

COUNCIL BUDGET - MONTH 9 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 Business Services
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 9 (December). The in year revenue position is currently forecast as being £1,258k less net expenditure than budgeted on normal activities and a £1,713k pressure on exceptional items. This is an overall improvement of £646k on Month 8.</p> <p>Total forecast capital expenditure for the year is estimated to be £74,996k (Month 8, £74,164k), £1,469k below the revised 2010/11 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. Notes the current forecast budget position for revenue and capital as at Month 9.
2. Notes the rephasing of capital budgets
3. Approves the allocation and release of £55k from the General Capital Contingency to fund the forecast overspend on the Manor Farm refurbishment project.
4. Approves the following allocations from revenue contingency:
 - £38k to fund the free Christmas parking scheme
 - £35k to fund High Speed 2 (HS2) challenge
5. Notes the treasury update at Appendix B.
6. Approves the retaining of agency staff as detailed in Appendix C.

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 2 is intended to manage the overspend on the Manor Farm refurbishment project resulting from the settlement of final contract amounts.
3. The net costs for the free Christmas parking scheme have been finalised and recommendation 3 is required to enable these costs to be met from contingency.

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 9 (December) shows that current forecast net expenditure for the year 2010/11 is £455k more than the budget (an underspend of £1,258k on normal activities and a £1,713k overspend on exceptional items), an overall improvement of £646k on Month 8. The underspend on normal activities has now effectively mitigated the majority of the in-year overspend caused by the government grant cuts. The moratorium on new discretionary expenditure will continue to the end of the year and further action is continuing to be taken by all Directors to seek to reduce the exceptional pressures further. Decisions from Government are also awaited on some items that could have a favourable impact.
6. The demographic pressure on Older Peoples Services (£1,725k) is still the most significant pressure contributing to the net overspend although there was a £275k improvement in this service of as a result of a net reduction in residential care placements in Older Peoples Services.
7. The main reason for the £1,713k 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.
8. In addition pressures due to the economic downturn are now being highlighted as exceptional items, Commercial property rental (£166k), Stockley Park Golf Course (£91k) and Development Control (£31k). The amount for Development Control is in addition to the amount being provided for in contingency (£310k)
9. An in-year recovery plan has been developed to recover the £3.6m through permanently reducing expenditure in areas previously funded by the grants being reduced or through accelerating BID efficiency proposals. £2m has been identified through reviewing ABG funded activities and a further £1,293k has been achieved through the projected underspend on normal activities. Work is continuing with the aim of recovering the position further by the year end.
10. The budget position on contingency shows an adverse movement of £139k in the last month due to the two contingency allocations proposed in the recommendations, an increased

pressure on vehicle fuel costs (£30k) and Asylum (£10k) offset by a small improvement on building control income (£1k).

11. Capital financing costs are projected to underspend by £2,079k, an improvement of £369k on Month 8. The overall underspend is 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. The favourable variance due to reapportioning capital financing costs between the HRA and the General Fund is now £569k, an improvement of £369k on month 8.
12. 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 £16,509k as a result of the budgeted drawdown from balances (-£1,500k), the current forecast in-year overspend (-£455k) and after the transfer from earmarked reserves (+£719k).
13. The projected balances of £16,509k do not include the £2,500k Icelandic impairment and also assume that £1m priority growth and £500k HIP contingency are both fully spent. Currently £935k of the £1m priority growth and £152k of the £500k HIP Contingency remain uncommitted. If no further commitments are made to priority growth or HIP contingency then balances would be around £15,096k.
14. However, there are still a number of outstanding issues to be resolved with central government that may mitigate the £2,500k impairment.
 - The government are still considering the Council's application in respect of capitalising redundancy costs. The government have already agreed other authorities redundancy capitalisation bids at 38% of the sum requested. If they do the same for Hillingdon then this would enable up to £950k of redundancy costs to be capitalised in the current year and improve balances by an equivalent sum.
 - A request to central government has been submitted to pay the LAA reward grant as 100% revenue grant rather than 50% revenue/50% capital or failing that at as high a % as possible in revenue grant. If agreed, this would increase revenue balances by £1.8m.
15. If the government rejects these applications then balances at the year end would be around £15,096k after absorbing the impact of the impairment. However, if our redundancy capitalisation bid is treated the same way as other authorities then balances would increase to around £16,046k. If the revised revenue/capital split for the LAA reward were also agreed then balances would increase to around £17,846k.

B) Capital

16. Total forecast capital expenditure for the year is estimated to be £74,996k (Month 8, £74,164k), £1,469k below the revised 2010/11 budget. Forecast outturn has increased by £832k, primarily due to the outcome of Primary School Expansions tender exercise reported to Cabinet in January.
17. There has been a significant reduction in forecast Council Resourced outturn from original budget, with a number of projects being rephased into 2011/12. While this will reduce the revenue financing costs in 2011/12, the fall in anticipated Capital Receipts from £8,845k included in original budget to the current estimate of £1,500k will require the use of borrowing to replace the unachieved receipts at an additional cost to the Council's revenue account in future years.

18. Budgets have been rephased to reflect latest information, resulting in the variance previously reported on projects of £30,971k being removed. For on-going major projects, rephased budgets have been included in the draft 2011/12 budget to be presented to Cabinet on 17 February 2011.

A) Revenue

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

Table 1

2010/11 Original Budget	Budget Changes		2010/11 (As at Month 9)		% Var of budget	Variances (+ adv/- fav)		
			Current Budget	Forecast		Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
			£'000	£'000		£'000	£'000	£'000
223,425	9,342	Directorates Budgets on normal activities	232,767	233,588	0%	+821	+1,134	-313
-27,731	-9,342	Corporate Budgets on normal activities	-37,073	-39,152	6%	-2,079	-1,750	-329
195,694	0	Sub-total Normal Activities	195,694	194,436	-1%	-1,258	-616	-642
		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
		Development Control		31		+31	+35	-4
		Commercial property rental		166		+166	+166	0
		Golf Stockley Park		91		+91	+91	0
0	0	Sub-Total	0	1,713		+1,713	+1,717	-4
195,694	0	Total net expenditure	195,694	196,149	0%	455	1,101	-646
-			-					
194,194	0	Budget Requirement	194,194	-194,194		0	0	0
1,500	0	Net total	1,500	1,955		455	1,101	-646
-17,745		Balances b/f 1/4/010	-17,745	-17,745		0	0	0
		Transfer from earmarked reserves		-719		-719	-719	0
-16,245	0	Balances c/f 31/3/11	-16,245	-16,509		-264	+382	-646

Directorates' Forecast Expenditure Month 9

20. 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 9)	Directorate		2010/11 Forecast (as at Month 9)	% Var of budget	Variances (+ adv/- fav)		
							Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
£'000	£'000	£'000			£'000		£'000	£'000	£'000
279,115	613	279,728	Adult Social Care, Health & Housing	Exp	284,582	2%	+4,854	+5,030	-176
-185,595	-3,353	-188,948		Inc	-191,450	1%	-2,502	-2,437	-65
93,521	-2,741	90,780		Total	93,132	3%	+2,352	+2,593	-241
98,326	-5,067	93,259	Planning, Environment & Community Services	Exp	93,019	0%	-240	-240	0
-49,523	4,563	-44,959		Inc	-44,509	-1%	+450	+450	0
48,804	-504	48,300		Total	48,510	0%	+210	+210	0
313,819	15,852	329,671	Education & Children's Services	Exp	329,389	0%	-282	-265	-17
-261,246	-7,410	-268,656		Inc	-268,374	0%	+282	+265	+17
52,573	8,442	61,016		Total	61,016	0%	0	0	0
28,759	10,919	39,678	Central Services	Exp	39,122	-1%	-556	-220	-336
-12,792	-6,775	-19,567		Inc	-19,730	1%	-163	-315	+152
15,967	4,144	20,111		Total	19,392	-4%	-719	-535	-184
10,760	0	10,760	Developments Contingency Growth to be allocated		9,738	-10%	-1,022	-1,134	+77
1,800	0	1,800			1,800	0%	0	0	0
223,425	9,341	232,767	Sub-Total Normal Activities		233,588	0%	+821	+1,134	-313

21. **Adult Social Care, Health & Housing** are projecting a **pressure of £2,352k (£241k improvement)** as at Month 9. The improvement from Month 8 is primarily as a result of a net reduction in residential care placements in Older Peoples Services which has improved projections in this service by £273k. In addition, there has been a £11k adverse movement in Learning disabilities (now +£748k) relating to a number of small movements across this service area. There are no changes in the projections for Physical disabilities (£543k) or Mental Health services (£668k). The management team are continuing to apply the measures in their recovery plan to mitigate these pressures. These forecasts exclude sums provided for in contingency for Transitional Children (£2,300k), Mental Health Services (£450k), Homelessness (£800k) and Older Peoples Services (£800k).

