COUNCIL BUDGET –
2009/10 REVENUE AND CAPITAL OUTTURN

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

HEADLINE INFORMATION

Purpose of report	The report sets out the council's overall revenue & capital outturn for 2009/10
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. **Notes the revenue and capital outturn position for 2009/10.**
2. **Notes the annual treasury report at Appendix B**
3. **Notes the NI179 outturn position at Appendix C**

INFORMATION

Reason for Recommendations

1 The reason for the recommendations is to ensure the Council achieves its budgetary objectives. The report informs Cabinet of the successful outturn revenue and capital position for 2009/10.

Alternative options considered

2 There are no other options proposed for consideration.

A) Revenue Outturn

3 The outturn position for 2009/10 shows that net expenditure for the year is £5,745k less than the budget, a £769k improvement on the month 11 forecast.

4 The balances carried forward at 31 March 2010 are £17,745k. This includes £230k of previously ringfenced Breakspear crematorium reserves. This is a considerable achievement given the continuing economic downturn and the associated pressures on income streams in 2009/10.

5 In addition to the £17,745k of general reserves carried forward there are a number of earmarked reserves as follows:

- £746k for Building Schools for the 21st Century
- £224k for BID pump priming (this being the sum remaining from the £400k previously agreed by Cabinet)
- £205k unspent priority growth
- £132k for Ward budgets (this being the remainder of the £550k original ward budget, committed but unspent as at the end of March)
- £119k unspent Leader's initiative

6 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 £'000	Budget Changes £'000		2009/10 (As at Month 12)		Variances (+ adv/- fav)		
			Current Budget £'000	Forecast £'000	Variance (As at Month 12) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
217,419	99,683	Directorates Budgets on normal activities	317,102	315,785	-1,317	-838	-479
-25,844	-100,683	Corporate Budgets on normal activities	-126,527	-126,651	-124	-120	-4
191,575	**-1,000**	**Sub-total Normal Activities**	**190,575**	**189,134**	**-1,441**	**-958**	**-483**
1,210	0	Exceptional Items – Asylum	1,210	902	-308	-239	-69
	1,000	In-year recovery savings	1,000	0	-1,000	-1,000	0
	0	Creditors review		-2,472	-2,472	-2,275	-197
1,210	**1,000**	**Sub-total Exceptional Items**	**2,210**	**-1,570**	**-3,780**	**-3,514**	**-266**
192,785	**0**	**Total net expenditure**	**192,785**	**187,565**	**-5,220**	**-4,472**	**-748**
189,245	**0**	**Budget Requirement**	**189,245**	**189,245**	**0**	**0**	**0**
3,540	**0**	**Net total**	**3,540**	**-1,680**	-5,220	-4,472	-748
-16,234		**Balances b/f 1/4/09**	**-16,234**	**-16,234**	**0**	**0**	**0**
0		**BID earmarked Reserves**	**694**	**400**	**-294**	**-294**	**0**
0		**Crem earmarked reserves**	**0**	**-231**	**-231**	**-210**	**-21**
-12,694	**0**	**Balances c/f 31/3/10**	**-12,000**	**-17,745**	**-5,745**	**-4,976**	**-769**

7 Table 2 shows budget and variance at Directorate level reported at outturn and the total position on the Directorates' budgets. Further detail on each directorate is shown in Appendix A.

Table 2

2009/10 Original Budget £'000	Budget changes £'000	2009/10 Current Budget (as at Month 12) £'000	Directorate	2009/10 Forecast (as at Month 12) £'000	Variances (+ adv/- fav)		
					Variance (As at Month 12) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
84,706	7,173	91,879	Adult Social Care, Health & Housing	91,493	-386	-108	-278
37,274	77	37,351	Environment & Consumer Protection	37,334	-17	-27	+10
57,577	101,119	158,696	Education & Children's Services	158,354	-342	-198	-144
13,810	-36	13,774	Planning & Community Services	13,715	-59	0	-59
15,101	298	15,399	Central Services	15,391	-8	0	-8
6,900	-7,100	-200	Developments Contingency	-312	-112	-112	0
0	0	0	Pay Award	-190	-190	-190	0
2,050	-1,847	203	Growth to be allocated	0	-203	-203	0
217,419	**99,683**	**317,102**	**Sub-Total**	**315,785**	**-1,317**	**-838**	**-479**
			Exceptional items:				
1,210	0	1,210	Exceptional pressure: Asylum funding	902	-308	-239	-69
0	1000	1,000	In-year savings	0	-1,000	-1,000	0
0	0	0	Creditors review	-2,472	-2,472	-2,275	-197
1,210	**1,000**	**2,210**	**Sub-Total**	**-1,570**	**-3,780**	**-3,514**	**-266**
218,629	**100,683**	**319,312**	**Total**	**314,216**	**-5,096**	**-4,352**	**-744**

8 **Adult Social Care, Health & Housing** outturn was an **underspend of £386k,** an improvement of £278k on the Month 11 forecast. This forecast excludes sums provided for in contingency for Transitional Children (£1,675k), Mental Health Services (£450k) and Homelessness (£1,300k). This improved position is mainly within the Physical & Sensory Disabilities services (£427k) and Learning Disability Services (£910k) partially offset by an overspend (£891k) in Older peoples services due to the increased demand for nursing and homecare services during the last quarter.

9 **Environment and Consumer Protection** outturn was an **underspend of £17k,** a small adverse movement of £10k on the month 11 forecast. It excludes items that were provided for from contingency, recycling (£200k), Waste disposal levy (£732k), vehicle fuel (£60k) and winter gritting (£50k). There was an outturn pressure of £150k in the Street Cleansing service and residual costs and loss of economies of scale on Harlington Road Depot net of actions taken to reduce costs (£216k). There was a pressure in the Street Scene Locality Team (£150k) due to the enhanced scheme activity and an increased pressure in Off-Street Car parking (£91k) due to the adverse impact from the severe winter weather

conditions. There were savings in Waste Disposal (£395k),Trade, recycling and clinical waste (£135k) and green spaces (£64k) which offset these pressures.

10 **Education & Children's Services** outturn was an **underspend of £342k,** an improvement of £144k on the month 11 forecast. This excludes the pressure on Asylum and Exhausted All Appeal cases (£902k) which was provided for in contingency. As reported in Month 11 the Asylum services pressure was significantly reduced as a result of successful lobbying which has led to Central Government agreeing to increase the weekly amount the authority can claim for over 18's from £100 to £150. This agreement has also been backdated to 1st April 2008, providing a windfall for that financial year and improved the 2009/10 position from what was previously forecast. There is an underspend of £194k in Resources, Policy & Performance and a previously unforecast underspend in Children's and Families service (£144k) for looked after children, primarily in relation to fostering and P&V. The improvement is mainly due to some care packages that were included in the previous forecast but did not ultimately commence until after the year end.

11 **Planning and Community Services** outturn was an **underspend of £59k** an improvement of £59k on the Month 11 forecast. This position excludes the economic downturn pressures - land charges (£727k), development control (£425k) & building control (£183k) and golf (£262k), which were provided for in contingency. There was an underspend of £263k in community safety and in planning & transportation (£36k), which contained the pressures in the directorate (£158k), Arts service (£42k) and Libraries (£24k).

12 **Central Services** outturn was an **underspend of £8k,** a favourable movement of £8k on the month 11 forecast. There were gross pressures totalling £284k within Finance & Resources including an ongoing pressure of £129k on income streams from commercial properties, a shortfall of £80k on income from schools buy back of Facilities Management services and £46k on income from the hire of the Middlesex Suite and a pressure of £29k due to maintaining and keeping secure surplus properties prior to their disposal. These pressures have been netted down by savings totalling £291k.

13 **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 resulted in an underspend of £190k.

14 **Exceptional items:** The underspend on asylum contingency funding is now £308k, an improvement of £69k on Month 11. The review of creditor provisions in the balance sheet (£2,472k) has improved by £197k due to further detailed analysis carried out at closing. The in-year recovery plan (£1m) remains unchanged from Month 11 as the savings have been implemented.

15 **Development and Risk Contingency** outturn was an **underspend of £112k,** no change from the month 11 position.

16 **Priority Growth outturn** was an **underspend of £203k,** no change on the month 11 position.

Corporate Budgets' Outturn

17 Table 3 shows the corporate budget outturn.

Table 3

2009/10 Original Budget £'000	Budget Changes £'000	2009/10 Current Budget (as at Month 12) £'000	Corporate Budgets	2009/10 Forecast Outturn (as at Month 12) £'000	Variances (+ adv/- fav) Variance (As at Month 12) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
-1,892	1,892	0	Unallocated savings	0	0	0	0
9,026	-1,822	7,204	Financing Costs	7,087	-117	-120	+3
3,690	5,401	9,091	FRS 17 Pension Adjustment	9,091	0	0	0
-24,703	-106,061	-130,764	Asset Management A/c	-130,763	+1	0	+1
-11,965	-93	-12,058	Corporate Govt Grants	-12,066	-8	0	-8
-25,844	**-100,683**	**-126,527**	**Corporate Budgets**	**-126,651**	**-124**	**-120**	**-4**

18 The outturn on corporate budgets is an **underspend of £124k,** a small £4k improvement on month 11.

19 Debt financing costs were underspent by around £117k due to debt refinancing work undertaken during the year. A report on treasury management activity is attached at Appendix B.

B) Capital

20 Total capital expenditure for the year was £72,112k compared to a revised budget of £89,411 (£83,657k forecast Month 10), £17,299k less than the latest budget and £11,545k less than the month 11 forecast.

21 The revised budget for March 2010 is now £89,411k. There were a number of additions, these include increases £363k schools contributions towards additional works on Devolved Formula Capital, £132k revenue contribution on Information Management, £28k Insurance contribution on HRA decent homes, £39k for Welbeck Parade (£30k contribution from Police, £9k HRA revenue contribution), and £2k Mead House revenue contribution. The HRA budget decreased by £300k on the other projects, as the ICT works undertaken were deemed to be revenue.

22 Capital receipts from disposals applied to finance the programme in 2009/10 were £1,457k General Fund and £28k Housing Revenue Account. In total £1,485k capital receipts were applied during financing, £22,196k of unsupported borrowing was used, £7k supported borrowing was used and a total of £48,452k grant, HRA, MRA, Section 106 and other contributions were applied.

