continuing to provide services to asylum seekers to over 18's costs the authority less than the provision for general non-asylum Leaving Care clients, so this in effect reduces the overall Council pressure.
17. Recently, Council senior officers met with UKBA officials with regard to our ongoing pressures. UKBA agreed to consider providing funding through a bespoke contract basis. The officers hope that once the contract has been agreed and signed by both parties the funding gap would reduce.

Planning and Community Services (P&CS)

Revenue: Nil variance (No change)

1. The Group has a draft outturn position of nil variance, this excludes all pressure areas that have identified contingent provisions.

Division of Service	Forecast Variance Month 6 £'000	Forecast Variance Month 5 £'000	Change from Month 5 £'000
Community Safety	-60	0	-60
Arts Service	0	0	0
Libraries	0	0	0
Adult Education	0	0	0
Leisure	0	0	0
Planning & Transportation	+60	0	+60
Group Directorate	0	0	0
P&CS - Total	0	0	0

Contingent Items: £1,543k Gross Pressure (£2k favourable)

2. The Planning income streams were identified as exceptional items last year. This was due to the downturn in the economy which had impacted the housing market severely and has continued to depress these income streams and therefore the Authority's 2009/10 contingent budget contains provision for these. The net position after the application of the contingency is shown in the table below.

Contingent Item	Gross Pressure Month 6 £'000	Month 5	Change from Month 5	Contingency £'000	Net Pressure £'000
Development Control	+382	+377	+5	+350	+32
Building Control	+148	+149	-1	+108	+40
Land Charges	+751	+757	-6	+715	+36
Golf	+262	+262	0	+262	0
P&CS - Total	+1,543	+1,545	-2	+1,435	+108

Development Control Income: £382k Gross Pressure (£5k adverse)

3. The forecast for Development Control income is a gross pressure of £382k an increase of £5k, the net position after the contingency is £32k. The main areas of pressures are the fees for Major applications that are currently forecast to fall by 30% compared to 2008/09. This is a volatile area given the significant scale of fees, and the limited volume of applications. Major applications normally accounts for 2/3rds of the Development Control Income. The other areas of income that are for Minor and Other applications continue to be depressed and are now down by 34% and 24% respectively from the 3 year average levels.

Building Control Income: £148k Gross Pressure (£1k favourable)

4. The forecast for Building Control income is a gross pressure of £148k an improvement of £1k, the net position is now forecast to be £40k. Income for April to September is 10% down from the same period in 2008/09.

Land charges: £751k Gross Pressure (£6k favourable)

5. Land charge income has moved to a cost recovery basis due to a change in regulations enacted in December 2008. The net pressure currently forecast after the contingent allocation would be £36k which is a marginal improvement from the position reported at month 5.
6. Not reflected in the forecast yet is the potential impact of from the recent guidance issued from the Information Commission Office (ICO). The guidance suggests that the majority of property search data is Environmental Information and that Local Authorities are therefore obliged to allow inspection of this information at no charge. The LGA on behalf of local authorities are set to challenge the guidance so it is not clear at this stage if this will be upheld.

Golf: £262k Gross Pressure (No change)

7. This position assumes the allocation of £262k from contingency for Golf. The Golf budgets have been set to match the expected income from Mack trading. The fixed contract element is £280k (£210k courses and £70k driving range) with a further £100k for the variable element relating to the driving range, giving £380k in total. However the budget held in contingency of £262k is still required and will need to be allocated to the service.

Community Safety: £60k underspend (£60k favourable)

8. There is an underspend due to lower staffing costs which is a combination of a vacancy and unpaid leave £40k and a saving on the community fund.

Arts Service: Nil variance (No change)

9. As previously reported the service is reporting a pressure on its income streams, this is due to range of factors related to the general difficulties arising from the current economic conditions, e.g. cancellation of bookings. However action is being taken to mitigate these pressures from within the Arts budgets.

Libraries: Nil variance (No change)

10. The Library service is currently forecasting a nil variance

Adult Education: Nil variance (No change)

11. The grant allocation for 2009/10 is still subject to negotiation, however the service is not expecting there to be any budget pressures, and is reporting a balanced position.

Leisure: Nil Variance (No change)

12. The new Leisure contract has now been signed with the contractor GLL and a part year management fee will be achieved for 2009/10. This along with a forecast subsidy saving on the Hayes site part year closure aligned to the opening of the Botwell site is currently forecast to allow the full year MTFE savings for leisure to be achieved.

