



**WATFORD  
BOROUGH  
COUNCIL**

# **BUDGET PANEL**

**10 January 2017**

**7.00 pm**

**Town Hall, Watford**

**Publication date: 2 January 2017**

**Contact**

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Welcome to this meeting. We hope you find these notes useful.

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# Committee Membership

Councillor Asif Khan (Chair)

Councillor M Hofman (Vice-Chair)

Councillors D Barks, N Bell, P Kent, Ahsan Khan, R Laird, R Martins, G Saffery and M Watkin

## Agenda

### Part A - Open to the Public

**5. Financial Planning: Draft Revenue and Capital Estimates 2017/2020 and Treasury Management Strategy 2017-2020 (Pages 5 - 74)**

Report of the shared Director of Finance.

Please note that this report is circulated separately.



## Part A

**Report to:** Cabinet  
**Date of meeting:** 16 January 2017  
**Report of:** Director of Finance  
**Title:** Financial Planning

### 1.0 Summary

1.1 The purpose of this report is to enable the Cabinet to consider service level expenditure, funding and council tax levels for the medium term 2017/18 to 2019/20, including consideration of the use of reserves and balances. This budget is a component part of the 2017/18 Council Tax calculations.

1.2 The report sets out:

- the draft revenue estimates for the period 2017-20, including a revised budget for 2016/17
- the draft capital programme for the period 2017-20
- the Treasury Management Strategy 2016-19

1.3 The Cabinet is recommended to agree the Council Tax Base to apply for 2017/18.

1.4 The report includes advice from the Director of Finance on the adequacy of general reserves and balances in the context of the three year planning horizon 2017-20 (see paragraph 7.9).

### 2.0 Recommendations

#### **That Cabinet:**

2.1 Delegates to the Director of Finance and Portfolio Holder the ability to amend the budget figures in accordance with decisions taken at the Cabinet meeting and any minor variations that may occur before the Council meeting.

#### **That Cabinet recommends to Council to:**

#### **That Council:**

2.2 Resolves in accordance with the *Local Authorities (Calculation of Tax Base) Regulations 1992*, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2017/18 is **32,062.1** as outlined in the report.

2.3 Approves the continuation of the Local Council Tax Reduction Scheme for 2017/18. This will then be subject to a review which will be carried out in 2017/18 with the intention of implementing a new scheme from 2018/19 onwards.

2.4 Approves the estimate of surplus and deficit position on the Collection Fund.

- 2.5 Approves the budget as laid out in the report, including:
- the base budget estimates
  - the growth and savings
  - the Capital Investment Programme 2016-20
- 2.6 Approves the schedule of fees and charges.
- 2.7 Approves the strategy for flexible use of capital receipts.
- 2.8 Approves an increase in the annual Council Tax for a Band D property of £5.00 (2.00%) in 2017/18. This percentage increase will apply to all other bands.
- 2.9 Approve the increase of the Council's Key Decision Limit to £0.25 million with immediate effect.
- 2.10 Approves the key risks identified and has regard to the advice provided by the Director of Finance on the robustness of estimates and the adequacy of reserves.
- 2.11 Notes the indicative budgets for 2018/19 and 2019/20, the Council's future spending plans which are supported by internal borrowing (see para 6.4 onwards of the main report, utilising the Council's reserves and cash balances.
- 2.12 Approves the Treasury Management Strategy for 2017/18.

### **3.0 Consultation**

- 3.1 Budget Panel has been fully engaged throughout this process and feedback from its meeting will be circulated prior to the Cabinet meeting.
- 3.2 As part of the statutory consultation with business ratepayers, copies of this report have been sent to the Watford Business Improvement District, the Watford Chamber of Commerce and the borough's Local Strategic Partnership-One Watford. Any feedback will be reported at the meeting.

### **4.0 Implications**

#### **4.1 Financial Implications**

These are covered within the report.

#### **4.2 Legal Implications**

- 4.2.1 In the Constitution it is Council who is required to set the budget, which includes the Council Tax Base and setting the level of Council Tax. Cabinet therefore must forward its recommendations on the budget to Council. The Constitution also requires that any recommendation from Cabinet to Council regarding the budget must be submitted before the 8 February in the preceding financial year to enable the Mayor to have the opportunity to call in any decision of Council on the budget.

The Council must set its 2017/18 budget by 11 March 2017. The Local Council Tax Reduction Scheme has to be approved by Council by 31 January each year for the next financial year.

4.2.2 It is a statutory requirement that the Treasury Management Strategy and Treasury Management Practices are reviewed annually. The report meets the requirement of CIPFA's Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

4.2.3 It is a statutory requirement that the Chief Financial Officers provides a report under Section 25 of the Local Government Act 2003 on the robustness of estimates used in the budget and the sufficiency of the Council's reserves. The Section 25 report is included in the report.

4.2.4 The Secretary of State released guidance under Section 15 of the Local Government Act 2003 which offers authorities the opportunity to use Capital Receipts more flexibly to fund the costs which generate ongoing savings for authorities, subject to the expenditure qualifying under the guidance and a strategy being approved by Council. The strategy for 2017/18 is included in the report.

## 5.0 **Equalities**

5.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.

5.2 This report provides an over view of Budget proposals and equalities issues will need to be specifically considered before any changes to existing service levels are introduced.

## 6.0 Risks

6.1 The potential risks of not approving the recommendations in this report are shown below; (1= very low risk, 4 = a very high risk)

Potential Risk	Likelihood	Impact	Overall Score
That Cabinet does not agree the council tax base before the statutory date	1	4	4
That Cabinet does not recommend revenue and capital estimates for 2017/18 to Council	1	3	3
That Cabinet does not agree a medium term financial strategy to address future government grant reductions	1	3	3
That Cabinet does not recommend a council tax to apply for 2017/18	1	3	3
That Cabinet does not indicate how it intends to finance any difference between net expenditure and sources of funding	1	4	4
That the Council will exceed its borrowing parameters	1	3	3
That the Council will be unable to service its annual borrowing costs	1	3	3
That the Council will be unable to repay any loans at maturity date	1	4	4
Investment placed with a non-approved body	1	4	4
Investment with a counterparty that subsequently defaults	1	4	4
That the estimates used in the preparation of the report will not be sufficiently accurate.	1	3	3
That the Council will not have adequate reserves to manage emerging risks.	1	4	4

### Contact Officers:

For further information on this report please contact:-

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Chris Roberts – Finance Business Partner (Projects)  
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Report approved by Joanne Wagstaffe, Director of Finance.





# **COUNCIL FINANCES**

**2016/17 to 2019/20**

## **Medium Term Financial Strategy**



**WATFORD  
BOROUGH  
COUNCIL**

Watford Borough Council · TOWN HALL · WATFORD, HERTS WD17 3EX

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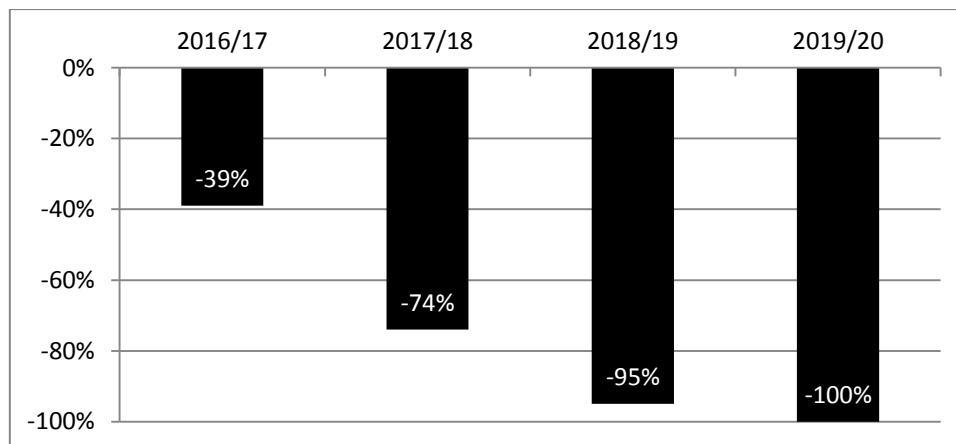
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## Executive Summary

The Medium Term Financial Strategy (MTFS) provides Members with information on the overall financial position of the Council over the next three years, and brings together the previous budget set by Council in January 2016, the budget monitoring activities carried out during the current year and the latest developments in funding, legislation and service delivery. The strategy sets the budget for financial year 2017/18 and indicative budgets for the following two years (2018/19 and 2019/20).

Regular budget monitoring reports are presented to both the Council's Leadership Team and Budget Panel throughout the year. The latest budget monitoring report (Finance Digest) is available up to the end of November.

The preparation of the MTFS has been completed against a backdrop of further cuts in government funding, increasing pressure on services (for example, temporary accommodation), and increasing expectations from stakeholders. To provide some certainty, the Council agreed on 11 October 2016 to accept the Government's offer of a four year grant settlement at their meeting on 11 October 2016. The percentage effect of the grant reducing year on year from 2015/16 is shown below.



Each year the Council is required to set a realistic, achievable in-year balanced budget and indicative budgets for the following two years. With the reduction in grant Heads of Service have been encouraged to find as many efficiency savings and as much additional income as possible, and to minimise any discretionary growth whilst continuing to provide value for money services to the public.

The 2016-19 MTFS showed a budget gap of **£2.348 million** in 2018/19, therefore during the current year the Council has had to develop a strategy that not only closes the gap but ensures that the Council is sustainable and meets its corporate vision to create a bold and progressive future for Watford. The strategy includes further development of the Council's Property Investment Portfolio, continuing the work undertaken by the Property Investment Board, and a new service transformation and commercialisation programme, called Watford 2020.

Previously the Council tax level has been frozen since 2010/11 when it was cut to its current level. By freezing the council tax since then the effect of inflation (as measured by RPI) has meant that residents have benefitted from a real terms cut of 19.2%.

The summary 2017-20 MTFS shown overleaf demonstrates that there is a funding gap over the period which means that a continued freeze neither prudent nor sustainable. Therefore the decision has been taken to increase the council tax by **£5.00 (2.00%)** for a Band D property in 2017/18 only. This represents a rise in line with RPI of 2.0% (September 2016) and this is in-line with the government's assumptions for local government finance and core spending power.

The 2017-20 MTFS report includes for information and approval:

- The revised budget for 2016/17 which shows a net service cost of **£15.137 million** and net expenditure of **£17.306 million**.
- The service budget proposal for 2017-18 of **£12.640 million** and net expenditure of **£14.262 million**. Further details on all the figures in the MTFS are shown at **Appendix 1**, and the MTFS summary below.
- The fees and charges for services in 2017/18. The breakdown of these figures into years and services can be seen in **Appendix 1 (a to d)**. The schedule of fees and charges, including the charging policy is circulated as a separate document which accompanies this report.
- Corporate budgets which provide for central costs and income such as financing and investment, corporate pension costs, and contingency for unexpected changes in price or unfunded legislative change. The detail of these figures can be seen on the MTFS summary, below.
- Discretionary growth across the period of the MTFS amounts to **£1.049 million** and additional income and efficiencies of **£3.495 million**. The details of these can be seen under growth, income and efficiencies below, and in **Appendix 2 (a and b)**.
- Use of reserves and reserve balances are shown in the MTFS summary (below) and detailed at **Appendix 3**.
- Funding in support of the Council's expenditure plans.
- The Council Tax Base and Council tax calculation (**Appendix 8**).
- The capital investment programme for the medium term (**£117.728 million**). Details of the capital programme are shown at **Appendix 4**.
- The Council's strategy for Flexible Use of Capital Receipts.
- A proposal to change the Key Decision Limit.
- The key risks relating to the Council's finances and the statutory report of the Director of Finance on the robustness of estimates and the adequacy of the Council's reserves.

The full MTFS showing the services and funding for the Council is shown overleaf, but the position over the medium term is as follows:

<b>MTFS 2016-19 to 2017-20</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Gap per MTFS 2016 -19</b>	<b>785</b>	<b>2,348</b>	<b>2,348</b>
<b>Changes in this report</b>			
Salaries	242	350	560
Unavoidable Growth	1,119	1,204	1,246
Efficiency Savings	(567)	(310)	(340)
Fees & Charges	(247)	(212)	(226)
Effect of Capital Programme	(1,088)	(951)	(951)
Growth	919	75	55
Income and efficiencies	(126)	(1,504)	(1,865)
Funding and other adjustments	(244)	465	608
Planned use of reserves	(886)	(88)	(200)
Increase in Council Tax	(160)	(162)	(164)
<b>Gap per MTFS 2017-20</b>	<b>(253)</b>	<b>1,215</b>	<b>1,071</b>
Of which one off items (Health Campus dividends & Interest)	(1,280)	0	0
<b>Recurring Gap</b>	<b>1,023</b>	<b>1,215</b>	<b>1,071</b>

In addition, further projects are being undertaken which will generate one-off returns, for example the next phases of the Watford Health Campus project, and the joint venture housing company with Watford Community Housing Trust. These will be included in budgets as business plans are finalised and agreed by Cabinet.

**Medium Term Financial Strategy 2016-20**

	2016/17 Revised £000s	2017/18 Original £000s	2018/19 Original £000s	2019/20 Original £000s
<b>Managing Director</b>	1,301	824	829	840
<b>Deputy Managing Director</b>	(3,241)	(4,394)	(4,361)	(4,380)
<b>Director of Finance</b>	1,901	1,827	1,852	1,852
<b>Service Transformation</b>	1,975	1,844	1,863	1,875
<b>Community Services</b>	9,220	8,784	8,955	9,060
<b>Democracy &amp; Governance</b>	3,405	3,174	3,335	3,308
<b>Human Resources</b>	576	581	611	635
<b>Net cost of services</b>	15,137	12,640	13,084	13,190
<b>Corporate Budgets</b>				
<b>Dividends &amp; Interest earned</b>	(300)	(1,550)	(282)	(282)
<b>Interest payable</b>	130	130	130	130
<b>Pension Fund deficit payments</b>	2,300	2,249	2,349	2,449
<b>Revenue provision for Capital (PMB)</b>	39	0	0	0
<b>Corporate Budgets</b>	2,169	829	2,197	2,297
<b>Financial Planning</b>				
<b>Growth</b>		919	75	55
<b>Savings</b>		(126)	(1,504)	(1,865)
<b>Sub-Total</b>	0	793	(1,429)	(1,810)
<b>Total Net Expenditure</b>	17,306	14,262	13,852	13,677
<b>Planned Use of Reserves</b>				
<b>Contributions to reserves</b>	253	0	12	0
<b>Contributions from reserves</b>	(2,173)	(886)	(100)	(200)
<b>Sub-Total</b>	(1,920)	(886)	(88)	(200)
<b>Funding</b>				
<b>Council Tax</b>	(7,824)	(8,170)	(8,253)	(8,335)
<b>Revenue Support Grant</b>	(1,310)	(565)	(114)	0
<b>Business Rates</b>	(2,400)	(2,452)	(2,532)	(2,621)
<b>New Homes Bonus</b>	(3,509)	(2,098)	(1,400)	(1,200)
<b>(Surplus)/Deficit on collection fund</b>	(250)	(250)	(250)	(250)
<b>Other smaller grants/contributions</b>	(93)	(94)	0	0
<b>Sub-Total</b>	(15,386)	(13,629)	(12,549)	(12,406)
<b>Total Funding &amp; Use of Reserves</b>	(17,306)	(14,515)	(12,637)	(12,606)
<b>Gap</b>	0	(253)	1,215	1,071
<b>Reserves - opening balances</b>	(17,547)	(19,467)	(20,100)	(21,403)
<b>Planned use of reserves</b>	(1,920)	(886)	(88)	(200)
<b>Gap funded from reserves</b>	0	253	(1,215)	(1,071)
<b>Reserves - closing balances</b>	(19,467)	(20,100)	(21,403)	(22,674)
<b>Council Tax Rate Calculation - income</b>				
<b>Council tax base</b>	31,314.7	32,062.1	32,382.7	32,706.5
<b>Council tax at band D (income ÷ base)</b>	£ 249.84	£ 254.84	£ 254.84	£ 254.84
<b>Percent increase or decrease</b>	0.00%	£5.00	0.00%	0.00%

## 1.0 Base Budgets

- 1.1 The day to day costs of providing the Council's services (e.g. employees) and the income generated (e.g. fees and charges) are classified as revenue. The revenue budget is funded from council tax & business rates, government grants, commercial rents and fees & charges and reserves.