23 Unsupported borrowing was previously forecast to be £29,976k and supported borrowing previously forecast at £3,066k. However, through expeditious financing only £22,196k of unsupported borrowing was required to finance capital in 2009/10. This takes total unsupported borrowing since the introduction of the prudential code in 2004 to £36,090k.

Outturn Expenditure

24 Table 6 shows the actual spend and variance against budget for 2009/10.

Table 6

Groups	Original Budget £'000	Revised Budget £'000	Capital Spend Month 12 £'000	Actual Spend % of Revised Budget %	Forecast outturn £'000	Variance (Forecast) £'000	Variance (Outturn) £'000
Adult Social Care, Health & Housing	3,715	5,461	5,171	95%	5,306	-135	-290
Environment & Consumer Protection	8,193	8,781	8,910	101%	8,963	-53	+129
Education & Children's Services	23,613	22,820	14,910	65%	20,606	-5,696	-7,910
Planning & Community Services	2,351	2,411	1,718	71%	2,456	-738	-693
Finance & Resources	2,576	2,498	2,298	92%	2,892	-594	-200
Deputy Chief Executive	2,125	1,951	1,356	70%	1,975	-619	-595
Major Construction Projects	29,181	30,222	26,281	87%	29,996	-3,715	-3,941
Group Total	**71,754**	**74,144**	**60,644**	**82%**	**72,194**	**-11,550**	**-13,500**
Recovery from Contingency					-1,718	+1,718	0
Programme Contingency	3,196	2,725	0	0%	1,000	-1,000	-2,725
Contingency	1,500	1,137	0	0%	718	-718	-1,137
Contingency Total	**4,696**	**3,862**	**0**	**0%**	**0**	**0**	**-3,862**
HRA	11,745	11,405	11,468	101%	11,463	+5	+63
Total	**88,195**	**89,411**	**72,112**	**81%**	**83,657**	**-11,545**	**-17,299**

25 A summary of the programme for the Major Construction Projects is shown below in more detail:

MCP Group	Original Budget £'000	Revised Budget £'000	Capital Spend Month 12 £'000	Actual Spend % of Revised Budget %	Forecast outturn 2009/10 £'000	Variance (Outturn) 2009/10 £'000
Planning & Community Services Projects	17,682	19,550	18,499	95%	19,678	-1,051
Education & Children's Projects	9,884	10,132	7,492	74%	9,830	-2,640
Finance and Resources Projects	15	10	0	0%	10	-10
Environment Projects	1,600	430	269	63%	418	-161
Project QS Support		100	21	21%	60	-79
MCP Group Total	**29,181**	**30,222**	**26,281**	**87%**	**29,996**	**-3,941**

Budget amendments to 2010/11 to reflect the 2009/10 final position

26 Previous policy has been that 'programme of works' budgets for the following year are not adjusted to reflect the actual outturns for the previous year. The budget can be 'applied' for if required in the new financial year. There were no such applications in 2008/9 or 2009/10. If required, there is also a general contingency of £500k in the 2010/11 capital budget.

27 On the basis of E&CS projected capital requirements in 2010/11 it is proposed that the rephasing from November 2009 is allocated into 2011/12 or later, and drawn forward if required. This relates to £3,670k Formula Capital Devolved to Schools grant, £3,657k supported borrowing for School Places Provision, and £2,328k School Modernisation which supported borrowing.

28 The table below details the budget amendments made to the 2010/11 as a result of the 2009/10 outturn.

Group	Original 2010/11 Budget £'000	2009/10 Budget Amendment £'000	Revised 2010/11 Budget £'000
Education & Children's Services	27,241	1,594	28,835
Planning & Community Services	15,959	874	16,937
Major Construction Projects	15,215	3,347	18,562
Adult Social Care, Health & Housing	4,960	-107	4,853
Environment & Consumer Protection	7,908	-147	7,761
Finance & Resources	1,378	204	1,582
Deputy Chief Executive	1,825	0	1,825
Partners	670	0	670
Contingency	2,000	0	2,000
Total	**77,156**	**5,765**	**83,025**
HRA	22,568	-206	22,362
Total	**99,724**	**5,559**	**105,387**

Current Year Financing

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

Table 7

2009/10	Unsupported £'000	Capital Receipts £'000	Supported £'000	Grants £'000	HRA (inc MRA) £'000	Section 106 and other contributions £'000	Total Capital Programme £'000
Revised budget 2009/10	25,802	8,800	3,379	36,435	9,896	5,099	89,411
Outturn 2009/10	22,196	1,457	7	33,863	10,181	4,408	72,112

30 Unsupported borrowing was forecast in month 10 to be £29,976k and supported borrowing forecast at £3,066k. Use of grants, S106, contributions and reduced expenditure on forecasts assisted the final position and reduce the borrowing requirements.

31 In total £1,485k (£1,457k GF, £28k HRA) capital receipts were applied during financing, £22,196k of unsupported borrowing was used, £7k supported borrowing was used and a total of £48,452k grant, HRA, MRA, section 106 and other contributions were applied.

32 The £8,800k budgeted level of General Fund capital receipts for 2009/10 were not delivered in full due to market conditions.

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

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

CORPORATE IMPLICATIONS

Corporate Finance

34 This is a Corporate Finance report.

Legal

35 There are no legal implications arising from this report.

BACKGROUND PAPERS

36 Monitoring report submissions from Groups.

Appendix A: Detailed 2009/10 Outturn – Revenue And Capital

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

Revenue: £386k favourable (£278k improvement)

1. The final outturn position for Adult Social Care, Health, and Housing is an underspend of £386k, a favourable movement of £278k from the M11 position. In summary the department is reporting a small favourable underspend of £386k (0.01%) on a £290m gross budget which by its nature is demand led and volatile; an outturn which reflects well on the departments Managers. The improved final position from last month is due to a number of small year end movements across approx 300 budgets.

2. The department has managed a range of expenditure pressures evident in the forecasting which result from the credit crunch offset by action taken to control the cost of care packages, restrict expenditure including holding some vacancies and to accelerate savings proposal where possible. Although the department has finished with a small underspend there are underlying pressures in Older People and Mental Health services which will adversely impact on the 2010/11 budget forecast. Officers are currently formulating actions to mitigate and reverse this pressure although it is too early to predict whether this will result in a balanced position.

3. The Month 12 report shows a final underspend of £386k following a favourable movement of £278k from the Month 11 position. The overall position for ASCH&H is set out in the table below. During 2009/10 the department successfully implemented phase I of a replacement Adult Social Care management system (IAS) in July 2009 with the phase II Finance module going live in March 2010. As part of the phase II implementation core data in the old system was migrated resulting in a small number of records moving between ASC services which are the main reason for these variances. In total there was a small favourable movement for ASC of £214k (0.24%) on a gross budget of £89m.

Division of Service	Forecast Variance Month 12 £'000	Forecast Variance Month 11 £'000	Change from Month 11 £'000
Older Peoples Services	+891	+599	+292
Physical & Sensory Disability Services	-427	-162	-265
Learning Disability Services	-910	-707	-204
Mental Health Services	+455	+492	-37
Housing Benefits	-444	-375	-69
Housing Need Services	+94	0	+94
ASCH&H Other Services	-44	+44	-88
ASCH&H - Total	**-386**	**-108**	**-278**

Older People Services: £891k adverse (£292k adverse)

4. The primary reason for this adverse position has been reported previously and relates to the high demand for nursing and homecare services experienced in the latter part of the year. The adverse movement from M11 is primarily related to the implementation of IAS as reported above.

5. However in addition to this the demand for nursing and homecare provision there remains a pressure which Officers have established isn't necessarily related to new placements but that the number of people no longer requiring residential or nursing care has not fallen as expected. This variance represents an adverse 2% outturn on a gross budget of £41.7m.

Physical Disabilities: £427k favourable (£265k improvement)

6. The favourable outturn position is due to underspends in staffing budgets and similarly with the reason for the favourable movement from M11, primarily related to the implementation of IAS as reported above. This variance represents a 4% favourable outturn on a gross budget of £10.1m.

Learning Disability: £910k favourable (£204k improvement)

7. The favourable movement first reported in Month 4 has continued as less (transitional) children have transferred from E&CS than originally budgeted for; favourable movement between the PCT and LBH on funding arrangements for individual clients; and a reduction in the number of clients in residential care. The favourable movement from M11 is primarily related to the implementation of IAS as reported above. This variance represents a 3% favourable outturn on a gross budget of £31.5m.

Mental Health: £455k adverse (£37k improvement)

8. The primary reason for this adverse position has been reported previously and relates to the high demand for residential services experienced over the last 12 months. The favourable movement from M11 is primarily related to the implementation of IAS as reported above. This variance represents a 9% adverse outturn on a gross budget of £5.3m.

Housing Benefits: £444k favourable (£69k improvement)

9. The service is managing a gross budget of over £138m and the outturn position shows an underspend of £444k, the main reason being finalisation of the 2007/08 Housing Benefit grant claim by DWP (£225k). The favourable movement now being reported is due a number of small favourable movements across the services £138m spend.

10. The Housing Benefit budget, as reported previously, is experiencing pressure as a result of increased benefit uptake. Benefit applications within the privately rented accommodation area is showing increases of 23% which is now establishing a pattern resulting in a pressure of over £300k. For 2009/10, this pressure has been mitigated by additional one-off admin grant funding from DWP and other compensating actions. This variance represents a 0.3% adverse outturn on a gross budget of £138m.

Housing Need Services: £94k adverse (£94k adverse)

11. The outturn position confirms the underlying pressure around the level reported in previous months despite staffing efforts to contain expenditure within the gross budget of £39m. This overspend would have been greater without management action to mitigate this pressure including strong management of the Private Sector Landlord (PSL) sector with voids being reduced to less than 3% on approx 1,200 properties. However these efforts to contain the pressure is putting at risk the council's ability to achieve the government's 2010 temporary accommodation target as reported

previously. This variance represents a 0.3% adverse outturn on a gross budget of £42m.

Other ASCH&H Services: £44k favourable (£88k improvement)

12. The outturn shows a favourable variance of £44k across a number of small budgets within a gross budget of £19m. The overall improvement of £88k is primarily due to an underspend on Supporting People (£43k) and a reduction of £31k in the original estimate for the Careline switchover of existing equipment from analogue to digital. This variance represents a 0.2% adverse outturn on a gross budget of £19m.