Planning and Transportation: £60k overspend (£60k adverse)

13. The overspend is due to pressure on pre applications income which is linked to the general downturn in the housing market and the subdued activity of developers.

2009/10 In-year Efficiency Target

14. The Group is currently on target to meet its in-year savings target of £90k by slowing down some of the recruitment to its vacant posts.

Central Services

Revenue: Nil variance (No change)

1. The forecast position for the central services revenue budget is a breakeven position. However, the 2 departments have pressures totalling £127k, an improvement of £168k on last month's projections, for which they have developed mitigating savings plans.

Division of Service	Forecast Variance Month 6 £000	Forecast Variance Month 5 £000	Change From Month 5 £000
Deputy Chief Executive's Office	0	+118	-118
Finance and Resources	+127	+177	-50
Recovery Plan Savings	-127	-295	+168
Central Services - Total	0	0	0

Deputy Chief Executive's Office: Nil variance (£118k improvement)

2. The Deputy Chief Executive's Office budgets at the end of month 6 are projecting to breakeven, an improvement of £118k from month 5. Pressures within Human Resources of £128k, which relates to the need for agency staff in both the new HR team and the new Payroll team, whilst the permanent structure is being recruited to, this includes the costs of the Head of the service up to the point of handover to the now permanent Head. This pressure has reduced due to a review of the agency spend and the cost and delivery of the Occupational Health Service.
3. The pressure of £82k reported in Democratic Services, has been managed down to a breakeven position, following a review of non-staffing costs (including printing), and introducing a new process to enable the Registrars to create capacity to generate more income from nationality checking and citizenship.

Finance & Resources: £127k pressure (£50k improvement)

4. The Finance & Resources Directorate budgets are projecting a pressure of £127k at month 6, an improvement of £50k on last month's projections. This is due to ongoing pressures within Corporate Property Services, as set out below:
 - There is an ongoing pressure on income streams from commercial properties of £164k, due to a number of vacant tenancies in the Warnford Industrial Estate (£98k), 192 High Street, where the premises have remained vacant for a number of months (£29k) and a recent vacant unit that exists in Uxbridge Market (£37k).
 - There is an anticipated shortfall of £40k on income from schools buy back of FM services, due to schools opting to procure services directly rather than through the FM Team.
 - There is a pressure of £15k on the cost of maintaining and keeping secure surplus properties prior to their disposal.

Recovery Plan Savings: £127k target (£168k favourable)

5. Identified recovery savings are now being factored into the relevant services where applicable. The remaining saving targets relates to one off reductions in costs that will occur in this year and other planned activity, yet to be implemented.

Capital Programme: £20,390k underspend (£5,275k improvement)

1. The overall Capital Programme budget is projecting an underspend of £20,390k as at Month 6 (£15,115k month 5), an increase of £5,275k on Month 5 reported projections.
2. Expenditure to month 6 across the whole capital programme budget is £29,502k (£20,742k month 5) which equates to 28% of the programme. Further detail is provided below for each individual department.

HRA: £389k underspend (No change)

3. A summary of the programme for HRA is shown below :

Capital Schemes 2009/10	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
Capital Works	10,000	9,762	Y	3,331	34%	9,762	0
Estates Improvements	1,125	1,125	Y	0	0%	945	-180
Cash Incentive Scheme	100	100	Y	50	50%	100	0
New Build – Redevelopment	290	330	N	0	0%	120	-210
New Build – Long Lane	0	30	Y	0	0%	31	1
Other Projects	230	300	Y	17	6%	300	0
Townfield Community Centre	0	660	Y	254	38%	660	0
HRA – Total	11,745	12,307		3,652	30%	11,918	-389

4. Expenditure to date is £3,652k out of a revised budget of £12,307k, which accounts for 30% of the total programme budget.
5. The projected underspend of £210k on the New Build – Redevelopment is due to the refurbishment project at Coaxden Day centre, which has now been subject to a full review and a revised design is being considered. This change will affect the project timetable, and hence has been forecasted not to spend fully in this financial year.
6. The underspend reported of £180k on Estate Improvements relates to Triscott House. This scheme is now under review. This is a possible use of the Social Housing Grant. Confirmation of switching the above funding is being sought. Until this is received, the original project will be on hold.