### *Service Budgets*

- 1.2 The service budgets shown at the top of the MTFs are the base budgets for each year. These are rolled forward from the previous year, but also include a number of changes which are detailed in the following paragraphs. The changes included in base budgets are required to maintain the level of service currently provided. Where changes are proposed to services, the full details of the movements are shown in the growth and savings sections (below). The changes between base budgets are detailed by service in **Appendices 1a to 1d** which has a page for each year and a column for each of the different changes shown in the following paragraphs. All items included have been scrutinised, challenged and agreed by Leadership Team.
- 1.3 **Unavoidable growth** is additional cost which is needed to maintain the current level of service provision and relates to decisions already taken and factors outside the Council's control, such as contract inflation, legislative changes and demographic pressures. Full details of the Unavoidable Growth can be found in **Appendix 1e**. Salary changes are shown separately. These growth items are contained within the services' base budget figures. Key items in the total unavoidable growth are shown in the table:

<b>Unavoidable Growth</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	£000s	£000s	£000s	£000s
<b>Temporary Accommodation</b> <i>The cost of temporary accommodation for homeless people in the borough. This rising cost has been reported at £0.450 million during 2016/17, but homelessness is expected to rise with the continued implementation of the benefit cap and universal credit. A number of projects are in progress to attempt to mitigate this pressure.</i>	500	500	500	1,500
<b>Waste</b> <i>Increased costs of waste collection.</i>	148	148	148	444
<b>Local Plan 2</b> <i>Additional budget required to complete the examination in public of Local Plan 2 in 2017/18. This will be funded from the Local Development Framework, Examination in Public reserve.</i>	42	0	0	42
<b>Property Valuations</b> <i>Cost of quarterly valuations of investment properties and annual accounts valuations of the whole property portfolio. The KPIs which require these valuations were approved by PIB.</i>	60	60	60	180
<b>Revenues &amp; Benefits - Postage</b> <i>Rising costs of postage which is used in the processing of Council Tax, Revenues and Benefits.</i>	31	31	31	93
<b>Annual Canvas of Electors</b> <i>The annual canvas of electors has not been included in the base budget, so has now been added.</i>	34	34	34	102

<b>Unavoidable Growth</b>	2017/18	2018/19	2019/20	Total
	£000s	£000s	£000s	£000s
<b>Mayoral Election</b> <i>There is a mayoral election in 2018/19 and growth has been included to cover the cost.</i>	0	50	0	50
<b>Contract Inflation &amp; Demography</b> <i>Expected increases in costs relating to contracts, including expected increases on re-tendering, indexation, and increases in costs relating to demographic change in the borough. Unless a different rate is specified in the contract an uplift of RPI (2%) has been applied where a contractual uplift is required</i>	126	207	300	633
<b>Changes to Fees &amp; Charges</b> <i>Adjustments to fees and charges budgets relating to specific expected pressures principally in Planning, but also relating to budgets considered no longer achievable for printing and also for housing services formerly provided to Three Rivers District Council and Watford Community Housing Trust under contract.</i>	180	174	174	524
<b>Total</b>	<b>1,121</b>	<b>1,204</b>	<b>1,147</b>	<b>3,572</b>

- 1.4 **Efficiency savings** are ones which do not affect the level of service provision to the public, such as additional income generated from selling services, other changes to fees and charges (full details shown in that section of this report) or reductions in other items such as printing and stationery. Full details can be found in **Appendix 1f**. These income and efficiency items are contained within the services' base budget figures and key items in the total income and efficiency savings are shown in the table:

<b>Efficiency Savings</b>	2017/18	2018/19	2019/20	Total
	£000s	£000s	£000s	£000s
<b>Commissioning Framework</b> <i>Management of Community &amp; Voluntary Commissioning Framework was carried out by Watford Community Housing Trust, but has been taken back in-house and is being delivered using existing resources. A saving has therefore been generated.</i>	(53)	(53)	(53)	(159)
<b>Watford Health Campus</b> <i>Income relating to the Industrial Zone South phase of the Watford Health Campus income originally budgeted for 2016/17 is now expected in 2017/18.</i>	(217)	0	0	(217)
<b>Veolia Contract</b> <i>In 2017/18 there are a number of changes to the waste contract which generate a net reduction in cost, including the removal of recycling banks, the reduced number of clinical waste collections, and the move from leased to Council owned vehicles.</i>	(69)	0	0	(69)
<b>Review of Budgets</b> <i>A review of budgets has found a number that are no longer required and can be included as savings.</i>	(12)	(21)	(21)	(54)
<b>Services provided to partners</b> <i>This is the net contribution to Council overheads made from Pest Control services provided to Three Rivers District Council, tree management services provided to Hertfordshire County Council, and HR Services provided to the new Hertfordshire building control company, Broste Rivers.</i>	(105)	(90)	(70)	(265)



<b>Efficiency Savings</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Changes to Rental Incomes</b>				
<i>This is the net income from the rental of the first floor of the annexe to the NHS, additional rent from Timberlake Car Park, new parking spaces renovated using funds from Programme Management Board, and income from the Watford Wi-Fi service.</i>	(121)	(146)	(146)	(413)
<b>Total</b>	<b>(577)</b>	<b>(310)</b>	<b>(290)</b>	<b>(1,177)</b>

1.5 **Changes to Salaries** relate to pay awards and rises due to increments, as well as the impact of changes to gradings and restructures which have been agreed in the year. The changes already factored into base budgets are considered unavoidable because they relate to decisions already taken and are required to maintain the current level of service. The difference between the previous MTFS 2016-19 and the new one 2017-20 are shown below, and relate to the total across 2017-20:

- **£0.183 million** - Increments given annually to staff expected to be awarded in 2019/20.
- **£0.104 million** - The pay awards budgeted for 2019/20, assuming 1% each year.
- **£0.369 million** - The net change to the pension contributions required by the Hertfordshire Pension Fund following the three yearly valuation.
- **(£0.324 million)** – The reduction from the restructuring of the property department, following the outsourcing of the strategic and operational management of the Property Investment Portfolio.
- **£0.534 million** – New posts added in the year.

1.6 **Revenue effects of capital** relates to the savings made and increases in rental, dividend or interest income as a result of the capital investment programme. These are included in based budgets on the basis that the schemes are approved. the highlights for 2017/18 are:

- **£0.142 million** - Property Investment Board – the Council set up its internal Property Investment Board (PIB) to review its property portfolio, with the remit of disposing of uneconomical assets and reinvesting in property that creates regeneration and delivers a rate of return greater than 5%. PIB has already disposed of **£5.126 million** of properties and acquired a new 19,000 square feet office in Rushden producing a net yield of 6%.
- **£2.433 million** - The Capital Programme includes an increase of **£15 million** to the size of the property investment portfolio, which will generate additional income in future years. Following approval by Cabinet in November, a further property (industrial estate) in Newcastle-under-Lyme was purchased for **£5.785 million**, (with a 5.5% yield) this has delivered an early saving in 2016/17.
- **£0.137 million** -Watford Health Campus – the Council has partnered with Kier to deliver, in conjunction with the West Hertfordshire Hospital Trust, a new health campus comprising the hospital, improved infrastructure, green space, and housing development. Revenue returns from the first phase of this scheme are already included in the budget at **£1.1 million**, but are expected to be greater than estimated last year. For further details on the Health Campus, please see below under Capital Investment Programme.

- 1.7 The base budgets also include the estimates of income from **Fees & Charges**, based on the Council's Fees & Charges Policy and the schedule of charges for 2017/18 (included separately with this report). There are no significant changes in the policy (though a new Watford 2020: Commercialisation strategy will come to Cabinet early in 2017/18). The majority of charges have been increased by inflation, and the additional income generated is expected to be **£0.655 million**. The breakdown by year and service are shown at **Appendices 1a to 1d**.

### ***Corporate Budgets***

- 1.8 The corporate budgets shown relate to items that are not directly linked to the delivery of services.
- ***Dividends and Interest earned and paid*** – the Council holds funds for the short and long term which are invested in line with the Council's Treasury Management Strategy. This generates income. In addition, the Council is a partner in the Watford Health Campus and has a number of other commercial initiatives from which it will receive dividend income. The Council also has a long term loan from the Local Enterprise Partnership and various other agreements which attract interest charges.
  - ***Pension Fund Deficit Payments*** – this payment is set by the Hertfordshire Pension Fund's actuary and relates to the estimated amount which needs to be set aside to fund future pension payments to which scheme members are entitled. The amount is set at the three yearly valuation, and has been reduced this year but rises through the MTFS period.
  - ***Revenue Provision for Capital*** – the Council is required to ensure that any borrowing is affordable and to set aside an amount from revenue ready for repayment. The Council makes these payments in line with its Minimum Revenue Provision (MRP) policy which is included in the Treasury Management Strategy. The current strategy does not require any payments in this MTFS period. This budget also includes the contribution from the Programme Management Board reserve that is funding the garages project.
- 1.9 The service and corporate budgets, and required changes are shown at **Appendix 1 (a to f)**.

## **2.0 Financial Planning: Growth and Savings**

- 2.1 Services have also put forward proposals for **One off Discretionary Growth** items which continue to improve and develop services, but which require additional expenditure. Given the Council's effective services, overall financial position and the limited resources available, there have only been a small number of bids. The key one off bids (some funded from reserves) are as follows:
- **£0.500 million** - Commercialisation – funded from the Economic Impact Reserve, this funding is proposed to be awarded to progress Commercialisation ideas, subject to business cases and governance arrangements to be agreed as part of the Watford 2020: Commercialisation Strategy.
  - **£0.250 million** - Programme Management Board – in the MTFS 2014-18, the Council set aside **£1 million** to fund service change, invest-to-save proposals and improved service delivery initiatives and provide programme management support to the Council. This funding has now been exhausted, and so this discretionary growth request is to replenish the budget (**£0.250 million**) for the coming year, allowing it to continue to support projects

which generate improvements to services and savings. This is proposed to be funded from the Economic Impact Reserve.

- **£0.019 million** - Project Management for Parks – Additional budget is required to fund the rest of the cost of a 12 month extension of a project management post to continue work on parks development as the Woodside and Oxhey Park North projects get underway. The total cost of the post is £54k, but the balance has been funded by the Programme Management Board.
- **£0.015 million** -The Little Cassiobury project is about finding a sustainable end use for the building. The initial grant from Historic England will provide a dilapidation survey and cost schedule to bring the building back into use and maintain it on an annual basis, as well as suggesting possible future options for its use. This information will be available in April 2017 and officers will then recommend the next steps for the Council's involvement in this project.
- **£0.050 million** – following the restoration of Cassiobury Park, it is expected that on-going running costs and staffing will be covered by income generated from the day to day operation of the park. However, it is expected that this will take a year or so to build to a level adequate to cover costs. There is therefore a discretionary growth item to provide contingency in the first year.

2.2 Additional **discretionary growth** bids which require on-going expenditure are listed below:

- **£0.055 million**, falling to **£0.040 million** by 2019/20 - Watford Big Events: Ice Rink - The Big Events programme has improved the attractiveness of the High Street and proved popular with residents and businesses. Members are therefore asked to consider a bid for discretionary growth to continue to fund the Ice Rink for future years.
- **£0.020 million**, falling to **£0.010 million** by 2019/20 -Hertfordshire Home Improvement Agency (Disabled Facilities Grants Shared Service) – Watford is one of six Hertfordshire authorities working together on a new shared service. Whilst in the long run it is expected to be revenue neutral, or even generate income, it is expected that there may be some revenue costs arising during the transition period. This discretionary growth bid is to cover those costs.
- **£0.010 million** in 2017/18 and 2018/19 -Pest Control Apprentice – employing an apprentice will serve three purposes: It will support the corporate commitment to developing apprentices and this particular role will be highly valuable given the skill level of the job, the availability of roles (which is good) and the long term prospects for those with this vocation and profession; it will enable an efficient and effective way to support development of the service by providing a cost effective means of undertaking the job roles that don't require a fully qualified technician; and it will also enable the service to develop resilience and capacity as the service expands to include commercial work.

2.3 Services have been asked to put forward proposals for **income and efficiencies** which may mean changes to the ways in which services are delivered, but which would improve value for money. The items included for approval are:

- **£0.125 million**, rising to **£0.864 million** by 2019/20 - The strategic and operational management of the Property Investment Portfolio has been outsourced, and set a 5% annual increase in income target. This will require decisions on acquisitions and disposals to be taken by the Property Investment Board. The net increase in income when the contractor's fees are deducted is shown here.

- **£1.000 million** from 2018/19 - The Head of Service Transformation has been tasked with leading an ambitious programme, Watford 2020, of service transformation, commercialisation and digitisation. This is expected to generate £1m of savings annually from 2018/19, though will require changes to the ways in which services are delivered.

2.4 A breakdown of growth and savings, by service and year, can be found at **Appendices 2a and 2b**.

### 3.0 Reserves

3.1 The Council has set aside specific amounts as reserves for future policy purposes and to cover contingencies. The full schedule of reserves and the anticipated position is attached at **Appendix 3**. The proposed use of reserves for revenue in 2017-20 is as follows:

- **£0.750 million** -From the Economic Impact reserve to fund the Commercialisation and Programme Management Boards. These will support the transformation needed to continue to progress towards closing the gap.
- **£0.113 million** – is to be applied to partially offset the reported pressure in Temporary Accommodation from the Homelessness Prevention reserve.
- **£0.060 million** – from the Parks, Waste and Street Strategy reserve is being used to fund works on the Veolia contract. These are to be included in base budgets in future.
- **(£0.012 million)** - A loan to Skillmakers is funded from the Local Authority Business Growth Initiative, and will be repaid in the MTFS period.
- **£0.092 million** - From the Local Development Framework reserve to fund the completion and examination in public of Local Plan 2.
- **£0.045 million** - Agreed funding from the PMB reserve for project work in future years.
- **£0.300 million** - The Council has set aside funds to cover the costs of future pension payments. Some of these funds are to be applied to the additional payments required by the scheme actuary for 2018/19 and 2019/20.
- As agreed by Cabinet, where there is a gap remaining this is expected, for the time being, to be filled from the Economic Impact Reserve.

3.2 The Council also has capital reserves, which are discussed as part of the Capital Investment Programme.

### 4.0 Funding the Revenue Budget

4.1 The MTFS shown above indicates that the total Net Expenditure of the Council in 2017/18 is **£14.515 million**. This will be funded from a number of sources, which are detailed in the following paragraphs. The Council needs to set a budget that gives an acceptable level of **council tax**, and breaks even in the medium to long term using the balances it has at its disposal.

4.2 The number of properties (known as the Council Tax Base) is calculated by adjusting for banding (so that a total number of Band D properties is known) and the effects of the Local Council Tax Reduction Scheme. The analysis of dwellings in **Appendix 8** for the 2016/17 Council Tax Base results in a figure of 31,314.71 after allowing for the Council Tax Reduction Scheme and a collection rate of 97% (an assumption unchanged from the 2016-19 MTFS).

