

COUNCIL BUDGET - MONTH 6 2010/11 REVENUE AND CAPITAL MONITORING

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

HEADLINE INFORMATION

Purpose of report	<p>The report sets out the council's overall 2010/11 revenue & capital position, as forecast at the end of Month 6 (September). The in year revenue position is currently forecast as being £197k less net expenditure than budgeted on normal activities and a £1,425k pressure on exceptional items, an overall favourable movement of £757k on Month 5.</p> <p>Total forecast capital expenditure for the year is estimated to be £89,624k (Month 5, £89,907k), £19,270k less than the latest budget.</p>
Contribution to our plans and strategies	Achieving value for money is an important element of the Council Plan for 2010/11.
Financial Cost	N/A
Relevant Policy Overview Committee	Corporate Services and Partnerships
Ward(s) affected	All

RECOMMENDATIONS:

That Cabinet:

- 1. Note the current forecast budget position for revenue and capital as at Month 6.**
- 2. Note the treasury 6 month report at Appendix B.**
- 3. Agree that the Council should introduces charges for all requests for street naming and new building naming/numbering and that the charges should be as set out below:**
 - To name or rename a road: £250+vat**
 - To name or rename a building/street numbering £100+vat**
 - Research on possible names for roads or buildings: £60 per hour +vat, chargeable in 15 minute units.**
- 4. Approve the virement of £524k from the Early Years Foundation Stage project to the Phase III Children's Centre budget and the addition of £342k of Section 106 to the scheme.**
- 5. Note the changes to the HRA Pipeline budgets agreed by Cabinet on 14 October 2010.**

6. Note the following additions to capital budgets as a result of changes in external funding:

- **£150k of Section 106 funding to the Ruislip High School Expansion in 2010/11.**
- **£163k of additional Transport for London funding in respect of works at Eastcote station.**
- **£197k to the Section 106/278 Schemes in 2010/11.**
- **£127k of Social Care Reform Grant to the ICT Asset Management Strategy to support delivering personal budgets and transformation in adult social care.**
- **£90k of London Development Agency grant to the HRA Capital Works to Stocks budget for extensions and deconversions.**
- **£13k of insurance receipts to the HRA Capital Works to the Housing stock budget.**

INFORMATION

Reasons for Recommendations

1. The reason for the monitoring recommendation is to ensure the Council achieves its budgetary objectives. The report informs Cabinet of the latest forecast revenue and capital position for the current year 2010/11.
2. Recommendation 3 is required to introduce charges for road and building naming. Hillingdon Council is responsible for the naming and numbering of new or existing streets and buildings within the borough boundaries. The council carries out these functions under The London Building Acts (amendment) Act 1939 – Part 11. Section 93 of the Local Government Act 2003 confers a general power to charge for discretionary services with the intention of allowing local authorities to recover costs, though not to generate surplus. Hillingdon does not currently charge for the naming roads or buildings but is proposing to introduce these charges to cover the costs of such activities.
3. Recommendations 4 to 6 are required to formally approve changes to capital budgets as a result of changes in external funding or to approve virements in capital budgets between Groups.

Alternative options considered

4. There are no other options proposed for consideration.

SUMMARY

A) Revenue

5. The in year revenue monitoring position as at Month 6 (September) shows that current forecast net expenditure for the year 2010/11 is £1,228k more than the budget (An underspend of £197k on normal activities and a £1,425k overspend on exceptional items), an overall favourable movement of £757k on Month 5. Action is being taken by all Directors to seek to reduce this pressure.
6. The demographic pressure on Older Peoples Services (£2,426k) is the most significant pressure contributing to the net overspend. The main reason for the £1,425k pressure on exceptional items is the impact of the Government's announcement on local government in-year grant reductions for 2010/11. The cuts notified are in Area Based Grant (£1.8m), Housing and Planning Delivery Grant (£0.1m), LAA Reward Grant (£1.3m) and LABGI (£0.4m). The net impact of the reductions in grant on the Council's current year budget is £3.6m.

7. An in-year recovery plan is being developed that is seeking to recover the £3.6m through permanently reducing expenditure in areas previously funded by the grants being reduced or through accelerating BID efficiency proposals. To date around £2m has been identified but work is continuing with the aim of recovering the position further by the year end. The aim is to ensure an overall breakeven budget position by the year end.
8. The budget position on contingency has improved by £160k in the last month due to a £10k improvement in the asylum position, improvements in Land charges (£59k), Building control (£176k) and legal costs for the Local development framework (£100k) netted down by an adverse movement of £185k on Development Control.
9. Capital financing costs are projected to underspend by £1.55m due to budgets set aside in advance for schools capital financing and other priority projects which will not be needed in this financial year (£1m) and through a revised projection for the Minimum Revenue Provision (MRP) required to be set aside this year and the impact of recent debt restructuring which will produce a saving of £550k in the current year.
10. The balances brought forward at 31st March 2010 were £17,745k. £1,500k of this sum was applied in support of the 2010/11 budget as part of the budget strategy agreed at Council Tax setting. The forecast balances as at 31st March 2011 are £15,208k as a result of the budgeted drawdown from balances (-£1,500k), based on the current forecast in-year overspend (-£1,228k) and after the transfer from earmarked reserves (+£191k).
11. In addition to the £15,208k of general balances the Council has £746k of balances earmarked for Building Schools for the 21st Century brought forward from last year. The Government has announced that the funding for Building Schools Programmes across the whole country is being withdrawn. The Council was already in the process of winding down costs associated with this programme. Around £200k has been spent so far this year. The balance of funds not spent will be transferred to general reserves and will be used to support financing costs for the Primary Capital Programme.

B) Capital

12. Total forecast capital expenditure for the year is estimated to be £89,624k (Month 5, £89,907k), £19,270k less than the latest budget. This represents a £2,039k reduction in the forecast outturn position including the following significant movements.
 - a. Delays on the Highgrove Pool Phase II project will result in £250k of expenditure being slipped into 2011/12 resulting in the movement in outturn from £550k underspend in Month 5 to £300k underspend in Month 6.
 - b. The CCTV programme is currently on hold and no expenditure is forecast for 2010/11, leading to a £230k underspend against revised budget (Month 5 nil variance).
 - c. Delays in commencing with a number of Transport for London schemes have led to the forecast outturn being reduced by £245k to £3,503k.
 - d. A £500k underspend forecast on the £9,849k Capital Works to Housing Stock (nil variance in Month 5) is due to a re-phasing of works into 2011/12 following delays due to an elongated leaseholder negotiation.
 - e. An underspend forecast on the Estates Improvement Scheme (nil variance in Month 5) is the result of a delay in works being committed on the Glebe Estate which will result in £500k of works being slipped into 2011/12.

- f. Delays in initiating projects within the ICT Asset Management Strategy has led to the outturn forecast being reduced by £200k to £1,799k, the likely outturn position will continue to be reviewed by officers.
13. At the end of Month 6 nil receipts have been realised and although there are some assets available for sale, the timetable for all pre-sale processes and legal completion in order to realise receipts in the current financial year is becoming increasingly challenging. If receipts are not forthcoming by then there will be a revenue implication for 2011/12 in the form of higher MRP charges.
14. Following their review of the Surestart Grant, the Department of Education are seeking to claw back £710k, which is deemed by the Department of Government to be uncommitted. While officers are continuing to lobby the Department of Education it is likely that the Early Years Foundation Stage budget within E&CS will be reduced in the coming months. However some of this clawback is an agreed reduction to the Deanesfield combined Early Years & Children's Centre, which will not impact on the scope of the project.
15. The review of the Playbuilder grant has also been completed and the Council's existing allocation of £598k has been confirmed.

A) Revenue

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

Table 1

2010/11 Original Budget	Budget Changes		2010/11 (As at Month 6)		% Var of budget	Variances (+ adv/- fav)		
			Current Budget	Forecast		Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
£'000	£'000		£'000	£'000		£'000	£'000	£'000
223,425	9,341	Directorates Budgets on normal activities	232,767	234,120	1%	+1,353	+1,560	-207
-27,731	-9,342	Corporate Budgets on normal activities	-37,073	-38,623	4%	-1,550	-1,000	-550
195,694	0	Sub-total Normal Activities	195,694	195,497	0%	-197	+560	-757
		Exceptional items:						
		Central govt. grant cuts		3,600		+3,600	+3,600	0
		In-year recovery savings		-2,000		-2,000	-2,000	0
		Team bonus underspend		-175		-175	-175	0
0	0	Sub-Total	0	1,425		+1,425	+1,425	0
195,694	0	Total net expenditure	195,694	196,922	1%	1,228	1,985	-757
-			-					
194,194	0	Budget Requirement	194,194	-194,194		0	0	0
1,500	0	Net total	1,500	2,728		1,228	1,985	-757
-17,745		Balances b/f 1/4/010	-17,745	-17,745		0	0	0
0		Transfer from earmarked reserves		-191		-191	-191	0
-16,245	0	Balances c/f 31/3/11	-16,245	-15,208		+1,037	+1,794	-757

