



BUDGET PANEL

Wednesday, 15th January, 2014

7.00 pm

Town Hall, Watford

Publication date: 7 January 2014

CONTACT

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Sandra Hancock in Democracy and Governance on 01923 278377 or by email to legalanddemocratic@watford.gov.uk .

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

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RECORDING OF MEETINGS

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COMMITTEE MEMBERSHIP

Councillor J Dhindsa (Chair)

Councillor S Rackett (Vice-Chair)

Councillors J Aron, S Counter, G Derbyshire, S Greenslade, R Martins, P Taylor and M Turmaine

AGENDA

PART A - OPEN TO THE PUBLIC

1. **APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP**
2. **DISCLOSURE OF INTERESTS (IF ANY)**
3. **MINUTES**

The minutes of the meeting held on 26 November 2013 to be submitted and signed. *(All minutes are available on the Council's website.)*

4. **FINANCE DIGEST 2013/2014 - PERIOD 8 (NOVEMBER 2013)** (Pages 1 - 22)

Report of Senior Accountant, Finance Shared Services

This report informs the Budget Panel of the reported budgetary variances at the end of November 2013 (Period 8).

5. **FINANCIAL PLANNING: DRAFT REVENUE AND CAPITAL ESTIMATES 2014 - 2018 & TREASURY MANAGEMENT STRATEGY 2014 -2017** (Pages 23 - 24)

The Panel is requested to consider the Cabinet report and provide any observations to enable Cabinet to make its decisions.

The Cabinet report has been circulated separately.

6. **DATE OF NEXT MEETING**

- Wednesday 26 February 2014

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Agenda Item 4

Report to: Budget Panel

Date of meeting: 15th January 2014

Report of: Gilbert Mills – Senior Accountant, Finance Shared Services

Title: Finance Digest 2013/2014 – Period 8 (November 2013)

1.0 SUMMARY

1.1 This report informs the Budget Panel of the reported budgetary variances at the end of November 2013 (Period 8).

2.0 RECOMMENDATIONS

2.1 To consider the Finance Digest as at Period 8 2013/2014.

Contact Officer:

For further information on this report please contact: -
Gilbert Mills, Senior Accountant, Finance Shared Services
telephone extension: 7437
email: gilbert.mills@watford.gov.uk

Report approved by: Alan Power, Head of Finance, Shared Services

Members are welcome to raise questions prior to any discussion at the meeting. Indeed, it would be helpful if questions could be notified in advance to ensure comprehensive responses are available at the meeting. Queries should be addressed in the first instance to the Accountancy Practice (accountancy.practice@threerivers.gov.uk) who will ensure an answer is provided by the responsible budget holder.

3.0 REVENUE EXPENDITURE & INCOME

- 3.1 Income and expenditure is monitored by Heads of Service throughout the financial year with regard their areas of responsibility. If budgetary increases are identified as part of this process, Heads of Service are required wherever possible to find compensating savings to offset these increases.
- 3.2 Changes to revenue expenditure to Period 8 are shown in the Finance Digest at Appendix 1 (section 1.2). The original budgeted revenue expenditure prior to reserve movements of £15.021m is forecast at year end to decrease by £115k to £14.906m. The table in 1.3 of the Digest provides detail as to the movement on reserves up to and including Period 8.
- 3.3 Explanations for variances in the current period are shown primarily under the section headed 'Table 2 - Variance Analysis by Service and Cost Centre'. Previously reported variances would have been detailed to members within earlier digests.

4.0 FINANCIAL IMPLICATIONS

These have been included in the report.

5.0 LEGAL IMPLICATIONS

None Specific.

6.0 EQUALITIES

None Specific.

7.0 POTENTIAL RISKS

| Potential Risk | Likelihood | Impact | Overall Score |
|--|------------|--------|---------------|
| That the Council's Budget is overspent and financed from the unplanned use of reserves | 3 | 3 | 9 |

APPENDICES

Appendix 1 Finance Digest November 2013 - Period 8



FINANCE DIGEST

Revenue Financial Monitoring at

Period 8

(November 2013)

Prepared By : Finance Shared Services

Date : 7th January 2014

Foreword

The monthly Finance Digest is a key tool for raising awareness of financial issues throughout the Council at both member and officer level.

The Finance Digest shows the key indicators that describe Watford's financial health. It provides an update on the Council's budget including effect on reserve balances as well as performance within a discrete number of service areas. Variances to budgets are reflected in the forecast outturn for 2013/14 which are loaded on to the Council's financial management system that continue to be monitored throughout the financial year.