22. **Planning, Environment & Community Services** are projecting a **pressure of £210k (no change)** as at Month 9. The most significant ongoing pressures of £595k relate to the corporate landlord service, no change from Month 8. Within the service the main pressures are on Fleet Management (£195k), Corporate Facilities and Property (£340k) and Leisure (£60k). Public Safety & Environment are showing a favourable variance of £385k. There is also a pressure due to the economic downturn at Stockley Park Golf Course (£91k) which is highlighted as an exceptional item as is the additional pressure (£31k) on Development Control over and above the contingency provision. Other pressures are on Development Control (£310k), Golf (£262k), Waste Disposal Levy (£1,528k), Recycling services (£150k), Highways Maintenance (£500k) and Vehicle Fuel costs (£120k) are all provided for within contingency.
23. **Education & Children's Services** are forecasting a **nil variance (no change)** as at Month 9. This excludes the pressure on Asylum and Exhausted All Appeal cases, which are being treated as contingency items. The Group's recovery plan is continuing to be applied and the further savings required to balance the budget has reduced by £165k to £47k in the last month. Expectations are that the remaining sum will be delivered by the year end. As at Month 9 the pressure on Asylum is £1,210k an adverse movement of £10k from Month 8 but in line with the contingency. The previously reported emerging pressure of £366k due to UKBA rejecting clients has reduced to £130k as a result of successful challenge by the service. However, there is a compensatory adverse movement of £236k arising from the likely reduced settlement of our 2009/10 claim for under 18's.
24. **Central Services** are forecasting a **£719k underspend (£184k improvement)** as at Month 9. The Deputy Chief Exec's office is forecasting a £429k underspend, an improvement of £93k on Month 8 due to mainly a £50k improvement in the projected Legal income from the HRA that will be received. There is also a projected £43k increase in the forecast underspend on expenditure budgets. Finance & Business Services are projecting an underspend of £290k, an improvement of £91k on Month 8 due mainly to the continuation of the expenditure review within Business Services as well as the freeze on all non essential expenditure. There are also pressures on Building Control (£70k), Land Charges (£715k) income and the Self Insurance fund (£420k) which are all provided for within contingency.

Development & Risk Contingency: £1,022k underspend (£112k adverse)

25. £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 9.

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		73	-927
Increase in Transitional Children due to Demographic Changes	2,300		2,300	0
Social Care Pressures (Adults & Childrens)	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		150	+70
Asylum non-EAA monitoring pressure	850		342	-508
Asylum Exhausted All Appeals	360		868	+508
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		310	0
Building Control Income	135		70	-65
Golf Courses Income	262		262	0
Total net contingency	10,760		+9,738	-1,022

26. A large proportion of the total contingency is expected to be required in full however the assumption that £927k of the £1m general contingency will not be drawn down has resulted in an overall underspend of £1,022k on the contingency budget.

27. The budget position on contingency shows an adverse movement of £112k in the last month due to the proposed contingency in the recommendations of this report (£38k for the free Christmas parking scheme and £35k for any High speed 2 challenge), an adverse movement on vehicle fuel costs (£30k) and on Asylum (£10k), offset by a small improvement on building control income (£1k).

28. The forecast asylum spend is £1,210k, an adverse movement of £10k on Month 8, in line with the sum provided for within contingency. The previously reported pressure of £366k due to UKBA rejecting clients has reduced to £130k as a result of the successful challenge by the service. However there is a compensatory adverse movement of £236k from the likely reduced settlement of the 2009/10 claim for under 18's.
29. 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.
30. Development control income is forecast as a gross pressure of £341k (£4k improvement on month 8). The element over and above the contingency provision of £310k relates to the economic downturn continue and is now being highlighted as an exceptional item (£31k). This is due to a further 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 still in line with the contingency provision with a gross pressure of £715k. The forecast for building control income is a gross pressure of £70k, £65k less than provided for within contingency.
31. At month 9 the fuel pressure is £150k (an adverse movement of £30k) due to a continuing upward trend in fuel costs.
32. In addition there is a forecast pressure of £420k for the self insurance fund from the cost of the excess on insurance claims, £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: Nil variance (no change)

33. £1m was included in the 2010/11 budget for priority growth and £800k for HIP Initiatives (including £300k for waste & recycling projects).
34. 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 of £191k is being transferred back to general reserves.
35. 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		300		
Heritage		195		
Environmental projects		153		
HIP Initiatives	800	648	0	152
Unallocated non specific growth	1,000			
Library refurbishment		65		
Growth	1,000	65	0	935
Total	1,800	713	0	1,087

36. HIP Steering group have approved £348k of allocations so far this year from the HIP revenue contingency for Heritage and Environmental projects. Some approved projects are now being deemed as capital in nature, Ruislip Lido rain shelters (£33.5k), Little Britain Lakes toilet facilities (£56.3k), Little Britain Lakes CCTV & lighting (£44.1k), Eastcote House Dovecote (£150k) and Ruislip Lido toilet block (£222k) are being funded from the Environmental Assets capital budget. A further review of HIP spend is being undertaken to see if there is any further spend that could be capitalised. Any decision to capitalise will be taken at the year end and will be influenced by what the capital and revenue outturn positions.

37. The sum of £300k allocated to Waste and recycling will now be drawn down in 2010/11. The budget will remain going forward into 2011/12 and will be broadened to become an environmental initiatives budget.

38. December cabinet agreed the £65k to be allocated from priority growth to fund the cost of extended opening hours for refurbished libraries. This has reduced the priority growth budget from £1m to £935k.

39. There is an estimated £152k remaining from the HIP initiatives budget and £935k of unallocated non-specific priority growth budget. The Month 9 forecast assumes that remaining £1,087k unallocated budgets will be spent in full.

Corporate Budgets' Forecasts: £2,079k underspend (£329k improvement)

40. Table 5 shows budget, forecast and variance now reported on corporate budgets as at Month 9.

Table 5

2010/11 Original Budget	Budget Changes	2010/11 Current Budget (as at Month 9)	Corporate Budgets	2010/11 Forecast Outturn (as at Month 9)	Variances (+ adv/- fav)		
					Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
£'000	£'000	£'000		£'000	£'000	£'000	
-2,564	2,164	-400	Unallocated savings	-400	0	0	0
10,109	-42	10,067	Financing Costs	7,988	-2,079	-1,750	-329
			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	-39,152	-2,079	-1,750	-329

41. Financing costs show a forecast underspend of £2,079k at Month 9, an improvement of £329k from Month 8. This improvement is due to a further increase in the element of capital financing costs that will be picked up by the HRA (now a £529k favourable variance). In addition there is a favourable variance of £550k arising from debt restructuring and an updated projection for Minimum Revenue Provision (MRP) required to be set aside this year and also 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.