Adult Social Care, Health and Housing: £881k underspend (£224k improvement)

7. A summary of the programme for Adult Social Care, Health and Housing is shown below :

Capital Schemes 2009/10	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
100% Grant Funded							
PSRSG for WL Empty Property Grant	0	1,867	Part	490	26%	1,867	0
Mental Health – Mead House	114	345	Y	0	0%	345	0
Improving Care Homes Environment for OP	0	3	Y	0	0%	3	0
ASC,H&H (Non HRA – 100% Grant Funded) – Total	114	2,215		490	22%	2,215	0
Non-Grant Funded							0
Disabled Facilities Grants	2,040	2,017	Y	1,527	76%	2,017	0
Private Sector Renewal Grants	390	390	Y	82	21%	390	0
Colne Park Caravan Sites	302	374	Part	13	3%	65	-309
Improving Information Management and ESCR	218	565	Part	272	48%	565	0
Enabling Electronic Social Care Record	100	276	Y	119	43%	276	0
Learning Disability Modernisation Programme	243	375	N	0	0%	60	-315
Mental Health Phase 2 – Hayes Park House	0	40	N	0	0%	0	-40
Mental Health Phase 3 – Group Homes	0	30	N	0	0%	0	-30
Purchase of Benefits customer self-service facilities	225	225	N	0	0%	121	-104
Purchase of Supporting People software	83	83	N	0	0%	0	-83
ASC,H&H (Non HRA – Non Grant Funded) – Total	3,601	4,375		2,012	46%	3,494	-881
ASC,H&H – Total	3,715	6,590		2,502	38%	5,709	-881

8. Expenditure to date is £2,502k out of a revised budget of £6,590k, which accounts for 38% of the total programme budget.
9. The projected underspend of £881k relates primarily to a delay in the refurbishment of Colne Park Caravan Site (£309k), which is anticipated to slip into 2010/11 and the Learning Disability Modernisation Programme (£315k), both of which have reported further decreased forecasts in month 6.
10. The underspend of £70k across the Mental Health (Phases 2 and 3) and the £83k Purchase of Supporting People software is due to costs being met from the HRA or from the revenue general fund.
11. The Purchase of Benefits customer self service facilities is reporting a reduced outturn of £121k on the £225k budget. A capital release report is in the process of being drafted. This project is expected to slip into 2010/11 due to software compatibility issues. To resolve the delay it is hoped that a single tender process action can be adopted. If however this is unsuccessful then this will delay the entire project until April 2010. Hence a prudent forecast has been submitted on the grounds of a successful single tender implementation.

Environment and Consumer Protection: £335k Overspend (£148k improvement)

12. A summary of the programme for Environment and Consumer Protection is shown below.

Capital Schemes 2009/10	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
Highways Improvements	1,358	1,358	Part	-15	-1%	1,358	0
Cabinet Member Initiatives – Highways							
Road Safety	250	250	N	-1	0%	250	0
Traffic Congestion Mitigation	200	200	N	0	0%	10	-190
Street Lighting	300	300	Part	45	15%	300	0
Cabinet Member Initiatives - Parks & Streetscene							
Green Spaces Strategy	250	250	Part	136	54%	250	0
Street Scene	250	250	N	-34	-14%	250	0
Cabinet Member Initiatives – Improvement, Partnerships & Community Safety							
Breakspear Crematorium	1,700	1,876	Y	1,584	84%	1,916	40
Breakspear Car Park		150		0	0%	150	0
Car Park Schemes	200	200	Y	0	0%	200	0
Ruislip Lido	0	18	Y	18	100%	18	0
Hillingdon First – Parking Meters	0	192	Y	152	79%	192	0
Other Schemes - Public Conveniences	0	185	Y	181	98%	215	30
E&CP – Sub Total	4,508	5,229		2,066	40%	5,109	-120
BSP funded by Transport for London	3,685	3,477	Y	929	27%	3,932	455
TFL (100% Grant Funded) – Sub Total	3,685	3,477		929	27%	3,932	455
E&CP – Total	8,193	8,706		2,995	34%	9,041	335

13. Expenditure to date is £2,995k out of a budget of £8,706k, which accounts for 34% of the total programme budget. Four schemes have yet to be released and three have received partial release. Expenditure incurred on these schemes in 2009/10 relates to programmes of works that started in 2008/09.

14. The majority of the expenditure to date has been incurred on Breakspear Crematorium (£1,584k), where the project is expected to be completed by the end of the calendar year. A pressure of £40k has been identified in month 6 which will be funded out of under spends on other schemes in ECP declared.

15. The overspend of £30k on the Public Conveniences (where public toilets sited in Northwood Hills, Eastcote and West Drayton have been purchased and are in the process of being sited and installed) relates to an additional cost of the connection of water/drainage.