- 4.3 The proposals included in this document that there will be a rise in the average Band D Council Tax of £5 (2.00%) in 2017/18 making the average annual Council Tax **£254.84** for 2017/18. This means that the Council expects to receive **£8.170 million** of Council Tax income in 2017/18. Each one percentage increase in the Council Tax rate generates approximately an **£80,000** increase in Council Tax revenue.
- 4.4 There are no proposals to change the Local Council Tax Reduction scheme for 2017/18 so there will be no change or new impact on applicants in 2017/18. It is proposed that a full review of LCTR scheme options is undertaken during 2017 and if agreed to adopt a new scheme the necessary consultation carried out. Any new scheme would need to be agreed by Full Council before 31 January 2017 for introduction in April 2018. Some of the key considerations that would be taken into account during the review are:
- Pensioners of pension credit qualifying age are fully protected. This principle in effect means there is no discretion in relation to people over pension age and entitlement rules for this group are set nationally.
  - Vulnerable groups should be protected as far as possible. There is no definition given to local authorities regarding which groups should be counted as 'vulnerable' so this is determined locally.
  - Work incentives should not be undermined. Local schemes should be designed to support work incentives and, in particular, avoid disincentives to move into work.

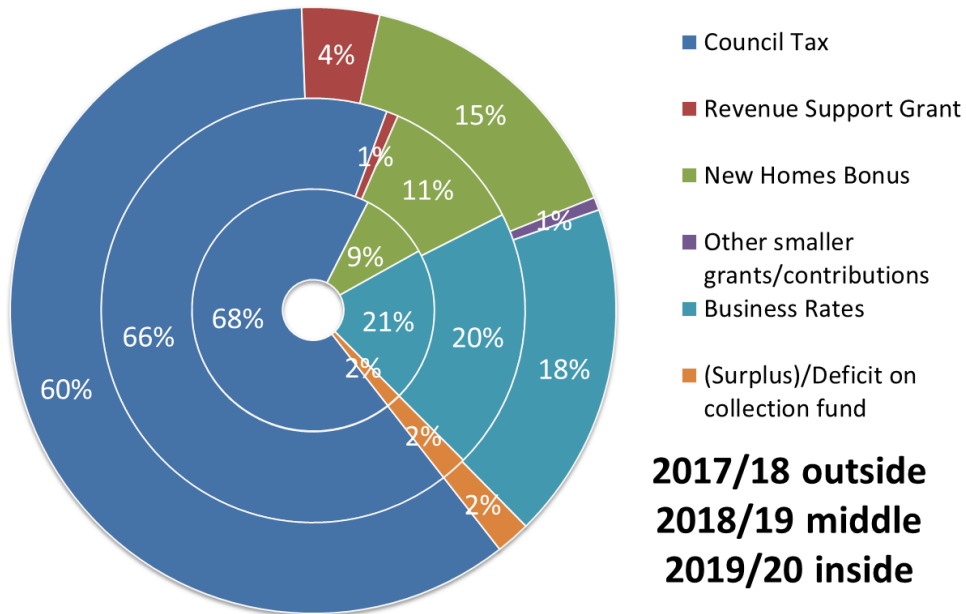
Schemes can be designed to suit the local demographic and local rules can be incorporated. The purpose of the review is to ensure the Council's support is provided to those with greatest need.

- 4.5 **Business rates** are collected by the Council, and the proceeds are shared between the Borough and County Councils, and Central Government to fund services. There is an element of risk involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be **£2.452 million** in 2017/18. Future plans for 100% rate retention are yet to be published by Central Government.
- 4.6 The council will make prudent estimates of the rate of collection of Council Tax and the size of the tax base. This is to allow for non-payments, discounts, bad debts, and periods where properties are unoccupied and therefore there is no tax payable. Where amounts of Council Tax collected exceed the estimates made, the surplus is shared between the relevant major precepting authorities (Hertfordshire County Council, Watford Borough, Council and Hertfordshire Police & Crime Commissioner). The Council's prudent estimates mean that it is possible to budget for a surplus of **£0.250 million** in 2017/18.
- 4.7 **Revenue Support Grant**, funded by Central Government. This was formerly the principal line of local Council funding, but this is now being phased out and replaced with local retention Business Rates income. As can be seen in the MTFS Summary, this therefore reduces to zero by 2019/20. In 2017/18, however, the Council will receive **£0.565 million**.
- 4.8 **New Homes Bonus**, is a grant relating to the number of new homes delivered in a local authority area. The Government consulted in December 2015 on possible changes to the scheme, and local authorities responded by 10 March 2016. The government has not yet issued a decision on the future of this grant, and so it is expected that it, or a similar grant, will continue in future years though at a lower level than in 2016/17. For 2017/18, based on

the provisional settlement, the Council expects to receive **£2.098 million**. Estimates for future years are harder to predict due to factors around timing of qualifying developments coming on line, but the Council has made realistic estimates of income in the MTFs.

4.9 **Other Grants** are received by the Council in the year, for example the Section 31 Grants provided to fund the costs of policy changes in year. The figures included in 2016/17 and 2017/18 relate to additional transition grant provided to assist Councils as Revenue Support Grant is withdrawn. In 2017/18 the Council will receive **£0.094 million** in transition grant.

4.10 The Council's funding of its net expenditure for 2017/18 is shown in the graph:



## 5.0 Capital Investment Programme

- 5.1 Capital costs relate to items providing benefits to the Council and community for more than one year (e.g. buildings). Any income from the sale of these items is also classified as capital. The Council has an approved capital programme budget which is designed to support the core services it provides.
- 5.2 The current capital programme was approved by Council at its meeting on 27 January 2016. Since that date the capital programme is reported regularly to Budget Panel with specific reports being considered by Cabinet which affect the originally approved programme.
- 5.3 The 2016-20 Capital Investment Programme presented for approval is as follows:

<b>Capital Programme 2016-20</b>	2016/17 Revised £000s	2017/18 Original £000s	2018/19 Original £000s	2019/20 Original £000s
Managing Director	0	0	0	0
Deputy Managing Director	1,271	2,871	2,825	2,450
Director of Finance	552	552	552	552
Service Transformation	1,514	595	530	530
Community Services	4,960	2,844	3,170	462
Democracy & Governance	357	1,000	400	400
HR Shared Service	0	0	0	0
Watford Health Campus	13,577	7,060	13,903	13,459
Other Major Projects	26,474	9,744	4,997	127
<b>Annual Capital Investment Programme</b>	<b>48,705</b>	<b>24,666</b>	<b>26,377</b>	<b>17,980</b>
<b>Total Capital Investment Programme 2016-20</b>		<b>117,728</b>		

- 5.4 The changes to the Capital Investment Programme (full programme shown in **Appendix 4**) are as follows and relate to the three different types of scheme – business as usual, existing schemes, and new schemes. Much of the capital expenditure which relates to major projects will be returned to the Council in future years as capital receipts. More details about these and the funding of the programme are shown in the next section, and **Appendices 5 and 6**.
- 5.5 There are a number of Business as Usual programmes which are included total **£2.5 million** and relate to the Disabled Facilities Grants provided to residents, as well as regular improvements and replacement of key Council assets such as buildings, vehicles and ICT. These are included for all years in the MTFs.
- 5.6 In addition, there are three new recurring schemes proposed to be added. These relate to additional posts (Quantity Surveyor, Finance Business Partner) to work directly on the Council's many capital projects which are expected to reduce anticipated expenditure in these schemes on expensive external consultants, an annual budget for 'client side' activity relating to the Watford Health Campus project, and a tree planting programme to improve the public realm within the borough. These increase the business as usual annual programme by **£0.230 million** per year.

- 5.7 One existing scheme requires additional growth in 2016/17 (**£8.315 million**). This relates to the new road opened in Watford in November 2016 at the Health Campus and is due to:

Explanation	Amount
The outturn costs relating to the completion of Thomas Sawyer Way, 2016 and provides a vital new link and access road to Watford General Hospital. This is a loan to West Hertfordshire Hospital Trust which is expected to be recovered in the long term.	<b>£2.000 million</b>
The initial costs relating to the first phases of residential development which will deliver homes in Watford, design and preparation works will take place in 2016/17 with the aim of securing planning permission in Spring 2017.	<b>£0.358 million</b>
The first phase of industrial development has begun and is expected to deliver employment in the area of the Health Campus as well as financial returns to the Council in 2017/18.	<b>£5.957 million</b>
Total	<b>£8.315 million</b>

- 5.8 Services have been asked to put forward proposals for new capital schemes for 2016-20 which will assist the Council in delivering its corporate objectives and improving services for residents, as well as generating revenue savings and returns where possible.
- **£4.000 million - Parks and Open Spaces** – schemes to deliver the sports facilities strategy by redevelopment of Oxhey Park North and improvement of tennis courts in the borough.
  - **£6.075 million - Community Services** – schemes to ensure that the Council’s existing temporary accommodation can remain in use (**£0.075 million**), to provide a budget for match funding works to Little Cassiobury (**£0.050 million**) and to increase the supply of temporary accommodation through using a modular scheme (**£6.000 million**).
  - **£0.580 million - Planning, Transport & Infrastructure** – schemes to improve the highway between Clarendon Road and St Mary’s Church and review the Community Infrastructure Levy charging regime for the borough.
  - **£34.124 million - Watford Health Campus** – these are the budgets for the first six phases of residential development at the Campus which are expected to deliver housing in Watford, as well as the Industrial Zone South employment zone and a new multi-storey car park. Approving budgets in place will mean that the Council is able to ensure its finances are sustainable and its plans are affordable in the medium term, as well as allowing the Partnership Board and Cabinet to sign off the schemes as and when they are approved under delegated authority to ensure that there are no delays in delivery of housing.
  - **£19.429 million – Property Investment Board** – budgets for the reinvestment of receipts from existing sales, and the proposed increase in size of the portfolio to generate increased, secure and long term revenue returns for the Council.
  - **£6.075 million – Loan to Hart Homes (Watford)** – this budget provides for a loan to be made to the Council and Watford Community Housing Trust’s joint venture company which will deliver affordable homes and temporary accommodation for use in 2018. Providing the loan will allow the Council to earn additional revenue as well as supporting the regeneration of the area and the provision of housing.



## 6.0 Funding the Capital Investment Programme

6.1 The Council must fund its capital programme, and it can do this from its reserves, capital receipts, and capital grants and contributions, as well as from revenue or, subject to prudential and affordable limits, from borrowing.

6.2 It is anticipated that over time the Capital outlay from projects such as the Health Campus and Property Investment Board will be recouped from the receipts received in terms of return of equity investment and the disposal of land and property. The timing of these receipts is shown below.

- **2016/17:**
  - **PIB:** receipts relating to further disposals of management intensive properties.
- **2017/18:**
  - **Watford Health Campus:** return of equity relating to Industrial Zone South and a receipt for the land used; return of a portion of the investment in the infrastructure phase of the project.
  - **PIB:** receipts relating to further disposals of management intensive properties.
- **2018/19 and future years:**
  - **Watford Business Park:** receipts relating to the disposals of interests in the business park, returning the investment in site assembly as well as an additional margin for the associated freehold.
  - **Watford Health Campus:** receipts relating to the next phases of the development (subject to business cases being approved) and the remaining infrastructure investment.

6.3 **Appendix 5** shows the details of the capital receipts and grants/contributions included in the budget.

6.4 Where the Council does not have sufficient contributions, receipts, reserves or revenue available to finance long term investment, it may use prudential borrowing to do so. This is subject to the affordability and prudential limits set out at a high level by the Government and in detail by the Council in its strategies. This borrowing may be from external providers, or internally from cash the Council holds day to day and its own reserves.

6.5 The Council’s ambitious programme of major projects and investment in service delivery means that it expects to have a borrowing requirement in this financial year. Officers have forecast the cash available to the Council as part of the budget setting process to see if this can be managed through internal borrowing rather than using external borrowing (although some of this will be met by the existing loans from the Local Enterprise Partnership of **£7.500 million**). The results of the cash forecasting exercise indicate that the proposed approach is affordable for the Council:

<b>Cashflow Analysis</b>	2016/17	2017/18	2018/19	2019/20
	Revised	Original	Original	Original
	£000s	£000s	£000s	£000s
Estimated treasury balance 1 April (including core cash)	54,270	17,478	12,022	24,650
Core cash requirement	(10,000)	(10,000)	(10,000)	(10,000)
Available for use balance 1 April	44,270	7,478	2,022	14,650
Business as usual use in year	(36,742)	(6,655)	3,628	12,425
Project use in year	(50)	1,200	9,000	(12,700)
Estimated available to use balance at 31 March	7,478	2,022	14,650	14,375
Core Cash balance	10,000	10,000	10,000	10,000
Estimated treasury balance 31 March (including core cash)	17,478	12,022	24,650	24,375

6.6 The full details of the proposed financing of the Capital Investment Programme are shown in **Appendix 6**, and the detailed cashflow forecast in **Appendix 7**.

## 7.0 Key Decision Limit

7.1 As the Council is now looking to be more commercial, including encouraging ideas from staff, it is considered that the current **£0.050 million** limit should be reviewed to enable ‘agile’ decisions to be taken to progress projects without the potential delay of placing them on the notice of executive decision and when the decision has been made being subject to the call-in period.

7.2 The legislation states that a key decision is one that would result in incurring expenditure (or making savings) which are **significant** having regard to the Council’s budget for the service or function concerned. A number of councils in Hertfordshire do not put an actual figure on this and very much leave it to the judgement of the decision maker as to whether it should be classed as a key decision. Hertfordshire County Council currently specifies **£0.5 million** as its base line. Officers feel that it is helpful to specify a figure to avoid inconsistencies in approach across the council and to be transparent. It is recommended that the figure of **£0.050 million** be raised to **£0.250 million**. This will give the ability to make decisions quickly, be flexible, and be more akin to a private sector approach.

7.3 All officer and delegated Portfolio Holder decisions will still be published regardless of the increase in the key decision limit. Councillors could set up e-mail alerts via modern.gov to receive notice of any published decisions that affect their ward if they wish.

## 8.0 Strategy for the Flexible Use of Capital Receipts

- 8.1 The Secretary of State has issued guidelines under the regulations which allow authorities extra flexibility in the use of capital receipts received in the year, where they are used for projects constituting qualifying expenditure which transforms services for residents, 'joins up' services with other public sector bodies, or makes on-going savings. Below are examples of how the Council may use its capital receipts more flexibly.
- 8.2 The Council is involved in a countywide project with five other authorities to bring together and improve the services offered to residents who require adaptations to be made to their homes. The objectives of the project are to:
- Ensure that all individuals in Hertfordshire who need housing adaptations to support independent living will have access to an appropriate service that is timely, accessible, equitable and fit for purpose to address rising demographic pressures
  - Deliver a fully standardised service, enhancing operational efficiency, customer satisfaction and improving value for money
  - Implement robust monitoring arrangements against key performance indicators
  - Improve service resilience through joined up working, adopting a common methodology and service standards, sharing staff knowledge, skills and expertise
  - Open up future opportunities to expand into private sector adaptations and align to wider Clinical Commissioning Group activity in order to maximise income generation, efficiency and value and impact of the DFG element of the Better Care Fund.
- 8.3 In addition, the Council is pursuing an ambitious transformation programme called Watford 2020. This will deliver change through a number of strands of activity:
- **Digital Town:** Deliver a Watford Town digital infrastructure that provides businesses and residents with the skills and technology needed to maximise opportunities and enhance lives.
  - **Digital Customer:** To transform how customer access our services - providing digital access to services that are designed around customers and a reception area that encourages self-service.
  - **Digital Council:** This project will provide a digital infrastructure within the Council that will improve service efficiency, deliver flexible and responsive services, and provide management information to support continuous improvement.
  - **Service Reviews:**
    - **Service Based reviews** – these will be an “end to end” review of services. The review will look for opportunities to streamline the service, ensuring they are customer focused, joined up and “digital by default” with as much manual work being automated as possible. The reviews will seek to make best use of modern technology to reduce duplication and maximise officer productivity e.g. providing access to mobile devices to work when out of the office rather than having to come back into the office to update systems.
    - **Cross-Departmental reviews** – these reviews will look for cross-departmental opportunities to improve efficiency and effectiveness e.g. by rationalising similar functions or IT systems.
  - **Commercial:** To take the Council on the journey so that it functions as a commercially astute business, that generates income and has an entrepreneurial approach to developing new commercial opportunities.