Housing HRA

13. The HRA has a gross budget of £52m. The outturn position shows an overall favourable variance of £1,135k, which represents an improvement of £215k from the M11 forecast as set out in the table below:

Division of Service	Forecast Variance Month 12 £000	Forecast Variance Month 11 £000	Change from Month 11 £000
HH Ltd: General and Special Services	0	0	0
HH Ltd: Repairs Services	0	0	0
LBH: General and Special Services	-475	-191	-284
LBH: Repairs Services	+52	+52	0
Other Expenditure	-161	-233	+72
Income	-551	-548	-3
In Year (Surplus) / Deficit	**-1,135**	**-920**	**-215**

LBH General and Special Services: £475 favourable (£284k improvement)

14. The LBH General and Special Services favourable outturn is due to underspends from the Move-On project, which provides incentives for tenants under occupying larger properties to move into smaller properties; reduced staffing costs and lower than expected insurance costs. In addition there have been further savings from the 20 year leasing programme with Ealing Family Housing association which is the primary reason for the favourable movement from month 11.

Other Expenditure: £161k favourable (£72k adverse)

15. There is an overall favourable variance of £161k which is primarily due to achieving lower rental payments for 20 year leased properties. The adverse movement of £71k from the M11 position is mainly due to continuing delays in the disposal of hostels and increased contractor costs for the HRA capital programme.

Income: £551k favourable (£3k improvement)

16. The income forecast of £551k is essentially in line with the M11 forecast and results from void performance being well below the target of 2% and good performance in rent collection.

Environment and Consumer Protection (E&CP)

Revenue: £17k favourable (£10k adverse)

1. The outturn for the Group is an underspend of £17k, which represents an adverse movement of £10k from the position reported at month 11.

Division of Service	Outturn Variance £'000	Forecast Variance Month 11 £'000	Change £'000
Street Cleansing	150	95	+55
Harlington Road Depot	216	169	+47
Waste Disposal	-395	-400	+5
Trade, Recycling & Clinical Waste net	-135	-40	-95
Off Street Parking Income	91	97	-6
Street Scene Locality Team	150	52	+98
Green Spaces	-64	0	-64
Other net variations	-30	0	-30
E&CP - Total	**-17**	**-27**	**+10**

Contingent Items: Gross Pressure £992k (No change)

2. The Council's 2009/10 contingent budget contained sums relating to the Waste Disposal Levy, cost pressures on Recycling Services and Vehicle Fuel which impact on the ECP Group position. West London Waste set the 2009/10 levy and this utilised the full amount of the contingency with a minor adverse variance of £12k. The Borough's recycling activity continued to exceed base budgeted levels, and the outturn position made full use of the contingency. The bulk diesel purchase price started to increase again during March, but was contained within the month 11 forecast requirement of £60k.

Division of Service	Gross Pressure Month 12 £'000	Gross Pressure Month 11 £'000	Change from Month 11 £'000	Contingency £'000	Net Pressure £'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: £150k adverse (£55k adverse)

3. The adverse position represents the net outturn across Street Cleansing, Graffiti and Litter Abatement services. The pressure relates to the Street Cleansing service and to activity required to maintain service standards. Management of the service has focused on containing the pressure whilst maintaining service levels.

Waste Services: £530k underspend (£90k favourable)

4. **Recycling Costs:** This service showed a net pressure of £30k after allowing for contingency allocations. The major pressure on the service related to Gate Fees and recycling bags, reflecting a continuing improvement in recycling performance across both Household and Composting recycling. This position incorporates the full year costs of new initiatives implemented during 2008/09. These are Estates Based recycling, the Blue Sky scheme, Specialist collections and Battery Bank. Income and rebates from recyclable materials have been favourable and have helped to offset the gross cost of the increased recycling activity.

5. **Waste Disposal:** The Section 52(9) budget was reset as part of the 2009/10 levy setting, however tonnages have continued to show a significant fall throughout 2009/10. A similar trend has been largely reflected across West London Waste Authority's other constituent Boroughs. As a result, there are not expected to be any implications from the Landfill Allowance Trading Scheme (LATS) in 2009/10. The position has also been improved by a net favourable variance across Civic Amenity site budgets.

6. **Trade Waste:** The position has improved to show a £164k favourable variance due to overachievement of income, with the improvement at year-end due to a favourable review of the outstanding debt position. Whilst there has been a decrease in the level of business as a result of cumulative fee increases linked to the Landfill Tax accelerator, this has not been as significant as expected. The position has also been assisted by close monitoring and enforcement of the service, which has facilitated managing the levels of aged debt.

7. **Clinical Waste:** The Council has now taken on the responsibility for the collection and disposal of Clinical waste from residents homes previously undertaken by Hillingdon Primary Care Trust (HPCT), and as required by the Environmental Protection Act 1990. The service transferred during September, and the gross part-year costs for 2009/10 were contained to £17k. However in the longer-term this service is vulnerable to client number variations that can affect costs accordingly.

Harlington Road Depot: £216k adverse (£47k adverse)

8. The pressure on the depot chiefly related to a reduction in the intensity of usage. This is due to the movement of some Council services to the Civic Centre, together with the loss of Hillingdon Homes contributions for space occupation at the depot and use of the Stores facility. A number of space rationalisation measures were implemented during January. However the adverse movement in the reported position reflects that the benefit of these changes was not realised in time to impact on the 2009/10 position.

Off-Street Parking: £91k adverse (£6k favourable)

9. In terms of Car Park income, the expected favourable seasonal variation in the third quarter of the financial year, was evidenced later, and has not been as significant as previous financial years. The economic climate is considered to be a major factor and was exacerbated by the severe weather conditions experienced in December and early January.

Streetscene Locality Team: £150k adverse (£98k adverse)

10. There has been increased activity through the delivery of the enhanced Streets Ahead Week of Action scheme which has led to additional one-off costs principally on publicity, printing and promotional activities.

Green Spaces: £64k favourable (£64k favourable)

11. A small underspend on this service has arisen from the unused contingency identified for costs arising from the Cranford Park transfer.

Other Net variations: £30k favourable (£30k favourable)

12. Actions taken across ECP to control staff and non-staff budgets generated a net favourable variance of £30k, which was used to partly offset the pressures outlined above.

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

13. The bulk diesel purchase price fluctuated during 2009/10 but showed a steady increase from around 75p in April 2009 to almost £1 per litre by the 31st March 2010. There is an underlying upward trend from industry commentators that will be exacerbated by government duty increases during 2010/11. This is expected to put pressure on the £80k contingency for 2010/11.

Education and Children Services (E&CS)

Revenue

1. On the basis of the final figures, the Group is forecasting an underspend of £342k at the year-end, which is a £144k improvement on the Month 11 position. This includes the overall pressure on asylum funding and the cost of exhausted all appeals cases. The projected variances at the year end are summarised in the following table:

Division of Service	Forecast Variance Year-end £000	Forecast Variance Month 11 £000	Change from Month 11 £000
Schools	-382	n/a	n/a
Central DSG	-863	-469	n/a
Director & Youth Services	0	0	0
Resources, Policy & Performance	-194	-194	0
Learning & School Effectiveness Service	-4	-4	0
ECS Central Budget	0	0	0
Children & Families Service	-144	0	-144
E&CS - Total	**-342**	**-198**	**-144**

Schools: Nil variance (No change)

2. The Schools Budget is ring fenced and funded from DSG. The schools underspend will be carried forward as part of schools balances. The underspend of £863k within the centrally managed DSG will be carried forward to be used in 2010/11 with the agreement of Schools forum as it is ring fenced and fully funded from the DSG. These variances do not affect the General Fund.

Resources, Policy & Performance: £194k Underspend (No change)

3. There has been no change to the reported position within the Resources, Policy & Performance.

Learning & School Effectiveness: £4k underspend (No change)

4. There has been no major change to the position reported within the service areas.

Children and Families: £144k (£144k improvement)

5. There has been an improvement of £144k in respect of final outturn figures for looked after children, primarily in relation to fostering and P&V. The improvement is mainly due to some care packages that were included in the previous forecast but did not commence in 2009/10.

Exceptional Items: Asylum Service £902k pressure (£69k improvement)

6. There has been an improvement of £69k in respect of final outturn figures for the service. As reported in Month 11 the Asylum services pressure was significantly reduced as a result of successful lobbying which has led to the Government agreeing to increase the weekly amount the authority can claim for over 18's from £100 to £150. This agreement has also been backdated to 1st April 2008, providing a windfall for that financial year of £1,057k. For 2009/10 the in-year position has improved by £837k as a result of this change.

Planning and Community Services

Revenue: £59k underspend (£59k favourable)

1. The Group has an outturn position of £59k favourable variance, this excludes all pressure areas that have identified contingent provisions.

Division of Service	Forecast Variance Month 12 £'000	Forecast Variance Month 11 £'000	Change from Month 11 £'000
Community Safety	-264	-211	-53
Arts Service	42	75	-33
Libraries	24	0	24
Adult Education	7	0	7
Leisure	10	125	-115
Planning & Transportation	-36	11	-47
Directorate	158	0	158
P&CS - Total	**-59**	**0**	**-59**

Contingent Items: £1,633k Gross Pressure (£36k 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. The Authority's 2009/10 contingent budget contains provision for these affected income streams. The net position after the application of the contingency is shown in the table below.

Contingent Item	Gross Pressure Month 12 £'000	Month 11	Change from Month 11	Contingency £'000	Net Pressure £'000
Development Control	425	447	-22	350	75
Building Control	183	189	-6	108	75
Land Charges	727	735	-8	715	12
P&CS - Total	**1,597**	**1,633**	**-36**	**1,435**	**162**

Development Control Income: £425k Gross Pressure (£22k favourable)

3. The forecast for Development Control income is a gross pressure of £425k which has decreased from month 11 by £22k. The net position after the application of the contingency is £77k.

4. The fall in Major applications forecast remains at 25% of the previous year. This has improved from the last forecast which showed a 32% drop compared to 2008/09. The Major applications forecast has increased by £66k, due to several minor major fees for sites that were not known about from the pre application process, and therefore not in the forecast.

5. The downturn in the lesser Development Control income streams for both Minor Applications and Other Applications is below last years total activity level. However the numbers of Minor applications for March are marginally above that of the average for the last 4 years at 59 applications compared to 55 and for the last quarter they have been on a par with the 4 year average. Other Applications have shown an increase in activity for March with 219 applications compared to the 4 year average of 194.