42. A summary of treasury management activity is attached at Appendix B.

B) Capital

Current Year Expenditure

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

Table 6

Groups	Original Budget	Revised Budget	Capital Spend Month 9	Actual Spend % of Revised Budget	Forecast outturn	Variance (Forecast)
	£'000	£'000	£'000	%	£'000	£'000
Adult Social Care, Health & Housing	4,960	4,351	2,254	52%	4,295	-56
Education & Children's Services*	27,241	15,482	11,955	77%	14,906	-576
Planning, Environment and Community Services	14,031	12,733	3,453	27%	11,997	-736
Finance & Business Services	1,378	1,317	617	47%	1,220	-97
Deputy Chief Executive	300	300	135	45%	300	0
Major Construction Projects	26,576	21,891	9,170	42%	24,687	+2,796
Partners – LAA Reward Grant	670	749	0	0%	749	0
Group Total	75,156	56,823	27,584	49%	58,154	+1,331
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	17,642	8,595	49%	16,842	-800
Total	99,724	76,465	36,179	47%	74,996	-1,469

* Actual spend of £11,955k shown above includes schools' returns for the first three quarters.

44. The latest Capital outturn shows a variance of £1,469k against revised budgets as at Month 9 (Month 8, £31,609k). This change is as a result of rephasing of the capital programme in the current year. Table 6 shows the revised budget following the rephasing of £30,971k from the current financial year.

45. The forecast outturn contains £2,961k pressures (Month 8, £2,971k) detailed in Table 7, along with the current funding strategy.

Table 7

Scheme	Funding Strategy	Revised Budget	Actual Spend (incl accruals)	Forecast Outturn	Variance 2010/11	Total Project Variance
		£'000	£'000	£'000	£'000	£'000
Manor Farm	Contingency	0	1	55	+55	+55
Botwell Green Leisure Development	Council Resources	627	1,892	3,005	+2,378	+2,675
Breakspear Crematorium	Council Resources	0	0	29	+29	+29
Farm Barns	Council Resources	320	4	350	+30	0
Hillingdon Cemetery & Chapel	Contingency	264	11	284	+20	+20
Hillingdon Sport & Leisure Centre	Council Resources	1,266	436	1,537	+271	+271
Property Enhancements Programme Contingency	Council Resources	0	5	5	+5	+5
Schools Access Programme	Supported Borrowing	150	154	210	+60	+60
Purchase of Vehicles	Invest-to-save efficiencies	471	482	482	+11	+11
Children's Centres Phase 2	Surestart Grant	626	395	728	+102	+102
Total		3,724	3,380	6,685	+2,961	+3,228

46. The use of Council Resources to fund pressures within the capital programme will result in additional financing costs in the region of £245k being borne by the General Fund in future years.

47. The forecast variance on the Farm Barns project has been reduced by £70k, to reflect the addition of a further £70k of Council Resources as agreed at January Cabinet.

48. The additional supported borrowing required to fund the Schools Access Programme was included in the original budget for 2010/11, however it had been anticipated that these works would not be completed until 2011/12.

Current Year Financing

49. Table 8 shows the financing of the budget and 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	18,243	1,500	0	2,922	39,647	10,043	4,110	76,465
Outturn 2010/11	18,819	1,500	1,141	2,860	38,307	9,046	3,323	74,996
Variance	576	0	1,141	-62	-1,340	-997	-787	-1,469

50. The level of required unsupported borrowing forecast as at Month 9 is £18,819k (Month 8 £20,577k), taking total unsupported borrowing to £55,264k. The rephasing of projects to

2011/12 has helped enable the Council to defer approximately £30,000k borrowing originally planned for the current financial year, thus leading to short term revenue savings in the 'cost of carry' of borrowing.

51. The rephasing of expenditure budgets has allowed a reduction in the budgeted level of capital receipts to £1,500k, which is currently expected to be achieved in this financial year. This decrease from the original budgeted level of capital receipts is expected to lead to additional MRP costs of approximately £285k impacting on 2011/12 revenue budgets.

52. The low level of Capital Receipts forecast for 2011/12 will present difficulties in the financing of the latest projected outturn of £6,797k on Council resourced programmes of works, as the nature of these programmes renders them unsuitable for Prudential borrowing under the Prudential Code.

CORPORATE CONSULTATIONS CARRIED OUT

Financial Implications

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

CORPORATE IMPLICATIONS

Corporate Finance

54. This is a Corporate Finance report.

Legal

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

BACKGROUND PAPERS

56. Monitoring report submissions from Groups.

APPENDIX A – Detailed Group Forecasts

Adult Social Care, Health & Housing

Revenue: **£2,352k Pressure** (£241k improvement)

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 MTFF proposals elsewhere on this agenda set out how services will be reshaped to enable ASCH&H to better meet and manage this demand to ensure better outcomes with more efficient use of available resources being a key priority going forward.
2. The improvement from last month is in Older Peoples services and results from a net reduction in residential care placements. The introduction of an enhanced out of hours Careline service, with a homecare out of hours response from the beginning of January, should assist in maintaining this improvement as should other future developments under consideration. Other action taken to date has included bringing forward achievable savings from the new WLA Homecare framework agreement; in addition recruitment and the use of agency staff continues to be reviewed along with other decisions to further reduce expenditure.
3. In summary the department is reporting an adverse position of £2,352k on a £280m gross budget.

Services		2010/11 (As at Month 9)		% Var of budget	Variances (+ adv /- fav)		
		Current Budget	Forecast		Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
		£'000	£'000		£'000	£'000	£'000
Older Peoples Services	<i>Exp</i>	+39,406	+43,207	10%	+3,801	+4,005	-204
	<i>Inc</i>	-8,185	-10,261	25%	-2,076	-2,007	-69
	Total	+31,221	+32,946	6%	+1,725	+1,997	-273
Physical & Sensory Disability Services	<i>Exp</i>	+9,272	+10,140	9%	+868	+868	0
	<i>Inc</i>	-881	-1,204	37%	-324	-324	0
	Total	+8,392	+8,936	6%	+544	+544	0
Learning Disability Services	<i>Exp</i>	+31,454	+31,799	1%	+345	+355	-10
	<i>Inc</i>	-12,242	-11,839	-3%	+403	+382	+21
	Total	+19,212	+19,960	4%	+748	+737	+11
Mental Health Services	<i>Exp</i>	+5,703	+6,317	11%	+614	+597	+17
	<i>Inc</i>	-402	-348	-13%	+54	+71	-17
	Total	+5,300	+5,969	13%	+668	+668	0
Housing Benefits	<i>Exp</i>	+148,963	+149,393	0%	+430	+430	0
	<i>Inc</i>	-145,961	-147,150	1%	-1,189	-1,189	0
	Total	+3,002	+2,243	-25%	-760	-760	0
Housing Needs Services	<i>Exp</i>	+19,651	+18,908	-4%	-742	-742	0
	<i>Inc</i>	-17,261	-16,608	-4%	+653	+653	0
	Total	+2,390	+2,300	-4%	-89	-89	0
ASCH&H Other Service	<i>Exp</i>	+25,535	+25,073	-2%	-461	-481	+20
	<i>Inc</i>	-4,016	-4,039	1%	-24	-24	0
	Total	+21,519	+21,034	-2%	-485	-505	+20
Total Expenditure		+279,983	+284,837	2%	+4,854	+5,030	-175
Total Income		-188,948	-191,450	1%	-2,502	-2,438	-65
ASCH&H Total		+91,035	+93,387	3%	+2,352	+2,593	-241

Older People Services: £1,725k adverse (£273k improvement)

4. This service has improved its forecast by £273k following a net reduction in the demand for residential care over each of the last 3 months. The underlying cause of the £1,725k adverse position is as previously reported and primarily due to the effect of residential and nursing placements. At this stage it is too soon to judge the impact of the winter period which may bring added pressures to this area of the budget.
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 £2,485k to £1,725k as reported in this forecast.

Physical Disabilities: £543k adverse (no change)

6. This service is currently forecasting a £543k adverse position due to increasing pressures to support people to live independently and increases in the cost of individual residential care packages following care reviews.