Directorates' Forecast Expenditure Month 6

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

Table 2

2010/11 Original Budget	Budget changes	2010/11 Current Budget (as at Month 6)	Directorate		2010/11 Forecast (as at Month 6)	% Var of budget	Variances (+ adv/- fav)		
							Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
£'000	£'000	£'000			£'000		£'000	£'000	£'000
279,115	893	280,009	Adult Social Care, Health & Housing	Exp	283,787	1%	+3,778	+3,778	0
-185,595	-3,250	-188,845		Inc	-190,030	1%	-1,185	-1,185	0
93,521	-2,357	91,164		Total	93,757	3%	+2,593	+2,593	0
98,326	-5,801	92,525	Planning, Environment & Community Services	Exp	92,590	0%	+65	+95	-30
-49,523	6,312	-43,210		Inc	-42,568	-1%	+642	+621	+21
48,804	511	49,315		Total	50,022	1%	+707	+716	-9
313,819	18,127	331,946	Education & Children's Services	Exp	331,843	0%	-103	0	-103
-261,246	-5,178	-266,424		Inc	-266,321	0%	+103	0	+103
52,573	12,949	65,522		Total	65,522	0%	0	0	0
28,759	7,038	35,798	Central Services	Exp	35,152	-2%	-646	-754	+108
-12,792	-8,800	-21,592		Inc	-21,402	-1%	+190	+336	-146
15,967	-1,762	14,206		Total	13,750	-3%	-456	-418	-38
10,760	0	10,760	Developments Contingency Growth to be allocated		9,569	-11%	-1,191	-1,031	-160
1,800	0	1,800			1,500	-17%	-300	-300	0
223,425	9,341	232,767	Sub-Total Normal Activities		234,120	1%	+1,353	+1,560	-207

18. **Adult Social Care, Health & Housing** are projecting a **pressure of £2,593k (No change)** as at Month 6. The demographic trends are now indicating additional pressures in Learning (£574k) and Physical disability (£599k) services on top of further adverse movements from Month 5 on Older People (£318k) and Mental Health services (£240k). As a result the management team have put in place an in year recovery plan to try and mitigate these pressures, without which the forecast would have adversely moved by £1.2m. This forecast excludes sums provided for in contingency for Transitional Children (£2,300k), Mental Health Services (£450k), Homelessness (£800k) and for Older Peoples Services (£800k) held in contingency.

19. **Planning, Environment & Community Services** are projecting a **pressure of £707k (£9k favourable)** as at Month 6. The most significant ongoing pressures of £701k relate to the corporate landlord service. Within the service there are also pressures on income streams from commercial properties (£166k), a shortfall of £72k on income from the hire of the Middlesex Suite and a shortfall of £81k from schools buy back of Facilities Management services. The property pressures also include a cost pressure (£28k) due to maintaining and keeping secure surplus properties prior to their disposal. There are also pressures forecast in Harlington Road Depot (£159k), offset by forecast overachievement of income within Trade

Waste (£65k) and Civic Amenity sites (£35k). There are pressures in the Arts and Libraries services offset by salary cost savings in Community Safety. Leisure services are predicting a £81k adverse variance primarily due to the impact of the late opening of Botwell and the Stockley Park Golf Course (£21k). Other pressures are on Development Control (£315k), Golf (£262k), Waste Disposal Levy (£1,528k), Recycling services (£150k), Highways Maintenance (£500k) and Vehicle Fuel costs (£80k), which are all provided for within contingency.

20. **Education & Children's Services** are forecasting a **nil variance (no change)** as at Month 6. This excludes the pressure on asylum and Exhausted All Appeal cases, which are being treated as contingency items. As at Month 6 the pressure of £1,200k on asylum is less than with the contingency provision (£10k improvement). Although the group is forecasting a break even position there are pressures that need containing. There is an estimated potential pressure of up to £500k due to potential redundancies, which are currently in the consultation process at Northwood, Mellow Lane and Hedgewood schools.

21. **Central Services** are forecasting a **£456k underspend (£38k favourable)** as at Month 6. Finance & Business Services are projecting an underspend of £199k, no change on the Month 5 projection. There is a net underspend of £320k, primarily on salary budgets and a shortfall on income streams (£121k). The Deputy Chief Exec's office is now forecasting a £257k underspend (£38k improvement). The net improvement is primarily due to an improvement in the Legal Services income projections. There are also pressures on Building Control (£49k), Land Charges (£715k) income and the Self Insurance fund (£420k) which are all provided for within contingency.

Development & Risk Contingency: £1,191k underspend (£160k favourable)

22. £10,760k of potential calls on the Development & Risk Contingency were identified as part of the budget setting process for 2010/11 held in the base budget. Table 3 shows the amounts that have been allocated or earmarked as at Month 6.

Table 3

Development and Risk Contingency	2010/11 Budget	Agreed	Forecast as needed	Variance (+adv / - fav)
<i>2010/11 allocations:</i>	£'000	£'000	£'000	£'000
Total net contingency at start of the year	10,760			
Commitments:				
General Contingency	1,000		0	-1,000
Increase in Transitional Children due to Demographic Changes	2,300		2,300	0
Social Care Pressures (Adults & Children's)	800		800	0
Homelessness Budget - Reduction in DWP Funding	800		800	0
Increase in Mental Health Packages due to Demographic Changes	450		450	0
Waste Disposal Levy	1,528		1,528	0
Highways Maintenance (Recovery from Snow and Ice)	500		500	0
Cost Pressures on Recycling Service	150		150	0
Vehicle Fuel Monitoring Pressure	80		80	0
Asylum non-EAA monitoring pressure	850		340	-510
Asylum Exhausted All Appeals	360		860	+500
Self insurance fund	420		420	0
Local Development Framework (LDF) legal & consultancy fees	100		0	-100
Local Land Charges Income (volume pressures)	715		715	0
Development Control Income	310		315	+5
Building Control Income	135		49	-86
Golf Courses Income	262		262	0
Total net contingency	10,760		+9,569	-1,191

23. A large proportion of the total contingency is expected to be required in full however the assumption that the £1m general contingency will not be drawn down has resulted in an overall underspend of £1,191k on the contingency budget.

24. The budget position on contingency has improved by £160k in the last month due to a £10k improvement in the asylum position, improvements in income on Land charges (£59k) and Building control (£176k) and legal costs for the Local development framework (£100k) now not being incurred netted down by an adverse movement of £185k on Development Control

25. The forecast asylum spend is £1,200k (£10k favourable) is now less than the net sum provided for within contingency (£1,210k). The underspend on the non EAA element of Asylum contingency (£510k) is due to assuming the favourable agreement reached with the UKBA in 2009/10 for indirect costs will continue going forward. The current forecast in Exhausted all Appeals cases (£860k) is due to the cost of ineligible clients (£803k) and naturalised clients (£57k).

26. Within ASCH&H the contingency items in relation to Transitional Children, Mental Health and homelessness are forecast to be needed in full at this stage of the year.
27. Pressures related to the economic downturn continue to be budgeted for within contingency. Development control income is forecast as a gross pressure of £315k (£185k adverse), £5k less than provided for within contingency, due to an downward trend in applications, however this is a volatile area and given the scale of the fees the position could change during the year. Land charge income is now in line with the contingency provision with a gross pressure of £715k (£59k favourable). The forecast for building control income is a gross pressure of £49k, £86k less than provided for within contingency.
28. A sum of £80k has also been included in the contingency to cover fuel pressures. At this stage given the level of volatility in the market, it is considered prudent to forecast that the totality of this sum will be required.
29. In addition there is a forecast pressure of £420k for the self insurance fund, £150k for the Recycling service, £500k for Highways winter maintenance, and £262k on Golf income, all of which are expected to be required in full at this stage.

Priority Growth: £300k Underspend (no change)

30. £1m was included in the 2010/11 budget for priority growth and £800k for HIP Initiatives (including £300k for waste & recycling projects).
31. In addition to the new budgeted amounts there was £205k of unspent priority growth from 2009/10 carried forward in earmarked balances to potentially fund one-off priority growth in 2010/11. £14k of this sum is likely to be spent on a playground at Hillingdon hospital. The remaining balance (£191k) is being transferred back to general reserves.
32. Table 4 summarises the position with regards to each element of priority growth.

Table 4

Priority Growth	2010/11 Budget	Agreed draw downs	Commitments	Unallocated
<i>2010/11 Unallocated Priority Growth at start of the year</i>	£'000	£'000	£'000	£'000
HIP Initiatives New budget:	800			
Agreed:				
Recycling initiatives			0	-300
Heritage		135		
Environmental projects		152		
HIP Initiatives unallocated balance	800	287	0	213
Unallocated non specific growth	1,000			
Balance of unallocated growth	1,000	0	0	1,000
Total	1,800	287	0	1,213

33. HIP Steering group have approved £287k of allocations so far this year from the HIP revenue contingency. Some approved projects are now being deemed as capital in nature, Ruislip Lido rain shelters (£33.5k), Little Britain Lakes toilet facilities (£55.3k), Little Britain Lakes CCTV & lighting (£44.1k), Eastcote House Dovecote (£150k) and are being funded from the Environmental Assets capital budget.

34. The expected further commitments of £300k on Waste and Energy will now not require HIP funding as it is likely that they can be contained within base budgets so the monitoring position assumes that this will not be spent.
35. There is an estimated £213k remaining from the HIP initiatives budget and £1m of unallocated non-specific priority growth budget. The Month 6 forecast assumes that remaining £1,213k unallocated budgets will be spent in full.

Corporate Budgets' Forecasts: £1,550k underspend (£550k favourable)

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

Table 5

2010/11 Original Budget	Budget Changes	2010/11 Current Budget (as at Month 6)	Corporate Budgets	2010/11 Forecast Outturn (as at Month 6)	Variances (+ adv/- fav)		
					Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
					£'000	£'000	£'000
-2,564	2,164	-400	Unallocated savings	-400	0	0	0
10,109	-42	10,067	Financing Costs	8,517	-1,550	-1,000	0
			FRS 17 Pension				
9,161	0	9,161	Adjustment	9,161	0	0	0
-23,535	-11,181	-34,716	Asset Management A/c	-34,716	0	0	0
-20,901	-283	-21,184	Corporate Govt Grants	-21,184	0	0	0
-27,731	-9,342	-37,073	Corporate Budgets	-38,623	-1,550	-1,000	0

37. Financing costs show a forecast underspend of £1,550k at Month 6, an improvement of £550k on Month 5. In addition to the £1,000k being set aside for capital financing for schools or other priority projects which is not likely to be needed in 2010/11 there is now a favourable movement of £550k due to a recent debt restructuring exercise and an updated projection for Minimum Revenue Provision (MRP) required to be set aside this year.
38. A summary of treasury management activity is attached at Appendix B.