- **Supporting Strategies:** Key strategies will be developed to ensure we have the culture, skills, communications / engagement and technology in place to deliver the programme.

8.4 These projects may have transition costs which could be funded using the new flexibility, and it is the Council's strategy to do this where possible to invest these resources on improvements without creating an additional burden on the Council tax payer. Where receipts are to be applied flexibly in accordance with the policy, the expenditure will be reported to Cabinet and added to the capital programme. The impact on the prudential indicators and the Council's capital financing arrangements will be considered, assessed, and reported at the same time.

## 9.0 Key Risk Areas

- 9.1 The Council's budget is exposed to risks that can potentially impact on service level provision and financial stability. The consequences of the key risks are shown at **Appendix 9** together with a risk matrix that shows the likelihood and impact of each consequence if they were to materialise.
- 9.3 The matrix shows that there is an element of risk in setting the budget, and in particular for undertaking the large scale capital projects. The Council has a risk management framework and strong governance arrangements in place e.g. Property Investment Board, Major Projects Board and Budget Panel to monitor these risks.
- 9.4 Under section 25 of the Local Government Act 2003 there is a duty on the Chief Finance Officer to report on the robustness of the estimates and the adequacy of reserves when considering the budget requirement and for Members to have regard to this advice. The Director of Finance confirms the estimates have been correctly calculated under the assumptions used and that balances and reserves are adequate.
- 9.5 The General Fund balance is a general reserve providing a working balance to cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing and provide a contingency to meet unexpected events and emergencies.
- 9.6 The external auditors, as part of their wider responsibilities, consider whether the Council has adequate arrangements with regard to balances and reserves. In assessing the adequacy of the level of the working balance the Council's external auditor has, in the past, commented they would not wish to see the General Fund Working Balance reduced below its current level of **£1.35 million**.

**REPORT PREPARED BY:**

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**BACKGROUND PAPERS:**


2016/17 Finance Digests  
Cabinet Reports  
Fees & Charges  
Treasury Management Strategy  
2016-19 Financial Planning Report


**APPENDICES:**

Appendix 1 (a-f): Detailed Base Budget Estimates 2016-20 by year and service, and detailed unavoidable growth and efficiency savings  
Appendix 2 (a-b): Detailed Growth and Savings 2016-20 by year and service  
Appendix 3: Reserve Movements 2016-20  
Appendix 4: Capital Investment Programme 2016-20 detailed summary by scheme, year and service  
Appendix 5: Capital Receipts 2016-20 detailed summary  
Appendix 6: Capital Financing 2016-20  
Appendix 8: Council Tax Base and Calculation 2017/18  
Appendix 7: Detailed Cashflow 2016-20  
Appendix 9: Consequences of Risks





## Appendix 1a: 2016/17 Revisions

 <b>WATFORD BOROUGH COUNCIL</b>	Original 2016/17 £000s	Carryforward from 2015/16 £000s	Corporate Restructuring £000s	Virements £000s	Variances reported as at November £000s	2016/17 Revised £000s
<i>Corporate Management</i>	260	400	(245)	0	0	415
<i>Economic Development</i>	125	0	0	0	137	262
<i>Partnerships and Performance</i>	537	129	0	4	(46)	624
<b>Managing Director</b>	<b>922</b>	<b>529</b>	<b>(245)</b>	<b>4</b>	<b>91</b>	<b>1,301</b>
<i>Investment Properties</i>	(6,243)	0	0	(1)	(258)	(6,502)
<i>Property Management</i>	294	137	0	(28)	99	502
<i>Transport and Infrastructure</i>	294	0	0	5	(95)	204
<i>Development Section</i>	141	0	0	(2)	167	306
<i>Housing</i>	1,176	20	0	0	585	1,781
<i>Policy Team</i>	394	116	0	(1)	(41)	468
<b>Deputy Managing Director</b>	<b>(3,944)</b>	<b>273</b>	<b>0</b>	<b>(27)</b>	<b>457</b>	<b>(3,241)</b>
<i>Revenues &amp; Benefits</i>	1,084	0	0	0	30	1,114
<i>Finance</i>	646	60	0	(41)	123	788
<b>Director of Finance</b>	<b>1,730</b>	<b>60</b>	<b>0</b>	<b>(41)</b>	<b>153</b>	<b>1,902</b>
<i>Customer Services</i>	870	30	0	0	(40)	860
<i>ICT Shared Service</i>	870	0	0	0	0	870
<i>Head of Service Transformation</i>	0	0	245	0	0	245
<b>Service Transformation</b>	<b>1,740</b>	<b>30</b>	<b>245</b>	<b>0</b>	<b>(40)</b>	<b>1,975</b>
<i>Culture &amp; Play</i>	1,020	60	0	(2)	0	1,078
<i>Waste &amp; Recycling</i>	2,166	0	0	(85)	(93)	1,988
<i>Parks &amp; Open Spaces</i>	1,161	20	0	181	(95)	1,267
<i>Leisure</i>	360	86	0	98	(10)	534
<i>Environmental Health &amp; Licensing</i>	1,258	82	0	(14)	(25)	1,301
<i>Contract Monitoring</i>	405	30	0	(59)	84	460
<i>Street Cleansing</i>	1,867	0	0	(72)	(1)	1,794
<i>Grants</i>	751	0	0	0	0	751
<i>Commercialisation</i>	0	0	0	0	47	47
<b>Community Services</b>	<b>8,988</b>	<b>278</b>	<b>0</b>	<b>47</b>	<b>(93)</b>	<b>9,220</b>
<i>Legal and Democratic</i>	1,848	20	0	13	(14)	1,867
<i>Buildings and Projects</i>	1,507	0	0	4	0	1,511
<i>Procurement</i>	27	0	0	0	0	27
<b>Democracy &amp; Governance</b>	<b>3,382</b>	<b>20</b>	<b>0</b>	<b>17</b>	<b>(14)</b>	<b>3,405</b>
<b>HR Shared Service</b>	<b>576</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>576</b>
<b>Net cost of services</b>	<b>13,394</b>	<b>1,190</b>	<b>0</b>	<b>0</b>	<b>554</b>	<b>15,138</b>

 <b>WATFORD BOROUGH COUNCIL</b>	Original 2016/17 £000s	Carryforward from 2015/16 £000s	Corporate Restructuring £000s	Virements £000s	Variances reported as at November £000s	2016/17 Revised £000s
<b>Corporate Budgets</b>						
Dividends & Interest earned	(487)	0	0	0	187	(300)
Interest payable	130	0	0	0	0	130
Pension Fund deficit payments	3,000	0	0	0	(700)	2,300
Revenue provision for Capital (PMB)	0	0	0	0	39	39
<b>Sub-Total</b>	<b>2,643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(474)</b>	<b>2,169</b>


## Appendix 1b: 2017/18 Revisions


 <b>WATFORD BOROUGH COUNCIL</b>	Budget per last MTFS	Efficiency Savings	Unavoidable Growth	Effect of Capital Programme	Fees & Charges	Changes to Salaries	Virements	2017/18 Original
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<i>Corporate Management</i>	258	0	0	0	0	8	0	266
<i>Economic Development</i>	117	(20)	0	0	0	(51)	0	46
<i>Partnerships and Performance</i>	513	0	4	0	0	(9)	4	512
<b>Managing Director</b>	<b>888</b>	<b>(20)</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>(52)</b>	<b>4</b>	<b>824</b>
<i>Investment Properties</i>	(6,547)	(17)	0	(951)	0	0	(27)	(7,542)
<i>Property Management</i>	358	(1)	60	0	8	(116)	(27)	282
<i>Transport and Infrastructure</i>	310	(9)	0	0	(26)	53	9	337
<i>Development Section</i>	180	0	136	0	5	74	(1)	394
<i>Housing</i>	1,167	0	524	0	(60)	25	0	1,656
<i>Policy Team</i>	397	(1)	42	0	0	42	(1)	479
<b>Deputy Managing Director</b>	<b>(4,135)</b>	<b>(28)</b>	<b>762</b>	<b>(951)</b>	<b>(73)</b>	<b>78</b>	<b>(47)</b>	<b>(4,394)</b>
<i>Revenues &amp; Benefits</i>	1,110	0	31	0	0	0	0	1,141
<i>Finance</i>	713	0	0	0	0	0	(31)	687
<b>Director of Finance</b>	<b>1,823</b>	<b>0</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31)</b>	<b>1,828</b>
<i>Customer Services</i>	830	0	35	0	0	10	1	876
<i>ICT Shared Service</i>	865	0	0	0	0	7	0	872
<i>Head of Service Transformation</i>	0	0	0	0	0	96	0	96
<b>Service Transformation</b>	<b>1,695</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>113</b>	<b>1</b>	<b>1,844</b>
<i>Culture &amp; Play</i>	779	0	0	0	1	32	23	835
<i>Waste &amp; Recycling</i>	2,145	(29)	148	0	(70)	0	(257)	1,937
<i>Parks &amp; Open Spaces</i>	1,134	(95)	0	0	(57)	38	221	1,241
<i>Leisure</i>	416	(53)	0	0	(18)	(1)	102	446
<i>Environmental Health &amp; Licensing</i>	1,305	(24)	(13)	0	6	98	(14)	1,358
<i>Contract Monitoring</i>	317	0	98	0	0	(53)	21	383
<i>Street Cleansing</i>	1,867	0	0	0	0	0	(39)	1,828
<i>Grants</i>	752	0	0	0	0	3	1	756
<i>Commercialisation</i>	0	0	0	0	0	0	0	0
<b>Community Services</b>	<b>8,715</b>	<b>(201)</b>	<b>233</b>	<b>0</b>	<b>(138)</b>	<b>117</b>	<b>58</b>	<b>8,784</b>
<i>Legal and Democratic</i>	1,745	8	34	0	0	(3)	13	1,797
<i>Buildings and Projects</i>	1,442	(83)	20	0	(36)	5	1	1,349
<i>Procurement</i>	27	0	0	0	0	1	0	28
<b>Democracy &amp; Governance</b>	<b>3,214</b>	<b>(75)</b>	<b>54</b>	<b>0</b>	<b>(36)</b>	<b>3</b>	<b>14</b>	<b>3,174</b>
<b>HR Shared Service</b>	<b>572</b>	<b>(26)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>1</b>	<b>581</b>
<b>Net cost of services</b>	<b>12,772</b>	<b>(350)</b>	<b>1,119</b>	<b>(951)</b>	<b>(247)</b>	<b>293</b>	<b>0</b>	<b>12,641</b>

 <b>WATFORD BOROUGH COUNCIL</b>	Budget per last MTFS	Efficiency Savings	Unavoidable Growth	Effect of Capital Programme	Fees & Charges	Changes to Salaries	Virements	2017/18 Original
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Corporate Budgets</b>								
Dividends & Interest earned	(596)	(217)	0	(137)	0	0	(600)	(1,550)
Interest payable	130	0	0	0	0	0	0	130
Pension Fund deficit payments	2,300	0	0	0	0	(51)	0	2,249
Revenue provision for Capital (PMB)	(600)	0	0	0	0	0	600	0
<b>Sub-Total</b>	<b>1,234</b>	<b>(217)</b>	<b>0</b>	<b>(137)</b>	<b>0</b>	<b>(51)</b>	<b>0</b>	<b>829</b>





## Appendix 1c: 2018/19 Revisions

 <b>WATFORD BOROUGH COUNCIL</b>	Budget per last MTFS	Efficiency Savings	Unavoidable Growth	Programme Capital	Effect of Charges	Fees & Salaries	Changes to Virements	Original	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<i>Corporate Management</i>	260	0	0	0	0	0	8	0	268
<i>Economic Development</i>	119	(20)	0	0	0	0	(51)	0	48
<i>Partnerships and Performance</i>	514	0	0	0	0	0	(5)	4	513
<b>Managing Director</b>	<b>893</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(48)</b>	<b>4</b>	<b>829</b>
<i>Investment Properties</i>	(6,420)	(42)	0	(951)	0	0	(27)	(27)	(7,440)
<i>Property Management</i>	366	(1)	60	0	8	(129)	(27)	(27)	277
<i>Transport and Infrastructure</i>	319	(9)	0	0	(26)	53	9	9	346
<i>Development Section</i>	194	0	136	0	(5)	81	(1)	(1)	405
<i>Housing</i>	1,121	0	524	0	(60)	24	0	0	1,609
<i>Policy Team</i>	400	(1)	0	0	0	44	(1)	(1)	442
<b>Deputy Managing Director</b>	<b>(4,020)</b>	<b>(53)</b>	<b>720</b>	<b>(951)</b>	<b>(83)</b>	<b>73</b>	<b>(47)</b>	<b>(47)</b>	<b>(4,361)</b>
<i>Revenues &amp; Benefits</i>	1,153	0	31	0	0	0	0	0	1,184
<i>Finance</i>	694	0	0	0	0	0	(28)	(28)	668
<b>Director of Finance</b>	<b>1,847</b>	<b>0</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28)</b>	<b>(28)</b>	<b>1,852</b>
<i>Customer Services</i>	841	0	35	0	0	15	0	0	891
<i>ICT Shared Service</i>	868	0	0	0	0	7	0	0	875
<i>Head of Service Transformation</i>	0	0	0	0	0	97	0	0	97
<b>Service Transformation</b>	<b>1,709</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>1,863</b>
<i>Culture &amp; Play</i>	787	0	0	0	4	6	24	24	821
<i>Waste &amp; Recycling</i>	2,144	0	269	0	(41)	0	(237)	(237)	2,135
<i>Parks &amp; Open Spaces</i>	1,093	(55)	(40)	0	(40)	38	250	250	1,246
<i>Leisure</i>	393	(53)	0	0	(18)	3	102	102	427
<i>Environmental Health &amp; Licensing</i>	1,312	(25)	(13)	0	2	96	(13)	(13)	1,359
<i>Contract Monitoring</i>	404	0	98	0	0	(86)	(61)	(61)	355
<i>Street Cleansing</i>	1,867	0	0	0	0	0	(10)	(10)	1,857
<i>Grants</i>	758	0	0	0	0	(4)	1	1	755
<i>Commercialisation</i>	0	0	0	0	0	0	0	0	0
<b>Community Services</b>	<b>8,758</b>	<b>(133)</b>	<b>314</b>	<b>0</b>	<b>(93)</b>	<b>53</b>	<b>56</b>	<b>56</b>	<b>8,955</b>
<i>Legal and Democratic</i>	1,804	(11)	84	0	0	36	14	14	1,927
<i>Buildings and Projects</i>	1,445	(83)	20	0	(36)	32	1	1	1,379
<i>Procurement</i>	28	0	0	0	0	1	0	0	29
<b>Democracy &amp; Governance</b>	<b>3,277</b>	<b>(94)</b>	<b>104</b>	<b>0</b>	<b>(36)</b>	<b>69</b>	<b>15</b>	<b>15</b>	<b>3,335</b>
<b>HR Shared Service</b>	<b>586</b>	<b>(10)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>611</b>
<b>Net cost of services</b>	<b>13,050</b>	<b>(310)</b>	<b>1,204</b>	<b>(951)</b>	<b>(212)</b>	<b>301</b>	<b>0</b>	<b>0</b>	<b>13,084</b>

 <b>WATFORD BOROUGH COUNCIL</b>	Budget per last MTFS	Efficiency Savings	Unavoidable Growth	Programme Capital	Effect of Charges	Fees & Salaries	Changes to Virements	Original	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Corporate Budgets</b>									
Dividends & Interest earned	318	0	0	0	0	0	(600)	(600)	(282)
Interest payable	130	0	0	0	0	0	0	0	130
Pension Fund deficit payments	2,300	0	0	0	0	0	49	0	2,349
Revenue provision for Capital (PMB)	(600)	0	0	0	0	0	600	600	0
<b>Sub-Total</b>	<b>2,148</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49</b>	<b>0</b>	<b>2,197</b>