16. The figure of £455k on the LIP funded by Transport for London projects relates to the conclusion of all third party applications relating to works funded and undertaken during the 2008-2009 programme. These costs have been recovered from TfL.

17. A programme for Highways Improvements for £827k has been drafted and the schemes are ready to be commissioned to Enterprise-Mouchel, the Highways commissioning contractor. The programme is currently subject to the moratorium; therefore the ability to spend this on this programme will be dependent on the timing of the approval process. £415k was released in October 2009

Education and Children's Services: £10,800k underspend (£1,841k improvement)

18.A summary of the programme for Education and Children's Services is shown below:

Capital Schemes 2009/10	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
100% Grant/Externally Funded							0
Early Years Foundation Stage – Surestart	0	282	Part	288	102%	282	0
Extended Schools	606	773	Part	151	20%	335	-438
Extension of Nursery Care / Education	1,854	1,249	Part	24	2%	738	-511
Formula Capital Devolved to Schools	6,388	8,193	N/A	2,007	24%	5,023	-3,170
Guru Nanak - Expansion 2010	3,000	2,886	Y	1,873	65%	2,886	0
Home Access for Targeted Groups	0	90	Y	62	69%	90	0
Information Systems – Every Child Matters	0	41	N	41	100%	41	0
ISPP Project (Parents & Providers)	0	24	Y	0	0%	24	0
Pathfinder (Playgrounds)	0	530	Part	0	0%	415	-115
Pinkwell	0	709	Y	0	0%	12	-697
Primary Capital Programme	3,893	2,975	N	0	0%	2,975	0
Rosedale College S106 – only	26	26	Y	0	0%	26	0
Ruislip High School	0	327	N	0	0%	60	-267
School travel Plans	112	126	Y	11	9%	126	0
Schools Kitchens	594	994	Part	0	0%	994	0
Specialist Schools	0	293	Y	204	70%	293	0
Surestart - AHDC short breaks	157	157	Y	0	0%	105	-52
Investment in Young People's Facilities	0	167	N	7	4%	167	0
Total 100% Grant/Externally Funded	16,630	19,842		4,668	24%	14,592	-5,250
Non Grant Funded							0
Expansion Haydon	726	930	Y	379	41%	930	0
School Improvement Programme	2,000	4,203	Part	360	9%	2,475	-1,728
School Places Provision (Basic Needs)	3,757	3,757	Part	5	0%	200	-3,557
Schools Access Programme	500	500	Part	55	11%	235	-265
Total 100% Non Grant Funded	6,983	9,390		799	9%	3,840	-5,550
E&CS – Total	23,613	29,232		5,467	19%	18,432	-10,800

19. Expenditure to date is £5,467k out of a budget of £29,232k, which accounts for 19% of the total programme budget. The original budget of £23,613k has been increased to £29,233k, due to the receipt of a number of grants.

20. To date only 17 schemes out of a total of 21 schemes have been released or partially released from the capital moratorium. The other schemes have not yet been submitted for release, which could affect the outturn.

21. The £267k underspend on Ruislip High school is earmarked for the project currently in MCP to cover the projected overspend, however this budget amount remains in E&CS until it has been approved for virement.

22. The budget for the Schools Kitchens has been re phased over two years to reflect the fact this is a two year grant.

23. There is a delay in release of funding for the Primary Capital Programme. This is a ring fenced grant which may be subject to clawback if unspent by Standards Fund deadlines (i.e. August 2010 for the first tranche). It is expected that the majority of spend on the Longmead project will fall into 2009/10 and 2010/11, as relevant Section 106 funding will be utilised first. This means an expected slippage around £2.8m will be added to 2010/11

Planning and Community Services: £383k underspend (£393k improvement)

24. A summary of the programme for Planning and Community Services is shown below:

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 6 £' 000	Actual % of Revised Budget %	Forecast Outturn £' 000	Variance £' 000
100% Grant/Externally Funded							0
SSCF	0	100	Y	5	5%	100	0
S106/S278 Schemes	411	411	Y	69	17%	246	-165
Botwell Multi Use Games Area	0	250	Part	3	1%	250	0
NLDC	0	10	Y	9	90%	10	0
Total 100% Grant/Externally Funded	411	771		86	11%	606	-165
Non Grant Funded							0
Assisted Funding	150	150	N	11	7%	150	0
Libraries Refurbishment	1,500	1,500	N	286	19%	1,500	0
Voltage Optimisation Equipment	40	40	N	0	0%	40	0
CCTV Programme	250	250	Part	0	0%	32	-218
Total Non Grant Funded	1940	1940		297	15%	1722	-218
P&CS – Total	2,351	2,711		383	14%	2,328	-383

25. Expenditure to date is £383k out of a budget of £2,711k, which accounts for 14% of the total programme budget. The original budget of £2,351k has increased by £360k to £2,711k, due to the transfer of balances relating to the slippage of 2008/09 schemes and additional grant being added to the budget for the Multi Use Games Area at the Leisure Development at Botwell Green.