B) Capital

Background

39. The revised budget for Month 6 is now £108,894k, an increase of £1,756k from Month 5, the table below shows the breakdown of this change by service area.

Group	Original 2010/11 Budget £'000	Month 5 £'000	Budget Changes £'000	Month 6 £'000
Education & Children's Services	27,241	27,280	-524	26,756
Planning, Environment and Community Services		26,791	360	27,151
Planning & Community Services	13,869	0	0	0
Major Construction Projects	15,215	21,225	1,016	22,241
Adult Social Care, Health & Housing	4,960	4,853	0	4,853
Environment & Consumer Protection	7,908	0	0	0
Finance & Resources	3,468	1,572	127	1,699
Deputy Chief Executive	1,825	300	0	300
Partners	670	755	0	755
Contingency	2,000	2,000	0	2,000
Total	77,156	84,776	979	85,755
HRA	22,568	22,362	777	23,139
Total	99,724	107,138	1,756	108,894

40. The £524k decrease in the E&CS budget is the result of a virement from the Early Years Foundation Stage project to the Phase III Children's Centre budgets in Major Construction Projects.

41. The increase in the PE&CS budget of £360k is due to the addition of £163k of Transport for London grant and £197k of Section 106 Projects.

42. The increase of £1,016k in MCP is due to the £524k virement from E&CS to the Children's Centre Phase II budget, the addition of £342k of Section 106 funding to this budget and a further £150k of Section 106 funding to the Ruislip High School Expansion.

43. The increase of £127k in F&R is due to the Social Care Reform Grant being added to the ICT Single Development Plan.

44. The £777k increase to the HRA budget is due to additional projects being added to the Works to Stocks and Pipeline budgets, to be funded from HRA resources, external grant and insurance receipts.

Current Year Expenditure

45. Table 6 shows the actual spend to date and the projected outturn for 2010/11.

Table 6

Groups	Original Budget	Revised Budget	Capital Spend Month 5	Actual Spend % of Revised Budget	Forecast outturn	Variance (Forecast)
	£'000	£'000	£'000	%	£'000	£'000
Adult Social Care, Health & Housing	4,960	4,853	1,216	25%	4,437	-416
Education & Children's Services	27,241	26,756	7,837	29%	23,574	-3,182
Planning, Environment and Community Services	25,392	27,151	2,432	9%	18,772	-8,379
Finance & Resources	1,378	1,699	417	25%	1,499	-200
Deputy Chief Executive	300	300	112	37%	300	0
Major Construction Projects	15,215	22,241	6,438	29%	19,910	-2,331
Partners - LAA Reward Grant	670	755	0	0%	749	-6
Group Total	75,156	83,755	18,452	22%	69,241	-14,514
Recovery from Contingency					0	0
Programme Contingency	1,500	1,500	0	0%	0	-1,500
Contingency	500	500	0	0%	0	-500
Contingency Total	2,000	2,000	0	0%	0	-2,000
HRA	22,568	23,139	4,540	20%	20,383	-2,756
Total	99,724	108,894	22,992	21%	89,624	-19,270

46. The Capital Programme budget is projecting an underspend of £19,270k as at Month 6 (Month 5, £17,231k). There are a number of projects forecasting an overspend, however it is anticipated that overall, these pressures can be managed within the capital programme budget within each directorate.

47. Actual spend of £22,992k shown above includes the school returns for the first two quarters.

48. The schemes with pressures of £3,023k in 2010/11 (£3,165k over the life of the projects) are shown in table 7 below.

Table 7

Scheme	Funding	Revised Budget	Actual Spend (incl accruals)	Forecast Outturn	Variance 2010/11	Total Project Variance
		£'000	£'000	£'000	£'000	£'000
Manor Farm	Council	0	1	257	+257	+257
Hillingdon Sport & Leisure Centre	Council	1,266	370	1,537	+271	+271
Botwell Green Leisure Development	Council	627	1,767	2,897	+2,270	+2,567
Farm Barns	Council	250	0	280	+30	-125
Children's Centres Phase 2	Grant	626	297	816	+190	+190
Property Enhancements Programme Contingency	Council	0	5	5	+5	+5
Total		2,769	2,440	5,792	+3,023	+3,165

49. Botwell Green Leisure Development - The current forecast for 2010/11 remains an overspend of £2,270k in 2010/11 and £297k retention in 2011/12. The total forecast overspend on the whole contract is between £2,104k and £2,914k. This is subject to further discussions with the

contractor. The overspend is due to changes made in the design of the project, leading to additional costs which were not included at the tender stage.

Current Year Financing

50. Table 8 shows the financing of both the budget and the expected outturn.

Table 8

2010/11	Unsupported £'000	Capital Receipts £'000	HRA Capital Receipts £'000	Supported £'000	Grants £'000	HRA (inc MRA) £'000	Section 106 and other contributions £'000	Total Capital Programme £'000
Revised budget								
2010/11	29,847	8,595	999	4,036	48,256	13,821	3,340	108,894
Outturn 2010/11	20,522	5,935	999	2,800	44,650	12,236	2,482	89,624

51. The level of unsupported borrowing forecast as at Month 6 is £20,522k (Month 5 £21,228k), £9,325k lower than the revised budget. The change from Month 5 is primarily due to the rephasing of a number of major schemes planned to be funded from borrowing into 2011/12.

52. The £8,595k budgeted level of capital receipts for 2010/11 is not expected to be achieved. At the end of Month 6 nil receipts have been realised and although there are some assets available for sale, the timetable for all pre-sale processes and legal completion in order to realise receipts in the current financial year is becoming increasingly challenging. If receipts are not forthcoming by then there will be a revenue implication for 2011/12 in the form of higher MRP charges.

53. The supported borrowing forecast has decreased by £161k from £2,961k to £2,800k. As with the unsupported borrowing this is due to projects being rephased into 2011/12.

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

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

CORPORATE IMPLICATIONS

Corporate Finance

55. This is a Corporate Finance report.

Legal

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

BACKGROUND PAPERS

57. Monitoring report submissions from Groups.

APPENDIX A – Detailed Group Forecasts

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

Revenue: **£2,593k Pressure (no change)**

1. The ASCH&H budgets are predominantly demand led and significantly affected by external pressures such as demographic trends which require robust and positive management. The pattern of demand for the current year is now indicating additional pressures in Learning and Physical disability services. As a result the management team have put in place an in year recovery plan, without which the forecast would have adversely moved by £1.2m.
2. Officers have to date taken action to mitigate pressures but the underlying pressure for Adult Social Care services has not abated and therefore the management team have put in place plans to achieve £1.2m of in-year savings. These include accelerating the implementation of reablement which will reduce reliance on residential care, and increase achievable savings from the new WLA Homecare framework agreement. In addition recruitment and the use of agency staff will be reviewed to further reduce this expenditure.
3. In summary the department is reporting an adverse position of £2,593k on a £279m gross budget.

Services		2010/11 (As at Month 6)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Forecast		Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
		£'000	£'000		£'000	£'000	£'000
Older Peoples Services	<i>Exp</i>	+39,368	+43,704	11%	+4,336	+3,261	+1,075
	<i>Inc</i>	-8,153	-10,063	23%	-1,910	-1,154	-756
	Total	+31,215	+33,641	8%	+2,426	+2,108	+318
Physical & Sensory Disability Services	<i>Exp</i>	+9,272	+10,049	8%	+777	-69	+846
	<i>Inc</i>	-881	-1,138	29%	-258	-11	-247
	Total	+8,392	+8,910	6%	+519	-80	+599
Learning Disability Services	<i>Exp</i>	+31,445	+32,546	4%	+1,102	0	+1,102
	<i>Inc</i>	-12,242	-12,770	4%	-528	0	-528
	Total	+19,203	+19,777	3%	+574	0	+574
Mental Health Services	<i>Exp</i>	+5,703	+6,337	11%	+635	+466	+169
	<i>Inc</i>	-402	-332	-18%	+71	0	+71
	Total	+5,300	+6,006	13%	+706	+466	+240
Housing Benefits	<i>Exp</i>	+137,585	+137,086	0%	-500	0	-500
	<i>Inc</i>	-134,694	-134,695	0%	0	0	0
	Total	+2,891	+2,391	-17%	-500	0	-500
Housing Needs Services	<i>Exp</i>	+31,029	+31,129	0%	+100	+100	0
	<i>Inc</i>	-28,528	-28,528	0%	0	0	0
	Total	+2,502	+2,601	4%	+100	+100	0
ASCH&H Other Service	<i>Exp</i>	+25,036	+25,018	0%	-17	+20	-38
	<i>Inc</i>	-3,945	-3,958	0%	-13	-20	+7
	Total	+21,091	+21,061	0%	-31	0	-31
Total Expenditure		+279,438	+285,870	2%	+6,432	+3,778	+2,654
Total Income		-188,844	-191,483	1%	-2,639	-1,185	-1,454
Recovery Plan	Expenditure	0	-1,200	na	-1,200	0	-1,200
ASCH&H Total		+90,594	+93,187	3%	+2,593	+2,593	0

Older People Services: £2,426k adverse (£318k adverse)

4. This service is currently forecasting a £2,426k adverse position due to the ongoing effect of residential and nursing placements made in the last quarter of 2009/10 as reported at the time. Although officers have made efforts to slow down this unprecedented net increase in demand the number of people no longer needing a service is still lower than initially forecast. Discussions with other London Boroughs indicate that this is not a trend unique to LBH.
5. This forecast also assumes that the £760k can be drawn down from the Earmarked Reserve held for Older People Services reducing the pressure from £3,186k to £2,426k as reported in this forecast.