Part 1 - Budget Monitoring

The digest reflects the Council's latest forecast of its financial position for the year, assessing expected spend against the agreed budget and split into service area. It also includes information on key risks and volatile budgets (I.E. income streams subject to economic conditions) including any action taken to mitigate their impact. Revenue spend is forecast monthly whereas capital updates are provided on a quarterly basis.

Part 2 - Performance Indicators

This section provides up to date performance data regarding various service areas of the Council including both front line services and support services.

If you have any comments, please contact the following Finance staff for assistance :-

Nigel Pollard (Finance Manager) @ nigel.pollard@threerivers.gov.uk or ☎ Ext 7198

Gilbert Mills (Senior Accountant) @ gilbert.mills@watford.gov.uk or ☎ Ext 7437

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Part 1 - Budget Monitoring

1 - General Fund Revenue

1.1 This report which reflects the new structure that was implemented on 1st July provides an update, in summary form, of the latest position of the Council's revenue budget as at 30th November 2013 (period 8).

1.2 The 2013/14 original net general fund budget requirement was £15,021k prior to movements in reserves (the current budget which includes approved virements is £15,336k). However, the forecast outturn for net expenditure at the end of period 8 is predicted to be £14,906k (see page 5).

A reconciliation between all these balances can be detailed as follows :-

| | |
|--|--------------------------|
| 2013/14 Original Budget requirement prior to movements in reserve | <u>Total</u> £15,021k |
| Add | |
| Approved virements from usable reserves (see table below) :- | |
| Local Authority Business Growth Incentive Reserve | £20k |
| Housing & Planning Delivery Grant Reserve | £35k |
| Invest to Save Reserve | £25k |
| Budget Carry Forward Reserve | £235k |
| 2013/14 Current Budget requirement including approved virements | <u>£15,336k</u> |
| Add | |
| Anticipated usable movements from reserve (see below table) :- | |
| Invest to Save Reserve | £317k |
| Less | |
| In year forecast variances affecting Economic Impact Reserve (see table on page 4) | (£748k) |
| Add | |
| Rounding Adjustments | £1k |
| 2013/14 Forecast Outturn for net expenditure | <u>£14,906k</u> |

1.3 Usable Reserves

| 2013/14 Table of Reserve Movements | | | | | | |
|---|-----------------|--------------------------------|-------------------|----------------------|--------------------------------|---|
| Reserve | Original Budget | In year movement only | | | | Comments |
| | | Reserve Mov'ment as @ Period 7 | Period 8 movement | | Reserve Mov'ment as @ Period 8 | |
| | | | Virement | Anticipated Movement | | |
| Earmarked | | | | | | |
| Budget Carry Forward | £0k | (£235k) | £0k | £0k | (£235k) | Established to carry over unused 2012/13 revenue budget required for 2013/14. |
| General | | | | | | |
| Housing & Planning Delivery Grant | £0k | (£35k) | £0k | £0k | (£35k) | As per Cabinet (Sept 2012), funding for investment in United Sustainable Energy Agency. |
| Local Authority Business Growth Incentive (LABGI) | £0k | (£20k) | £0k | £0k | (£20k) | Utilised to part fund the 'Imagine Watford' festival that took place in June 2013. |
| Invest to Save | £0k | (£342k) | £0k | £0k | (£342k) | Funding for Yr 1 ICT contract costs & professional services relating to Veolia outsourcing. |
| Economic Impact (see table below) | (£735k) | £443k | £0k | £305k | £748k | Utilised in part to fund current expenditure as well as absorb any unplanned forecast variances reported by services during the current financial year. |
| Capital Financing | | | | | | |
| Vehicle Replacement | £150k | £0k | £0k | £0k | £0k | Created to fund future vehicle purchases via capital. Forecast £150k transfer at year end. |
| Rounding Adj'ment | £0k | £0k | £0k | (£1k) | (£1k) | |
| Total | (£585k) | (£189k) | £0k | £304k | £115k | |

Note () illustrates a decrease in reserve balances

Anticipated Net Movement on Economic Impact Reserve

The in year movement of £748k is the current unplanned forecast underspend for 2013/14 and can be summarised as follows :-

| Original Budget | In year forecast variations affecting Economic Impact Reserve | Overspend / Underspend | Page Nos | @ Period 7 £k | This Period £k | Total £k |
|-----------------|---|------------------------|----------|---------------|----------------|----------|
| (735) | As per Original Budget 2013/14 | | | | | |
| | As outlined in Period 7 Finance Digest | Underspend | N/A | 443 | 0 | 443 |
| | Corporate Strategy & Client Services | Overspend | 6 | 0 | (131) | (131) |
| | Community & Customer Services | Underspend | 7 | 0 | 3 | 3 |
| | Democracy & Governance | Overspend | 8 | 0 | (75) | (75) |
| | Human Resources | Underspend | 11 | 0 | 84 | 84 |
| | Strategic Finance | Underspend | 12 | 0 | 423 | 423 |
| | <i>Rounding Adjustment</i> | | | | 1 | 1 |
| (735) | Total | | | 443 | 305 | 748 |

Note : the above table indicates an increase in the balance of the Economic Impact Reserve at year end of £13k as opposed to (£735k) as a result of £748k of current underspends reported by services up to and including Period 8.