26. To date 5 schemes out of a total of 8 schemes, have been released or partially released from the capital moratorium. The other 3 schemes have not yet been released.

27. The projected underspend of £383k reported relates to the anticipated underspend on the CCTV programme and the reported underspend on Section 106 schemes.

Major Construction Projects: £3,312k underspend (£2,536k improvement)

28. A summary of the programme for Major Construction Projects is shown below:

Capital Schemes 2009/10	Revised Budget	Budget Release	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn 2009/10	Forecast Outturn 2010/11	Forecast Variance 2009/10	Forecast Variance Total Project
	£' 000	Y/N	£' 000	%	£' 000	£' 000	£' 000	£' 000
Planning and Community Services								
Brookfield – Second Floor	264	Y	175	66%	256	6	-8	-2
Hillingdon Sports and Leisure Centre	8,468	Y	3,986	47%	8,372	346	-96	+250
Botwell Green (including Gymnastics Centre and Library fit out)	10,145	Y	5,314	52%	10,420	390	+275	+665
Boxing Club	0	N/A	35	No Budget	41	0	+41	+41
Minet Cycle Club	250	N	0	0%	250	0	0	0
Queensmead Fitness Centre Refurbishment	80	N	0	0%	80	0	0	0
Education and Children's Services – 100% Grant/Externally Funded								
Children's Centres – Phase 2	1,645	Y	2,236	136%	1,864	215	+219	+434
Children's Centres – Phase 3	2,473	N	119	5%	1,900	1,820	-573	0
Longmead	3,103	Y	149	5%	1,250	1,350	-1,853	-503
Pinkwell New Classrooms	400	Y	199	50%	390	10	-10	0
Education and Children's Services – Non Grant Funded								
Harefield School Nursery	1,247	Y	0	0%	1,247	0	0	
Glebe Primary School	229	Y	96	42%	229	6	0	+6
Heathrow Primary	181	Y	6	3%	172	9	-9	0
Ruislip High School	41	Y	22	54%	308	0	+267	+267
Targeted Capital - Oak Farm	398	Y	0	0%	398	0	0	0
Targeted Capital - Uxbridge High	1,247	Y	1,105	89%	1,497	107	+250	+357
New Young People's Centre	2,999	Part	60	2%	2,389	610	-610	0
Finance & Resources							0	
Farm Barns	15	N	0	0%	10	0	-5	-5
Environment and Consumer Protection							0	
New Years Green Lane Civic Amenity Site	1,600	Part	0	0%	400	3,800	-1,200	+2,600
Major Construction Projects – Total	34,785		13,502	39%	31,473	8,669	-3,312	+4,110

29. Expenditure to date is £13,502k out of a budget of £34,785k, which accounts for 39% of the total programme budget. The budget has increased from £34,267k in month 5, this is due to 918k of Primary Capital Programme grant money being released to the Longmead scheme and £400k for Botwell Library being reinstated in PCS. There are a number of variances currently being reported, which are explained in more detail below:

- (a) **Hillingdon Sports and Leisure** – This project is projecting an overspend of £250k, however the outturn for 2009/10 has been reduced by £96k due to £346k now being projected to be required in 2010/11 (Scheme will still open in the current year though).