Physical Disabilities: £519k adverse (£599k adverse)

6. This service is currently forecasting a £519k adverse position due to increasing pressures to support people to live independently and significant increases in the cost of individual residential care packages following care reviews. Previous forecasts had not fully identified these pressures due to difficulties in the data being held on the new Adult Social Care Information system which went live in April. These difficulties have now been resolved following a recent systems upgrade.

Learning Disability: £574k adverse (£574k adverse)

7. This service is currently forecasting an adverse outturn of £574k due to increasing pressures to support people to live independently; increases in the cost of individual residential care packages following care reviews; and the cost of children transferring from E&CS. Previous forecasts had not fully identified these pressures due to difficulties in the data being held on the new Adult Social Care Information system which went live in April. These difficulties have now been resolved following a recent systems upgrade.
8. The forecast assumes that the £2,300k corporate contingency held for transitional children is received thereby reducing the pressure from £2,874k to the £574k reported.

Mental Health: £706k adverse (£240k adverse)

9. The Month 2 report referred to a legal challenge regarding ordinary residence relating to 12 clients currently charged to other authorities. It can now be confirmed that following a series of legal exchanges it now seems likely that 11 of these clients will become the responsibility of LBH. Previous forecasts had considered this outcome as low risk and was based on known information at that time. However following receipt of new evidence and further legal opinion this does not now seem a likely outcome. Therefore the forecast has been adjusted to reflect the costs estimated to be incurred in this financial year.
10. This forecast also assumes that the £1,250k corporate contingency held for Mental Health Services is received reducing the pressure from £1,956k to the £706k reported.

Housing Benefits: £500k favourable (£500k improvement)

11. This service is currently forecasting a £500k favourable outturn on a gross budget of £138m. This favourable movement is as a result of positive feedback in respect of the external audit of the 2009/10 Housing Benefit claim which totalled £150.6m. As a result of this feedback the £0.5m provision being held against an adverse outcome can be released to the benefit of the revenue forecast.

12. The Housing Benefit budget, as reported last year continues to experience increased benefit uptake which although indicating a pressure for 2010/11, the mitigating actions taken by management give confidence to a break even position being achieved.

Housing Need Services: £100k adverse (no change)

13. This adverse position is due to difficulties in procuring appropriate housing units for homeless families as planned which has resulted in additional pressures in temporary accommodation and Bed & Breakfast budgets. The forecast assumes that the £0.8m corporate contingency held for this Service is received thereby reducing the pressure from £0.8m to £100k as reported in this forecast.

14. Previous forecasts have referred to a pressure of £250k and redundancy costs (now confirmed at £126k) which were being addressed by mitigating action. The success of these actions has enabled the forecast to remain at £100k and further work is being undertaken to close this gap.

Other ASCH&H Services: Nil variance (no change)

15. This service is currently forecasting outturn to be on budget.

Housing HRA

16. This service is currently forecasting a favourable outturn of £677k, a £534k improvement from the Month 5 position, see table below:

2010/11 Current Budget (as at Month 6) £000	Division of Service		Variance (as at Month 6) £000	Variance (as at Month 5) £000	Change from Month 5 £000
+13,071	HH Ltd: General and Special Services	Expenditure	0	0	0
+11,068	HH Ltd: Repairs Services	Expenditure	0	0	0
+2,416	LBH: General and Special Services	Expenditure	-17	-17	0
-215	LBH: Repairs Services	Expenditure	0	0	0
+25,100	Other Expenditure	Expenditure	-660	-126	-534
-53,330	Income	Income	0	0	0
-1,890	In Year (Surplus) / Deficit	Total	-677	-143	-534

17. The overall favourable improvement in the variance from Month 5 is mainly due to a reduction in revenue contribution to capital which is included in the Other Expenditure line. This reduction is due to re-profiling of spend on the lift maintenance program as a result of tender negotiation which will now take place in the early part of the next financial year.

18. This is the last monitoring report in which Hillingdon Homes Ltd will be reported separately. Following its return to LBH from 1st October future reports will only report on General and Special Services, Repairs, Other Expenditure and Income.

Planning Environment and Community Services (PECS) Month 6

Revenue: **£707k Pressure (£9k favourable)**

1. At Month 6, the Group is forecasting an adverse variance of £707k representing a favourable movement of £9k on the Month 5 position. The forecast variances are expressed net of any contingency provisions, which are detailed within the report.

2010/11 Original Budget	Budget changes	2010/11 Current Budget (as at Month 6)	Services		2010/11 Forecast (as at Month 6)	% Var of budget	Variances (+ adv/- fav)		
							Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
£'000	£'000	£'000			£'000		£'000	£'000	£'000
31,627	181	31,808	Corporate Landlord	Exp	32,033	1%	225	225	0
-19,484	-1,055	-20,539		Inc	-20,063	-2%	476	476	0
12,143	-874	11,269		Total	11,970	6%	701	701	0
23,150	1,067	24,218	Public Safety & Environment	Exp	24,243	0%	25	55	-30
-2,067	-885	-2,951		Inc	-3,051	3%	-100	-100	0
21,084	183	21,266		Total	21,191	0%	-75	-45	-30
18,436	36	18,472	Sports, Culture & Leisure	Exp	18,462	0%	-10	-10	0
-5,347	32	-5,315		Inc	-5,224	-2%	91	70	21
13,089	67	13,157		Total	13,238	1%	81	60	21
4,673	158	4,831	Planning, Trading Standards & Environmental Protection	Exp	4,831	0%	0	0	0
-2,004	-1	-2,005		Inc	-2,005	0%	0	0	0
2,669	157	2,825		Total	2,825	0%	0	0	0
13,489	-291	13,197	Transportation & Planning Policy	Exp	13,022	-1%	-175	-175	0
-12,924	524	-12,400		Inc	-12,225	-1%	175	175	0
565	233	798		Total	798	0%	0	0	0
91,375	1,151	92,525	Total Expenditure		92,590	0%	65	95	-30
-41,825	-1,385	-43,210	Total Income		-42,568	-1%	642	621	21
49,550	-234	49,316			50,023	1%	707	716	-9

Contingent Items: **Gross Pressure £2,335 (£185k adverse)**

2. The Council's 2010/11 contingent budget contains sums relating to the Waste Disposal Levy, Cost pressures on Recycling Services and Vehicle Fuel which impact on the ECP Group position. The Waste Disposal Levy was formally set by West London Waste Authority at the end of January 2010. The contingency contains the last two years' increases in the levy, and the gross pressure reflects the actual requirement based on the levy notification received in February 2010.
3. The Planning income streams were identified as exceptional items last year. This was due to the downturn in the economy which had severely impacted the housing market and has continued to depress these income streams. The Authority's 2010/11 contingent budget contains provision for these affected income streams. The net position after the application of the contingency is shown in the table below.

Division of Service	Gross Pressure Month 6	Gross Pressure Month 5	Movement Month 5 to 6	Contingency	Net Pressure
Waste Disposal Levy	1,528	1,528	0	1,528	0
Recycling Services	150	150	0	150	0
Vehicle Fuel	80	80	0	80	0
Development Control	315	130	185	315	5
Golf	262	262	0	262	0
P&CS – Total	2,335	2,150	185	2,335	5

4. The forecast for Development Control income is a gross pressure of £315k, the net position after the application of the contingency is an adverse variance of £5k.
5. The forecast position for Development Control Income has deteriorated from Month 5. This is due to 2 large fees for Major Applications that are now not expected to be received in the current year and are slipping to 2011/12 as a consequence. Minor and Other applications have both shown positive trends over the last quarter of 2009/10 and this has initially continued in the first 3 months of 2010/11 but has fallen back in the last 3 months. Minor applications are at 85% (Month 2 100%) of the 4 years average, and other applications are at 92% which is at the same level as Month 2, compared to the 4 year average.
6. The forecast position for Vehicle Fuel Pressure remains the same and is for full usage of the £80k contingency.
7. The bulk diesel purchase price continues to be relatively stable having averaged around 98p per litre for the first six months of the year, but from the beginning of October has increased to £1.03, 1p of which is due to an increase in fuel duty with a further 0.75p per litre expected in January. The industry commentators still point to an underlying upward trend, and the current projections suggest that even without any further price increases the full contingency sum will be required.
8. The planned increase in duty and potential for further increases, there is considered to be a potential risk of a £40k pressure on the fuel contingency. However given the difficulty in predicting price movements as shown in August, a formal variance is not being reported at this time.

Corporate Landlord: £701k pressure (no change)

9. The Corporate Landlord position has been revised to incorporate the Fleet Management service area which reported a net pressure of £195k in Month 5. Further pressures are being highlighted on this service area at Month 6, primarily through increasing maintenance costs. However the reported position remains unchanged this month given that this service has just been transferred, and it is intended to review the position in detail for Month 7 monitoring.

Corporate Facilities and Property are reporting a series of ongoing pressures that total £506k. These are listed below.

- There is an ongoing pressure on income streams from commercial properties of £166k, due to a number of vacant tenancies in the Warnford Industrial Estate (£136k including bad debt provisions), 192 High Street, where premises have remained vacant (£16k) and a vacant unit in the Uxbridge Market (£14k). There is a proposal to let one of the vacant units at Warnford

currently being considered, but if approved this will not provide any financial benefit until 2011/12.