## Appendix 1d: 2019/20 Revisions

 <b>WATFORD BOROUGH COUNCIL</b>	2018/19 MTFs rolled forward	Efficiency Savings	Unavoidable Growth	Programme Capital	Effect of Capital	Fees & Charges	Changes to Salaries	Virements	2019/20 Original
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<i>Corporate Management</i>	260	0	0	0	0	0	10	1	271
<i>Economic Development</i>	119	(20)	0	0	0	0	(50)	0	49
<i>Partnerships and Performance</i>	518	0	0	0	0	0	2	0	520
<b>Managing Director</b>	<b>897</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(38)</b>	<b>1</b>	<b>840</b>
<i>Investment Properties</i>	(6,421)	(42)	0	(951)	0	0	0	(26)	(7,440)
<i>Property Management</i>	338	(1)	60	0	8	(125)	0	0	280
<i>Transport and Infrastructure</i>	324	(9)	0	0	(26)	60	3	352	
<i>Development Section</i>	193	0	136	0	(16)	102	(1)	414	
<i>Housing</i>	1,121	0	524	0	(60)	32	0	1,617	
<i>Policy Team</i>	399	(51)	0	0	0	49	0	397	
<b>Deputy Managing Director</b>	<b>(4,046)</b>	<b>(103)</b>	<b>720</b>	<b>(951)</b>	<b>(94)</b>	<b>118</b>	<b>(24)</b>	<b>(4,380)</b>	
<i>Revenues &amp; Benefits</i>	1,153	0	31	0	0	0	0	0	1,184
<i>Finance</i>	668	0	0	0	0	0	0	0	668
<b>Director of Finance</b>	<b>1,821</b>	<b>0</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,852</b>
<i>Customer Services</i>	841	0	35	0	0	26	0	902	
<i>ICT Shared Service</i>	868	0	0	0	0	8	(1)	875	
<i>Head of Service Transformation</i>	0	0	0	0	0	98	0	98	
<b>Service Transformation</b>	<b>1,709</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>(1)</b>	<b>1,875</b>	
<i>Culture &amp; Play</i>	784	0	0	0	2	11	26	823	
<i>Waste &amp; Recycling</i>	1,907	0	269	0	(41)	0	(1)	2,134	
<i>Parks &amp; Open Spaces</i>	1,345	(55)	(40)	0	(40)	16	(1)	1,225	
<i>Leisure</i>	495	(53)	0	0	(18)	3	1	428	
<i>Environmental Health &amp; Licensing</i>	1,299	(15)	(13)	0	2	113	0	1,386	
<i>Contract Monitoring</i>	343	0	190	0	0	(82)	1	452	
<i>Street Cleansing</i>	1,857	0	0	0	(1)	0	1	1,857	
<i>Grants</i>	758	0	0	0	0	(3)	0	755	
<i>Commercialisation</i>	0	0	0	0	0	0	0	0	
<b>Community Services</b>	<b>8,788</b>	<b>(123)</b>	<b>406</b>	<b>0</b>	<b>(96)</b>	<b>58</b>	<b>27</b>	<b>9,060</b>	
<i>Legal and Democratic</i>	1,817	(11)	34	0	0	53	0	1,893	
<i>Buildings and Projects</i>	1,450	(83)	20	0	(36)	38	(3)	1,386	
<i>Procurement</i>	28	0	0	0	0	1	0	29	
<b>Democracy &amp; Governance</b>	<b>3,295</b>	<b>(94)</b>	<b>54</b>	<b>0</b>	<b>(36)</b>	<b>92</b>	<b>(3)</b>	<b>3,308</b>	
<b>HR Shared Service</b>	<b>586</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49</b>	<b>0</b>	<b>635</b>	
<b>Net cost of services</b>	<b>13,050</b>	<b>(340)</b>	<b>1,246</b>	<b>(951)</b>	<b>(226)</b>	<b>411</b>	<b>0</b>	<b>13,190</b>	

 <b>WATFORD BOROUGH COUNCIL</b>	2018/19 MTFs rolled forward	Efficiency Savings	Unavoidable Growth	Programme Capital	Effect of Capital	Fees & Charges	Changes to Salaries	Virements	2019/20 Original
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Corporate Budgets</b>									
<i>Dividends &amp; Interest earned</i>	318	0	0	0	0	0	0	(600)	(282)
<i>Interest payable</i>	130	0	0	0	0	0	0	0	130
<i>Pension Fund deficit payments</i>	2,300	0	0	0	0	149	0	2,449	
<i>Revenue provision for Capital (PMB)</i>	(600)	0	0	0	0	0	600	0	
<b>Sub-Total</b>	<b>2,148</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149</b>	<b>0</b>	<b>2,297</b>	



<b>Temporary Accommodation</b> <i>The cost of temporary accommodation for homeless people in the borough. This rising cost has been reported at £0.450 million during 2016/17, but homelessness is expected to rise with the continued implementation of the benefit cap and universal credit. A number of projects are in progress to attempt to mitigate this pressure.</i>	500	500	500	1,500
<b>Waste</b> <i>Increase in collection costs.</i>	148	148	148	444
<b>Local Plan 2</b> <i>Additional budget required to complete the examination in public of Local Plan 2 in 2017/18. This will be funded from the Local Development Framework, Examination in Public reserve.</i>	42	0	0	42
<b>Property Valuations</b> <i>Cost of quarterly valuations of investment properties and annual accounts valuations of the whole property portfolio. The KPIs which require these valuations were approved by PIB.</i>	60	60	60	180
<b>Revenues &amp; Benefits - Postage</b> <i>Rising costs of postage which is used in the processing of Council Tax, Revenues and Benefits.</i>	31	31	31	93
<b>Annual Canvas of Electors</b> <i>The annual canvas of electors has not been included in the base budget, so has now been added.</i>	34	34	34	102
<b>Mayoral Election</b> <i>There is a mayoral election in 2018/19 and growth has been included to cover the cost.</i>	0	50	0	50
<b>Sub-total</b>	<b>815</b>	<b>823</b>	<b>773</b>	<b>2,411</b>
<i>Cleaning &amp; Soft Service re-tender</i>	20	20	20	60
<i>Veolia - previously reserve funded</i>	98	98	98	294
<i>Veolia - indexation</i>	0	0	93	93
<i>Veolia - additional households</i>	0	150	150	300
<i>Fewer clinical waste collections</i>	0	(25)	(25)	(50)
<i>Removal of recycling banks</i>	0	(4)	(4)	(8)
<i>Income &amp; Efficiencies</i>	0	(40)	(40)	(80)
<i>Electric pool cars</i>	8	8	8	24
<b>Contract Inflation &amp; Demography</b> <i>Expected increases in costs relating to contracts, including expected increases on re-tendering, indexation, and increases in costs relating to demographic change in the borough.</i>	126	207	300	633
<i>Planning Income</i>	150	150	150	450
<i>Various licensing</i>	(10)	(10)	(10)	(30)
<i>HMO Licences</i>	0	(2)	(2)	(4)
<i>Housing services no longer provided to partners</i>	24	24	24	72
<i>Scrap Metal Licences</i>	(1)	(1)	(1)	(3)
<i>Print income</i>	39	35	35	109
<i>Building inspection fees</i>	(20)	(20)	(20)	(60)
<i>Unilateral Undertaking drafting fees</i>	(2)	(2)	(2)	(6)
<b>Changes to Fees &amp; Charges</b> <i>Adjustments to fees and charges budgets relating to specific expected pressures principally in Planning, but also relating to budgets considered no longer achievable for printing and also for housing services formerly provided to Three Rivers District Council and Watford Community Housing Trust under contract.</i>	180	174	174	528
<b>Total</b>	<b>1,121</b>	<b>1,204</b>	<b>1,247</b>	<b>3,572</b>



**Appendix 1f:  
Efficiency Savings**

**2017/18**

**2018/19**

**2019/20**

**Total**

£000s

£000s

£000s

£000s

**Commissioning Framework**

Management of Community & Voluntary Commissioning Framework was carried out by Watford Community Housing Trust, but has been taken back in-house and is being delivered using existing resources. A saving has therefore been generated.

(53) (53) (53) (159)

**Watford Health Campus**

Income relating to the Industrial Zone South phase of the Watford Health Campus income originally budgeted for 2016/17 is now expected in 2017/18.

(217) 0 0 (217)

**Sub-total**

(270) (53) (53) (376)

Fewer clinical waste collections

(25) 0 0 (25)

Removal of recycling banks

(4) 0 0 (4)

Leased fleet replaced with Council owned vehicles

(40) 0 0 (40)

**Veolia Contract**

In 2017/18 there are a number of changes to the waste contract which generate a net reduction in cost, including the removal of recycling banks, the reduced number of clinical waste collections, and the move from leased to Council owned vehicles.

(69) 0 0 (69)

Local Plan - reserve one off

0 0 (50) (50)

Hygiene services

(2) (2) (2) (6)

Business Rates

(6) (6) (6) (18)

Postage and Publications

(1) (1) (1) (3)

Advertising and legal fees

0 (6) (6) (12)

Postage

0 (3) (3) (6)

Income & Efficiencies

(2) (2) (2) (6)

Lease car

(1) (1) (1) (3)

**Review of Budgets**

A review of budgets has found a number that are no longer required and can be included as savings.

(12) (21) (21) (54)

Tree Management

(55) (55) (55) (165)

Pest control - Fee income & Costs

54 56 (15) 95

Pest control - Contract Income

(78) (81) 0 (159)

HR

(26) (10) 0 (36)

**Services provided to partners**

This is the net contribution to Council overheads made from Pest Control services provided to Three Rivers District Council, tree management services provided to Hertfordshire County Council, and HR Services provided to the new Hertfordshire building control company, Broste Rivers.

(105) (90) (70) (265)

Town Hall Annexe

(74) (74) (74) (222)

Cardiff Road

0 (25) (25) (50)

Timberlake Car Park

(9) (9) (9) (27)

Shop disposals

(1) (1) (1) (3)

Garages Project

(17) (17) (17) (51)

Watford Wi-Fi

(20) (20) (20) (60)

**Changes to Rental Incomes**

This is the net income from the rental of the first floor of the annexe to the NHS, additional rent from Timberlake Car Park, new parking spaces renovated using funds from Programme Management Board, and income from the Watford Wi-Fi service.

(121) (146) (146) (413)

**Total**

**(577) (310) (290) (1,177)**



Managing Director	0	0	0
Deputy Managing Director	0	0	0
Director of Finance	0	0	0
Service Transformation	0	0	0
<b>Project Management: Parks</b>			
<i>Additional budget is required to fund the rest of the cost of a 12 month extension of a project management post to continue work on parks development as the Woodside and Oxhey Park North projects get underway. The total cost of the post is £54k, but the balance has been funded by the Programme Management Board..</i>	19	0	0
<b>Watford Big Events</b>			
<i>The Big Events programme has improved the attractiveness of the High Street and proved popular with residents and businesses. Members are therefore asked to consider a bid for discretionary growth to continue to fund the Ice Rink.</i>	55	50	45
<b>Pest Control Apprentice</b>			
<i>Employing an apprentice will serve three purposes: It will support the corporate commitment to developing apprentices and this particular role will be highly valuable given the skill level of the job, the availability of roles (which is good) and the long term prospects for those with this vocation and profession; it will enable an efficient and effective way to support development of the service by providing a cost effective means of undertaking the job roles that don't require a fully qualified technician; and, it will also enable us to develop resilience and capacity as the service expands to include commercial work.</i>	10	10	0
<b>Little Cassiobury</b>			
<i>The Little Cassiobury project is about finding a sustainable end use for the building. The initial grant from Historic England will provide a dilapidation survey and cost schedule to bring the building back into use and maintain it on an annual basis, as well as suggesting possible future options for its use. This information will be available in April 2017 and then Officers will recommend the next steps for WBC's involvement in this project.</i>	15	0	0
<b>Hertfordshire Home Improvement Agency (Disabled Facilities Grants Shared Service)</b>			
<i>Watford is one of six Hertfordshire authorities working together on a new shared service. Whilst in the long run it is expected to be revenue neutral, or even generate income, it is expected that there may be some revenue costs arising during the transition period. This discretionary growth bid is to cover those costs.</i>	20	15	10
<b>Cassiobury Park</b>			
<i>Following the restoration of the park, it is expected that ongoing running costs and staffing will be covered by income generated from the day to day operation of the park. However, it is expected that this will take a year or so to build to a level adequate to cover costs. There is therefore a discretionary growth item to provide contingency in the first year.</i>	50	0	0
Community Services	169	75	55
Democracy & Governance	0	0	0
HR	0	0	0
<b>Net cost of services</b>	<b>169</b>	<b>75</b>	<b>55</b>
<b>Corporate Budgets</b>			
<b>Programme Management Board</b>			
<i>PMB have nearly exhausted the £1m originally set aside for them to allocate in support of projects which generate improvements to services and savings. This discretionary growth request is to fund budget for the coming year, to allow it to continue. This is proposed to be funded from the Economic Impact Reserve.</i>	250	0	0
<b>Watford 2020: Commercialisation</b>			
<i>The Council is pursuing a new commercialisation strategy as part of the Watford 2020 programme. To achieve the aims of the strategy, there needs to be budget available for Officers to pursue ideas and develop business cases (subject to the risk and reward criteria put in place in the strategy). This budget will be awarded by the Watford 2020 Commercialisation team where initial funding is needed to develop new business opportunities. This growth will be funded from the Economic Impact Reserve.</i>	500	0	0
<b>Sub-total</b>	<b>750</b>	<b>0</b>	<b>0</b>
<b>Growth</b>	<b>919</b>	<b>75</b>	<b>55</b>



**Appendix 2b:  
Financial Planning -  
Income & Efficiencies**

	2017/18	2018/19	2019/20
	£000s	£000s	£000s
Managing Director	0	0	0
<b>Property Investment Portfolio - outsourcing</b>			
<i>The strategic and operational management of the Property Investment Portfolio has been outsourced, and set a 5% annual increase in income target. The net increase in income is shown here.</i>	(126)	(504)	(865)
Deputy Managing Director	(126)	(504)	(865)
Director of Finance	0	0	0
<b>Watford 2020</b>			
<i>The Head of Service Transformation has been tasked with leading an ambitious programme, Watford 2020, of service transformation and digitisation. This is expected to generate £1m of savings from 2018/19, though will require changes to the ways in which services are delivered.</i>	0	(1,000)	(1,000)
Service Transformation	0	(1,000)	(1,000)
Community Services	0	0	0
Democracy & Governance	0	0	0
HR	0	0	0
Net cost of services	(126)	(1,504)	(1,865)
Corporate Budgets			
Sub-total	0	0	0
Income & Efficiencies	(126)	(1,504)	(1,865)