Forecast reserve activity in 2013/14 has been illustrated graphically to reflect the year end carried forward balance on these reserves as at 31st March 2013 including the table of reserve movements as shown on page 3.

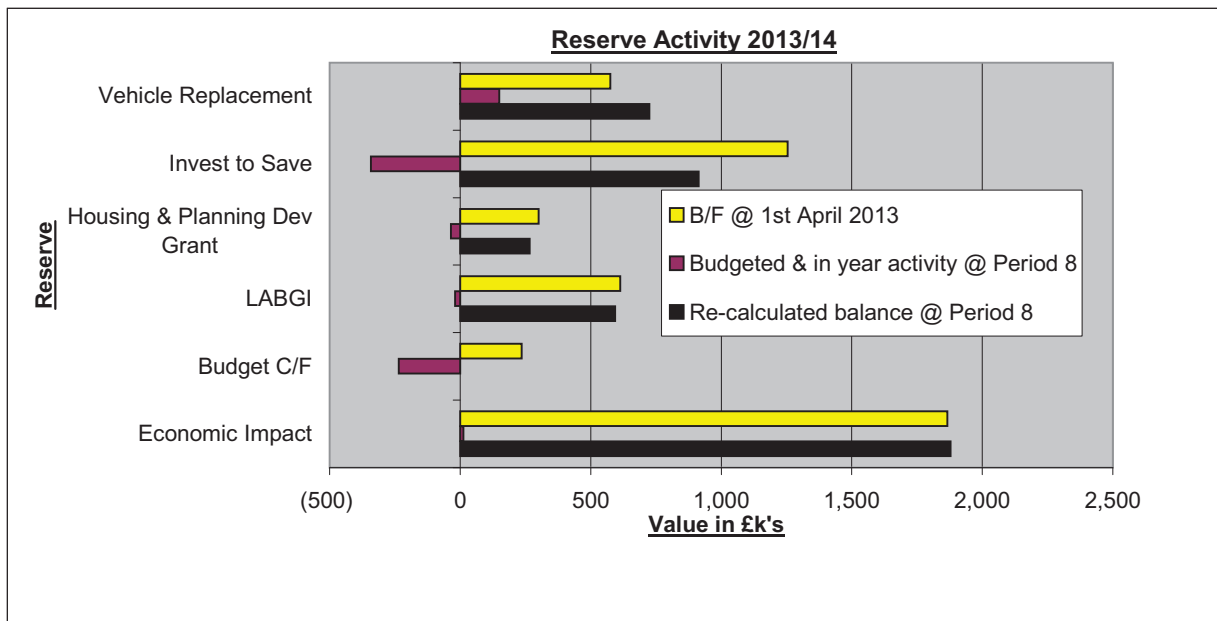


Table 1 - General Fund Summary

General Fund Variance Summary for 2013/14 as @ Period 8 (November 2013)