Learning Disability: £748k adverse (£11k adverse)

7. The movement from the Month 8 position relates to a number of small movements across this service area. As reported previously the adverse outturn is as a result of 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.
8. The forecast assumes that the £2,300k corporate contingency held for transitional children are received thereby reducing the pressure from £3,048k to the £748k reported.

Mental Health: £668k adverse (no change)

9. Previous reports have referred to the likelihood of 18 clients becoming the financial responsibility of LBH due to legal status or 'ordinary residence' claims. Officers continue to rigorously challenge the information presented to date which in itself is incomplete. At the present time negotiations with support from legal services continues, and until such time that full and complete information is received on which an opinion can be made, no financial liability is being admitted. However analysis of these and other cases coming to light which are unrelated to this matter indicate that the potential full year liability could be as high as £2m.
10. It is difficult at this stage to establish what any liability relating to the current financial year could be. The forecast therefore does not include any allowance for this but does assume that the £1,250k corporate contingency held for Mental Health Services is received thereby reducing the pressure from £1,918k to the £668k reported.

Housing Benefits: £760k favourable (no change)

11. This service is currently forecasting a £760k favourable outturn on a gross budget of £138m which is primarily based on the favourable outcome of the external audit of the £150.6m claim relating to 2009/10.

Housing Need Services: £89k favourable (no change)

12. Previous reports have referred to management action being taken to mitigate early year pressures which have proved to be successful and as a result are continuing in view of the overall pressure on the departments budget.

Other ASCH&H Services: £485k favourable (£20k adverse)

13. The movement from the Month 8 position relates to a number of small movements across this service area. The primary reason for this favourable variance relates to the in-year action plan on recruitment and a reduced use of agency staff which in itself continues to be critically reviewed on an on-going basis to further reduce expenditure.

Contingent Items: Gross Pressure £4,350k (no change)

14. The Authority's 2010/11 contingent budget contains provision for areas of expenditure or income for which there is a greater degree of uncertainty. The net position after the application of the contingency is shown in the table below.

Division of Service	Gross Pressure	Gross Pressure	Change from	Contingency	Net Pressure
	Month 9	Month 8	Month 8		
Increase in Transitional Children	2,300	2,300	0	2,300	0
Social Care Pressures	800	800	0	800	0
Homelessness Budget - Reduction in DWP Funding	800	800	0	800	0
Increase in Mental Health Packages	450	450	0	450	0
ASCH+H – Total	4,350	4,350	0	4,350	0

Housing Revenue Account (HRA)

15. This service is currently forecasting a favourable outturn of £2,619k; a £286k improvement from the Month 9 position as set out in the table below.

2010/11 Current Budget (as at Month 9) £000	Division of Service	Variance (as at Month 9) £000	Variance (as at Month 8) £000	Change from Month 8 £000
+15,487	General and Special Services	-1,397	-1,197	-200
+10,853	Repairs Services	0	0	0
+11,040	Subsidy Payment to Government	+273	+273	0
+9,746	Capital Funded from Revenue (RCCO)	-700	-700	0
+4,314	Other Expenditure	-814	-783	-31
-53,330	Income	+19	+74	-55
-1,890	In Year (Surplus) / Deficit	-2,619	-2,333	-286

16. For General and Special Services there has been a favourable movement of £200k primarily due to slippage in an IT project. The improvement in Other Expenditure results from a number of small movements across this service area.

Planning Environment and Community Services (PECS)

Revenue: **£210k Pressure no change**

1. At Month 9, the Group is forecasting an adverse variance of £210k no change from Month 8. The forecast variances are expressed net of any contingency provisions, which are detailed within the report.

Services		2010/11 as at Month 9			Variances (+ adv/- fav)		
		Current Budget	Current Forecast	% Var of budget	Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
		£'000	£'000		£'000	£'000	£'000
Corporate Landlord	<i>Exp</i>	35,014	36,747	0%	+55	+55	0
	<i>Inc</i>	-21,853	-21,893	-2%	+540	+540	0
	Total	13,160	14,853	4%	+595	+595	0
Public Safety & Environment	<i>Exp</i>	47,811	47,216	-1%	-295	-295	0
	<i>Inc</i>	-18,062	-18,152	0%	-90	-90	0
	Total	29,749	29,064	-1%	-385	-385	0
Planning, Trading Standards & Environmental Protection	<i>Exp</i>	4,831	4,831	0%	0	0	0
	<i>Inc</i>	-2,005	-2,005	0%	0	0	0
	Total	2,825	2,825	0%	0	0	0
Transportation & Planning Policy	<i>Exp</i>	4,576	4,576	0%	0	0	0
	<i>Inc</i>	-2,143	-2,143	0%	0	0	0
	Total	2,433	2,433	0%	0	0	0
Total Expenditure		92,232	93,370	0%	-240	-240	0
Total Income		-44,064	-44,194	-1%	+450	+450	0
		48,168	49,176	0%	+210	+210	0

Exceptional Items: **Gross Pressure £598k (£4k favourable)**

2. The table below shows those items that have been considered as exceptional due to the downturn in the economy.

Division of Service	Gross Pressure Month 9	Gross Pressure Month 8	Movement Month 8 to 9	Contingency	Net Pressure
Development Control	341	345	-4	310	31
Commercial Property Rental	166	166	0	0	166
Golf Stockley Park	91	91	0	0	91
P&CS – Total	598	602	-4	310	288

3. The forecast for Development Control income is a gross pressure of £341k, the net position after the application of the contingency is a adverse variance of £31k.

4. The forecast position for Development Control Income shows a minor improvement broadly in line with Month 8. 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 6 months. Minor applications are at 91% (month 2 100%) of the 4 years average, and Other applications are at 93% which is very close to the same level as month 2, compared to the 4 year average.
5. 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 has been little movement on these service areas during the year, with the pressures considered to be influenced by the uncertain economic situation.
6. 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 UK Golf going into administration earlier in the year. The immediate impact is a pressure of £22k that relates to a part year reduced income level for the remaining 6 months of 2010/11. There was also a write off agreed via the Month 7 Budget Monitoring report to Cabinet for the outstanding rent of £69k relating to UK Golf. These 2 figures combine to give the full exceptional cost of £91k.

Contingent Items: Gross Pressure £2,090k (£30k adverse)

7. The Authority's 2010/11 contingent budget contains provision for areas of expenditure or income for which there is a greater degree of uncertainty. The net position after the application of the contingency is shown in the table below.

Division of Service	Gross Pressure Month 9	Gross Pressure Month 8	Movement Month 8 to 9	Contingency	Net Pressure
Waste Disposal Levy	1,528	1,528	0	1,528	0
Recycling Services	150	150	0	150	0
Vehicle Fuel	150	120	30	80	70
Golf	262	262	0	262	0
P&CS – Total	2,090	2,060	30	2,020	70

8. 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 PECS 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.
9. The forecast position for Vehicle Fuel Pressure has increased by £30k and is a result of the recent price increases. The bulk diesel purchase price has shown an increase since the beginning of October, after having been relatively stable for the first six months of the year. In December there was a 4p per litre increase on the previous month which represents a 9p increase over the past 3 months. A further duty increase of 0.75p per litre is planned in January and commentators are predicting further increases based on the recent surge in oil prices.
10. Although it is difficult to be precise about the extent of any further increase, the evidence of the recent price increases, plus the current industry commentaries suggest a worsening position.

The modelling of the planned increase in duty would now suggest that the pressure will be at least the £70k that is now being reported.

Corporate Landlord: £595k pressure (no change)

11. The Corporate Landlord position now incorporates the Fleet Management service area which transferred into group in Month 6. The reported pressure at this point was £195k, and remains at this level for month 9. Further pressures have been highlighted on this service area primarily through increasing maintenance and lease costs. These issues are linked to the increasing age of the fleet. A service wide review of “transport needs” has started, and with the new Corporate Landlord now in post, it is expected that this review will move forward in the next quarter.