- There is a projected shortfall of £72k on income from the hire of the Middlesex Suite, due to a general slow down in demand set against a challenging income target.
- There is an anticipated shortfall of £81k on income from schools buy back of Facilities Management (FM) services, due to schools opting to procure services directly rather than through the FM Team. In order to try and address this position efforts continue to be made to raise awareness of the service offer, including activities such as visits to schools.
- There is a pressure of £28k on the cost of maintaining and keeping secure surplus properties prior to their disposal.
- There is a pressure on the Harlington Road depot of £159k. This chiefly relates to a reduction in the intensity of usage. This is due to the movement of some Council services to the Civic Centre, together with the loss of Hillingdon Homes contributions for space occupation at the depot and use of the Stores facility. Some initial options have been identified in terms of revisions to current occupancy arrangements and income generation possibilities are also being examined, in order to mitigate this adverse position.

Public Safety & Environment: £75k favourable (£30k favourable)

Waste Services: £30k favourable (£20k favourable)

10. Street Cleansing: The Month 6 forecast is an improved £70k adverse expenditure variance (£90k in Month 5). The improvement represents measures taken across the service on agency and vehicle usage to mitigate the underlying pressure.
11. Recycling Costs: At Month 6 the forecast remains full utilisation of the available £150k contingency. There continues to be a positive trend in recycling rates which generates pressures on the variable elements of the budget, particularly Gate Fees and recycling bags. The household recycling rate has been consistently above the 2009/10 level for the first four months of 2010/11. Income trends for recyclable materials are similar to last year, and the current levels of green garden waste are just slightly below the tonnages collected in 2009/10.
12. Waste Disposal: The gross pressure of £1,528k reflects that the increase in the 2009/10 and 2010/11 waste levy that has now been confirmed by West London Waste Authority (WLWA) and is currently held in contingency. The Section 52(9) budget was reset for the new financial year as part of the Levy process and reflects the reduced tonnages experienced during 2009/10. The trend for the first 5 months of 2010/11 has shown a marginal decrease of 4% on the 2009/10 levels, which is significantly lower than the reductions experienced in 2009/10 and consistent with the steady improvement in recycling.
13. Trade Waste: A favourable income variance of £65k continues to be forecast, with business remaining consistent. The levels of aged debt continue to be closely monitored with write-offs only undertaken as a measure of last resort, and anticipated as being covered within the existing bad debt provision.
14. Civic Amenity Sites: A favourable income variance of £35k continues to be forecast on the basis of the favourable prices for recovery of metal-based materials. This income stream will continue to be closely monitored as the year progresses, given that metal prices have been highly volatile particularly over the last two years. There is now a potential NNDR pressure relating to a

reevaluation of a Civic Amenity site which would be backdated to 2005, thus is currently being investigated but could potentially impact on the outturn position.

Community Safety: £45k Underspend (£10k favourable)

15. The underspend represents an increased saving on staffing due to maternity and sabbatical leave (£18k), and a saving on the Police ASB team, due to a favourable variance on pay costs (£27k).

Sports Culture and Leisure: £81k Pressure (£21k adverse)

Arts Service: Nil Variance (no change)

16. There is a pressure on income of £10k, which will be compensated for from Arts expenditure budgets.

Leisure: £81k Pressure

17. The service is reporting a £71k pressure due to the impact of the late opening of Botwell on the GLL management fee together with the associated delay in closing Hayes Pool, and a £9k pressure resulting from the need to pay security costs to undertake enforcement at car parks. This is being mitigated to a limited extent by savings in other budgets to achieve a net £60k pressure.

18. The lease for Stockley Park Golf course has been reassigned to a new operator as of the beginning of October 2010. This was a result of the previous operator UKGolf going into administration earlier in the year. The immediate impact is a pressure of £21k that relates to a part year reduced income level for the remaining 6 months of 2010/11. The outstanding rent due from UKGolf is £204k which dates back to July 2009. There is a balance of £135k held on deposit which can be matched against this sum and the subsequent outstanding balance of £69k will be subject to a write off process requiring approval by cabinet. Once this is complete the pressure would increase to £91k for 2010/11.

19. 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. This budget is still required and will need to be allocated to the service, to ensure a balanced position.

20. The operator for the Gym at Minet has formally requested a reduction in its annual rent from £200K to £100k backdated to September 2009. The operator has been struggling to achieve its original projections for membership growth against the economic backdrop and increased competition from Botwell. The request if agreed would create an in year pressure of £115k against income targets for the site.

Transportation & Planning Policy: nil variance

Off-Street Parking: Nil variance

21. The reduced levels of Car Park income experienced during 2009/10 have continued into 2010/11, with the economic climate considered to be a significant factor. The income variance reflects a forecast based on trends to date. In order to achieve a nil variance it is being assumed that management action can be undertaken to reduce expenditure that will be sufficient to offset the anticipated income reduction. Parking income can be seasonal and it is expected the position for the year will be clearer post the Christmas period.

Education and Children Services (E&CS)

Revenue: Nil variance

1. The Group is projecting a nil variance as at Month 6 for the 2010/11 financial year. This excludes the overall pressure on asylum funding and the cost of exhausted all appeals cases which are reported under exceptional items elsewhere in this report.
2. The projected variances at Month 6 are summarised in the following table:

Services		2010/11	2010/11	% Var of budget	Variances (+ adv/- fav)		
		(As at Month 6)	(As at Month 6)		Variance	Variance	Change
		Current Budget	Forecast		(As at Month 6)	(As at Month 5)	from Month 5
		£'000	£'000		£'000	£'000	£'000
Resource, Policy & Performance	<i>Exp</i>	4,417	4,417	0%	0	0	0
	<i>Inc</i>	-2,346	-2,346	0%	0	0	0
	Total	2,071	2,071		0	0	0
ECS Central Budget	<i>Exp</i>	17,671	17,671	0%	0	0	0
	<i>Inc</i>	-3,545	-3,545	0%	0	0	0
	Total	14,126	14,126		0	0	0
Learning & School Effectiveness Service	<i>Exp</i>	18,821	18,779	0%	-42	0	-42
	<i>Inc</i>	-13,117	-13,075	0%	+42	0	+42
	Total	5,704	5,704		0	0	0
Director's, Youth & Connexions	<i>Exp</i>	9,125	9,125	0%	0	0	0
	<i>Inc</i>	-913	-913	0%	0	0	0
	Total	8,212	8,212		0	0	0
Access & Inclusion - Children	<i>Exp</i>	10,981	10,952	0%	-29	0	-29
	<i>Inc</i>	-2,397	-2,368	0%	+29	0	+29
	Total	8,584	8,584		0	0	0
Children & Families Services	<i>Exp</i>	28,435	28,403	0%	-32	+115	-147
	<i>Inc</i>	-3,492	-3,460	1%	+32	-115	+147
	Total	24,943	24,943		0	0	0
Total Exp		89,450	89,347	0%	-103	+115	-218
Total Inc		-25,810	-25,707	0%	+103	-115	+218
Total		63,640	63,770		0	0	0
Asylum Services	<i>Exp</i>	14,500	9,939	-31%	-4,561	-4,551	-10
	<i>Inc</i>	-13,936	-8,175	41%	+5,761	+5,761	0
	Total	564	1,764	10%	+1,200	+1,210	-10
Total contingency items		564	1,764		+1,200	+1,210	-10

Schools: Nil variance

3. The Schools Budget is ring fenced and funded from the DSG. Schools' payroll and non-payroll expenditure is monitored quarterly with any forecast year-end deficits being the subject of detailed discussions with the schools concerned. Schools forecasting deficits are required to supply recovery plans identifying how they intend to eliminate their deficit, but these do not affect the general fund.
4. Any underspend or overspend of the Schools Budget in 2010-11 would be carried forward into 2011-12 and would have no effect on the General Fund.

Learning & School Effectiveness: Nil variance

5. An emerging issue is an estimated pressure in excess of £500k due to a whole round of redundancies which are currently in the consultation process at Northwood, Mellow Lane and Hedgewood schools.

Access & Inclusion – Children: Nil variance

6. The previously reported inherent pressure within SEN transport has been reduced to £290k, an improvement of £25k. There is also £119k pressure within Pupil Referral unit due to Not School not achieving their income target. However, the service has now identified one off savings within Pupil & Family, Education Psychology & Parent support services. These further reduce the current overall pressure within Access & Inclusion to £130k. Officers are continuing to seek additional one off savings to address the remaining pressure.

Children and Families: Nil variance

7. The Children & Families is projecting a break even position as at Month 6.
8. Currently the Children's Private and Voluntary spend is projecting an overspend of £495k due to a Southwark Judgement for 16 year olds. These projections are based on period 6 activity levels. It should be noted however that activities can vary in both directions dependent upon children leaving or being added to the system. This could be a potential call on contingency.

Asylum Service £1,200k (£10k Improvement since Month 5)

9. The Asylum service is reporting a budget pressure of £1,200k in the 2010/11 financial year. The pressure is due to the ongoing demand for the service and the continued under-funding by the Government.
10. The current reported pressure for Exhausted All Appeals and ineligible clients' amounts to £803k and for Naturalised clients is £57k.
11. The service has been working on reducing indirect costs due to the limits on the amount of expenditure that can be recovered by grant. The impact of this exercise has resulted in an improvement of £230k on the position reported at Month 2.

Central Services

Revenue: **£456k underspend (£38k improvement)**

- The forecast position for the central services revenue budget as at Month 6 is an underspend of £456k, an improvement of £38k from the Month 5 projections. This now includes estimated redundancy costs totalling £288k and the net pressure on Land Charges of £82k, which was previously included as a pressure on the contingency. The improvement is primarily due to improvements in income from the Imported Food Unit, where a new requirement has been introduced, resulting in additional income being collected.