| Service Area | Original Budget | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Variance | |
|---|-----------------|-----------------|-------------------------------|----------------------------|-------------------------|------------------|--------------|------|
| | £000's | £000's | £000's | £000's | £000's | £000's | % | Icon |
| Corporate Strategy & Client Services | 9,513 | 9,462 | 328 | 131 | 459 | 9,921 | 4.9 | ⊗ |
| Community & Customer Services | 4,861 | 5,167 | (55) | (3) | (58) | 5,109 | (1.1) | ☺ |
| Democracy & Governance | 1,762 | 1,431 | 1 | 75 | 76 | 1,507 | 5.3 | ⊗ |
| Regeneration & Development | (558) | (381) | (685) | 0 | (685) | (1,066) | (179.8) | ☺ |
| Managing Director | 1,377 | 1,385 | 0 | 0 | 0 | 1,385 | 0.0 | ☺ |
| Human Resources | 0 | (22) | 0 | (84) | (84) | (106) | (381.8) | ☺ |
| Strategic Finance | (1,934) | (1,706) | 285 | (423) | (138) | (1,844) | (8.1) | ☺ |
| NET GENERAL FUND | 15,021 | 15,336 | (126) | (304) | (430) | 14,906 | (2.8) | ☺ |
| Budgeted Transfer To/(From) Reserves | (585) | (585) | 0 | 0 | 0 | (585) | | |
| In Year Transfer To/(From) Reserves | 0 | (315) | 126 | 305 | 431 | 116 | | |
| <i>Rounding Adjustment</i> | | | | (1) | (1) | (1) | | |
| NET BUDGET REQUIREMENT | 14,436 | 14,436 | 0 | 0 | 0 | 14,436 | | |
| <u>Financed By :-</u> | | | | | | | | |
| Revenue Support Grant (including re-distributed NNDR) | (4,765) | (4,765) | 0 | 0 | 0 | (4,765) | | |
| Council Tax receipts | (7,350) | (7,350) | 0 | 0 | 0 | (7,350) | | |
| Other central government funding | (2,321) | (2,321) | 0 | 0 | 0 | (2,321) | | |
| TOTAL FINANCING | (14,436) | (14,436) | 0 | 0 | 0 | (14,436) | | |
| <u>General Fund Working Balance</u> | | | | | | | | |
| Opening Balance | 1,350 | 1,350 | 0 | 0 | 0 | 1,350 | | |
| CLOSING WORKING BALANCE | 1,350 | 1,350 | 0 | 0 | 0 | 1,350 | | |

Icons

Icons have been used to indicate the severity of the variation against budget.

The key is as follows:

☺ Forecast net expenditure is within budget

☹ Forecast net expenditure is as per budget

⊗ Forecast net expenditure is over budget but there is no cause for concern at this stage.

🚨 Forecast net expenditure is more than 10% and £50k over budget which is a cause for concern.

Table 2 - Variance Analysis by Service and Cost Centre

| Service : Budget Owner : | Corporate Strategy & Client Services | | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|--------------------------------|---|--|--------------------|----------------------------|-------------------|-------------------------------------|----------------------------------|-------------------------------|---------------------|--|
| | | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | |
| | Management Support | | 0 | (158) | (158) | 4 | 0 | 4 | (154) | No monthly forecast variances reported. |
| | Contract Monitoring | | 0 | 4,516 | 4,516 | 0 | 0 | 0 | 4,516 | No monthly forecast variances reported. |
| | Parks and Open Spaces | | 2,122 | (1,084) | 1,038 | 43 | 0 | 43 | 1,081 | No monthly forecast variances reported. |
| | Leisure | | 1,464 | (67) | 1,397 | (24) | 0 | (24) | 1,373 | No monthly forecast variances reported. |
| | Grants | | 993 | 41 | 1,034 | (55) | 0 | (55) | 979 | No monthly forecast variances reported. |
| | Street Cleansing | | 2,075 | (1,316) | 759 | 1 | (15) | (14) | 745 | Variations due to the following :- i) Underspend of (£15k) expected on supplies & services notably regarding fees paid to contractors. |
| | Waste and Recycling | | 2,629 | (2,035) | 594 | 0 | 68 | 68 | 662 | Variations due to the following :- i) Additional agency cover requirements prior to outsourcing totalling £45k. ii) Overtime costs incurred to cover staff absence prior to outsourcing totalling £12k. iii) Vehicle abuse costs post lease condition surveys causing an extra £11k spend. |
| | Partnerships and Performance | | 229 | 61 | 290 | 42 | 35 | 77 | 367 | Variations due to the following :- i) Additional expenditure in relation to maternity leave including cover as well as unmet vacancy savings totalling £7k. ii) Filming income budget reduced by £10k due to lack of demand. iii) Initial supplementary staffing costs of £18k within Communications to be contained within existing budgets going forward. |
| | ICT Service | | 0 | (8) | (8) | 317 | 44 | 361 | 353 | Variations due to the following :- i) Net adverse budget variation totalling £44k approved by Shared Services Joint Committee on 18th November 2013. |
| | <i>Rounding Adjustment</i> | | 1 | (1) | 0 | 0 | (1) | (1) | (1) | |
| | Total : Corporate Strategy & Client Services | | 9,513 | (51) | 9,462 | 328 | 131 | 459 | 9,921 | |