Building Control Income: £183k Gross Pressure (£6k favourable)

6. The forecast for Building Control income is a gross pressure of £183k. This has improved marginally by £6k and the net position after the contingency is now forecast to be £75k. Income for April to March is down by 13% from the same period in 2008/09.

Land charges: £727k Gross Pressure (£8k favourable)

7. 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 £12k.

8. Not reflected in the forecast yet is the potential impact of the 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. This remains an ongoing issue on which the LGA is leading.

Community Safety: £263k underspend (£53k favourable)

9. The outturn position for Community Safety is £263k which is a favourable movement of £53k from period 11. This is due to a £30k saving on the recharge from the Police ASB team, a further saving on the community safety fund of £12k, and a £10k saving on a publicity budget. The final position on the Community Safety Fund was a underspend of £162k (£150k month 11), this was a result of the decision to not commit any further expenditure. There were also previous underspends on staffing £41k and £20k on the MPA grant.

Arts Service: £42k Pressure (£33k favourable)

10. 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 The outturn for the Arts service has improved from last months forecast by £33k. This has been achieved by savings in delaying the recruitment and from the materials budget for Manor Farm Complex.

Libraries: £24k Pressure (£24k adverse)

11. The outturn for the Library service has worsened from the forecast nil variance to a pressure of £24k. This is due to the impact of the equal pay charge of £53k, the service was unable to contain this entirely within the final position.

Adult Education: £7k Pressure (£7k adverse)

12. The final outturn shows a small pressure of £7k due to the equal pay charge given to the service.

Leisure: £10k Pressure (£115k favourable)

13. The outturn position for Leisure is a net pressure of £10k. This is a favourable movement from month 11 by £115k. The position has been improved by a curtailing of expenditure in the Leisure development budget giving a saving of £65k, this was due to the freezing of recruitment and delays in the Community Sport Physical Activity Network (CSPAN) expenditure. In addition to this, the service have received a rebate on the NNDR for a number of the Leisure facilities sites, and received some utility refunds both giving favourable impact.

14. The Golf budgets were set to match the contracted income levels from Mack Trading, the contingency of £262k was set on the basis of the difference between the original budgeted income from Golf prior to the current arrangements. The contingency was distributed to the group as part of closing.

Planning and Transportation: £36k underspend (£47k favourable)

15. The improved position of £47k overspend is due to slippage on the recruitment of a number of planning posts and a favourable movement on S106 management fees of £18k.

Group Directorate: £158k overspend (£158k adverse)

16. The overspend on the Goup Directorate reflects a number of pressures that have been managed across the Group. These included additional costs relating to the appointment of an interim Corporate Landlord and Deputy Director, film income and recharges to Adult Education for business support.

2009/10 In-year Efficiency Target

17. The Group achieved its in-year savings target of £90k.

Central Services

Revenue: £8k underspend (£8k improvement)

1. The 2009/10 outturn position for the central services revenue budget was an underspend of £8k, an improvement of £8k on the position reported in Month 11, with the Deputy Chief Executive's Office underspending by £1k and the Finance & Resources Directorate underspending by £7k.

Finance & Resources: £7k underspend (£7k improvement)

2. The Finance & Resources Directorate budgets underspent by £7k, a minor improvement of £7k on the month 11 projections.

3. As previously reported there were a number of overspends within Corporate Property Services, totalling £284k, as set out below:
   - There was an overspend resulting from ongoing pressures on income streams from commercial properties of £129k, due to a number of vacant tenancies in the Warnford Industrial Estate (£87k), 192 High Street, where the premises have remained vacant for a number of months (£28k) and a vacant unit that existed in Uxbridge Market (£14k).
   - There was a shortfall of £46k on income from the Hire of the Middlesex Suite, due to an organisation not renewing its annual hire agreement, and a general slow down in the demand for hiring large sites, especially over the Christmas period.
   - There was a shortfall of £80k on income from schools buy back of FM services, due to schools opting to procure services directly rather than through the FM Team.
   - There was an overspend of £29k on the cost of maintaining and keeping secure surplus properties prior to their disposal.

4. These overspends were managed through delivering savings of £291k, relating to the following:
   - The receipt of a rebate from Matrix totalling £189k.
   - A saving of £102k due to a negotiated reduction in the cost of a number of Civic Centre Service Contracts and the receipt of one off refunds.

Capital Programme: £17,299 Underspend (£11,809k Increase)

1. The overall Capital Programme underspent £17,299k of as at Month 12 (£5,490k Month 10).

2. Expenditure for the whole capital programme is £72,112k (£53,096k Month 10) which equates to 81% of the revised programme. Further detail is provided below for each individual department.

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

HRA: £63k Overspend (£277k Adverse)

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

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 12 £' 000	Actual % of Revised Budget %	Forecast Outturn Month 10 £' 000	Variance Outturn to revised budget £' 000
Capital Works	10,000	10,000	Y	10,254	103%	10,022	254
Estates Improvements	1,125	495	Y	273	55%	275	-222
Cash Incentive Scheme	100	100	Y	100	100%	100	0
New Build – Redevelopment	290	120	N	179	149%	120	59
New Build – Long Lane	0	30	Y	28	93%	28	-2
HRA - Pipeline project	0	0	N	0	0%	8	0
Other Projects	230	0	Y	0	0%	250	0
Townfield Community Centre	0	660	Y	634	96%	660	-26
HRA – Total	**11,745**	**11,405**		**11,468**	**101%**	**11,463**	**63**

4. The final outturn position of HRA was £11,468k out of a revised budget of £11,405k, which accounts for 101% of the total programme budget.

5. The budget decreased by £300k on the other projects, as the ICT works undertaken were deemed to be revenue. There was a £28k increase on HRA Decent Homes Works due to an insurance contribution.

6. There is reported an underspend on Estate Improvements of £222k. This relates to the Austin Road estate project and The Glebe project, due to complications relating to planning permission.

7. There is an overspend of £254k on budget, for the HRA Capital works. This relates to rising costs from main contractor of £105K; bringing forward purchase of 200 boilers of £140K and a further £78K for 40 of them being installed. This was fully funded by the HRA, Major repairs allowance and additional grant. This was a draw forward on the 2010/11 budget which will be reduced to reflect this.

Adult Social Care, Health and Housing: £290k Underspend (£308k Improvement)

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

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 12 £' 000	Actual % of Revised Budget %	Forecast Outturn Month 10 £' 000	Variance Outturn to revised budget £' 000
100% Grant Funded							
PSRSG for WL Empty Property Grant	0	1,150	Part	1,216	106%	1,200	66
Mental Health – Mead House	114	365	Y	229	63%	363	-136
Improving Care Homes Environment for OP	0	3	Y	3	100%	3	0
ASC,H&H (Non HRA – 100% Grant Funded) – Total	**114**	**1,518**		**1,448**	**95%**	**1,566**	**-70**
Non-Grant Funded							0
Disabled Facilities Grants	2,040	2,017	Y	2,017	100%	2,017	0
Private Sector Renewal Grants	390	360	Y	358	99%	360	-2
LDA Energy Efficiency Grant	0	125	Y	125	100%	93	0
Colne Park Caravan Sites	302	78	Part	144	185%	78	66
Purchase of Benefits customer self-service facilities	225	121	Part	71	59%	121	-50
Purchase of Supporting People software	83	0	N	0	0%	0	0
Improving Information Management and ESCR	218	867	Part	788	91%	795	-79
Enabling Electronic Social Care Record	100	276	Y	181	66%	276	-95
Learning Disability Modernisation Programme	243	60	N	0	0%	0	-60
Mental Health - Welbeck Parade	0	39	0	39	100%	0	0
Mental Health Phase 2 – Hayes Park House	0	0	N	0	0%	0	0
Mental Health Phase 3 – Group Homes	0	0	N	0	0%	0	0
ASC,H&H (Non HRA – Non Grant Funded) – Total	**3,601**	**3,943**		**3,723**	**94%**	**3,740**	**-220**
ASC,H&H – Total	**3,715**	**5,461**		**5,171**	**95%**	**5,306**	**-290**

9. The final outturn position of ASCH&H was £5,171k out of a revised budget of £5,461k, which accounts for 95% of the revised programme budget.

10. The budget increased on Improving Information Management budget by £132k and Mead House by £2k funded via a revenue contribution. Welbeck Parade received a £30k contribution from the police and a £9k revenue contribution.

11. Private Sector Renewal Support Grant (PSRSG) for West London Empty Property Grant is £66k overspent on budget. This is fully externally financed from the London Mayor's targeted funding stream and the West London Partnership. The overspend has been financed from additional grant and will not impact on the 2010/11 budget allocation.

12. The Mead House Mental Health Project underspent in year by £136k. The bankruptcy of the main contractor has delayed project which will now continue into 2010/11.

13. Colne Park Caravan Site overspent by £66k. The 2009/10 revised budget of £78K was used in total for the works carried out on site; however the prelims and fees were not taken account of. The overspend has all been funded from the Gypsy grant for the project and is within the total

budget for the project. A review of the project will be undertaken to contain the overall project costs.

14. The ICT projects Improving Information Management and Enabling Electronic Social Care Records and Purchase of Supporting People software have underspent the revised budget in 2009/10. These projects will be carried forward into 2010/11 however all ICT projects are being centralised to Finance and Resources under the ICT Single Development Plan.

Environment and Consumer Protection: £129k Overspend (£53k Improvement)

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

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 12 £' 000	Actual % of Revised Budget %	Forecast Outturn Month 10 £' 000	Variance Outturn to revised budget £' 000
Highways Improvements	1,358	1,358	Y	1,761	130%	1,358	403
Cabinet Member Initiatives – Highways							0
Road Safety	250	210	Part	137	65%	210	-73
Traffic Congestion Mitigation	200	10	N	0	0%	0	-10
Street Lighting	300	300	Part	205	68%	300	-95
Cabinet Member Initiatives - Parks & Streetscene							0
Green Spaces Strategy	250	187	Part	181	97%	187	-6
Street Scene	250	250	Part	11	4%	122	-239
Cabinet Member Initiatives – Improvement, Partnerships & Community Safety							0
Breakspear Crematorium	1,700	1,876	Y	2,343	125%	2,240	467
Car Park Schemes	200	200	Y	201	101%	200	1
Ruislip Lido	0	18	Y	18	100%	18	0
Hillingdon First – Parking Meters	0	192	Y	133	69%	192	-59
Purchase of Vehicles	0	0	Y	0	0%	0	0
Other Schemes - Public Conveniences	0	185	Y	211	114%	215	26
E&CP – Sub Total	**4,508**	**4,786**		**5,201**	**109%**	**5,042**	**415**
BSP funded by Transport for London	3,685	3,995	Y	3,709	93%	3,921	-286
TFL (100% Grant Funded) – Sub Total	**3,685**	**3,995**		**3,709**	**93%**	**3,921**	**-286**
E&CP – Total	**8,193**	**8,781**		**8,910**	**101%**	**8,963**	**129**

16. The final outturn position of E&CP is £8,910k out of a budget of £8,781k, which accounts for 101% of the revised programme budget.