12. Corporate Facilities and Property are reporting a series of ongoing pressures that total £340k. These are listed below.

- 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. A review of the marketing approach to this service has now commenced, this will look at identifying opportunities to improve the position going forward.
- 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. Block A was decommissioned during November, and the anticipated savings are reflected in the position. Further rationalisation and income generation possibilities are also being examined, in order to mitigate the position.

Off-Street Parking: Nil variance (no change)

13. The reduced levels of Car Park income experienced during 2009/10 continued into the first half of 2010/11, with the economic climate considered to be a significant factor. The 3rd quarter has suggested a more positive trend, however the initial indications for Christmas are that the bad weather has impacted on the usual seasonal boost. 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. This position also assumes that the free parking costs over the Christmas period will be compensated, and that there will be some recovery in income levels in the final quarter of 2010/11.

Leisure: £60k Pressure (no change)

14. 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.

15. 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. The Operator has recently requested a rent reduction which the Corporate Landlord is looking at.

Public Safety & Environment: £385k favourable (no change)

Waste Services: £340k favourable (no change)

16. Street Cleansing: The Month 9 forecast is a £60k adverse expenditure variance which represents no change on the Month 8 position.

17. Recycling Costs: At Month 9 the forecast overspend is £153k, which can be offset by release of the £150k contingency. There continues to be a positive trend in recycling rates which pressures the variable elements of the budget, particularly Gate Fees and recycling bags. The income trends for recyclable materials and the green waste rebates are similar to the previous financial year and in line with budget.

18. 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 therefore reflects the reduced tonnages experienced during 2009/10. The trend for the first 5 months of 2010/11 was a marginal decrease on the 2009/10 levels. However since September the actual tonnage levels have been higher than this trend and this has continued into December. A continuation of this trend into the final quarter gives a potential pressure on this budget and a net forecast of £50k is included this month.

19. Trade Waste: Income streams continue to be relatively robust for Trade Waste. A favourable income variance of £130k (£65k last month) is now forecast. The latest position on aged debt continues to suggest that the existing levels of bad debt provision will be sufficient to meet most of the anticipated write-offs. However the need for any further bad debt provision will be one of the key influences on the outturn position for this service, and whether the favourable position can be further improved.

20. Civic Amenity Sites: The income levels at New Years Green Lane decreased during December and the income variance is now forecast at of £20k (£35k last month). Metal prices have remained buoyant but the decrease reflects activity which could be partly attributable to the recent adverse weather. This position allows for a pressure resulting from a backdated NNDR revaluation.

21. There is a £300k underspend being reported against waste and recycling initiatives which is currently offsetting variances elsewhere in the Directorate.

Community Safety: £45k Underspend (no change)

22. The underspend represents a 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).

Education and Children Services (E&CS)

Revenue: Nil variance (No change)

1. The Group is projecting a nil variance as at Month 9 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 9 are summarised in the following table:

		2010/11 (As at Month 9)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Current Forecast		Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
		£'000	£'000		£'000	£'000	£'000
Schools & Central DSG	<i>Exp</i>	228,529	228,529	0%	0	0	0
	<i>Inc</i>	-227,197	-227,197	0%	0	0	0
	Total	1,332	1,332		0	0	0
Resource, Policy & Performance	<i>Exp</i>	4,128	4,102	1%	-26	+5	-21
	<i>Inc</i>	-2,174	-2,226	2%	-52	-5	-57
	Total	1,954	1,876		-78	0	-78
ECS Central Budget	<i>Exp</i>	18,871	18,741	0%	-130	-130	0
	<i>Inc</i>	-3,546	-3,546	0%	0	0	0
	Total	15,325	15,195		-130	-130	0
Learning & School Effectiveness	<i>Exp</i>	19,985	20,682	3%	+697	+588	+109
	<i>Inc</i>	-14,904	-15,059	0%	-155	0	-155
	Total	5,081	5,623		+542	+588	-46
Director's, Youth & Connexions	<i>Exp</i>	9,167	9,097	1%	-70	-35	-35
	<i>Inc</i>	-1,010	-1,010	0%	0	0	0
	Total	8,157	8,087		-70	-35	-35
Access & Inclusion – Children	<i>Exp</i>	5,923	5,677	4%	-246	-240	-6
	<i>Inc</i>	-2,211	-2,182	1%	+29	+29	0
	Total	3,712	3,495		-217	-211	-6
Children & Families Services	<i>Exp</i>	28,580	28,120	2%	-460	-241	-219
	<i>Inc</i>	-3,678	-3,218	13%	+460	+241	+219
	Total	24,902	24,902		0	0	0
Recovery Plan Savings			-47		-47	-212	+165
Total Exp		315,183	314,948	0%	-282	-265	-17
Total Inc		-254,720	-254,438	0%	+282	+265	+17
Total		60,463	60,463		0	0	0

Schools: Nil variance (no change)

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.

Resources, Policy & Performance: £78k Underspend (£78k improvement)

5. The service is projecting an underspend of £78k due to £30k efficiency savings from non staffing budgets within the commissioning manager's team, where a post has been deleted as part of BID savings. Additionally, there is an unspent student travel grant amounting to £24k which will not be fully spent and will not be carried forward and a further £24k saving within Organisation & Resources due to delays in recruiting to a vacant post and as a result of maternity leave.

ECS Central Budget: £130k Underspend (no change)

6. There has been no major change to the position reported within the ECS central budget.

Learning & School Effectiveness: £542k Pressure (£46k improvement)

7. The earlier reported schools redundancy pressure has been reduced by £46k as a result of a one off savings within the 14-19 Strategic development team due to not appointing previously planned consultancy work.

Director's, Youth & Connexions: £70k Underspend (£35k improvement)

8. The Youth & Connexions service is projecting an underspend of £70k, an improvement of £35k from period 8. The improvement is mainly due to late take up of appointments, staff vacancies and reduction in spend on non essential equipment and materials in Youth Service.

Access & Inclusion – Children: £217k Underspend (£6k improvement)

9. There has been a slight change to the position reported within the Access & Inclusion service areas.

Children and Families: Nil variance (No change)

10. The Children & Families is projecting a break even position as at Month 8.

11. Action implemented by the management group has successfully achieved savings to set the previously reported pressure arising from activities due to the Southwark Judgement.

12. The savings were mainly achieved through earlier than anticipated permanent recruitment to Social Work posts within the Assessment and Car Management team. In addition, the Family Support Service, the Child Protection Service, In-House Fostering Services and the Other Care Services are reporting improved positions.

Recovery Plan Savings: £47k target (£165k improvement)

13. The in-year recovery plan continues to be applied and this has resulted in the required remaining savings to be achieved reducing by £165k in the last month. The group management team are continuously taking action to address the remaining savings target of £47k.

Contingent Items: Asylum Service: Gross pressure £1,210k (£10k Adverse)

14. The Asylum service is reporting a gross pressure of £1,210, an adverse movement of £10k from Month 8.

15. The previously reported emerging pressure of £366k due to UKBA rejecting clients has reduced to £130k as a result of successful challenge by the service. However, there is a compensatory adverse movement of £236k arising from the likely reduced settlement of our 2009/10 claim for under 18's.

Division of Service	Gross Pressure Month9	Gross Pressure Month8	Change from Month8	Contingency	Net Pressure
Asylum Services	1,210	1,200	10	1,210	0
E & CS – Total	1,210	1,200	10	1,210	0

16. The current reported pressure for Exhausted All Appeals and ineligible clients' amounts to £868k and for Naturalised clients is £57k.

Central Services

Revenue: £719k underspend (£184k improvement)

1. The forecast position for the central services revenue budget as at month 9 is an underspend of £719k, an improvement of £184k on the month 8 projections, due primarily to the Finance and Business Services Directorate having a freeze on all non essential expenditure, and a reduction in the anticipated costs of redundancies. The following table summarises the overall position for Central Services, which indicates that the Deputy Chief Executive's Office is projecting an underspend of £429k in month 9, an improvement of £93k on the month 8 projections, due primarily to an improvement in the projected income that will be received, and the Finance & Business Services Directorate is projecting an underspend of £290k, an improvement of £91k on the month 8 projection, due primarily to a continuation of the expenditure review within Business Services as well as reflecting that the service has a freeze on all non essential expenditure.