Service		2010/11 (As at Month 6)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Forecast		Variance (As at Month 6)	Variance (As at Month 5)	Change from Month 5
		£'000	£'000		£'000	£'000	£'000
Deputy Chief Executive's Office	<i>Exp</i>	11,322	10,996	-2.9%	-326	-348	+22
	<i>Inc</i>	-3,517	-3,448	+2.0%	+69	+129	-60
	Total	7,805	7,548	-3.3%	-257	-219	-38
Finance & Business Services	<i>Exp</i>	24,476	24,156	-1.3%	-320	-406	+86
	<i>Inc</i>	-18,075	-17,801	+0.7%	+121	+207	-86
	Total	6,401	6,355	-3.1%	-199	-199	0
Recovery plan savings	<i>Exp</i>	0	0		0	0	0
	Total	0	0		0	0	0
Total Exp	<i>Exp</i>	35,798	35,152	-1.8%	-646	-754	+108
Total Inc	<i>Inc</i>	-21,592	-21,249	+0.9%	+190	+336	-146
Group total	Total	14,206	13,903	-3.2%	-456	-418	-38

Finance & Business Services: £199k underspend (no change)

- The Finance & Business Services Directorate budgets are projecting an underspend of £199k, no change from the Month 5 projections. However it should be noted that the Month 6 figures now include £206k for estimated redundancy costs and a pressure of £82k on Land Charges, which was previously reported as a pressure on the Contingency. This comprises a projected underspend of £320k on expenditure budgets (an adverse movement of £86k on the Month 5 projections), due to the inclusion of redundancy payments, reduced by a shortfall of £121k on income (an improvement of £86k on the Month 5 projections), due to an improvement in the Imported Food Income, following the introduction of a new regulation.
- The underspend of £320k on expenditure budgets relates to a number of underspends, totalling £685k, netted down by overspends totalling £365k, which are as follows:

Underspends

- An underspend of £566k on salary budgets across the Department (£62k in Accounting Services, £244k in Passenger Services, £126k in Building Control, £81k in ICT and £53k in Procurement), where posts are being held vacant as part of the BID Workstreams.
- An overachievement of the in year savings target by £79k, which was identified as part of the Expenditure Review.
- An underspend of £40k on the cost of Audit fees, due to the cessation of the CAA Audit.

Overspends

- An overspend of £206k based on known and estimated redundancy costs.
 - An overspend of £159k on ICT Licence and software payments.
4. The shortfall of £121k in income streams relates to an under recovery of £225k on Passenger Services Income, an under recovery of £132k on Building Control Income and an under recovery of £98k on Land Charges income, due partly to a change in regulations. This is netted down by surplus income from the Imported Food Unit of £142k, Bereavement services of £50k, and one off income from external sources totalling £142k (including the write on of Credit Balances in the Revenues service)

Deputy Chief Executive's Office: £257k underspend (£38k improvement)

5. The Deputy Chief Executive's Office budgets are projecting an underspend of £257k in Month 6, an improvement of £38k on the Month 5 projections, of which there is a projected underspend of £326k on expenditure budgets (an adverse movement of £22k on the Month 5 projections), due primarily to the inclusion of £82k for estimated redundancy costs and a shortfall of £69k on income (an improvement of £60k on the Month 5 projections), due primarily to an improvement in the Legal Services income projections.
6. The underspend of £326k on expenditure budgets relates to a number of variances as follows:
- An underspend of £178k on staffing costs across the service, primarily due to a number of vacant posts that exist, as each post is being reviewed and held vacant pending the outcomes of the BID Reviews.
 - An underspend of £50k on the cost of printing in the Communications team.
 - An underspend of £45k on Members' Allowances where the budget provision is £45k in excess of the projected cost for Special Responsibility allowances for the current administration.
 - A one off surplus of £40k, relating to reclaimable VAT on Legal Services invoices.
 - An underspend of £36k on Non staffing costs across the service, where managers are actively managing expenditure on goods and services.
 - A surplus of £30k relating to the Childcare Tax Credit Scheme.
 - An underspend of £29k on the Voluntary Sector Grants budget, where the grants budget is £55k in excess of the grants that have been awarded, netted down by an additional cost of £26k on Christmas Lights in Town Centres.

These are netted down by an anticipated cost on redundancy payments of £82k.

7. The shortfall of £69k on income streams relates to a number of shortfalls totalling £113k, netted down by over recovery of income totalling £44k, which are as follows:

Shortfall

- A projected shortfall of £86k in Legal services relating to services provided to Hillingdon Homes. An action plan is being put in place to mitigate this, although due to the timing of some of the proposed action, it is unlikely that this will fully cover the shortfall in this year.
- A shortfall of £14k on the buy back of Payroll services by schools, where three schools have decided not to renew their contract this year.
- Under-recovery of income from the Hillingdon Business forum and Uxbridge Town Centre of £13k.

Over Recovery

- An over recovery of £29k from schools purchasing the Occupational Health Service.
- An over recovery of £15k on Learning and Development income.

Recovery Plan Savings:

8. Both Senior Management teams have put in place a range of options to address the relevant variances within their department, all of these have now been implemented and built into the base budget.

Contingency Items

9. The Corporate Contingency holds a number of budgets relating to exceptional items linked to the downturn in the economy which had severely impacted the housing market and has continued to depress a number of income streams. The net position after the application of the contingency is shown in the table below.

Contingent Item	Gross Pressure Month 6 £'000	Gross Pressure Month 5 £'000	Movement Month 5 to 6	Contingency £'000	Net Pressure £'000
Building Control	49	225	-176	135	-86
Land Charges (volume pressures)	715	774	-59	715	0
Self Insurance Fund	420	420	0	420	0
Total	1,419	1,419	-235	1,270	-86

Building Control Income: £49k Pressure (£176k improvement)

10. The forecast for Building Control income is a gross pressure of £181k, however, a large proportion of this can be offset by an underspend on the salary and non-salary budgets of £132k, which would require only £49k being drawn down from the contingency. This will then result in a improvement on the call on the contingency by £176k.

Land Charges: £715k Gross Pressure (£59k improvement)

11. Land charge income has moved to a cost recovery basis due to statutory changes in regulations enacted in December 2008. Based on this the projected shortfall on income is estimated to be £769k. However, due to the underspend across Finance & Business Services, the draw down from the contingency will be £715k, the remaining balance of £54k will be absorbed within the main revenue budget, resulting in a improvement of £59k on the contingency budget.

12. A further impact on the income is also included in the forecast, which relates to the impact of the recent Ministry of Justice (MOJ) decision to revoke the charging of a fee for personal searches, which relates to guidance previously issued from the Information Commission Office (ICO). The guidance proposed that the majority of property search data is Environmental Information and that Local Authorities are therefore obliged to allow inspection of this information at no charge. The instruction from the MOJ came into force on 17th August, and will be backdated to when the Environment Information Regulations came into force in January 2005 (a detailed assessment of the financial impact of the requirement to apply the legislation back to January 2005, is currently being undertaken). The part year effect of not being able to charge for personal searches in 2010/11 is a pressure of £85k (the full year effect equating to £145k). However, the regulations

do allow for authorities to charge for assisted searches, which it is estimated will generate income of £41k in 2010/11 (the full year effect equating to £70k). For 2010/11 this results in a further pressure of £44k, where it has been decided that this can be absorbed within the Finance & Business Services revenue budget.

Self Insurance Fund: £420k Gross Pressure (no change)

13. The Corporate Risk Contingency holds a budget of £420k to cover the costs of insurance claims, where the Council is liable for the excess, which currently stands at £100k. Based on current projections this contingency sum will be fully required to cover the costs of the excess payments made in 2010/11.

Capital Programme: £19,270k Underspend (£2,039k improvement)

58. The Capital Programme is reporting an underspend of £19,270k (£17,231k Month 5).

59. Expenditure for the whole capital programme is £22,992k which equates to 21% of the revised programme. Further detail is provided below for each individual department.

Groups	Original Budget	Revised Budget	Capital Spend Month 6	Actual Spend % of Revised Budget	Forecast outturn	Variance (Forecast)
	£'000	£'000	£'000	%	£'000	£'000
Adult Social Care, Health & Housing	4,960	4,853	1,216	25%	4,437	-416
Education & Children's Services	27,241	26,756	7,837	29%	23,574	-3,182
Planning, Environment and Community Services	25,392	27,151	2,432	9%	18,772	-8,379
Finance & Resources	1,378	1,699	417	25%	1,499	-200
Deputy Chief Executive	300	300	112	37%	300	0
Major Construction Projects	15,215	22,241	6,438	29%	19,910	-2,331
Partners - LAA Reward Grant	670	755	0	0%	749	-6
Group Total	75,156	83,755	18,452	22%	69,241	-14,514
Recovery from Contingency					0	0
Programme Contingency	1,500	1,500	0	0%	0	-1,500
Contingency	500	500	0	0%	0	-500
Contingency Total	2,000	2,000	0	0%	0	-2,000
HRA	22,568	23,139	4,540	20%	20,383	-2,756
Total	99,724	108,894	22,992	21%	89,624	-19,270

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

HRA: £2,756k Underspend (£1,026k improvement)

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

Capital Schemes 2010/11	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
Capital Works to Stock	10,000	9,849	Y	2,507	25%	9,349	-500
HRA - New Build - HRA Pipeline Sites Phase 1	7,508	7,096	Y	1,325	19%	6,596	-500
HRA - New Build - Extra Care Sites Phase 1 (Triscott House)	3,430	3,590	Y	612	17%	2,510	-1,080
HRA - New Build - LD Sites Phase 1	0	288	N	0	0%	288	0
HRA - New Build - HRA Pipeline Sites Phase 2	0	638	N	0	0%	638	0
Cash Incentive Scheme	150	150	Y	0	0%	0	-150
HRA - Estates Improvements	1,280	1,502	Y	96	6%	1,002	-500
Other Projects	200	0	N	0		0	0
Townfield Community Centre	0	26	Y	0	0%	0	-26
HRA - Total	22,568	23,139		4,540	20%	20,383	-2,756

61. The outturn of HRA is £20,383k for 2010/11 out of a revised budget of £23,139k.

62. The following changes to the budget have been made in the above table:

- a. The addition of £202k to the New Build - Learning Disability Sites budget relates to the conversion works at Ascott Court agreed by Cabinet on 14 October 2010.
- b. The addition of £638k to the New Build – Pipeline Sites Phase 2 relates to the construction works at Gilbert Road agreed by Cabinet on 14 October 2010.
- c. The decrease in the New Build – Pipeline Sites Phase 1 of £252k and the increase in the New Build - Learning Disability Sites of £86k relate to the substitution of works at Horton Road for the previously planned Hoskin Close project as agreed by Cabinet on 14 October 2010.
- d. £90k of extension works funding for Works to Stock programme of works has been granted to LBH from the London Development Agency as part of their West London Extensions and Deconversions Project 2009-11. The Works to Stock programme expenditure and financing budgets have been increased to reflect this.
- e. £13k of insurance receipts have been received to finance capital works to existing housing stock. The Works to Stock programme expenditure and financing budgets have been increased to reflect this.