17. The majority of the expenditure in E&CP has been incurred on Breakspear Crematorium (£2,343k), where the project is completed. The pressure of £467k has been funded by additional contribution by London Borough of Harrow and prudential borrowing. Income from Breakspear Crematorium will be used to pay for the prudential borrowing.

18. The programme for Highways Improvements for £1,358k overspent by £403k. This is significantly offset by the underspend on other programmes of works and is related in part to the first tranche of the urgent pot hole works.

Education and Children's Services: £7,910k Underspend (£6,059k Increase)

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

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 12 £' 000	Actual % of Revised Budget %	Forecast Outturn Month 10 £' 000	Variance Outturn to revised budget £' 000
100% Grant/Externally Funded							0
Early Years Foundation Stage – Surestart	0	1,020	Part	697	68%	1,020	-323
Extended Schools	606	419	Y	403	96%	419	-16
Extension of Nursery Care / Education	1,854	24	Part	24	100%	24	0
Formula Capital Devolved to Schools	6,388	5,547	N/A	4,670	84%	4,523	-877
Guru Nanak - Expansion 2010	3,000	7,075	Y	5,942	84%	7,075	-1,133
Home Access for Targeted Groups	0	90	Y	62	69%	90	-28
Information Systems – Every Child Matters	0	41	Y	41	100%	41	0
ISPP Project (Parents & Providers)	0	24	Y	24	100%	24	0
Pathfinder (Playgrounds)	0	504	Part	190	38%	504	-314
Pinkwell	0	30	Y	0	0%	30	-30
Primary Capital Programme	3,893	2,975	N	0	0%	2,975	-2,975
Rosedale College S106 – only	26	26	Y	0	0%	0	-26
Ruislip High School	0	60	Y	0	0%	60	-60
School travel Plans	112	77	Y	76	99%	77	-1
Schools Kitchens	594	999	Part	75	8%	736	-924
Specialist Schools	0	378	Y	366	97%	378	-12
Surestart - AHDC short breaks	157	60	Y	0	0%	1	-60
Vehicle Workshops - West Drayton Young Peoples Centre	0	94	N/A	54	57%	94	-40
Investment in Young People's Facilities	0	167	Part	147	88%	167	-20
Total 100% Grant/Externally Funded	**16,630**	**19,610**		**12,771**	**65%**	**18,238**	**-6,839**
Non Grant Funded							0
Douay Martyrs - Drama, 6th form common rooms	0	65	Y	65	100%	65	0
Expansion Haydon	726	930	Y	916	98%	930	-14
School Improvement Programme	2,000	1,875	Part	1,023	55%	1,250	-852
School Places Provision (Basic Needs)	3,757	100	Part	8	8%	20	-92
Schools Access Programme	500	240	Part	127	53%	103	-113
Total 100% Non Grant Funded	**6,983**	**3,210**		**2,139**	**67%**	**2,368**	**-1,071**
E&CS – Total	**23,613**	**22,820**		**14,910**	**65%**	**20,606**	**-7,910**

20. The final outturn position of E&CS is £14,910k out of a budget of £22,820k which accounts for 65% of the revised programme budget. The budget has increased by £363k schools contributions towards additional works on Devolved Formula Capital.

21. The Guru Nanak Expansion is fully grant funded managed by the school. £5,942k of the £7,075k budget allocation was spent in 2009/10. The rephasing of £1,133k will be added to the 2010/11 budget of £5,710 to give a revised budget of £6,843.

22. The Primary Capital Programme underspent by £2,975k. £810k of this has been released from the Capital Moratorium in May 2010. Further PCP funds have been allocated and spent against specific projects in the Major Construction Projects area.

23. The School Kitchens underspent by £924k, and the School Improvement Programme underspent by £852k mainly due to the lead time in construction projects. Expenditure is expected to occur mostly over Easter and Summer School holidays.

Planning and Community Services: £693k underspend (£738k Increase)

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 12 £' 000	Actual % of Revised Budget %	Forecast Outturn Month 10 £' 000	Variance Outturn to revised budget £' 000
100% Grant/Externally Funded							0
SSCF	0	100	Y	90	90%	100	-10
S106/S278 Schemes	411	307	Y	302	98%	307	-5
Botwell Multi Use Games Area		150	Part	8	5%	125	-142
NLDC	0	10	Y	9	90%	10	-1
Total 100% Grant/Externally Funded	**411**	**567**		**409**	**72%**	**542**	**-158**
Non Grant Funded							0
Assisted Funding	150	32	N	17	53%	32	-15
Libraries Refurbishment	1,500	1,500	Y	1,205	80%	1,570	-295
Voltage Optimisation Equipment	40	40	Y	0	0%	40	-40
Harmondsworth Dog Free Mini Football Area	0	70	Y	65	93%	70	-5
Ruislip Lido Public Conveniences	0	100	Y	0	0%	100	-100
The Stables Manor Farm Redevelopment Project	0	80	Y	0	0%	80	-80
CCTV Programme	250	22	Part	22	100%	22	0
Total Non Grant Funded	**1940**	**1,844**		**1309**	**71%**	**1914**	**-535**
P&CS – Total	**2,351**	**2,411**		**1,718**	**71%**	**2,456**	**-693**

25. The final outturn position of PC&S is £1,718k out of a budget of £2,411k, which accounts for 71% of the total programme budget. The projected underspend on Botwell Multi Use Games Area increased to £142k due to delays starting the project. The remaining funds will be spent in 2010/11.

26. The Library Refurbishment Programme underspent by £295k in 2009/10. This related to delays at the new Botwell Library and continues into 2010/11.

27. The voltage optimisation equipment is to be fitted in the libraries, therefore the rephrased budget will be applied directly to the Library Refurbishment Programme in 2010/11

28. Works on the Ruislip Lido Public Conveniences were delayed due to the resident foraging bats. Bat surveys have been undertaken and rebuild plans include roosts for the bats. Work is expected to continue in 2010/11.

29. The Stables Manor Farm Redevelopment Project were estimating full spend however officers were investigating the status of the building, as the Manor Farm site is a listed site. The investigations affected the timing of works and delayed the project to 2010/11. Various feasibility options are under consideration.

Major Construction Projects: £3,941k underspend (£3,715k increase)

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

Capital Schemes 2009/10	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 12 £' 000	Actual % of Revised Budget %	Forecast Outturn 2009/10 Month 10 £' 000	Forecast Outturn 2010/11 Month 10 £' 000	Forecast Variance Total Project £' 000	Variance 2010/11 £' 000
Planning and Community Services								
Brookfield – Second Floor	256	Y	249	97%	256	6	-2	-7
Hillingdon Sports and Leisure Centre	8,372	Y	7,552	90%	8,372	346	+250	-820
Botwell Green (including Gymnastics Centre)	10,391	Y	10,239	99%	10,621	520	+750	-152
Boxing Club	0	N/A	41	No Budget	41	0	+41	+41
Minet Cycle Club	501	Part	366	73%	358	356	-1	-135
Queensmead Fitness Centre Refurbishment	30	Y	52	173%	30	50	0	+22
Education and Children's Services – 100% Grant/Externally Funded								
Children's Centres – Phase 2	2,080	Y	1,683	81%	1,864	215	-1	-397
Children's Centres – Phase 3	765	Y	142	19%	650	3,171	+436	-623
Longmead	1,250	Y	901	72%	1,150	1,263	-690	-349
Merrifields fit out for short breaks	45	Y	40	89%	45	0	0	-5
Pinkwell New Classrooms	391	Y	380	97%	391	9	0	-11
Pinkwell School Hall	0	Y	42		0	520	0	+42
Education and Children's Services – Non Grant Funded								
Harefield School Nursery	1,247	Y	1,233	99%	1,247	0	0	-14
Glebe Primary School	229	Y	204	89%	229	6	+6	-25
Heathrow Primary	172	Y	163	95%	170	2	-9	-9
Ruislip High School	308	Y	35	11%	308	0	0	-273
Targeted Capital - Oak Farm	398	Y	10	3%	398	0	0	-388
Targeted Capital - Uxbridge High	1,247	Y	1,215	97%	1,578	111	+442	-32
New Young People's Centre	2,000	Y	1,444	72%	1,800	1,369	+170	-556
Finance & Resources								0
Farm Barns	10	N	0	0%	10	0	-5	-10
Environment and Consumer Protection								
New Years Green Lane Civic Amenity Site	400	Part	227	57%	400	3,800	0	-173
Arundel Road Development HIP	30	Y	12	40%	18	12	0	-18
Hillingdon Cemetery & Chapel - Insurance work	0		30			227		+30
Council Wide								
Project QS support	100	0	21	21%	60	0	-40	-79
Major Construction Projects – Total	**30,222**		**26,281**	**87%**	**29,996**	**11,983**	**+3,947**	**-3,941**

31. The final outturn position of MCP is £26,281k out of a budget of £30,222k, which accounts for 87% of the revised programme budget.

32. The Majority of the works by MCP are large capital projects and continue across financial years. Minor timing difference may affect the in year expenditure.

33. The variance expenditure on Pinkwell School Hall is a draw forward on the previously released Section 106 budget in 2010/11 and relates the works on the new classrooms and Children's Centre at the school.

34. The main works at Ruislip and Oak Farm Schools are complete and the remaining budgets relates to snagging and retention amounts.

35. There were delays on the South Ruislip Young Peoples Centre, Northwood however opened in March 2010, Charville is due to open in June and South Ruislip in December 2010.

36. Feasibility work has been undertaken on the Farm Barns however this project is still being developed. The underspent budget for 2009/10 will be added to the 2010/11 budget for this project.