Service		2010/11 (As at Month 9)		% Var of budget	Variances (+ adv/- fav)		
		Current Budget	Forecast		Variance (As at Month 9)	Variance (As at Month 8)	Change from Month 8
		£'000	£'000		£'000	£'000	£'000
Total	<i>Exp</i>	11,322	10,923	-3.9%	-442	-399	-43
Total	<i>Inc</i>	-3,517	-3,454	+0.4%	+13	+63	-50
Deputy Chief Executive's Office	Total	7,805	7,469	-5.5%	-429	-336	-93
Total	<i>Exp</i>	24,476	24,655	-0.5%	-114	+179	-293
Total	<i>Inc</i>	-18,075	-18,453	-1.0%	-176	-378	+202
Finance & Business Services	Total	6,401	6,202	-4.5%	-290	-199	-91
Central Services	<i>Exp</i>	35,798	35,578	-1.6%	-556	-220	-336
	<i>Inc</i>	-21,592	-21,907	-0.8%	-163	-315	+152
Central Services Total	Total	14,206	13,671	-5.1%	-719	-535	-184

Deputy Chief Executive's Office: £429k underspend (£93k improvement)

2. The Deputy Chief Executive's Office are projecting an underspend of £429k in month 9, an improvement of £93k on the month 8 projections, due primarily to an improvement in the projected income that will be received. This comprises a projected underspend of £442k on expenditure budgets (an improvement of £43k on the month 8 projections), and a shortfall of £13k on income (an improvement of £50k on the month 8 projections).

3. The underspend of £442k on expenditure budgets relates to a number of variances as follows:
 - An underspend of £229k 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 £140k on non staffing costs across the group due to having a freeze on all non essential expenditure
 - An underspend of £57k on Members' Allowances where the budget provision is £57k in excess of the projected cost for the current administration.
 - An underspend of £48k on the cost of printing in the Communications team.
 - A surplus of £30k relating to the Childcare Tax Credit Scheme
 - An underspend of £40k on training costs following a review of training courses.
 - An underspend of £23k on the Voluntary Sector Grants budget, where the grants budget is £48k in excess of the grants that have been awarded, netted down by an additional cost of £25k on Christmas Lights in Town Centres.
4. These are netted down by an anticipated cost on redundancy payments of £75k and an additional cost of £50k relating to the investment in key HR systems to support the delivery of future savings.
5. The shortfall of £13k on income streams relates to a number of shortfalls totalling £122k, netted down by over recovery of income totalling £59k, which are as follows:
 - A projected shortfall of £51k in Legal services relating to services provided to Hillingdon Homes.
 - Under-recovery of income from the Hillingdon Business forum and Uxbridge Town Centre of £30k
 - A shortfall in the Hillingdon People income of £20k due to a downturn in the number of requests for advertising space, both internally and externally
 - A shortfall of £6k on the buy back of Payroll services by schools, where three schools have decided not to renew their contract this year.
 - An over recovery of £59k on Nationality Checking, Citizenship and Registration of Births, Deaths and Marriages.
 - An over recovery of £28k from schools purchasing the Occupational Health Service.
 - A surplus of £7k on First Aid training income.

Finance & Business Services: £290k underspend (£91k improvement)

6. Finance & Business Services are now projecting an underspend of £290k, an improvement of £91k on the month 8 projection, due primarily to a continuation of the expenditure review within Business Services as well as reflecting that the service has a freeze on all non essential expenditure. This comprises a projected underspend of £114k on expenditure budgets (an improvement of £293k on the month 8 projections, due to a reduction in the estimated costs of redundancies) and a surplus of £176k on income (an adverse movement of £202k on the month 8 projections). There is also a movement between both the expenditure and income budgets, due to a realignment of a number of budgets across a few services, to more accurately reflect the true cost of the service.

7. The underspend of £114k on expenditure budgets relates to a number of underspends, totalling £749k, netted down by overspends totalling £635k, which are as follows:

Underspends

- A net underspend of £409k on salary budgets across the Department (£184k in Passenger Services, £126k in Building Control, £107k in ICT and £27k in Procurement, netted down by a pressure of £17k in Emergency Planning and £18k in Accounting Services), where posts are being held vacant as part of the BID Workstreams.
- An underspend of £111k on the Imported Food Units non staffing costs.
- An underspend of £110k on non staffing costs across Bereavement Services
- 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 £395k on SEN Transport, due to an historical increase in the number of SEN children requiring transport
- An overspend of £125k based on known and estimated redundancy costs.
- An overspend of £88k on ICT Licence and software payments.
- An overspend of £27k on Postage costs across Accounting Services

8. The surplus of £176k in income streams relates to a surplus on income from the Imported Food Unit of £149k, Bereavement services of £140k, and one off income from external sources totalling £315k (including the write on of Credit Balances in the Revenues service). This is netted down by an under recovery of £222k on Passenger Services Income, an under recovery of £126k on Building Control Income, and an under recovery of £80k on Land Charges income, due partly to a change in regulations.

Contingency Items

9. The Corporate Contingency holds a number of budgets relating to exceptional items linked to the downturn in the economy which has 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 9 £'000	Gross Pressure Month 8 £'000	Movement Month 9 to 8	Contingency £'000	Net Pressure £'000
Building Control	70	71	-1	135	-65
Land Charges (volume pressures)	715	715	0	715	0
Self Insurance Fund	420	420	0	420	0
Total	1,205	1,206	-1	1,270	-65

Building Control Income: £70k Pressure (£1k improvement)

10. The forecast for Building Control income is a gross pressure of £196k, however, a large proportion of this can be offset by an underspend on the salary and non-salary budgets of £126k, which would require only £70k being drawn down from the contingency.

Land Charges: £715k Gross Pressure (no change)

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 £740k. However, due to the underspend across Finance & Business Services, the draw down from the contingency will be £715k, the remaining balance of £25k will be absorbed within the main revenue budget.
12. A further impact on the income is also included in the forecast, which relates to the impact of the Ministry of Justice (MOJ) decision to revoke the charging of a fee for personal searches. 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 2010, 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 £30k in 2010/11 (the full year effect equating to £50k). For 2010/11 this results in a further pressure of £55k, 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 varies depending on the type of insurance, but in the main 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

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

HRA: £800k Variance (Month 8 - £5,497k variance)

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

Capital Schemes 2010/11	Original Budget	Revised Budget	Budget Released	Capital Spend Month 9	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
Capital Works to Stock	10,000	9,149	Y	4,015	44%	9,149	0
HRA - New Build - HRA Pipeline Sites Phase 1	7,508	5,100	Y	2,852	56%	4,400	-700
HRA - New Build - Extra Care Sites Phase 1 (Triscott House)	3,430	2,100	Y	1,267	60%	2,000	-100
HRA - New Build - LD Sites Phase 1	0	100	Y	0	0%	100	0
HRA - New Build - HRA Pipeline Sites Phase 2	0	191	Y	0	0%	191	0
Cash Incentive Scheme	150	0	Y	0	0%	0	0
HRA - Estates Improvements	1,280	1,002	Y	461	46%	1,002	0
Other Projects	200	0	N	0	0%	0	0
Townfield Community Centre	0	0	Y	0	0%	0	0
HRA – Total	22,568	17,642		8,595	49%	16,842	-800

2. Due to further delays to the part grant-funded Phase 1 Pipeline projects, forecast outturn for the current year has been reduced by £700k. Officers are liaising with the Homes and Communities Agency to ensure that these delays do not result in grant funding being deferred until 2011/12.
3. Adverse weather conditions have resulted in minor delays on the Triscott House project, which will result in £100k of expenditure being deferred into 2011/12.