63. The £500k underspend forecast on the Capital Works to Stock Scheme (nil variance in Month 5) is due a re-phasing of works into 2011/12 following delays due to an elongated leaseholder negotiation.

64. The underspend forecast on the Estates Improvement Scheme (nil variance in Month 5) is the result of a delay in works being committed on the Glebe Estate which will result in £500k of works being slipped into 2011/12.

65. As no retention amount is payable on Townfield Community Centre, the £26k unsupported borrowing will no longer be required.

Adult Social Care, Health and Housing: £416k Underspend (£1k adverse)

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

Capital Schemes 2010/11	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
100% Grant Funded							
PSRSG for WL Empty Property Grant	1,100	1,100	Part	281	26%	900	-200
Mental Health – Mead House	114	250	Y	93	37%	250	0
ASC,H&H (Non HRA – 100% Grant Funded) – Total	1,214	1,350		374	28%	1,150	-200
Non-Grant Funded							
Disabled Facilities Grants	3,000	2,823	Y	519	18%	2,636	-187
Private Sector Renewal Grants	450	450	Y	92	20%	420	-30
Colne Park Caravan Sites	296	230	Y	231	100%	231	1
ASC,H&H (Non HRA – Non Grant Funded) – Total	3,746	3,503		842	24%	3,287	-216
ASC,H&H – Total	4,960	4,853		1,216	25%	4,437	-416

67. The outturn position of ASCH&H is £4,437k out of a revised budget of £4,853k.

68. The previous forecast for works at the Colne Park Caravan Sites of £230k has been replaced by the final outturn for the project of £231k.

Education and Children's Services: £3,182k Underspend (£89k improvement)

Capital Schemes 2010/11	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
100% Grant/Externally Funded							
Early Years Foundation Stage – Surestart	1,169	855	0	21	2%	855	0
Extended Schools	251	485	Part	307	63%	485	0
Formula Capital Devolved to Schools	3,876	3,207	N/A	1,708	53%	2,245	-962
Guru Nanak - Expansion 2010	5,710	6,843	Y	2,866	42%	6,843	0
Pathfinder (Playgrounds)	598	598	Part	338	57%	598	0
Pinkwell	0	189	Y	0	0%	189	0
Primary School Expansions Phase I	1,942	258	Part	0	0%	258	0
Primary School Expansions Phase II	5,150	5,150	N	0	0%	5,150	0
Rosedale College S106 – only	0	26	N	0	0%	26	0
School travel Plans	0	127	Y	33	26%	86	-41
Schools Kitchens	4,928	4,346	Part	1,359	31%	4,346	0
Specialist Schools	0	12	Y	43	358%	12	0
Surestart - AHDC short breaks	365	55	Y	4	7%	55	0
Vehicle Workshops - West Drayton Young Peoples Centre	0	40	N/A	0	0%	40	0
Investment in Young People's Facilities	167	84	Part	-1	-1%	84	0
Island U - Virtual School Project	0	60	N	0	0%	60	0
Total 100% Grant/Externally Funded	24,156	22,335	0	6,678	639%	21,332	-1,003
Non Grant Funded							
Expansion Haydon	0	14	Y	-41	-293%	14	0
Urgent Building Condition Projects (Modernisation)	1,985	2,837	Part	1,101	39%	1,986	-851
School Places Provision (Basic Needs)	0	92	Part	0	0%	92	0
Building Schools for the 21st Century	1,000	1,000	0	0	0%	0	-1,000
Schools Access Programme	100	478	Part	99	21%	150	-328
Total 100% Non Grant Funded	3,085	4,421		1,159	26%	2,242	-2,179
E&CS – Total	27,241	26,756		7,837	29%	23,574	-3,182

69. The outturn position of E&CS is £23,574k (Month 5 £24,187k) out of a budget of £26,756k (Month 5 £27,280k). The outturn variance has improved by £89k to an underspend of £3,182k.

70. The forecast outturn for the Schools Access Programme has been reduced by £89k reflecting the lower than anticipated level of uptake from Schools and resulting in the underspend of £328k.

71. Following their review of the Surestart Grant, the Department of Education are seeking to claw back £710k which is deemed to be uncommitted. While officers are continuing to lobby the

Department of Education it is likely that the Early Years Foundation Stage budget will be reduced in the coming months.

72. As part of their review, the Department of Education has agreed that a £510k of additional uncommitted Surestart grant can be applied to the combined Early Years and Children's Centre. A virement to effect this has been recommended and the above table updated to reflect the change in the E&CS Capital Programme.
73. Following a review of the Playbuilder grant, the Department of Education has confirmed the Council's allocation of £598k. As this grant is no longer ring-fenced it will be used to support expenditure across the Council.

Planning, Environment and Community Services: £8,379k Underspend (£725k improvement)

Capital Schemes 2010/11	Original Budget	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
100% Grant/Externally Funded							
S106/S278 Schemes	0	558	Part	152	27%	558	0
Safer Stronger Communities Fund	50	50	Y	43	86%	50	0
Botwell Multi Use Games Area	100	242	Part	228	94%	242	0
BSP funded by Transport for London	4,000	3,748	Part	107	3%	3,503	-245
Total 100% Grant/Externally Funded	4,150	4,598		530	12%	4,353	-245
Non Grant Funded							0
South Ruislip Development	4,661	4,661	Part	39	1%	2,100	-2,561
Highgrove Pool Phase II	4,100	4,100	Part	0	0%	300	-3,800
Hayes End Library Development	2,600	2,600	N	0	0%	800	-1,800
Winston Churchill Hall Refurbishment	430	430	Y	0	0%	430	0
Manor Farm Stables Development	371	451	Y	0	0%	451	0
Willow Tree Centre	300	300	N	0	0%	300	0
William Byrd Pool	250	250	N	0	0%	250	0
North Hillingdon Adult Education Centre Roof Replacement	155	155	Part	0	0%	155	0
Manor Farm	0	0	Y	1		257	257
Property Enhancements Programme	500	500	Part	10	2%	495	-5
Property Enhancements Programme Contingency	0	0	N	5		5	5
Youth Offending Team consolidation into Link 1A / cashiers	0	30	Y	9	30%	30	0
Civic Centre Security Improvements	0	107	Y	46	43%	107	0
Civic Centre Enhancements	1,590	1,590	Part	32	2%	1,590	0
Libraries Refurbishment	622	1,037	Y	358	35%	1,037	0
Harmondsworth Dog Free Mini Football Area	0	5	Y	0	0%	5	0
Ruislip Lido Toilets	0	100	Y	11	11%	100	0
CCTV Programme	230	230	N	0	0%	0	-230
Chrysalis Programme	1,000	955	Y	55	6%	955	0
Highways Improvements	1,100	1,100	Part	793	72%	1,100	0
Highways Localities Programme	258	258	N	0	0%	258	0
Road Safety	250	250	Part	-14	-6%	250	0
Street Lighting	300	300	Part	29	10%	300	0
Town Centre Initiative	525	525	N	107	20%	525	0
Purchase of Vehicles	0	471	Y	421	89%	471	0
Environmental Assets	2,000	2,000	Part	0	0%	2,000	0
Fassnidge Park adiZone	0	148	Y	0	0%	148	0
Total Non Grant Funded	21,242	22,553		1,902	8%	14,419	-8,134
PE&CS – Total	25,392	27,151		2,432	9%	18,772	-8,379

74. The forecast outturn position of PECS is £18,772k (Month 5 £19,137k) out of a budget of £27,151k (Month 5 £26,791k). The outturn position has reduced by £725k.

75. The following additional external funding has been added to the PE&CS capital programme:

- a. The Transport for London budget has been increased by £163k to £3,748k reflecting the additional funding received for works at Eastcote Station.
- b. A review of Section 106 Projects has been undertaken by officers and the value of projects scheduled for 2010/11 has been increased by £197k to £558k.

76. Feasibility works are now underway on Highgrove Pool Phase II, however delays will result in £250k of expenditure being slipped into 2011/12 resulting in the movement in outturn from £550k underspend in Month 5 to £300k underspend in Month 6.

77. The CCTV programme is currently on hold and no expenditure is forecast for 2010/11, leading to a £230k underspend against revised budget (Month 5 nil variance).

78. Delays in commencing with a number of Transport for London schemes have led to the forecast outturn being reduced by £245k to £3,503k.