- (b) **Botwell Green** – This project is projecting an overspend of £665k, £275k of which is projected to occur in 2009/10. The possibility of additional funding from Section 106 and virement from other parts of the capital programme is being investigated.
- (c) **Children’s Centres Phase 2** – Of the projected overspend of £434k, it has been identified that £219k will occur in 2009/10 and £215k in 2010/11. Officers are currently investigating the overspend and identifying opportunities of transferring in additional grant funded resources or Section 106 to cover the pressure.
- (d) **Longmead** – This scheme has been delayed and will now complete in 2010/11, resulting in the current year’s underspend of £1,853k. There will be slippage of £1,350k and an underspend on total budget estimated at £503k. This is the result of economic design and competitive tenders due to market conditions.
- (e) **Glebe Primary School** – A £6k overspend is projected to occur in 2010/11 when retentions are payable.
- (f) **Ruislip High** - This project is projecting an overspend of £267k. Officers have identified Section 106 money allocated to Ruislip School to cover this level of overspend. The monies require approval to be applied to the overspend.
- (g) **Uxbridge High** – It has been confirmed by ECS that the overspend of £357k will be met from the schools resources. £250k is projected to occur in 2009/10 with the remaining £107k slipping into 2010/11.
- (h) **New Young People’s Centres** – The underspend of £610k relates to a delay in the development of the centre in South Ruislip, where it is anticipated that this will be completed in 2010/11. There is a risk that the purchase of Northwood Boys Club may not be able to be contained within the original budget, however officers are attempting to work within the original budget for the three Centres. Initial feasibility costs relating to Brooke Court total approximately £29k. Any costs that do not relate to the continuing project at South Ruislip – Spandrel Dome, will have to be moved to revenue in ECS.
- (i) **New Years Green Lane** – The current underspend in 2009/10 of £1,200k from the £1,600k budget will be required in 2010/11 with an additional £2,600k which is due to be a MTFF bid for 2010/11. The £1,600k budget was a single year budget allocation and not intended to cover the entire project, which was still in the design process at budget setting.

Central Services: £292k underspend (£451k improvement)

30. A summary of the programme for Central Services is shown below:

Capital Schemes 2009/10	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Forecast Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
Leader's Initiative	200	200	N	0	0%	200	0
Chrysalis	1,000	1,000	Y	300	30%	1,000	0
Town Centre Initiative	325	325	N	0	0%	325	0
HIP Projects	600	400	N	0	0%	400	0
DCE - Total	2,125	1,925		300	16%	1,925	0
ICT Asset Management Strategy	500	500	N	16	3%	454	-46
ICT Works at the Crematorium	0	97	Y	19	20%	106	+9
Victoria Hall	0	63	Y	51	81%	63	0
Manor Farm	0	0	Y	46	No Budget	350	+350
Hillingdon First Card	182	200	Y	200	100%	200	0
Property Enhancement Programme	500	500	N	26	5%	346	-154
YOT Consolidation Link 1A/Cashiers	372	413	Y	61	15%	360	-53
Civic Centre Electrical Works	2	55	Y	248	451%	355	+300
Civic Centre Security Improvements	236	236	Part	0	0%	35	-201
Civic Centre - Photovoltaic Cells	34	34	Y	34	100%	34	0
Civic Centre Enhancements	750	750	Part	0	0%	250	-500
Civic Centre Boilers	0	50	Y	0	0%	53	+3
F&R - Total	2,576	2,898		701	24%	2,606	-292
Central Services - Total	4,701	4,823		1,001	21%	4,531	-292

31. Expenditure to date is £1,001k out of a revised budget of £4,823k, which accounts for 21% of the total programme budget.

32. To date 8 schemes out of a total of 12 schemes, within F&R, have been released from the capital moratorium, 2 have received partial release in October 2009. The other 2 schemes have not yet been released.

33. A further review of the projected £102k overspend reported in month 5 on the Manor Farm project has resulted in an increase of the overspend to £350k to reflect the total outstanding amount. This project was completed in 2008/09.

34. There are a number of variances identified, which relate to the following schemes:

- ICT Asset Management Strategy has identified schemes totalling £454k, therefore the outturn has been reduced accordingly. These schemes are still subject to release.
- The £300k overspend on the Civic Centre Electrical Works, is due to a number of complications that were identified as part of the installation process that needed to be addressed before any further works could be completed. This overspend is currently being contained within the Civic Centre Enhancements budget, which has received release of part of its budget in October 2009, which included £300k, for which a budget virement is required. Further budget pressures are anticipated and are currently being investigated
- The outturn for the Property Enhancement Programme has been reduced by a further £14k to £346k and is now reporting a £154k underspend to reflect the amounts identified for schemes in the report requesting capital release.

- (d) YOT Consolidation Link 1A/Cashiers outturn has reduced by a further £20k to report an underspend this year of £53k.
- (e) Civic Centre Enhancements is reporting a £500k underspend, £300k to be utilised to fund the pressure identified on the Civic Centre Electrical Works.
- (f) It is anticipated that the Property Enhancements Programme will underspend by £154k based on the schemes that have been identified to date, seeking release from the capital moratorium.
- (g) There are early indications that not all of the funds will be needed from the Civic Centre Security Improvements, currently £35k has been released from the moratorium and an underspend of £201k is currently being reported. This will be amended if additional schemes are approved.
- (h) The Civic Centre Boilers are an invest to save scheme, currently a £3k overspend is reported, this will be contained within the underspend on the other civic centre works.