Adult Social Care, Health and Housing: £501k Variance (Month 8 - £501k variance)

4. 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 9	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
PSRSG for WL Empty Property Grant	1,100	900	Part	390	43%	844	-56
Mental Health – Mead House	114	250	Y	93	37%	250	0
Disabled Facilities Grants	3,000	2,551	Y	1,239	49%	2,551	0
Private Sector Renewal Grants	450	420	Y	306	73%	420	0
Colne Park Caravan Sites	296	230	Y	226	98%	230	0
ASC,H&H – Total	4,960	4,351		2,254	300%	4,295	-56

5. In previous years, underspends reported by other West London boroughs have resulted in additional funding being received to fund the Empty Property Grant programme. The forecast outturn for this programme has been reduced to reflect the likelihood that additional grant funding for 2010/11 will not be passed to Hillingdon from other West London Boroughs.

Education and Children's Services: £573k Variance (Month 8 - £9,026k variance)

Capital Schemes 2010/11	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 9 £' 000	Actual % of Revised Budget %	Forecast Outturn £' 000	Variance £' 000
100% Grant/Externally Funded							
Early Years Foundation Stage – Surestart	1,169	145	0	21	14%	70	-75
Extended Schools	251	485	Y	307	63%	485	0
Formula Capital Devolved to Schools	3,876	4,894	N/A	3,286	67%	4,894	0
Guru Nanak - Expansion 2010	5,710	4,295	Y	4,294	100%	4,295	0
Pathfinder (Playgrounds)	598	338	Part	338	100%	338	0
Pinkwell	0	189	Y	0	0%	94	-95
Primary School Expansions Phase I	1,942	0	Y	0	0%	0	0
Primary School Expansions Phase II	5,150	43	Y	0	0%	43	0
Rosedale College S106 – only	0	26	N	0	0%	0	-26
School travel Plans	0	101	Y	78	77%	101	0
Schools Kitchens	4,928	2,285	Part	1,661	73%	1,885	-400
Specialist Schools	0	62	Y	60	97%	62	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%	0	-40
Investment in Young People's Facilities	167	84	Part	0	0%	84	0
Island U - Virtual School Project	0	60	N	0	0%	60	0
Total 100% Grant/Externally Funded	24,156	13,102	0	10,049	77%	12,466	-636
Non Grant Funded							
Expansion Haydon	0	14	Y	0	0%	14	0
Urgent Building Condition Projects (Modernisation)	1,985	2,124	Part	1,695	80%	2,124	0
School Places Provision (Basic Needs)	0	92	Part	57	62%	92	0
Building Schools for the 21st Century	1,000	0	0	0	0%	0	0
Schools Access Programme	100	150	Part	154	103%	210	+60
Total 100% Non Grant Funded	3,085	2,380		1,906	80%	2,440	+60
E&CS – Total	27,241	15,482		11,955	77%	14,906	-576

- Primary School Expansions budgets required to fund Phase 1, 1A and the Rosedale temporary provision of £2,974k have been vired to Major Construction Projects as agreed at January Cabinet. The remainder of this grant funded budget has been rephased to fund the continuation of these projects in 2011/12.
- Forecast outturn on the Schools Kitchen has been reduced by a further £400k to reflect projects unlikely to go ahead due to schools being unable to provide match funding. The deadline for use of this grant remains August 2011, should amount be unspent these may become repayable to the Department for Education.

Planning, Environment and Community Services: £736k Variance (Month 8 - £2,948k variance)

Capital Schemes 2010/11	Original Budget	Revised Budget	Budget Released	Capital Spend Month 9	Actual % of Revised Budget	Forecast Outturn	Variance
	£' 000	£' 000	Y/N	£' 000	%	£' 000	£' 000
100% Grant/Externally Funded							
S106/S278 Schemes	0	535	Part	299	56%	535	0
Safer Stronger Communities Fund	50	50	Y	50	100%	50	0
Botwell Multi Use Games Area	100	242	Part	228	94%	242	0
BSP funded by Transport for London	4,000	3,734	Part	216	6%	3,684	-50
Total 100% Grant/Externally Funded	4,150	4,561		793	17%	4,511	-50
Non Grant Funded							0
Winston Churchill Hall Refurbishment	430	430	Y	1	0%	50	-380
Manor Farm Stables Development	371	451	Y	1	0%	50	-401
Willow Tree Centre	300	0	N	0		0	0
William Byrd Pool	250	0	N	0		0	0
North Hillingdon Adult Education Centre Roof Replacement	155	78	Y	4	5%	78	0
Manor Farm	0	0	Y	1		55	+55
Property Enhancements Programme	500	495	Part	29	6%	495	0
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	50	47%	107	0
Civic Centre Enhancements	1,590	1,266	Part	102	8%	1,290	+24
Libraries Refurbishment	622	1,037	Y	389	38%	1,037	0
Harmondsworth Dog Free Mini Football Area	0	5	Y	0	0%	5	0
Ruislip Lido Toilets	0	302	Y	209	69%	302	0
CCTV Programme	230	0	N	0	#DIV/0!	0	0
Chrysalis Programme	1,000	955	Y	266	28%	955	0
Highways Improvements	1,100	1,100	Part	862	78%	1,100	0
Highways Localities Programme	258	258	N	0	0%	258	0
Road Safety	250	114	Part	21	18%	114	0
Street Lighting	300	300	Part	46	15%	300	0
Town Centre Initiative	525	525	N	108	21%	525	0
Purchase of Vehicles	0	471	Y	482	102%	482	+11
Environmental Assets	2,000	100	Part	0	0%	100	0
Fassnidge Park adiZone	0	148	Y	75	51%	148	0
Total Non Grant Funded	9,881	8,172		2,660	33%	7,486	-686
PE&CS – Total	14,031	12,733		3,453	27%	11,997	-736

8. Design teams have been appointed for both the Winston Churchill Hall Refurbishment and Manor Farm Stables Development, it is anticipated that these projects will be completed in 2011/12.

Major Construction Projects: £11,278k Variance in 2010/11 (Month 8 - £11,278k variance)

Capital Schemes 2010/11	Revised Budget	Budget Released	Capital Spend Month 8	Actual % of Revised Budget	Forecast Outturn 2010/11	Forecast Outturn 2011/12 onwards	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	18	Part	2	11%	18	2,000	0	0
Botwell Green (including Gymnastics Centre)	627	Y	1,892	302%	3,005	297	+2,378	+2,675
Brookfield – Second Floor	15	Y	1	7%	15	0	0	0
Farm Barns	320	Y	4	1%	350	125	+30	0
South Ruislip Development	1,400	Part	259	19%	1,400	6,219	0	0
Highgrove Pool Phase II	300	Y	2	1%	300	3,800	0	0
Hayes End Library Development	600	Part	1	0%	600	2,000	0	0
Hillingdon Sports and Leisure Centre	1,266	Y	436	34%	1,537	0	+271	+271
Minet Cycle Club	339	Y	336	99%	339	10	0	0
New Years Green Lane Civic Amenity Site	1,900	Part	94	5%	1,900	1,573	0	0
Queensmead Fitness Centre Refurbishment	28	Y	25	89%	28	0	0	0
Education and Children's Services								
Children's Centres – Phase 2	626	Y	395	63%	728	0	+102	+102
Children's Centres – Phase 3	4,109	Y	1,624	40%	4,109	0	0	0
Glebe Primary School	31	Y	2	6%	31	0	0	0
Heathrow Primary	18	Y	2	11%	18	0	0	0
Longmead - Laurel Lane	1,612	Y	977	61%	1,612	0	0	0
Merrifields fit out for short breaks	375	Y	349	93%	370	5	-5	0
New Young People's Centre	1,726	Y	1,086	63%	1,726	0	0	0
Pinkwell New Classrooms	304	Y	531	175%	304	0	0	0
Pinkwell School Hall	478	Y	0	0%	478	0	0	0
Primary School Expansions	4,658	Y	852	18%	4,658	0	0	0
Ruislip High School - Construction	273	Y	266	97%	273	0	0	0
Ruislip High School - Expansion	150	Y	0	0%	150	1,350	0	0
Targeted Capital - Oak Farm	388	Y	-41	-11%	388	0	0	0
Targeted Capital - Uxbridge High	32	Y	30	94%	32	0	0	0
Finance & Resources								
Hillingdon Cemetery & Chapel - Insurance work	264	Insurance	11	4%	284	0	+20	+20
Council Wide								
Project QS support	34	N/A	34	100%	34	0	0	0
Major Construction Project Fees	0	N/A	0	0%	0	0	0	0
Major Construction Projects – Total	21,891		9,170	42%	24,687	17,379	2,796	3,068

9. Year to date expenditure on MCP Projects of £9,170k includes £379k of fees, contributing towards the cost of architects, design and project management costs. Full year outturn on these fees is anticipated to be £759k, of which £280k is to be funded from Council Resources.