Central Services: £795k Underspend (£1,213k Increase)

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

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 12 £' 000	Actual % of Revised Budget %	Forecast Outturn Month 10 £' 000	Variance Outturn to revised budget £' 000
Leader's Initiative	200	125	Y	84	67%	125	-41
Chrysalis	1,000	1,018	Y	992	97%	1,067	-26
Town Centre Initiative	325	438	N	235	54%	413	-203
HIP Projects	600	370	Part	45	12%	370	-325
DCE - Total	**2,125**	**1,951**		**1,356**	**70%**	**1,975**	**-595**
ICT Asset Management Strategy	500	454	Part	401	88%	454	-53
ICT Works at the Crematorium	0	97	Y	107	110%	97	10
Victoria Hall	0	53	Y	51	96%	53	-2
Manor Farm	0	0	Y	100	No Budget	350	100
Hillingdon First Card	182	200	Y	200	100%	200	0
Property Enhancement Programme	500	241	Part	223	93%	241	-18
Property Enhancement Programme Contingency	0	179	N	201	112%	179	22
YOT Consolidation Link 1A/Cashiers	372	360	Y	330	92%	360	-30
Civic Centre Electrical Works	2	55	Y	383	696%	395	328
Civic Centre Security Improvements	236	127	Part	20	16%	127	-107
Civic Centre - Photovoltaic Cells	34	34	Y	35	103%	35	1
Civic Centre Enhancements	750	648	Part	194	30%	348	-454
Civic Centre Boilers	0	50	Y	53	106%	53	3
F&R - Total	**2,576**	**2,498**		**2,298**	**92%**	**2,892**	**-200**
Central Services - Total	**4,701**	**4,449**		**3,654**	**82%**	**4,867**	**-795**

37. The final outturn position of Central Services is £3,654k out of a revised budget of £4,449k, which accounts for 82% of the revised programme budget.

38. The Town Centre Initiative project was delayed in West Drayton/Yiewsley area due to other infrastructure works and is due to complete in 2010/11.

39. The ICT Projects came in £43k under budget as a whole, the works at the Crematorium were £10k over budget, with the main projects £53 under budget.

40. The Manor Farm project is subject to a contractual claim. There is a possibility this will not be resolved this financial year.

41. The overspend of £328k on the Civic Centre Electrical Works was contained in the Civic Centre Enhancement budget which underspent by £454k.

42. The Civic Centre Security Improvements were delayed and will be completed in 2010/11.

Capital Contingency: £3,862k underspend (£1,718k Improvement)

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

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Capital Spend Month 12 £' 000	Actual Spend % of Revised Budget %	Forecast call on contingency £' 000	Variance £' 000
Programme Contingency	3,196	2,725	0	0%	+1,000	-3,196
Contingency	1,500	1,137	0	0%	+718	-1,137
Contingency – Total	**4,696**	**3,862**	**0**	**0%**	**1,718**	**-3,862**

44. The forecast outturn of £1,718k assumed that all of the pressures identified below would need to be funded from the contingency. The final position was no call on the remaining contingency in 2009/10.

45. A number of the schemes did not realise the projected expenditure in 2009/10. In addition where possible Council funded scheme overspends were funded by underspends from other parts of the capital programme within the Group concerned. After taking these factors into account there was no call on Contingency in 2009/10.

Calls on Contingency from existing programme	Funding	Revised Budget £'000	Forecast Outturn (Month 10) £'000	Forecast Contingency Call 2009-10	Outturn (Month 12) £'000	Contingency Call 2009-10 £'000
Programme contingency						
Hillingdon Sports and Leisure Development	Council	8,372	8,372	-0	7,552	-820
Leisure Development - Botwell Green, Hayes	Council	10,391	10,621	+230	10,239	-152
Sub Total		**18,763**	**18,993**	**+230**	**17,791**	**-972**
General contingency						
Boxing Club	Council	0	41	+41	41	+41
Manor Farm	Council	0	350	+350	100	+100
Library Refurbishment Programme	Council	1,500	1,570	+70	1,205	-295
Breakspear Crematorium	Council element	1,876	2,240	+257	2,343	+360
Sub Total		**0**	**391**	**+718**	**141**	**+206**
Total		**22,139**	**19,384**	**+948**	**17,932**	**-766**

The Table below details the previous releases from contingency.

Previous releases from contingency	**£' 000**	**£' 000**
General Contingency		
Original budget	**1500**	**1500**
Approved projects to date		
Harmondsworth Dog Free Mini Football Area		70
Ruislip Lido Toilets		100
Project QS support		100
Douay Martyrs - Drama, 6th form common rooms		65
Brookfield		28
total released to date		363
Balance remaining		**1,137**
Programme contingency		
Original budget	**3,196**	**3,196**
Approved projects to date		
Purchase of Vehicles		471
Balance remaining		**2,725**

Appendix B

Annual Treasury Report 2009/10

1. Background

The CIPFA definition of Treasury Management is "the management of the Council's investments and cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks".

The Treasury Management Code requires public sector authorities to determine an Annual Treasury Management Strategy and now, as a minimum, formally report on their treasury activities and arrangements mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility and governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.

2. Scope

This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code. It presents details of capital financing, borrowing, debt rescheduling and investment transactions; reports on the risk implications of treasury decisions and transactions; gives details of the outturn position on treasury management transactions in 2009/10; and confirms compliance with treasury limits and Prudential Indicators.

3. Revisions to the CIPFA Treasury Management and Prudential Codes, CLG Guidance on Investments

In November 2009 CIPFA released the revised Code of Practice for Treasury Management in the Public Services and accompanying Guidance Notes and the revised Prudential Code for Capital Finance in Local Authorities. The CLG also issued revised Guidance on Local Authority Investments for English authorities. The revised Codes/Guidance re-emphasise an appropriate approach to risk management, particularly in relation to the security and liquidity of invested funds. Authorities were also henceforth required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds. Authorities are now also required to have a separate body or committee responsible for the scrutiny of the treasury function. The Council has revised its treasury policy and practices documentation to take account of the requirements and changes in the revised Codes and Guidance.

4. Economic Outlook for 2009/10

At the time of determining the Treasury Strategy Statement for 2009/10 in February 2009, the outlook for the economy and interest rates was as follows:

- The UK, Eurozone and US economies were contracting, globally economies faced a prolonged recession or period of weakness following the financial market meltdown in the autumn of 2008. Availability of credit was restricted as banks undertook to repair their balance sheets. This exacerbated the slowdown as finance for small businesses effectively came to a standstill.

- Asset values were falling and were forecast to drop further, particularly those which related to commodities and housing. The increase in food and energy inflation, which had exerted a powerful squeeze on real incomes in 2008, was, however, expected to fade in 2009. Wage inflation was forecast to remain low and the labour market to remain weak; the threat of unemployment was likely to influence consumers to scale back spending and save instead.

- The UK Bank Rate had been cut to 0.5% and in March 2010 the Bank of England announced its initial £75bn of Quantitative Easing (QE). There remained a sizeable gap between short-dated London Interbank Borrowing Rate (LIBOR) rates (i.e. the rates at which banks are willing to borrow from other banks) and the Bank Rate; this gap was forecast to narrow. Gilts were expected to benefit from QE, resulting in lower yields.

5. The Economy and Events in 2009-10

After the particularly torrid economic recession and a severe downturn in growth that extended into early 2009, there were reports of an emerging recovery. The Bank of England forecast UK growth to fall by 3.9% in 2009, whilst inflation was forecast to be heading lower and staying lower for longer. The depth of the recession was borne out by the 5.9% year-on-year fall in Gross Domestic Product (GDP) recorded at the end of the second quarter of 2009. The service sector, the dominant element of UK economy, also stalled for much of early 2009 despite a number of optimistic surveys to the contrary. Green shoots of recovery were finally evident in the final quarter of 2009 with growth registering 0.4% for the quarter.

In order to stimulate growth, the Bank of England maintained the Bank Rate at 0.5% throughout the year. The Bank also took extreme measures on an extraordinary scale to revive the economy through its QE programme. Financed by the issuance of central bank reserves QE was initially announced at £75bn, and then extended in stages to £200bn.

The Bank appears to have successfully staved off the very real risk of deflation. The increased supply of money in the system due to QE did not however translate into an increase in the movement of money in the system as banks are still unwilling to lend, and consumers are unwilling to borrow at pre-crisis levels.

The housing market showed some signs of stability but increases in house prices were modest. Nationwide House prices registered a year on year growth of 9% at the end of March 2010.

Consumer Price Inflation (CPI), having hit a high of 5.2% in September 2008, began the year at 3.2% (Feb 2009 data), fell to a low of 1.1% in September 2009 as the oil, commodity, utility and food prices (the main drivers of high inflation in 2008) fell out of the year-on-year statistical calculations. Thereafter, inflation pushed higher with rising oil and transport costs and VAT reverting to 17.5%. CPI at year-end was 3.0% (Feb 2010 data).

Companies and households on the whole reduced rather than increased their levels of debt. Credit remained scarce and at a premium, and certainly as compared to that available two years earlier. Businesses retrenched rather than hired workers and unemployment rose rapidly to just under 2.5 million. Against this background, wage growth was muted.

The November 2009 Budget was primarily about public debt. The Chancellor’s forecast for net public sector borrowing in 2009/10 was £175bn or 12.4% of GDP. Gross gilt issuance was expected to hit a quite staggering £220bn in 2009/10. Standard & Poor’s responded to the debt that the UK government was building up and a lack of a credible plan to reduce the debt burden by changing the UK’s rating outlook from stable to negative.

The outlook for 2010 was therefore for a period of slow and patchy growth in the economy accompanied by stubbornly high unemployment. The UK fiscal deficit remained acute. Cuts in public spending and tax increases were becoming inevitable and a credible plan to reduce the deficit was urgently required after the May General Election, the absence of which increases the potential of a sovereign downgrade.

Gilts and Money Market Rates

LIBOR and LIBID rates (i.e. the rates at which a banks are willing to borrow from and lend to other banks) which had been stubbornly high in early 2009, slowly moved lower towards the Bank Rate of 0.5%.

UK Government Gilts were the main beneficiary of the economic downturn (it is an asset class that responds positively to poor economic news); they also formed the significant bulk of the QE purchases and are thought to have pushed gilt yields, and consequently the cost of borrowing, lower by 0.5%.