Capital Contingency: £3,362k underspend (£518k adverse change)

35. A summary of the programme contingency is shown below:

Capital Schemes 2009/10	Original Budget	Revised Budget	Capital Spend Month 6	Actual Spend % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	£' 000	%	£' 000	£' 000
Programme Contingency	3,196	3,196	0	0%	+956	-2,240
Contingency	1,500	1,472	0	0%	+350	-1,122
Contingency - Total	4,696	4,668	0	0%	1,306	-3,362

36. The forecast outturn of £1,306k (£788k, month 5) assumes that all of the pressures identified below will need to be funded from the contingency.

Scheme	Funding	Revised Budget	Actual Spend (incl accruals)	Forecast Outturn (Month 6)	Variance 2009-10	Variance 2010-11	Variance
		£'000	£'000	£'000	£'000	£'000	£'000
Programme contingency							
Boxing Club	Council	0	35	41	+41	0	+41
Hillingdon Sports and Leisure Development	Council	8,468	3,986	8,372	-96	+346	+250
Leisure Development - Botwell Green, Hayes	Council	10,145	5,314	10,420	+275	+390	+665
Sub Total		18,613	9,335	18,833	+220	+736	+956
General contingency							
Manor Farm	Council	0	46	350	+350	0	+350
Sub Total		0	46	350	+350	0	+350
Total		18,613	9,381	19,183	+570	+736	+1,306

APPENDIX B – Treasury Management Report

Treasury Management Report for the 6 Months to 30 September 2009

Summary

1. The purpose of this report is to provide an overview of the Treasury Management activities over the first six-month period of 2009/2010. It considers the performance and value of the council's deposits, issues surrounding the loan portfolio and presents information regarding investment policy and strategy.
2. The average balance of deposits over the first six months of 2009/2010 was £104.7m with the total at the end of the September being £74.5m. Over the period, £788k was earned in interest with an average rate of interest of 1.83% being achieved. The balance on the loan portfolio reduced to £172.6 m as a result of the early repayment of £25.4m. In addition £30m of debt was rescheduled, which reduced the average interest rate payable to 4.05%.
3. The report also provides an update on the latest position with the Council's deposits in Icelandic banks.

Deposits

4. Deposits over the first six months were placed mainly in instant access accounts, partially in response to the programme of early debt redemption which reduced average deposit balances and made it essential to have liquid deposits to cover short term cash flow requirements. In the main, Call Accounts and Money Market Funds were used as this enabled funds to be distributed between a number counterparties. In addition the rates being paid were more favourable in comparison to fixed term deposits of up to 3 months. The average balance of deposits held throughout the first six months of the year was £104.7m with a total outstanding at the end of September of £74.5m. Of this total £5m were longer-term deposits in excess of one year.
5. Deposit returns over the period show accrued income of £788k with a weighted average return of 1.83%. Performance is internally benchmarked against the 7-day London Interbank Bid Rate (LIBID). The six-month period showed weighted average 7-day LIBID benchmark of 1.32% and therefore an outperformance of 0.51%.

Borrowing

6. Outstanding borrowing at the beginning of the year was £198.0m. In the six-month period to the end of September no natural maturities were due. However Public Work Loans Board (PWLB) loans of £10m were prematurely repaid during April and a further £15m in June. In addition all market annuity loans were repaid by the end of July, which totalled £370k. This activity left a total loan balance at the end of September of £172.6m.
7. The premium costs relating to the early redemption of debt totalled £39k, however this was more than offset by interest savings for this year of £941k.
8. No new borrowing has been taken and following the above repayment of debt the weighted average rate payable on outstanding loans has been reduced from 4.24% to 4.05%.

Rescheduling of debt

9. The council continually monitors the opportunities to replace existing debt with new debt to reduce finance costs. In the first six months of this year opportunities were taken to reschedule £30m of PWLB debt at an overall discount of £735k.
10. To maximise the savings when rescheduling there was a timing difference between repayment and refinancing and therefore short-term borrowing was required. This allowed the markets to be monitored and refinancing to be made at the most opportune moment.
11. A market loan of £8m reached its rate change option date in May 2009. The conditions of the loan allow for the lending organisation, Barclays Bank to adjust the rate payable at pre determined intervals. Should they exercise this option the council has the option to repay the loan early without penalty. On this occasion Barclays Bank decided to leave the rate unchanged at 4.50% and therefore the loan remains in place.