	Balance 1 April 2016	Budgeted Use in 2016/17	Forecast Balance 1 April 2017	Budgeted Use in 2017/18	Forecast Balance 1 April 2018	Budgeted Use in 2018/19	Forecast Balance 1 April 2019	Budgeted Use in 2019/20	Forecast Balance 1 April 2020	Purpose
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<i>Budget Carry Forward</i>	(1,190)	1,190	0	0	0	0	0	0	0	Budgets carried forward from prior years
<i>Business Rates Collection Fund</i>	(4,661)	0	(4,661)	0	(4,661)	0	(4,661)	0	(4,661)	Collect and distribute surplus/deficits
<i>Car Parking Zones</i>	(775)	(130)	(905)	0	(905)	0	(905)	0	(905)	Statutory, ring fenced for parking costs
<i>Charter Place Tenants</i>	(160)	0	(160)	0	(160)	0	(160)	0	(160)	Tenants' contributions to major works
<i>Climate Change</i>	(57)	0	(57)	0	(57)	0	(57)	0	(57)	Energy saving initiatives
<i>Homelessness Prevention</i>	(113)	113	0	0	0	0	0	0	0	To assist young homeless people
<i>Leisure Structured Maintenance</i>	(423)	0	(423)	0	(423)	0	(423)	0	(423)	Funding maintenance not in contract
<i>Le Marie Centre Repairs</i>	(12)	0	(12)	0	(12)	0	(12)	0	(12)	Funding Council obligations as landlord
<i>Multi-Storey Car Park Repair</i>	(181)	0	(181)	0	(181)	0	(181)	0	(181)	Funding major structural works
<i>Parks, Waste &amp; Street Strategy</i>	(60)	60	0	0	0	0	0	0	0	Covering unspecified works on Veolia contract
<i>Rent Deposit Guarantee Scheme</i>	(100)	0	(100)	0	(100)	0	(100)	0	(100)	Assist in providing homelessness accommodation
<i>Area Based Grant</i>	(85)	0	(85)	0	(85)	0	(85)	0	(85)	Extremism and anti-social behaviour prevention
<i>Crematorium</i>	(50)	0	(50)	0	(50)	0	(50)	0	(50)	Funding repairs and maintenance
<i>Economic Impact</i>	(4,029)	181	(3,848)	657	(3,191)	1,375	(1,816)	1,232	(584)	Provide resources to offset economic downturn
<i>High Street Innovation</i>	(90)	90	0	0	0	0	0	0	0	Assist in regeneration of town centres
<i>Housing Benefit Subsidy</i>	(996)	0	(996)	0	(996)	0	(996)	0	(996)	If Department for Work & Pensions claw back funds
<i>Housing Planning Delivery Grant</i>	(266)	0	(266)	0	(266)	0	(266)	0	(266)	Improve planning outcomes and delivery of housing
<i>Invest to Save</i>	(839)	0	(839)	0	(839)	0	(839)	0	(839)	Support expenditure producing savings
<i>LA Business Growth Incentive (LABGI)</i>	(570)	66	(504)	0	(504)	(12)	(516)	0	(516)	Business growth initiatives
<i>Local Development Framework</i>	(178)	50	(128)	92	(36)	0	(36)	0	(36)	Support local plan production and inspection
<i>Pension Funding</i>	(2,249)	0	(2,249)	0	(2,249)	100	(2,149)	200	(1,949)	Reduction of pension deficit
<i>Performance Reward Grant</i>	(29)	0	(29)	0	(29)	0	(29)	0	(29)	Grant allocated by Local Strategic Partnership
<i>Project and Programme Management</i>	(404)	301	(103)	44	(59)	0	(59)	0	(59)	Support major project work
<i>Weekly Collection Support Grant</i>	(30)	0	(30)	0	(30)	0	(30)	0	(30)	Supporting weekly collections of waste
<b>Total Earmarked Reserves (Revenue)</b>	<b>(17,547)</b>	<b>1,921</b>	<b>(15,626)</b>	<b>793</b>	<b>(14,833)</b>	<b>1,463</b>	<b>(13,370)</b>	<b>1,432</b>	<b>(11,938)</b>	
<b>General Fund Working Balance</b>	<b>(1,350)</b>	<b>0</b>	<b>(1,350)</b>	<b>0</b>	<b>(1,350)</b>	<b>0</b>	<b>(1,350)</b>	<b>0</b>	<b>(1,350)</b>	
<b>Total Revenue Reserves</b>	<b>(18,897)</b>	<b>1,921</b>	<b>(16,976)</b>	<b>793</b>	<b>(16,183)</b>	<b>1,463</b>	<b>(14,720)</b>	<b>1,432</b>	<b>(13,288)</b>	





	Balance 1 April 2016	Budgeted Use in 2016/17	Forecast Balance 1 April 2017	Budgeted Use in 2017/18	Forecast Balance 1 April 2018	Budgeted Use in 2018/19	Forecast Balance 1 April 2019	Budgeted Use in 2019/20	Forecast Balance 1 April 2020	Purpose
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<i>Capital Fund</i>	(650)	0	(650)	0	(650)	0	(650)	0	(650)	Funding key capital projects
<i>New Homes Bonus</i>	(4,069)	0	(4,069)	0	(4,069)	0	(4,069)	0	(4,069)	Additional grant set aside for capital
<i>Development Sites Decontamination</i>	(446)	0	(446)	0	(446)	0	(446)	0	(446)	Decontamination costs where the Council is liable
<i>Performance Reward Grant</i>	(191)	0	(191)	0	(191)	14	(177)	0	(177)	Grant allocated by Local Strategic Partnership
<i>Weekly Collections</i>	(158)	0	(158)	0	(158)	0	(158)	0	(158)	Supporting weekly collections of waste
<i>Project &amp; Programme Management</i>	(251)	186	(65)	65	0	0	0	0	0	Support major project work
<i>Vehicle Replacement</i>	(310)	99	(211)	0	(211)	211	0	0	0	Funding replacement of vehicles
<b>Total Earmarked Reserves (Capital)</b>	<b>(6,075)</b>	<b>285</b>	<b>(5,790)</b>	<b>65</b>	<b>(5,725)</b>	<b>225</b>	<b>(5,500)</b>	<b>0</b>	<b>(5,500)</b>	
Capital Receipts Reserve	(17,486)	9,120	(8,366)	7,990	(376)	(3,354)	(3,730)	(13,376)	(17,106)	
Capital Grants Unapplied	(2,531)	(112)	(2,643)	(240)	(2,883)	(225)	(3,108)	(240)	(3,348)	
<b>Total Other Reserves</b>	<b>(26,092)</b>	<b>9,293</b>	<b>(16,799)</b>	<b>7,815</b>	<b>(8,984)</b>	<b>(3,354)</b>	<b>(12,338)</b>	<b>(13,616)</b>	<b>(25,954)</b>	
<b>Total Council Reserves</b>	<b>(44,989)</b>	<b>11,214</b>	<b>(33,775)</b>	<b>8,608</b>	<b>(25,167)</b>	<b>(1,891)</b>	<b>(27,058)</b>	<b>(12,184)</b>	<b>(39,242)</b>	





	2016/17	2017/18	2018/19	2019/20
	Revised	Original	Original	Original
	£000s	£000s	£000s	£000s
<i>Town Hall Subway CCTV</i>	12	0	0	0
<i>Clarendon Road CCTV relocation</i>	0	18	0	0
<i>Town Centre CCTV Replacement</i>	27	0	0	0
<i>Electric Vehicle Charging Units</i>	12	25	0	0
<i>Popup Toilets Refurbishment</i>	5	30	0	0
<i>Garages Project</i>	72	0	0	0
<i>Retained Housing Stock</i>	164	50	50	50
<i>Modular Temporary Accommodation</i>	0	2,000	2,000	2,000
<i>York House Boiler Replacement</i>	0	0	75	0
<i>Match Funding Capital Projects (Transport &amp; Infrastructure)</i>	19	68	0	0
<i>Non-PIB Disposals</i>	17	0	0	0
<i>Atrium/GIS</i>	17	0	0	0
<i>New Market</i>	123	0	0	0
<i>Private Sector Stock Condition Survey</i>	150	0	0	0
<i>Public Realm Enhancement - High Street (Clarendon Road to Opposite St Mary's)</i>	0	250	250	0
<i>Disabled Facilities Grants</i>	653	400	400	400
<i>Community Infrastructure Levy Review</i>	0	30	50	0
<b>Deputy Managing Director</b>	<b>1,271</b>	<b>2,871</b>	<b>2,825</b>	<b>2,450</b>
<i>Support Services</i>	552	552	552	552
<b>Director of Finance</b>	<b>552</b>	<b>552</b>	<b>552</b>	<b>552</b>
<i>Customer Service Improvement Project</i>	183	65	0	0
<i>Website Enhancement</i>	3	0	0	0
<i>ICT Document Management</i>	4	0	0	0
<i>ICT Environmental Health</i>	13	0	0	0
<i>ICT Hardware Replacement Programme</i>	160	200	200	200
<i>Shared Services Business Application Upgrades</i>	243	165	165	165
<i>Shared Services Hardware Replacement Programme</i>	78	45	45	45
<i>Shared Services ICT Modernisation</i>	603	0	0	0
<i>ICT Project Management Provision</i>	227	120	120	120
<b>Service Transformation</b>	<b>1,514</b>	<b>595</b>	<b>530</b>	<b>530</b>
<i>Buildings Investment Programme</i>	357	1,000	400	400
<b>Democracy &amp; Governance</b>	<b>357</b>	<b>1,000</b>	<b>400</b>	<b>400</b>



<i>Replacement Domestic Bins</i>	0	0	42	0
<i>Cultural Quarter Phase 1</i>	168	0	0	0
<i>Veolia Contract Fleet Requirements</i>	0	0	225	0
<i>Transit Vans (2)</i>	34	0	0	0
<i>Pest Control Van</i>	14	0	0	0
<i>Vehicle Replacements: Wood chipper, cricket pitch roller, aerators, caged vehicle</i>	99	0	0	0
<i>Play areas (S106): Berry Ave, Himalayan Way, Southwold Rd, Ridgehurst Ave</i>	102	0	20	0
<i>Cycle Schemes: Lower High St, Abbey Way, Garston Park</i>	55	0	0	0
<i>Colne River Project</i>	11	0	0	0
<i>Local Nature Reserves</i>	6	0	0	0
<i>Cemetery Improvements</i>	0	0	250	0
<i>Recycling Boxes</i>	0	0	37	0
<i>Additional green waste bins</i>	0	0	36	0
<i>Watford Museum - HLF Matchfunding</i>	25	100	350	0
<i>Meriden Community Centre Improvements</i>	444	0	0	0
<i>Play Review</i>	1,400	0	0	0
<i>Allotments &amp; Parks Upgrades</i>	417	0	0	0
<i>Farm Terrace Allotments</i>	553	0	0	0
<i>Gaelic Football Club Relocation</i>	866	0	0	0
<i>Community Centre Improvements</i>	159	0	0	0
<i>Cassiobury Fullerians Development</i>	200	0	0	0
<i>Upgrading/Resurfacing Car Parks</i>	20	0	0	0
<i>Tree Planting Programme</i>	0	15	15	15
<i>Tennis Court Enhancement</i>	0	225	0	0
<i>Oxhey Park North Enhancements</i>	0	25	0	0
<i>Oxhey Park North</i>	0	2,000	1,750	0
<i>Green Spaces Strategy</i>	89	235	250	250
<i>Little Cassiobury Match Funding</i>	0	50	0	0
<i>Veolia Capital Improvements</i>	93	94	95	97
<i>Decent Homes Assistance</i>	205	100	100	100
<b>Community Services</b>	<b>4,960</b>	<b>2,844</b>	<b>3,170</b>	<b>462</b>
<b>Capital Programme (Services)</b>	<b>8,654</b>	<b>7,862</b>	<b>7,477</b>	<b>4,394</b>



<i>Client Side &amp; Land Assembly</i>	359	100	100	100
<i>Infrastructure &amp; Masterplanning</i>	4,474	0	0	0
<i>Loan to West Herts Hospital Trust</i>	2,000	0	0	0
<i>Industrial Zone South</i>	150	1,575	0	0
<i>Industrial Zone South (Loan)</i>	5,933	567	0	0
<i>Riverside &amp; Willow Lane - Phase 1 (Willow Lane)</i>	403	2,525	3,524	0
<i>Riverside &amp; Willow Lane - Phase 2 (Riverside East)</i>	210	2,079	4,546	0
<i>Riverside &amp; Willow Lane - Phase 3 (Riverside Central)</i>	24	162	5,256	10,956
<i>Riverside &amp; Willow Lane - Phase 4 (Riverside West)</i>	24	33	3	991
<i>Island Residential - Hotel</i>	0	0	75	0
<i>Island Residential - Scheme</i>	0	0	42	3
<i>Cardiff Road North</i>	0	3	357	0
<i>Cardiff Road Car Park</i>	0	16	0	1,409
<b>Watford Health Campus</b>	<b>13,577</b>	<b>7,060</b>	<b>13,903</b>	<b>13,459</b>
<i>Major Projects - Quantity Surveyor and Finance Business Partner</i>	0	123	125	127
<i>Loan to Hart Homes Watford</i>	0	6,075	0	0
<i>Cassiobury Park Project</i>	5,641	0	0	0
<i>Property Investment Board - Marriott House</i>	4,286	0	0	0
<i>Property Investment Board - Expansion of Portfolio</i>	15,000	0	0	0
<i>Watford Business Park Redevelopment</i>	1,547	3,546	4,872	0
<b>Other Major Projects</b>	<b>26,474</b>	<b>9,744</b>	<b>4,997</b>	<b>127</b>
<b>Capital Programme (Major Projects)</b>	<b>40,051</b>	<b>16,804</b>	<b>18,900</b>	<b>13,586</b>
<b>Total Capital Investment Programme</b>	<b>48,705</b>	<b>24,666</b>	<b>26,377</b>	<b>17,980</b>
<b>Total Capital Investment Programme 2016-20</b>		<b>117,728</b>		



**Appendix 5:**  
**Capital Receipts,  
Grants, and  
Contributions**

2016/17 2017/18 2018/19 2019/20  
Revised Original Original Original

**Capital Receipts**

	£000s	£000s	£000s	£000s
<i>Modular Temporary Accommodation</i>	0	0	(1,307)	0
<i>Potential Development</i>	0	0	0	(1,400)
<i>Non-PIB Disposals</i>	(16)	0	0	0
Deputy Managing Director	(16)	0	(1,307)	(1,400)
<i>Right to Buy Receipts</i>	(5,000)	(2,000)	(2,000)	(2,000)
<i>VAT Shelter</i>	0	0	0	0
Director of Finance	(5,000)	(2,000)	(2,000)	(2,000)
<i>Shared Services Business Application Upgrades</i>	(97)	(66)	(66)	(66)
<i>Shared Services Hardware Replacement Programme</i>	(31)	(18)	(18)	(18)
<i>Shared Services ICT Modernisation</i>	(241)	0	0	0
Service Transformation	(370)	(84)	(84)	(84)
<i>Industrial Zone South</i>	0	(2,238)	0	0
<i>Industrial Zone South (Loan)</i>	0	(6,500)	0	0
<i>Riverside &amp; Willow Lane - Phase 1 (Willow Lane)</i>	0	0	(5,777)	(1,133)
<i>Riverside &amp; Willow Lane - Phase 2 (Riverside East)</i>	0	0	0	(7,305)
<i>Riverside &amp; Willow Lane - Phase 3 (Riverside Central)</i>	0	0	0	(14,369)
<i>Island Residential - Hotel</i>	0	0	(2,000)	0
<i>Island Residential - Scheme</i>	0	0	0	0
<i>Cardiff Road North</i>	0	0	0	(1,365)
<i>Cardiff Road Car Park</i>	0	0	(1,466)	0
Watford Health Campus	0	(8,738)	(9,243)	(24,172)
<i>Loan to Hart Homes Watford</i>	0	(73)	(77)	(80)
<i>Property Investment Board</i>	(1,885)	(7,108)	(7,500)	0
<i>Watford Business Park Redevelopment</i>	0	0	(10,452)	(3,300)
Other Major Projects	(1,885)	(7,181)	(18,029)	(3,380)
<b>Total Capital Receipts</b>	<b>(7,271)</b>	<b>(18,003)</b>	<b>(30,663)</b>	<b>(31,036)</b>
<b>Total Capital Receipts 2016-20</b>		<b>(86,973)</b>		



**WATFORD  
BOROUGH  
COUNCIL**

**Capital Receipts,  
Grants, and  
Contributions**

2016/17 2017/18 2018/19 2019/20  
Revised Original Original Original  
**Grants & Contributions**  
£000s £000s £000s £000s

<i>Watford Football Club</i>	(32)	0	0	0
<i>Disabled Facilities Grant</i>	(522)	(400)	(400)	(400)
<i>Section 106 Contributions from Developers</i>	(192)	(15)	(20)	(15)
<i>Community Infrastructure Levy</i>	(225)	(225)	(225)	(225)
Deputy Managing Director	(971)	(640)	(645)	(640)
<i>Heritage Lottery Fund - Parks</i>	(5,641)	0	0	0
Community Services	(5,641)	0	0	0
<b>Total Capital Grants &amp; Contributions</b>	<b>(6,612)</b>	<b>(640)</b>	<b>(645)</b>	<b>(640)</b>
<b>Total Capital Grants &amp; Contributions 2016-20</b>		<b>(8,537)</b>		