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6. Treasury Portfolio 2009-10

	Balance at 31/3/2009 £m	Average Rate paid/received	Balance at 31/03/10 £m	Average Rate paid/received
Debt				
PWLB Fixed Rate Maturity	149.60		94.60	
PWLB Fixed Rate EIP	0.00		15.00	
Market Fixed Rate	48.37		48.00	
PWLB Variable Rate EIP	0.00		15.00	
Temporary	0.00		10.00	
Total Borrowing	**197.97**	**4.24%**	**182.60**	**3.94%**
Long term Liabilities	4.25		3.91	
Total External Debt	**202.22**		**186.51**	
Deposits				
Instant Access	29.90		12.80	
Short Term Fixed	43.10		45.00	
Long Term Fixed	2.00		0.00	
Investment default	20.00		14.80	
Total Deposits	**95.00**	**5.04%**	**72.60**	**1.74%**

In 2009/10 the Council appraised its operating lease contracts in order to ascertain the appropriateness of their accounting status as “off balance sheet” items. Following this exercise two leases were reclassified as finance leases and brought onto the balance sheet at a net book value of £592k. The aggregate external debt including these leases remained within the Council’s Prudential Borrowing Limit.

The Council has one Private Financing Initiative (PFI) contract in place, which has been included on the balance sheet since its inception in 1999.

The year-end deposit balance shows a temporarily inflated position as it includes temporary borrowing of £10.0m, which was put in place during mid March, and a business rate overpayment of £37.1m received on the 31/03/10. Both the overpayment and the temporary borrowing were paid back on the 1/04/10.

The accounting for the Icelandic impairment of £5.6m is not included in the above figures.

7. Long-term Borrowing: Strategy and Outturn

The Council's Capital Financing Requirement for 2009/10 was estimated at £236m however the strategy implemented was to defer new borrowing and where viable reduce the current loan portfolio by prematurely redeeming debt.

The Prudential Code permits the Council the flexibility to bring forward or defer borrowing in relation to its Capital Financing Requirement. During the year the differential between debt costs and investment earnings was significant. In order to eliminate the high "cost of carry" associated with the higher cost of long term borrowing compared to temporary investment returns (between 0.25% and 1.5%), the Council used internal resources in lieu of borrowing. By doing so, the Council lowered overall treasury risk during the year. The Council recognises that utilising investments in lieu of borrowing clearly has a finite duration and that future borrowing will be required to support capital expenditure; this will be kept under review in 2010/11.

The cost of Public Works Loan Board (PWLB) variable rate debt fell below 1% and during 2009/10 this significantly reduced the 'cost of carry' associated with the cost of borrowing and income earned on investments. This was advocated as a borrowing option by Arlingclose taking into account the substantial proportion of fixed rate debt in the Council's portfolio. Interest rates would undoubtedly rise over the medium term, but the increase in the cost of variable rate borrowing would be mitigated by a parallel increase in investment income earned at variable rates. Existing PWLB arrangements also permit the conversion of variable rate debt to fixed rate debt at minimal cost.

Equal Instalments of Principal (EIP) loans also reflected the steepness exhibited in the borrowing curve and was advocated as a borrowing option by Arlingclose. EIP loan principal is repaid evenly over the life of the loan and thus avoids adding to specific peaks in the maturity profile of debt

Against the above backdrop no new loans were raised in 2009/10, however both variable and EIP loans were used in debt restructuring (as discussed in detail in section 8).

The Council has £48m of market loans, which are LOBO[1] loans (Lender's Options Borrower's Option) of which £14m of loans were in their option state in 2009/10. During the year the lenders of these loans did not exercise any call options and therefore the loans remain outstanding on the same terms. For 2010/11 the loans that are in an option state total £10m.

The opening and closing external borrowing portfolio is summarised below:

	Balance at 01/4/2009 £m	Replacement Borrowing £m	Maturing loans £m	Premature redemptions £m	Balance at 31/3/2010 £m
PWLB Fixed Rate Maturity	149.60	30.00	0.00	85.00	94.60
PWLB Fixed Rate EIP	0.00	15.00	0.00	0.00	15.00
Market Fixed Rate	48.37	0.00	0.00	0.37	48.00
PWLB Variable Rate EIP	0.00	15.00	0.00	0.00	15.00
Temporary Borrowing	0.00	68.50	58.50	0.00	10.00
Total Borrowing	**197.97**	**128.50**	**58.50**	**85.37**	**182.60**

[1] LOBO loans are where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty

The Council's borrowing costs were £6,871k against a budgeted cost of £8,708k. The saving of £1,837 against the budget was due to premature repayments and debt rescheduling activity throughout the year.

8. Debt Rescheduling Activity

The main objective of debt rescheduling is to reduce the Council's overall exposure to the risk of interest rate movements, to lower the long-term interest charges paid on its debt, to smooth the maturity profile without compromising the overall longer-term stability, or to alter its volatility profile (i.e. exposure to variable rate debt).

Debt rescheduling became more challenging after the introduction by the PWLB of a separate, lower set of repayment rates in November 2007. This increased the costs associated with the premium payable and diminished the discount receivable, thus reducing the cost savings achievable. Nevertheless, volatility in PWLB rates provided opportunities to reschedule debt and the following loans were either repaid or refinanced:

Loans Prematurely Repaid:

Date	Lender	Principal £	Rate %	Period outstanding (years)	Premium/ (Discount) £
28/04/09	PWLB	5,000,000	4.25	28	(56,844)
28/04/09	PWLB	5,000,000	4.25	29	(57,855)
19/06/09	PWLB	7,500,000	4.50	21	61,061
19/06/09	PWLB	7,500,000	4.50	22	52,279
30/06/09	Liverpool & Victoria	165,495	5.91	10	21,593
27/07/09	Axa	190,339	6.88	26	18,562

Loans Rescheduled:

Date	Lender	Principal £	Rate %	Period outstanding (years)	Premium/ (Discount) £
23/06/09	PWLB	5,000,000	4.20	34	(192,930)
23/06/09	PWLB	5,000,000	4.20	36	(171,192)
23/06/09	PWLB	10,000,000	4.25	44	(137,305)
23/06/09	PWLB	10,000,000	4.25	43	(233,937)
27/10/09	PWLB	5,000,000	4.15	37	95,123
27/10/09	PWLB	5,000,000	4.15	38	96,237
11/11/09	PWLB	5,000,000	4.15	40	48,870
22/12/09	PWLB	7,500,000	4.50	17	263,839
22/12/09	PWLB	7,500,000	4.50	18	256,185

Replacement Borrowing for Rescheduled Loans:

Date	Lender	Principal £	Rate %	Period of Loan (years)	Type of Loan
25/06/09	PWLB	10,000,000	3.88	11	Fixed Maturity
25/06/09	PWLB	10,000,000	3.75	10	Fixed Maturity
25/06/09	PWLB	10,000,000	3.45	8	Fixed Maturity
23/12/09	PWLB	15,000,000	2.89	10	Fixed EIP
10/03/10	PWLB	15,000,000	0.70	10	Variable EIP

The above premature redemptions and rescheduling activity achieved a reduction in the weighted average rate on the Council's outstanding debt, changing it from 4.15% at 1st April 2009 to 3.58% at 31st March 2010. The average rate paid throughout the year reduced from 4.24% to 3.94% and interest costs from £9.4m to £6.9m. Excluding temporary borrowing the portfolio average life decreased from 36.9 years to 29.3 years and the proportion of variable rate debt increased from 0% to 9%.

The premiums (£914k) and discounts (£851k) were amortised in with the accounting requirements of the 2009 SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573).

9. Annual Investment Strategy and Outturn

The CLG's Guidance on Investments, revised during 2009/10, reiterated security and liquidity as the primary objectives of a prudent investment policy. Although the Guidance becomes operative on 1st April 2010, its principal recommendations run parallel to the credit risk management requirements in the revised Treasury Management Code. In the revised Guidance, Specified Investments are those made with a body or scheme of "high credit quality". Both the Guidance and the revised Treasury Management Code emphasise that counterparty credit criteria should not rely on credit ratings alone but should include a wider range of indicators. The revised Code nonetheless requires that ratings assigned by all three rating agencies; Fitch, Moody's and Standard & Poor's be taken into account and the lowest rating be used.

In determining suitable investment counterparties, the Council was, in any event, already taking into consideration economic and financial information as well as evaluating alternative assessments of credit strength (for example, potential sovereign support, sovereign strength as evidenced by the ratings and GDP, sovereign and counterparty credit default swaps).

Managing counterparty risk continued to be the Council's overwhelming investment priority. Financial markets remained in a fragile state particularly at the beginning of 2009/10. Taking into account these conditions, the Council continued to place investments with a small, select list of counterparties.

'Specified' and 'non-specified' investments (see Appendix 1) were determined for use having assessed their risks and benefits in relation to the Council's particular circumstance, risk threshold and investment objectives. New investments were restricted to the Debt Management Account Deposit Facility, AAA-rated Money Market Funds, and deposits with banks and building societies which are eligible institutions under the UK Government's 2008 Credit Guarantee Scheme and with a long-term AA- (AA minus) rating. The Council accepted the diminution in investment return from investing with highly rated counterparties as an acceptable risk-reward trade-off.

The UK Bank Rate was maintained at 0.5% from March 2009 onwards. Money market rates soon fell too and remained at historic lows. Whilst existing investments provided some insulation against falling rates, new investments could only be made at the prevailing lower rates of interest. This has had a significant impact on investment income.

The focus was therefore to utilise cash balances as efficiently as possible by prematurely redeeming outstanding debt and matching longer-term deposits with expected capital spend. The balance of funds was placed in instant access accounts to ensure liquidity for day-to-day cash flow requirements and rescheduling opportunities. This approach not only reduced borrowing costs but also lowered investment counterparty risk.
The Council held average cash balances (excluding Iceland) of £65m during the year. These represented working cash balances and the Council's reserves. Investment income for the year was £1,133k compared to a budget of £1,550k. The reduction in income was due to low interest rates and reduced investment holdings as a result of premature debt repayment.

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.

Icelandic Investments

At the beginning of 2009/10 the Council had unpaid investments of £15m with Heritable Bank and £5m with Landsbanki Islands. During the year three dividends were received from the administrators of Heritable totalling £5.3m. No repayments had been received form Landsbanki Islands.

Heritable: The administration process of Heritable Bank is going to plan with the latest projection now showing the best case estimated return of between 79-85p.

The latest LAAP 82 bulletin (May 2010) notes that a strategy of winding up the bank by 2012 is expected to produce a return at the top end of the range of 84.98%; a strategy of winding up the bank before 2012 would lead to lower returns. On this basis, the Local Authority Accounting Panel considers that a recovery at the top end of the estimate is the most likely outcome, and this therefore forms its best estimate.