Prudential Indicators

12. There were no breaches against the prudential indicators during the first six months of the year.

Investment Policy and Strategy

13. Council agree the Treasury Management Investment Strategy annually in February. Specific investment guidelines are kept under review and changes agreed as necessary by the Director of Finance & Resources under delegated powers.
14. Institutions credit ratings are monitored and the council's treasury advisers, Arlingclose, report any changes. When an organisation no longer meets the minimum credit criteria it is removed immediately from the counterparty lending list and no further deposits are made. Deposit time limits are set for each organisation dependent on the level of their credit rating to ensure long-term deposits are only placed with higher rated institutions. Value limits are also set to provide a spread of deposits over a number of institutions therefore reducing the exposure to counterparty risk.
15. The maturity profile of deposits is carefully managed to make sure the council is not exposed to liquidity risk. Deposits are matched with cash flow requirements to ensure funds are available to meet the council's commitments as they fall due and where possible to avoid short-term borrowing and the associated costs.
16. The counterparty list currently consists of five institutions covered by the government guarantee; Abbey, Barclays, Lloyds Banking Group, Nationwide, Royal Bank of Scotland and five money market funds. Due to a financial strength and individual rating downgrade it was decided to put Clydesdale on hold during May and for no further deposits to be placed with them.
17. A policy to reduce debt and consequently deposit balances has been applied during the first six months of the year. The two-fold benefit to this approach has resulted in the reduction of risk within the investment portfolio as smaller balances are being held across the portfolio and also reduced financing costs.

Update on the Council's Deposits in Icelandic Banks

18. On the 30 September 2008, the credit ratings of several Icelandic banks were significantly downgraded culminating in the collapse of a number of banks in early October. One year on, progress has been made in resolving the complex affairs of Heritable and Landsbanki and the Local Government Association (LGA) remains optimistic that the majority of the funds invested will be returned to authorities.
19. **Heritable Bank plc** - The latest information available from the administrators Ernst and Young projects a return to creditors of 80% and the first distribution was received during July 2009. This totalled £2.43m and represented 16.13 pence in the pound. The expected profile of future distributions is:
- Dec 2009 - 10%
 - Jul 2010 - 20.22%
 - Jul 2011 – 19.22%
 - Jul 2012 – 7.22%
 - Jul 2013 – 7.21%.
20. **Landbanki Island hf** - The resolution committee of Landsbanki has indicated the best estimate payable to preferential claimants is 83%, however no information has been provided about the timing of any payments to depositors.
21. Following the introduction of Icelandic Act No. 44/2009 a new claim has been lodged with the assistance of the LGA and Bevan Brittan before the deadline of 30th October 2009. Under this act claims should include interest up to 22 April 2009 and where deposits mature before this date a variable penalty rate should be applied. In the case of Hillingdon the rates used were between 26.5% and 24% and will add a further £646k to the original claim submission.

APPENDIX C – External Funding Update

LB Hillingdon continues to seek external funding to supplement income to deliver agreed priorities. Successful bids totalling £8.8m are included on the Register at 6 months into the financial year. This compares favourable with last year when £13.4m was secured for the full year 08/09. Table 1 below contains an up to date summary by department.

Table 1 New Competitive External Funding bids submitted by London Borough of Hillingdon (including Hillingdon Homes) in 2009/2010 and a breakdown by department with comparative total funding secured in 2008/09

Summary of external funding applications included in the Corporate Register by end Qtr 2 September 2009.

Group	Number of bids	Total Amount of Bid £000's	Number secured	Amount secured by Sept 09 £000's	Outcome pending	2008/09 Amount secured £000's
Deputy CEO	2	£1,032	2	£567	0	£1,758
Education & Children's Services	0	£0	0	£0	0	£3,454
Environment & Consumer Protection	6	£356	0	£0	6	£79
Planning & Community Services	3	£3,710	2	£263	1	£3,765
Finance & Resources	0	£0	0	£0	0	£0
Adult Social Care, Health & Housing (includes Hillingdon Homes)	7	£8,995	2	£8,000	5	£4,800
2009/10 Corporate total	18	£14,093	6	£8,830	12	£13,450

Copy of the full Competitive External Funding Register is available on request from Inga Spencer ispencer@hillingsdon.gov.uk.