**Appendix 6: Capital Financing**

**2016/17 Financing**

	Opening £000s	Receipts £000s	Use for Financing £000s	Closing £000s
Capital Receipts Reserve	(17,486)	(7,271)	16,391	(8,366)
Capital Grants Unapplied	(2,531)	(6,612)	6,500	(2,643)
Other reserves used for capital	(6,479)	0	285	(6,194)
Internal Borrowing	1,340	0	25,529	26,869
<b>Total</b>	<b>(25,156)</b>	<b>(13,883)</b>	<b>48,705</b>	<b>9,666</b>

**2017/18 Financing**

	Opening £000s	Receipts £000s	Use for Financing £000s	Closing £000s
Capital Receipts Reserve	(8,366)	(10,218)	18,208	(376)
Capital Grants Unapplied	(2,643)	(640)	400	(2,883)
Other reserves used for capital	(6,194)	0	65	(6,129)
Internal Borrowing	20,786	(7,785)	7,704	20,705
<b>Total</b>	<b>3,583</b>	<b>(18,643)</b>	<b>26,377</b>	<b>11,317</b>

**2018/19 Financing**

	Opening £000s	Receipts £000s	Use for Financing £000s	Closing £000s
Capital Receipts Reserve	(376)	(29,086)	25,732	(3,730)
Capital Grants Unapplied	(2,883)	(645)	420	(3,108)
Other reserves used for capital	(6,129)	0	225	(5,904)
Internal Borrowing	20,786	(1,577)	0	19,209
<b>Total</b>	<b>11,398</b>	<b>(31,308)</b>	<b>26,377</b>	<b>6,468</b>

**2019/20 Financing**

	Opening £000s	Receipts £000s	Use for Financing £000s	Closing £000s
Capital Receipts Reserve	(3,730)	(30,956)	17,580	(17,106)
Capital Grants Unapplied	(3,108)	(640)	400	(3,348)
Other reserves used for capital	(5,904)	0	0	(5,904)
Internal Borrowing	19,286	(80)	0	19,206
<b>Total</b>	<b>6,544</b>	<b>(31,676)</b>	<b>17,980</b>	<b>(7,152)</b>



**Appendix 7: Detailed Cashflow**

	2016/17 Revised £000s	2017/18 Original £000s	2018/19 Original £000s	2019/20 Original £000s
Estimated treasury balance 1 April (including core cash)	54,270	17,478	12,022	24,650
Core cash requirement	(10,000)	(10,000)	(10,000)	(10,000)
Estimated available to use balance at 1 April	44,270	7,478	2,022	14,650
<b>Changes to estimated balance</b>				
Capital programme	(48,705)	(24,666)	(26,377)	(17,980)
Capital receipts (including grants and S106)	13,883	18,643	31,308	31,676
Revenue 'gap'	0	253	(1,215)	(1,071)
Budgeted use of reserves	(1,920)	(886)	(88)	(200)
Sub-total business as usual	(36,742)	(6,655)	3,628	12,425
<b>Project use of cash balances</b>				
Watford Health Campus				
GPF Loan (to)/from LABV	0	600	4,500	400
GPF Loan from/(to) LEP	0	0	0	(6,000)
Sub-total Health Campus	0	600	4,500	(5,600)
Watford Business Park LEP Loan	0	0	0	(1,500)
Overdraft for WCS	(50)	0	0	0
Sub-total other projects	(50)	600	4,500	(7,100)
Sub-total project use of balances	(50)	1,200	9,000	(12,700)
Estimated available to use balance at 31 March	7,478	2,022	14,650	14,375
Core Cash balance	10,000	10,000	10,000	10,000
Estimated treasury balance 31 March (including core cash)	17,478	12,022	24,650	24,375





**NOTES TO THE COUNCIL TAX BASE – 2017/18**

1. The Local Government Finance Act 1992 requires Councils which collect the Council Tax (known as “Billing Authorities”) to carry out certain functions. This includes the calculations in Sections 31 to 37 of the Act concerned with setting the Council Tax. These calculations produce the Council Tax Base, which is used to work out the basic amount of Council Tax. This must be notified to Hertfordshire County Council and Hertfordshire Police Authority (known as precepting authorities) between 1st December and 31st January in the financial year before that to which the Tax Base applies.

2. The methodology for calculating the base is contained within The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI2914/2012), “the Regulations”.

3. The calculation is made by applying the following formula:-

$$T = A \times B$$

where -

A is the total of the “relevant amounts” for that year for each of the valuation bands shown in the billing authority’s valuation list as applicable to one or more dwellings situated in its area;

B is the authority’s estimate of its collection rate for that year.

4. The Tax Base (denoted as “T”) is calculated by taking the total number of properties in each valuation band, reflecting the estimated discounts to be applied for single occupancy and empty properties, stating the net result in terms of Band D and applying to the total figure our best estimate of the rate of collection. Watford Borough Council will use the “T” figure to calculate its total Council Tax to be raised for the new financial year.

5. The formula set out in the regulations for the calculation of “A” is set out as:

$$((H - Q + E + J) - Z) \times \frac{F}{G}$$

where -

H is the number of chargeable dwellings in the area listed in the band in November (described as ‘Dwellings’ in the Appendices); less the number of dwellings which were exempt on that day; plus or less the net number of full-year equivalent dwellings in each band resulting from properties being placed in a lower valuation band reflecting reductions for disabled persons under Section 13 of the Act.

Q is a factor to take into account the amount of discounts of council tax payable and is calculated by multiplying the number of dwellings affected by the relevant percentage discount. Shown in Row 10 of the table

J is the amount of any adjustment in respect of changes in the number of chargeable dwellings (described as “Additions and Reductions” in the Appendix).

Z is the total amount that will be applied in accordance with the Council’s council tax reduction scheme in relation to the band expressed as an equivalent number of chargeable dwellings in that band.

F is the number in the proportions 5:6:7:8:9:11:13:15:18 applicable to properties in Bands A Disabled to H respectively.

G is the number, which, in that proportion, is applicable to dwellings in valuation Band D (i.e. 9).

6. The result of the calculation is that “A” is determined as 33053.7.

7. For the purposes of calculating “T”, the assumed collection rate “B” has been determined to be 97%.

8. This results in the calculation of T being  $33053.7 \times 97\% = 32062.1$

9. The other authorities who raise monies from the residents of Watford (the precepting authorities) will also use this figure and those from other billing authorities within their area to determine their Band D charge (Hertfordshire County Council will require this information from all ten Hertfordshire Districts). They will then total their “T” figure, divide it into the net income they need to raise, to arrive at their Band D charge, which will be notified to each relevant Billing Authority (District Council) in the form of both Band D charge and monies to be paid over to them during the year.

10. This information will be determined and notified in February when the whole budget exercise incorporating our likely expenditure and the precepts from the County Council and Police Authority will result in the Council setting its Council Tax levels for 2017/18 at the Functions Committee on 28 February 2017.

AREA	Watford									
2017/18	PROPERTIES BY BAND									
Description	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Dwellings	0.0	431.0	4085.0	14259.0	12476.0	3643.0	2165.0	1893.0	79.0	39031.0
Demolished	0.0	0.0	6.0	1.0	0.0	3.0	0.0	0.0	0.0	10.0
Exemptions	0.0	18.0	42.0	121.0	110.0	24.0	28.0	13.0	1.0	357.0
Long Term Empty Premium	0.0	0.0	7.0	13.0	9.0	1.0	1.0	1.0	0.0	32.0
Disabled Relief (Movement)	4.0	28.0	16.0	-14.0	-15.0	-1.0	-13.0	-5.0	0.0	0.0
Disabled Relief	0.0	0.0	4.0	32.0	48.0	34.0	19.0	18.0	5.0	160.0
<b>Chargeable Dwellings (H)</b>	<b>4.0</b>	<b>441.0</b>	<b>4056.5</b>	<b>14129.5</b>	<b>12355.5</b>	<b>3615.5</b>	<b>2124.5</b>	<b>1875.5</b>	<b>78.0</b>	<b>38680.0</b>
Discounts x 25% SPD	0.0	240.0	2293.0	4906.0	2969.0	713.0	334.0	217.0	3.0	11675.0
Discounts x 25%	0.0	2.0	24.0	131.0	109.0	20.0	17.0	15.0	0.0	318.0
Discounts x 50%	0.0	0.0	0.0	3.0	10.0	10.0	4.0	11.0	9.0	47.0
<b>Discount Deduction (Q)</b>	<b>0.0</b>	<b>60.5</b>	<b>579.3</b>	<b>1260.8</b>	<b>774.5</b>	<b>188.3</b>	<b>89.8</b>	<b>63.5</b>	<b>5.3</b>	<b>3021.8</b>
Additions	0.0	1.0	68.0	322.0	43.0	16.0	4.0	10.0	0.0	464.0
Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Adjustments (J)</b>	<b>0.0</b>	<b>1.0</b>	<b>68.0</b>	<b>322.0</b>	<b>43.0</b>	<b>16.0</b>	<b>4.0</b>	<b>10.0</b>	<b>0.0</b>	<b>464.0</b>
<b>Sub-Total (H-Q+J)</b>	<b>4.0</b>	<b>381.5</b>	<b>3545.3</b>	<b>13190.8</b>	<b>11624.0</b>	<b>3443.3</b>	<b>2038.8</b>	<b>1822.0</b>	<b>72.8</b>	<b>36122.3</b>
<b>Reduction Scheme (Z)</b>	0.0	72.3	867.0	1725.4	1079.2	185.4	41.1	14.0	0.0	<b>3984.5</b>
<b>Net Dwellings ((H-Q+J)-Z)</b>	<b>4.0</b>	<b>309.2</b>	<b>2678.2</b>	<b>11465.4</b>	<b>10544.8</b>	<b>3257.8</b>	<b>1997.7</b>	<b>1808.0</b>	<b>72.8</b>	<b>32137.8</b>
<b>Band Proportion (F)</b>	<b>5.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>	<b>9.0</b>	<b>11.0</b>	<b>13.0</b>	<b>15.0</b>	<b>18.0</b>	
<b>Band D Proportion (G)</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	
<b>Band D Equivalents</b>	<b>2.2</b>	<b>206.1</b>	<b>2083.1</b>	<b>10191.4</b>	<b>10544.8</b>	<b>3981.8</b>	<b>2885.5</b>	<b>3013.3</b>	<b>145.5</b>	<b>33053.7</b>

TAX BASE CALCULATION	
Total Band D Equivalents (A)	33053.7
Collection Rate	97.00%
Adjusted Band D	32062.1
Contribution in Lieu	0.0
<b>Tax Base</b>	<b>32062.1</b>



### Appendix 9: Consequence of Risks

No.	Type of Consequence	Comment	Likelihood	Impact	Overall Score
1	Project overruns	Most projects tend to lean towards 'optimism bias (over estimating that the project will be delivered on time and on budget) to avoid this it is important that the technical specification and outcome of each project is carefully considered at the project design stage.	3	3	9
2	Cost overruns	Cost overrun in project could be as a result of scope change. Any change in the project scope during execution will mean that the entire initial project plan will have to be reviewed such that a reviewed budget, schedule and quality will have to be developed.	3	3	9
3	Delays in project initiation	The complexity of project could also be a contributing factor to delay and cost overrun. This will may cause a cash flow problem, but is merely a timing difference. This can be affected by unforeseen works, extreme weather conditions resource availability and changes in material prices.	3	3	9
4	Capital receipts and Interest/dividends are deferred	This may result in a cash flow issue and short term borrowing may be necessary to support the funding of projects that are in progress	3	3	9
5	Returns are lower than expected	This is a key risk as failure to achieve the returns will increase the pressure on the budget gap and the Council's financial stability	2	4	8
6	Partners cease to collaborate	This is very unlikely, however it should not be discounted. If this were to happen it will have a detrimental effect on the Council's financial position and its reputation.	2	4	8
7	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account the pay increases for the period 2016/17 - 2018/19	2	2	4
8	Revenue balances insufficient to meet estimate of Employers' pension contributions	Employee revenue contributions have been included in the budgets.	2	2	4
9	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	2	2	4
10	Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy following the EU referendum continues to place uncertainty on the investment strategy.	3	3	9
11	Inaccurate estimates of fees and charges income	See Key Income Streams are shown in the latest Finance Digest	2	3	6
12	Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs.	2	3	6

### Appendix 9: Consequence of Risks

No.	Type of Consequence	Comment	Likelihood	Impact	Overall Score
13	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances	1	1	1
14	The estimated cost reductions and additional income gains are not achieved	Savings identified in 2016/17 are monitored as part of the monthly budget monitoring process.	2	3	6
15	The income received from Commercial rents decreases	The rental income received from the Councils property portfolio is a significant proportion of the total income the Council receives.	2	4	8
16	The Council is faced with potential litigation and other employment related risks	The Council has one outstanding litigation case.	2	3	6
17	The amount of government grant is adversely affected	The provisional grant settlement for 2017/18 & 2018/19 have been factored into the MTFS . The council decided to accept the government offer of a 4 year settlement. This risk has now been downgraded.	2	3	6
18	The amount of New Homes Bonus grant is adversely affected	The grant for 2016/17 has been factored into the MTFS . The Government are carrying out a review on the allocation process in 2016/17. Until the review is concluded, it has been assumed that the Council will receive £2m pa in future years.	3	4	12
19	Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre determined baseline level. The Council is currently in a safety net position	2	2	4
20	Right to Buy Receipts & VAT Shelter Receipts	Under the Housing stock transfer with Watford Community Housing Trust (WCHT) the Council is entitled to use its share of the proceeds to fund the capital programme. The level of activity on both these income streams are outside the Council's control.	2	3	6

1= VERY LOW RISK 4 = VERY HIGH RISK

	Likelihood	Impact	Overall Score
very low risk	1	1	1
low risk	2	2	4
high risk	3	3	9
very high risk	4	4	16

**BUDGET PANEL – 10 JANUARY 2017  
CABINET – 16 JANUARY 2017  
COUNCIL – 24 JANUARY 2017**

**PART I – NOT DELEGATED**

**12. FINANCIAL PLANNING - TREASURY MANAGEMENT**

(DoF)

**1. Summary**

1.1 The purpose of this report is to enable Budget Panel and then Cabinet to recommend to Council its Treasury Management Strategy Statement. This report in draft format has already been presented to Audit Committee on 7 December 2016.

**2. Details**

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management 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”.

2.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

**3. Treasury Management Strategy Statement 2017/18 – 2019/20**

3.1 The Council is required to operate a balanced budget over the medium term which, after allowing for contributions to and from reserves, broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council’s risk appetite, considering security and liquidity before investment return.

3.2 The Treasury Management Strategy Statement for 2017/18 to 2019/20 is attached at Appendix 1.

3.3 The Treasury Management Policy Statement, details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The strategy allows the Portfolio Holder, in consultation with the Director of Finance, the delegated authority to approve any variation to the Treasury Management Strategy during the year with a view to maximise the Council’s returns without significantly increasing risk.