10. Following the increase in the Farm Barns budget agreed in January 2011, the current year pressure reported on this budget is a phasing issue with the project expected to complete in 2011/12 within agreed budget.
11. The Children's Centres are expected to be completed in the current financial year, with the exception of Deanesfield where the non-grant funded element of the project may be completed in 2011/12.
12. Forecast outturn on Primary School Expansions has increased following the tender exercise reported to Cabinet in January, with works to deliver additional primary school places for September 2011 expected to commence in the current financial year.

Central Services: £97k variance (Month 8 - £353k variance)

Capital Schemes 2010/11	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 9 £' 000	Actual % of Revised Budget %	Forecast Outturn £' 000	Forecast Variance £' 000
Leader's Initiative	300	300	Part	135	45%	300	0
DCE - Total	300	300		135	45%	300	0
Breakspear Crematorium	0	0	N/A	0		29	+29
ICT Asset Management Strategy	1,378	1,317	Part	617	47%	1,191	-126
F&R - Total	1,378	1,317		617	47%	1,220	-97
Central Services - Total	1,678	1,617		752	47%	1,520	-97

13. As a result of the on-going review of the ICT Single Development Plan, the full revised budget will not be required in the current financial year and the forecast outturn has been reduced by £126k.

Partners: Nil variance (Month 8 - £6k variance)

Capital Schemes 2010/11	Original Budget £' 000	Revised Budget £' 000	Budget Released Y/N	Capital Spend Month 9 £' 000	Actual % of Revised Budget %	Forecast Outturn £' 000	Forecast Variance £' 000
LAA Reward Grant Share to Primary Care Trust	335	333	0	0	0%	333	0
LAA Reward Grant Share to Community Safety Partnership	140	140	0	0	0%	140	0
LAA Reward Grant Share to BAA & Uxbridge College	130	128	0	0	0%	128	0
LAA Reward Grant Share to Ground Work Trust	65	63	0	0	0%	63	0
LAA Reward Grant Share to HAVS	0	85	0	0	0%	85	0
Partners - Total	670	749		0	0%	749	0

14. There has been no change to the final outturn position for grants to partners. Payments are due to be made to partner organisations in March 2011, upon receipt of the LAA Reward Grant by the Council.

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

Capital Schemes 2010/11	Original Budget £' 000	Revised Budget £' 000	Capital Spend Month 9 £' 000	Actual Spend % of Revised Budget %	Forecast Outturn £' 000	Variance £' 000
Purchase of Vehicles	1,500	1,500	0	0%	0	-1,500
General Contingency	500	500	0	0%	0	-500
Contingency - Total	2,000	2,000	0	0%	0	-2,000

15. As at Month 9 there have been no allocations from contingency, however this report requests that Cabinet agree to the allocation and release of £55k from the General Contingency to fund the overspend at Manor Farm.

APPENDIX B – Treasury Management Report

1. The following information is provided to update you on the activities on the Treasury function for the month of December 2010.
2. As at 31st December 2010 the Council's portfolio of deposits and debt were as follows (deposit balances can move substantially from day to day in line with cash flow requirements).

Outstanding Deposits - Average Rate of Return on Deposits: 0.82%

	Actual £m	Actual %	Bench- mark %
Up to 1 Month	43.3	55.51	65.00
1-2 Months	5.0	6.41	5.00
2-3 Months	5.6	7.18	5.00
3-6 Months	7.3	9.36	10.00
6-9 Months	0.0	0.00	10.00
9-12 Months	3.5	4.49	5.00
Subtotal	64.7	82.81	100
Unpaid Maturities	13.3	17.05	0.00
Total	78.0	100	100

3. Deposits are held with UK institutions, which hold at a minimum, a Fitch AA- long-term credit rating, with the exception of the unpaid Icelandic deposits.
4. Deposits are currently held with the following institutions: Fidelity Money Market Fund, Goldman Sachs Money Market Fund, Henderson Money Market Fund, HSBC Money Market Fund, Ignis Money Market Fund, Invesco Aim Money Market Fund, Royal Bank of Scotland, Standard Life Money Market Fund, Barclays Bank, Lloyds TSB Banking Group, Nationwide BS and Clydesdale.
5. During December, fixed term deposits matured in line with cash flow requirements. Four medium term deposits were placed to enhance investment income. Other surplus funds were spread between instant access accounts and short term fixed deposits in order to meet near term cash flow requirements and remain within counterparty limits.

Outstanding Debt - Average Interest Rate on Debt: 3.58%

	Actual £m	Actual %
PWLB	114.4	70.44
Long-Term Market	48.0	29.56
Temporary	0.0	0.0
Total	162.4	100

6. The second instalment of £750k was repaid on a PWLB EIP Loan. There were no early debt repayments or rescheduling opportunities during the month.

Prudential Indicators

7. There were no breaches of the prudential indicators during December.

Ongoing Strategy

8. The current strategy is to place medium term deposits, when cash flow allows. These deposits will enhance investment income for 2010/11. Short term balances are to be placed in instant access accounts and short term fixed deposits to ensure funds are available to meet January's payment obligations.
9. During December PWLB moved back into premium, therefore it was not financially viable to reschedule debt.

APPENDIX C

Retaining of agency staff for Education & Children's Services

The Children and Families Service has been using agency staff during the year to cover Safeguarding issues. There has been a programme of work during the year to temp to perm as many as possible. However a number of posts where permanent staff have been recruited to have yet to receive full CRB checks and references. As a result the service had continued to use these temporary agency staff until the checks have been confirmed. The cost of continuing these contracts until the current Financial year end is approximately £272,809 and the cost of employing those staff who have cost more than £50k is £892k. The costs of all these posts are funded from within the existing base budget for the Children and Families Service and are factored into the breakeven outturn projection for the Education & Childrens Service Group.

Social Worker Agency Staff	Projected 2010/2011 Cost £
Post 1	61,857
Post 2	70,755
Post 3	61,556
Post 4	56,896
Post 5	54,825
Post 6	59,789
Post 7	58,447
Post 8	53,387
Post 9	56,609
Post 10	55,124
Post 11	56,456
Post 12	61,692
Post 13	77,273
Post 14	54,477
Post 15	52,062
Total	891,205

Retaining of agency staff for Planning, Environment & Consumer Protection

It is proposed that the current agency assignment for the Senior Project Manager role (Schools) should be extended. This is a critical post supporting the PCP capital programme in the new Corporate Construction structure. It is not anticipated that this role will be filled by any existing members of the team as part of the ongoing restructure process and therefore full-time recruitment is likely to be required.

It is therefore proposed to extend the contract of the existing agency employee for 14 weeks commencing 21st Feb 2011. This will take the total cost of the assignment to around £87k hence the need to obtain Cabinet approval.

PECS agency staff	Projected 2010/2011 Cost £
Post 1	87,200
Total	87,200