The expected dividend profile is as follows:

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Landsbanki: The priority status originally granted to the Local Authority creditors of Landsbanki, was challenged and an objection filed by a number of non-priority creditors. In response, Bevan Brittan has developed a workplan for legal action that will be needed in Iceland to confirm local authority depositors' status as priority creditors. A number of authorities have been selected by the Winding Up Board as "Test Cases" to allow the full range of issues to be argued before the Icelandic courts. The "Test Case" judgement will not be automatically binding on other cases. Therefore, to ensure the earliest possible resolution of matters for all authorities, Bevan Brittan has invited the Winding Up Board to refer all authorities' claims to the court now. Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011.

The Local Authority Accounting Panel considers, on the basis of the legal advice obtained by local authorities and advice provided by the Local Government Association, that it remains the most likely outcome that the claims will enjoy priority status. Based on this assumption the estimated recovery is 94.86% with the following dividend profile:

Date	Repayment	Date	Repayment
October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

10. Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. The four MRP options available are:

Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method

Options 1 and 2 can be used on all capital expenditure incurred before 1st April 2008 and on Supported Capital Expenditure on or after that date. Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1st April 2008 and can also be used for Supported Capital Expenditure whenever incurred.

The Council's MRP policy for 2009/10 was approved by Council. It was determined that Option 1 would be adopted for Supported Borrowing and Option 3 for Unsupported Borrowing.

11. Compliance with Treasury Limits and Treasury-related Prudential Code Indicators

The Council implemented its strategy within the limits and parameters set in its Treasury Policy, Strategy Statement and Prudential Indicators against the prevailing market conditions and opportunities as follows:

(a) Deferring long-term funding for the Council's supported and unsupported borrowing requirement from the PWLB and market sources.

(b) Prematurely redeeming and restructuring existing long-term loans to lower debt financing costs without compromising longer-term stability.

(c) Adhering to the paramount requirement of safeguarding the council's invested balances during a period of unprecedented money market dislocation; maintaining adequate diversification between institutions; optimising investment returns subject to the overriding requirement of security and liquidity.

(d) Forecasting and managing cash flow and undertaking short-term borrowing and lending to preserve the necessary degree of liquidity.

Treasury-related Prudential Indicators

The Council adopted of the CIPFA Code of Treasury Management in March 2002 and the new revised code in February 2010.

At it's meeting in February 2009 Council approved the Prudential Indicators for 2009/10.

(a) **Authorised Limit**: This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements. This limit was set at £296m for 2009/10.

(b) **Operational Boundary**: This is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity and is based on the Authorised Limit excluding the headroom for unusual cash movements. For 2009/10 the limit was set at £271 m.

The levels of debt were measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £197.97m.

(c) **Upper Limits for Interest Rate Exposure**: These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis, i.e. fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Estimated %	**Actual %**
Upper Limit for Fixed Rate exposure	100	97.0
Upper Limit for Variable Rate exposure	50	(350.7)

The negative variable rate exposure shown above is the net result of a greater variable rate investment balance compared to the variable rate loan balance.

(d) **Maturity Structure of Fixed Rate borrowing:** This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

	Upper limit %	**Lower limit %**	**Actual Borrowing as at 31/3/2010 £**	**Percentage of total as at 31/3/2010**
under 12 months	25	0	14,500,000	8.6
12 months and within 24 months	25	0	1,500,000	0.9
24 months and within 5 years	50	0	9,000,000	5.4
5 years and within 10 years	50	0	34,500,000	20.6
10 years and above	100	30	108,100,000	64.5

(e) **Total principal sums invested for periods longer than 364 days:** This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days. For 2009-10 this limit was set at £50m. At their peak, these investments totalled £2m.

Non-treasury related Prudential Indicators are included in Appendix 2.

12. Balanced Budget

The Council complied with the Balanced Budget requirement.

13. External Service Providers

Arlingclose is appointed as the Council's treasury management advisor. The Council is clear as to the services it expects and is provided under the contract. The service provision is comprehensively documented. The Council is also clear that overall responsibility for treasury management remains with the Council.

14. Housing Finance Reform

In March 2010 the CLG published proposals for the reform of the Housing Revenue Account (HRA) and abolition of the current subsidy system. Under the self-financing system it is intended for authorities with housing to keep all of the rent they collect and all the receipts from sales of housing or land. The self-financing model indicates a level of opening HRA debt for each local authority and the modelled figures give an estimate as to whether the Authority would receive a capital sum from or pay a capital sum to the Government under the HRA reform.

The Council will need to evaluate to what extent the modelled figures in the consultation documents resemble the reality of the Council's HRA position and business plans and also needs to consider the direct impact of the proposals and also any indirect impacts, for example on the General Fund or on Treasury Management costs.

The Government is formally consulting on these proposals with a closing date for responses of 6th July 2010. If there is agreement, Government proposes to work towards voluntary implementation from 2011/12, subject to confirmation at the next Spending Review. If there isn't agreement, Government will seek to implement self-financing through new primary legislation possibly as early as 2012/13.

The Council has now received a provisional offer that would require a one off capital payment of £236.7m to central government. The subsidy savings are approximately £13.5m a year and set to increase further over the next few years.

15. Training

CIPFA's revised Code requires the Director of Finance & Resources ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

The CLG's revised Investment Guidance also recommends that a process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

The Council adopts a continuous performance and development programme to ensure staff are regularly appraised and any training needs addressed. Treasury staff also attend regular training sessions, seminars and workshops. These ensure their knowledge is up to date and relevant. Details of the training received are maintained as part of the performance and development process.

Treasury Management is included in the general finance training for members. Discussions are ongoing with Arlingclose, the Council's treasury management advisors and other service providers, on devising specific training for Audit Committee.

Appendix 1

Specified and Non-Specified Investments determined for use by the Council

Specified Investments:
Instruments with a maximum maturity of 1 year.

- Term deposits in banks and building societies
- Certificates of deposit with banks and building societies
- Debt Management Account Deposit Facility
- Other local authorities
- Money market funds with a AAAm rating and a constant net asset value
- UK Government bonds (Gilts)
- UK Treasury Bills.

Non-Specified Investments:
Instruments with a maturity date of longer than one year but less than six years. Total maximum exposure of £60m.

- Bonds issued by Multilateral Development Banks (i.e. European Investment Bank, World Bank)
- Bonds issued by institutions with an explicit UK Government Guarantee
- UK Government bonds (Gilts)
- Other local authorities

The minimum credit criteria is the short-term/long-term ratings assigned by one or more of the following agencies: Moody's Investors Services, Standard & Poor's, Fitch. For the financial year 2009/10 the minimum credit criteria set by the Council was long-term AA-, short-term F1+. The lowest common denominator approach was not applied during 2009/10.

Compliance with Non Treasury Prudential Indicators 2009/10

1 Estimated and Actual Capital Expenditure

This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and, in particular, to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

No.1	**Prudential Indicator**	2009/10	**2009/10**
		Estimated £m	**Outturn £m**
	Capital Expenditure		
	Non-HRA	76.5	61.2
	HRA	11.7	**10.9**
	Total	**88.2**	**72.1**

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

This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

No.2	**Prudential Indicator**	2009/10	**2009/10**
		Estimated %	**Outturn %**
	Ratio of Financing Costs to Net Revenue Stream		
	Non-HRA	4.90	**2.50**
	HRA	4.15	**4.30**
	Total	4.72	**2.95**

3 Capital Financing Requirement

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

3.2 The Council had no difficulty meeting this requirement in 2009/10, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3.3

No.3	Prudential Indicator	31/3/10	**31/3/10**	31/3/11	31/3/12
		Estimated £m	**Outturn £m**	Estimated £m	Estimated £m
	Capital Financing Requirement				
	Non-HRA	172.0	**149.3**	181.2	207.9
	HRA	64.0	**64.1**	68.3	71.1
	Total	236.0	**213.4**	**249.5**	**279.0**

3.4 The 2009 SORP and IFRS have resulted in two leases being brought on balance sheet, adding to the CFR.

4 Actual External Debt:

4.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4	Actual External Debt as at 31/03/2010	£m
	Borrowing	182.60
	Other Long-term Liabilities	3.91
	Total	**186.51**

5 Incremental Impact of Capital Investment Decisions

5.1 This is an indicator of affordability that shows the impact of approved capital investment decisions on Council Tax and Housing Rent levels when the budget for the year was set.

No. 5	Prudential Indicator	2009/10 £
	Incremental Impact of Capital Investment Decisions	
	Increase in Band D Council tax	17.64
	Increase in average weekly housing rents	-0.03

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. There is no variation to Council Tax once it has been set prior to the commencement of the financial year.

Appendix C

NI179 Outturn 2009/10

1 NI179 is one of the indicators in the National Indicator Set and is the mechanism through which councils report their progress on achieving VFM gains in the Comprehensive Spending Review (CSR07).

2 The definition of the NI is "***the total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/09 financial year***". Councils are required to submit NI179 data twice each year. This is the second submission for 2009/10 (July 2010) and provides the 2009/10 Actual cumulative gains for the Council.

3 The CSR07 required Councils to achieve 3% per annum of on-going cashable efficiency gains from 2008-2011. Further to an announcement in the 2009 National Budget an additional 1% VFM gains is now required in 2010/11. This means that Councils are now expected to achieve £5.5bn cash-releasing efficiencies by 2010/11, measured against the 2007/08 baseline expenditure. For Hillingdon this 3% target equates to achieving cashable efficiencies amounting to £27,240k by 2010/11.

4 We are reporting actual cumulative VFM gains for 2009/10 as £7,452k, comprising £6,142k from council services (efficiencies and procurement), £164k from asset management and £1,146k from Hillingdon Homes. The savings from council services are identified and delivered through the MTFF process, asset management VFM savings are identified from asset disposals and Hillingdon Homes are delivering efficiencies from their partnering contracts.

5 The number we are submitting now for NI179 also includes the value of any gains we are permitted to carry-forward from SR04 uplifted by the GDP deflators (2.5% for 2008/09 and 2% for 2009/10). Hillingdon is therefore permitted to carry forward £19,949k. The total actual cumulative NI179 figure being submitted is £27,401k by the end of 2009/10, an improvement of £2.56million since the 2008/09 outturn submission. This means that Hillingdon has already achieved its 3% target.