Major Construction Projects: £2,331k underspend in 2010/11 (nil movement)

Capital Schemes 2009/10	Revised Budget	Budget Released	Capital Spend Month 6	Actual % of Revised Budget	Forecast Outturn 2010/11	Forecast Outturn 2011/12	Forecast Variance 2010/11	Forecast Variance Total Project
	£' 000	Y/N	£' 000	%	£' 000	£' 000	£' 000	£' 000
Planning, Environment and Community Services								
Arundel Road Development HIP	3,018	Part	0	0%	18	0	-3,000	-3,000
Botwell Green (including Gymnastics Centre)	627	Y	1,767	282%	2,897	297	+2,270	+2,567
Brookfield – Second Floor	15	Y	0	0%	15	0	0	0
Farm Barns	250	Y	0	0%	280	0	+30	-125
Hillingdon Sports and Leisure Centre	1,266	Y	370	29%	1,537	0	+271	+271
Minet Cycle Club	349	Part	322	92%	339	10	-10	0
New Years Green Lane Civic Amenity Site	3,973	Part	85	2%	1,900	2,073	-2,073	0
Queensmead Fitness Centre Refurbishment	28	Y	21	75%	28	0	0	0
Education and Children's Services – 100% Grant/Externally Funded								
Children's Centres – Phase 2	626	Y	297	47%	816	0	+190	+190
Children's Centres – Phase 3	4,109	Y	1,008	25%	4,109	0	0	0
Longmead - Laurel Lane	1,612	Y	892	55%	1,612	0	0	0
Merrifields fit out for short breaks	375	Y	287	77%	370	5	-5	0
Pinkwell New Classrooms	20	Y	353	1765%	20	0	0	0
Pinkwell School Hall	478	Y	0	0%	478	0	0	0
Education and Children's Services – Non Grant Funded								
Glebe Primary School	31	Y	0	0%	31	0	0	0
Heathrow Primary	18	Y	1	6%	18	0	0	0
New Young People's Centre	1,726	Y	650	38%	1,726	0	0	0
Primary Capital Programme (6 Schools)	1,684	Y	341	20%	1,684	0	0	0
Ruislip High School - Construction	273	Y	50	18%	273	0	0	0
Ruislip High School - Expansion	150	Y	0	0%	150	1,350	0	0
Targeted Capital - Oak Farm	388	Y	-42	-11%	388	0	0	0
Targeted Capital - Uxbridge High	32	Y	2	6%	32	0	0	0
Finance & Resources								
Hillingdon Cemetery & Chapel - Insurance work	264	Insurance	0	0%	264	0	0	0
Council Wide								
Project QS support	79	N/A	34	43%	75	0	-4	-4
Major Construction Project Fees	850	N/A	0	0%	850	0	0	0
Major Construction Projects – Total	22,241		6,438	29%	19,910	3,735	-2,331	-101

79. The outturn position of MCP is £19,910k (Month 5 £18,894k) out of a budget of £22,241k (Month 5 £21,225k).

80. The budget of the Phase III Children's Centre Scheme has been increased from £3,243k to £4,109k to reflect the additional investment in the Deanesfield combined Early Years and Children's Centre. It is recommended that £524k of additional budget is vired from the Early

Years Foundation Stage project in Education and Children's Services and £342k of Section 106 funding is applied to the scheme.

81. Following agreement from the Department for Education £919k of Surestart Grant is available to fund the Deanesfield combined Early Years and Children's Centre provided that works to at least that value are completed by 31 March 2011. It is estimated that for each week the project is delayed £90k of grant will be at risk.

82. An element of the Ruislip High School – Expansion Project has been brought forward from 2011/12 increasing the revised budget by £150k, with £1,350k of works remaining in 2011/12. S106 funding has been applied to the scheme allowing the project to commence in the current year at no additional cost to the council.

Central Services: £200k underspend (£200k improvement)

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 6 £' 000	Actual % of Revised Budget %	Forecast Outturn £' 000	Forecast Variance £' 000
Leader's Initiative	300	300	Part	112	37%	300	0
DCE - Total	300	300		112	37%	300	0
ICT Asset Management Strategy	1,378	1,699	Part	417	25%	1,499	-200
F&R - Total	1,378	1,699		417	25%	1,499	-200
Central Services - Total	1,678	1,999		529	26%	1,799	-200

83. The forecast outturn for Central Services at Month 6 is £1,799k compared to a revised budget of £1,999k resulting in an underspend of £200k (Month 5 nil variance).

84. Social Care Reform Grant of £127k has been added to the ICT Asset Management Strategy to support delivering personal budgets and transformation in adult social care. The grant enables the Council to reduce revenue expenditure in delivering the robust new financial software platform that is essential to the successful implementation of the Personalisation Agenda in Adult Social Care. The outturn position has been increased by £127k by to reflect this addition.

85. Delays in initiating projects within the ICT Asset Management Strategy has led to the outturn forecast being reduced by £200k to £1,799k, the likely outturn position will continue to be reviewed by officers.

Partners: £6k favourable (Nil Variance)

Capital Schemes 2009/10	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 5 £' 000	Actual % of Revised Budget %	Forecast Outturn £' 000	Forecast Variance £' 000
LAA Reward Grant Share to Primary Care Trust	335	335	0	0	0%	333	-2
LAA Reward Grant Share to Community Safety Partnership	140	140	0	0	0%	140	0
LAA Reward Grant Share to BAA & Uxbridge College	130	130	0	0	0%	128	-2
LAA Reward Grant Share to Ground Work Trust	65	65	0	0	0%	63	-2
LAA Reward Grant Share to HAVS	0	85	0	0	0%	85	0
Partners - Total	670	755		0	0%	749	-6

86. There has been no change to the final outturn position for grants to partners, remaining at £749k out of a revised budget of £755k.

Capital Contingency: £2,000k underspend (Nil Variance)

Capital Schemes 2009/10	Original Budget	Revised Budget	Capital Spend Month 5	Actual Spend % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	£' 000	%	£' 000	£' 000
Purchase of Vehicles	1,500	1,500	0	0%	0	-1,500
General Contingency	500	500	0	100%	0	-500
Contingency - Total	2,000	2,000	0	100%	0	-2,000

87. The contingency is not currently forecasting any outturn due to the underspend in the main capital programme enabling overspends to be contained in the directorates or total programme.

APPENDIX B – Treasury Management Report

1. Background

The Treasury Management Strategy for 2010/11 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that Treasury Management activities be reported at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Economic Background

The UK continued to emerge from recession but the level of activity remained well below pre-crisis levels. GDP registered 0.3% growth in the first calendar quarter of 2010 and the first estimate for Q2 showed a surprising 1% increase.

The Bank of England's Monetary Policy Committee maintained the Bank Rate at 0.5% and Quantitative Easing at £200bn.

Inflation continued to decline although the annual CPI to July 2010 still stood at 3.1%, which has resulted in two open explanatory letters from the Bank of England's Governor to the Chancellor. In the coming months higher food and fuel prices raise the risk that we may not see inflation come down much more until 2011, and then it will rise back again in January with the signalled hike in VAT to 20%.

The Bank of England's August Quarterly Inflation Report showed inflation remaining above the 2% target for longer than previously projected. Although the recovery in economic activity was expected to continue, the overall outlook was weaker than presented in the May report, reflecting softening in confidence, persistence of tight credit conditions and the tackling of budget deficits by sovereign states by increasing taxes and/or cutting spending.

The successful formation of a coalition government dispelled uncertainty surrounding a hung parliament result in May's general election. The new government's emergency budget laid out tough action to address the UK's budget deficit, aiming to eliminate the structural deficit by 2014/15. This is to be achieved through austerity measures; £32bn of spending cuts and £8bn of net tax increases. Gilts have benefited from this decisive plan as well as expected reductions in supply for each year of the forecast. The expected level of spending cuts and tax rises looks to be enough to extinguish the recent concern about inflation expectations.

The US Federal Reserve kept rates on hold at 0.25% following signs of a slowdown in American growth. The European Central Bank maintained rates at 1%. The major ongoing worries in Europe extended from sovereign weakness in the 'PIIGS' nations (Portugal, Italy, Ireland, Greece and Spain), the exposure of the continent's banking sector to the sovereign and corporate debt of these nations and the risk of contagion extending to other countries.

The results from the recent EU Bank Stress Tests, co-ordinated by the Committee of European

Banking Supervisors, highlighted that only 7 (2 Greek, 1 German and 4 Spanish “caja” banks) of the 91 institutions that made up the scope of the analysis were classed to have failed the adverse scenario tests. The tests are a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK Banks’ (Barclays, HSBC, Lloyds and RBS) Tier 1 ratios all remained above 9% under both the ‘benchmark scenario’ and the ‘adverse scenario’ stress tests.

3. Debt Management

Borrowing	Balance on 31/03/2010 £000s	New Borrowing £000s	Debt Maturing £000s	Debt Repaid £000s	Balance on 30/09/2010 £000s	Increase/ (Decrease) in Borrowing
Temporary	10,000	1,000	11,000	0	0	(10,000)
PWLB Long Term	124,600	0	4,500	0	120,100	(4,500)
Market Long Term	48,000	0	0	0	48,000	0
Total	182,600	1,000	15,500	0	168,100	(14,500)

The use of internal resources in lieu of borrowing has been the most cost effective means of financing capital expenditure. This has lowered overall treasury risk by reducing both external debt and investment levels. However, this position will not be sustainable over the medium term and the Council expects it will need to borrow for capital purposes by the end of this financial year.

There were no opportunities to reschedule debt during the first six months of the year with premiums exceeding any potential saving in interest costs. Maturing loans had only a minor impact the debt portfolio average rate reducing it by 0.01% to 3.58% by the end of September.