**4. Policy/Budget Implications**

- 4.1 Returns on investments provide a source of income that contributes to the Council's medium term financial plan.
5. **Legal, Staffing, Environmental, Community Safety, Customer Services Centre, and Website Implications**
- 5.1 It is a statutory requirement that the Treasury Management Strategy and Treasury Management Practices are reviewed annually. The report meets the requirement of CIPFA's Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.
6. **Financial Implications**
- 6.1 Decisions in respect of Treasury Management will affect the Council's ability to achieve the budgets set for investment returns. The strategy appended to this report is consistent with the estimates included in the Medium Term Financial Strategy, but should Council wish to pursue a lower risk strategy an additional budget pressure might be created.
7. **Risk Management Implication**
- 7.1 The strategy details the approach taken to management of Treasury Risk. This is principally through ensuring that the main Treasury risks are managed. These risks are:
- liquidity risk – that the Council may not have the cash it needs on a day to day basis to pay its bills. This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board, the Council is able to access short term borrowing, usually within 24 hours.
  - interest rate risk – that the costs and benefits expected do not materialise due to changes in interest rates. This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).
  - exchange rate risk – that losses or gains are made due to fluctuations in the prices of currency. The Council does not have any significant non-Sterling transactions.
  - credit and counterparty risk – that the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited
  - refinancing risk – that the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher. The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.
  - legal and regulatory risk – that the Council operates outside its legal powers. This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.
  - fraud, error and corruption – that risk that losses will be caused by impropriety or incompetence is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds
  - market risk – that the price of investments held fluctuates, principally in secondary markets. The majority of the Council's investments are not traded, but where they



are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

**8. Recommendation**

8.1 That this report be reviewed and recommended to Council with any amendments proposed..

**Background Papers:**

UK Economic Forecasts provided by Capita Asset Services Treasury Solutions;  
The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2013 Edition);  
CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectorial Guidance Notes (2011 Edition);  
CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 Edition);  
DCLG Guidance on Local Government Investments (2010 Edition);

**Report prepared by:**

Sunjiv Seetul – Finance Manager

Data checked by: Bob Watson – Head of Finance

Data rating:

1	Poor	
2	Sufficient	
3	High	✓

**APPENDICES / ATTACHMENTS**

- Appendix 1 Treasury Management Strategy Statement 2017/18 – 2019/20
- Annex A Treasury Management Practice (TMP1)  
Credit and Counterparty Risk Management
- Schedule 1 Details of the ratings criteria and counterparty exposure limits

## TREASURY MANAGEMENT STRATEGY STATEMENT 2017 – 2020

### 1.0 Introduction

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates the approved indicators. Within this overall prudential framework there is an impact on the Council's treasury management function as it can directly impact on borrowing or investment decisions. As a consequence the treasury management strategy for 2016/17 to 2019/20 is included.

### 2.0 The Capital Plans and Prudential Indicators 2017/18 – 2019/20

The Council's capital expenditure plans are one of the key drivers of the treasury management function. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

#### 2.1 The Council's Capital Position

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the total capital expenditure forecasts within the proposed capital expenditure programme.

	2015/16 Actual	2016/17 Revised Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget
Total Capital Expenditure	£7.7m	£48.7m	£24.7m	£26.4m	£18.0m

The capital expenditure programme is financed by a combination of capital receipts, capital grants or use of reserves. The Council is also permitted to borrow to finance its capital programme, provided that the borrowing is prudent, affordable and sustainable. Over the next three years there are no planned shortfalls in the level of resources which would result in a need to borrow externally, however it is always good practice to review the future borrowing requirements and if necessary borrow at the most prudent time based on expectations of need and future interest rates.

#### 2.2 The Council's Borrowing Need - The Capital Financing Requirement (CFR)

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. This includes expenditure on alternative types of investment (such as properties, where these are included in the capital programme) and on schemes, such as the Watford Health Campus, which will require funding for a period before making returns to the Council.

Following accounting changes, the CFR also includes any other long term liabilities (e.g. finance leases) that have been brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The Council is asked to approve the CFR projections below.

	2015/16 Actual	2016/17 Revised	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total CFR	£2.6m	£29.4m	£35.4m	£35.4m	£35.4m
Adjustment A	£2.5m	£2.5m	£2.5m	£2.5m	£2.5m
Net CFR	£0.1m	£26.9m	£32.9m	£32.9m	£32.9m
Movement in the CFR*		£26.8m	£6.1m	nil	nil

\* Includes MRP and/or voluntary contributions to reduce the CFR

The Council complies with the regulations which allow authorities to continue to not make an MRP known as Adjustment A. This adjustment was designed to ensure, as was the Government's policy aim, that the move in 2004 to the Prudential system did not in and of itself increase any authority's MRP liability. Any new capital expenditure if unfunded and requiring credit cover above adjustment A would however need to generate a MRP, subject to the Council's MRP Strategy Statement (below).

### 2.3 Minimum Revenue Provision (MRP) Strategy and Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Communities and Local Government Regulations require the Council to approve an MRP Statement in advance of each year. The Council has a statutory duty to ensure that this MRP policy makes prudent revenue provision. Council is recommended to approve the following MRP statement:

*The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.*

*Watford Borough Council's policy is therefore to produce, for approval by the Director of Finance in consultation with the Lead Member, a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period commensurate with the period over which the expenditure provides benefits or makes returns.*

### 2.4 The Use of the Council's Resources and the Investment Position

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure, for internal borrowing (where cash is 'borrowed' from reserves rather than externally), or (for revenue reserves only) in support of the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources such as further disposals, grants, and so on.

The Property Investment Board will play an important role in optimising returns on capital investments. Subject to each business case, where reserves or cash balances can be deployed in accordance with the Property Investment Strategy to generate better returns for the Council, then Council is asked to approve the flexibility required to invest Council funds accordingly.

### 3.0 Treasury Management Strategy

The treasury management strategy is an important part of the overall financial management of the Council's affairs. The prudential indicators consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. The Council's treasury activities are regulated by statutory requirements and the CIPFA Code of Practice on Treasury Management. The Council has adopted a Treasury Management Policy Statement in accordance with the code of practice.

The Constitution requires a strategy to be reported to Council outlining the expected treasury activity over the medium term. A key requirement is to explain the risks associated with the treasury service. Further treasury reports are produced after the year-end to report on actual activity for the year and a mid-year monitoring update. This strategy covers:

- The current portfolio position;
- The borrowing strategy;
- Annual investment strategy;
- Specific limits on treasury activities;
- Treasury performance indicators;
- Reporting requirements;
- Policy on use of external service providers;
- Training of Officers and Members.

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service delivery. This will involve the organisation of both cash flow and the use of appropriate short-term borrowing facilities if required. The strategy covers the relevant treasury prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current Portfolio Position

The Council's current treasury portfolio position at 31 December 2016, with forward projections are summarised below.

Treasury Portfolio	2015/16 Actual	2016/17 Revised	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External Borrowing 31 March	£7.5m	£7.5m	£7.5m	£7.5m	nil
Total Cash and Treasury Investments 31 March	£54.3m	£17.5m	£12.0m	£24.7m	£24.4m

The external borrowing relates to:

- The Growing Places Funding from the Hertfordshire Local Enterprise Partnership (LEP) was received in July 2013 and is due to be repaid in March 2020. The money has been paid over to the LABV (Local Asset Backed Vehicle) to finance the infrastructure phase of the Watford Health Campus. The development zones will pay back the loan as they are completed.
- £1.5m loan from LEP to part fund the redevelopment of Zone A in Watford Business Park which is due to be repaid in March 2020. The loan is being used to finance the development of new Industrial units in Caxton Way which are expected to be completed in 2017/18.

The Council held £35.5m of investments as at 31 December 2016. An interest rate of 0.50% was paid on credit balances on the current account (until 3 Aug 2016) and is currently 0.25% in line with the current bank rate. This information is reported in the monthly Members Information Bulletin.

<b>Institution</b>	<b>Principal (£)</b>
<b><u>Banks</u></b>	
Clydesdale Bank Plc	3,000,000
Lloyds Bank Plc	6,000,000
Santander UK Plc	5,000,000
<b>Total</b>	<b>14,000,000</b>
<b><u>Building Societies</u></b>	
Coventry Building Society	8,500,000
Nationwide Building Society	1,000,000
Principality Building Society	10,000,000
Skipton Building Society	2,000,000
<b>Total</b>	<b>21,500,000</b>
<b>Grand Total</b>	<b>35,500,000</b>

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

#### Monthly Interest Rates to the end of December 2016

<b>Month</b>	<b>Rate Achieved</b>
April	0.76%
May	0.76%
June	0.79%
July	0.79%
August	0.75%
September	0.72%
October	0.70%
November	0.46%
December	0.41%

The approved benchmark measure of yield is a return of 0.12% above the average bank rate of 0.25%. The returns up to 31 December averaged 0.68%, against a benchmark rate of 0.37%. The average yield return is higher than the benchmark for the year to date. In accordance with its risk appetite, the Council tends to keep the majority of investments short-term (not greater than 364 days).

The budget for interest on investments for 2016/17 is £220,000; interest received up to the end of October was £176,000 and it is forecast the interest budget will be achieved.

### 3.2 Prospects for Interest Rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. At the same time, it also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast and inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, the Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until the second quarter of 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

With so many external influences weighing on the UK, economic and interest rate forecasting remains difficult. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

### 3.3 Treasury Indicators: Limits to Borrowing Activity

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross

external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of CFR for 2017/18 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

### 3.3.1 Treasury Management Indicator - The Operational Boundary

This is the limit which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority’s plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. It is not currently expected that the Council will need to borrow, this limit represents a contingency should the need arise.

As the council already has loan of £7.5m from the LEP, there are no plans to borrow for other capital purposes in the next three years; it would be prudent to set the operational boundary at £15m to allow scope for additional borrowing should it be required to fulfil the Council’s objectives to optimise returns on investments or to allow the Council to manage its cash-flow.

Operational Boundary	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Borrowing	£25m	£25m	£20m	£20m

### 3.3.2 Treasury Management Indicator - The Authorised Limit for External Borrowing

This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003.

Authorised Limit	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Borrowing	£30m	£30m	£25m	£25m

### 3.3.3 Treasury Management Indicator – Actual External Debt

This is the closing balance for actual gross borrowing obtained directly from the council’s Balance Sheet at year end.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals within this report regarding future external borrowing.

## 3.4 Borrowing Strategy

Although at this stage there is no requirement to borrow externally over the medium term, the Council has a number of regeneration projects for which support, through borrowing, has been provided by the Hertfordshire LEP. Any further external borrowing requirements which are not simply for short term cash-flow will be reported to Members at the appropriate time.

## **3.5 Annual Investment Strategy**

### **3.5.1 Key Objectives**

The Council's investment strategy's primary objectives are safeguarding the re-payment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The current strategy allows the Portfolio Holder, in consultation with the Director of Finance, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk.

### **3.5.2 Investment Policy**

The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are security first, liquidity second, then yield.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.

### **3.5.3 Creditworthiness policy**

The Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers as they occur and this information is considered before dealing.

### **Counterparty Categories**

The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**



The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council’s Own Banker**

For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

The Council will use all Societies which meet the ratings for banks outlined above or are eligible institutions and have assets in excess of limits for each category.

- **Specific Public Bodies**

The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

A limit per authority will be applied as per Annex A.

- **Debt Management Deposit Account Facility**

A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-Specified)**

The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

The current investment counterparty criteria selection approved in the Treasury Management Strategy is being met.

For details of Specified and Non-Specified Investments see below.

### **Use of Additional Information Other Than Credit Ratings**

Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

### **Time and Monetary Limits Applying to Investments**

The time and monetary limits for institutions on the Council’s Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

## Exceptional Circumstances

The criteria for choosing counterparties set out above provide a sound approach to investment in “normal” market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly, the time periods for investments will be restricted.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

### 3.5.4 Investment Strategy

**In-House Funds** - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

#### Investment Returns Expectations:

Bank rate is forecast to remain unchanged at 0.25% before starting to rise from quarter 2 of 2019/20. Bank rate forecasts for financial year ends (March) are:

2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%

**Investment Treasury Indicator and Limit** - total principal funds invested for greater than one year. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2016/17	2017/18	2018/19	2019/20
Maximum Principal Sums invested for greater than one year (excluding property investments)	£5m	£5m	£5m	£5m

### 3.5.5 Investment Risk & Security Benchmarking

These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. In line with the Treasury Management Strategy, the Council has managed to invest with those institutions who offered the best rate and the investment portfolio is above the overall benchmark during the year to date.

#### Security

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

## Liquidity

The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £3m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 10 years for an individual loan with a public body.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

## Yield

The measure of yield on Investments is a return of 0.12% above average bank rate. In accordance with the Code of Practice on Treasury Management which is used as a performance indicator. The results of this indicator for the year will be reported in the Treasury Annual Report.

### 3.6 Reporting Requirements

**End of Year Investment Report** - the Council will report on its investment activity for the financial year completed as part of its Annual Treasury Management Report after the end of the financial year.

**Mid-year Investment Report** – the Council will report on its investment activity for that financial year as part of its mid-year Treasury Management Report at the end of September of that financial year.

**Treasury Management Strategy** – the Council will produce the Strategy for the next three financial years towards the end of the current financial year.

### 3.7 Policy on the Use of External Service Providers

The contract for external treasury management advisors has been re-tendered in October 2016, and following this, Capita Asset Services Treasury Solutions have been appointed as the advisors to the Council until October 2019. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Council will also, from time to time, procure specialist advice (such as for the verification of business cases for loans to Council subsidiaries). This work will be procured in accordance with the Council's normal procedure rules.

### 3.8 Member and Officer Training

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council has addressed this important issue by:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management;
- Regular briefings both by email and face to face with the Council's consultants;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.



The DCLG issued a reviewed Investment Guidance in 2010 (second edition), and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds, which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectorial Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance has produced this Treasury Management Practices (TMP's) guidance.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- The principles to be used to determine the maximum periods for which funds can be committed;
- Specified investments that the Council will use. These are high security, and high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – the main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified Investments** – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. A local authority, parish council or community council.
3. A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
4. Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at **Schedule 1**.

## Exception - Clydesdale Bank plc

The investment with Clydesdale is a long-standing investment made in April 2010. The Council placed funds with Clydesdale to support local businesses. When the Bank's credit rating was downgraded and it no longer met the criteria as outlined within the Treasury Management Strategy, its continuing use as a counterparty has been approved by Leadership Team. At the time of the report Clydesdale bank plc had the following credit ratings by Fitch, Standard and Poors and Moody's respectively: short term F-1, A-2 and P-2 and long term A, BBB+ and Baa2 respectively.

**Non-Specified Investments** – non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	<b>Non Specified Investment Category</b>	<b>Limit (£ or %)</b>
a.	Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£5m
b.	The Council's own banker if it fails to meet the basic credit criteria.	In this instance balances will be minimised as much as possible
c.	Building Societies not meeting the basic security requirements under the specified investments.  The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.	£2m
d.	Specific Public Bodies  The Council can seek Member approval to make loans to other public bodies for periods of more than one year.	£10m
e.	Loans to Council Subsidiaries  The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.	£10m
f.	Other unspecified investments  The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified	£10m

	investments, subject to conditions which will be generally similar to (e).	
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In accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

In respect of categories 'd' to 'f' this will only be considered after obtaining external advice and subsequent Member approval.

The Council will also consider investment in property in accordance with its Property Investment Strategy (attached). All property investments will be dependent on a standalone business case being proven. The Council will always seek advice from its retained advisors as to the levels of core funds that can prudently be invested in property.

### **The Monitoring of Investment Counterparties**

The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services Treasury Solutions as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

Institution Type	Max Amount:			£5m	£10m	£10m	£10m	£10m
	Max Length:			10 Years	364 Days	6 Months	3 Months	1 Month
Minimum Short Term Ratings								
	Fitch	Moody's	S&P					
<b>UK Banks</b>								
The Council's own Bankers	F1	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.				
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
<b>UK Building Societies</b>								
Either	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Or					Assets over £15,000m	Assets over £5,000m	Assets of £2,500m	Assets of £1,000m
<b>Specific Public Bodies</b>				As approved by Members				
<b>Debt Management Deposit Facility (UK Government)</b>						Unlimited		
<b>Money Market Funds (AAA Rated)</b>								£5m per fund
<b>UK Local Authorities</b>				The Council can invest in all UK Local Authorities whether rated or not	£10m per local authority.			



Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).

The Property Investment Strategy is in draft and can be found at the following link:

<http://watford.moderngov.co.uk/documents/s11015/Appendix%20B.pdf>