Notes to Agreed Budget Changes

Reason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest @ Period 7**

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Table 2 - Variance Analysis by Service and Cost Centre (continued)

| Service : Budget Owner : | Community & Customer Services Alan Gough | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|--|---|--------------------|----------------------------|-------------------|-------------------------------------|----------------------------------|-------------------------------|---------------------|---|
| | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | |
| Customer Services | | 0 | 36 | 36 | 0 | 0 | 0 | 36 | No monthly forecast variances reported. |
| Housing | | 1,907 | 23 | 1,930 | (32) | 20 | (12) | 1,918 | Variations due to the following :- i) Review of net B&B position resulting in a £20k adverse change to previous forecast (adjusted year end outturn is still (£12k) below current budget). |
| Environmental Health and Licensing | | 1,772 | 109 | 1,881 | (23) | 0 | (23) | 1,858 | No monthly forecast variances reported. |
| Culture and Play | | 1,182 | 138 | 1,320 | 0 | (24) | (24) | 1,296 | Variations due to the following :- i) Underspend expected of (£24k) on direct salary costs within the Play Section. |
| <i>Rounding Adjustment</i> | | 0 | 0 | 0 | 0 | 1 | 1 | 1 | |
| Total : Community & Customer Services | | 4,861 | 306 | 5,167 | (55) | (3) | (58) | 5,109 | |

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Notes to Agreed Budget Changes

**Agreed Budget Changes reported
in Finance Digest @ Period 7**

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Reason for Agreed Budget Change

Table 2 - Variance Analysis by Service and Cost Centre (continued)

| Service : Budget Owner : | Democracy & Governance | | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|--------------------------------|---|--|--------------------|----------------------------|-------------------|-------------------------------------|----------------------------------|-------------------------------|---------------------|---|
| | | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | |
| | Legal and Democratic | | 1,525 | 67 | 1,592 | 0 | 0 | 0 | 1,592 | No monthly forecast variances reported. |
| | Buildings and Projects | | 237 | (400) | (163) | 1 | 75 | 76 | (87) | Variations due to the following :- i) Expected £75k adverse variance the result of a repairs & maintenance review by the Buildings & Projects Section Head restoring the forecast to pre-outsourcing levels. |
| | Procurement | | 0 | 2 | 2 | 0 | 0 | 0 | 2 | No monthly forecast variances reported. |
| | Total : Democracy & Governance | | 1,762 | (331) | 1,431 | 1 | 75 | 76 | 1,507 | |

Notes to Agreed Budget Changes

Reason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest @ Period 7**

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Table 2 - Variance Analysis by Service and Cost Centre (continued)

| Service : Regeneration & Development Budget Owner : Jane Custance | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|--|-----------------|----------------------|----------------|-------------------------------|----------------------------|-------------------------|------------------|--|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | |
| Commercial Projects (property portfolio) | (4,943) | 34 | (4,909) | (595) | 0 | (595) | (5,504) | No monthly forecast variances reported. |
| Development Section | 1,080 | 37 | 1,117 | (52) | 0 | (52) | 1,065 | No monthly forecast variances reported. |
| Transport and Infrastructure | 2,676 | 100 | 2,776 | (37) | 0 | (37) | 2,739 | No monthly forecast variances reported. |
| Policy Team | 617 | 6 | 623 | 0 | 0 | 0 | 623 | No monthly forecast variances reported. |
| Economic Development | 12 | 0 | 12 | 0 | 0 | 0 | 12 | No monthly forecast variances reported. |
| <i>Rounding Adjustment</i> | 0 | 0 | 0 | (1) | 0 | (1) | (1) | |
| Total : Regeneration & Development | (558) | 177 | (381) | (685) | 0 | (685) | (1,066) | |

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Notes to Agreed Budget Changes

Reason for Agreed Budget Change

Agreed Budget Changes reported in Finance Digest @ Period 7

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Table 2 - Variance Analysis by Service and Cost Centre (continued)

| Service : Budget Owner : | Managing Director | | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|----------------------------------|--------------------------|----------|--------------------|----------------------------|-------------------|-------------------------------------|----------------------------------|---|---------------------|---|
| | Manny Lewis | | | | | | | | | |
| Corporate Management | 1,377 | 8 | 1,385 | 0 | 0 | 0 | 1,385 | No monthly forecast variances reported. | | |
| Total : Managing Director | 1,377 | 8 | 1,385 | 0 | 0 | 0 | 1,385 | | | |

Notes to Agreed Budget Changes

Reason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest @ Period 7**

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Table 2 - Variance Analysis by Service and Cost Centre (continued)

| Service : Budget Owner : | Human Resources Cathy Watson | | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|--------------------------------|---------------------------------|--|--------------------|----------------------------|-------------------|-------------------------------------|----------------------------------|-------------------------------|---------------------|--|
| | | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | |
| | Human Resources Client | | 0 | (22) | (22) | 0 | (84) | (84) | (106) | Variations due to the following :- i) Net favourable budget variation totalling (£84k) approved by Shared Services Joint Committee on 18th November 2013. |
| | HR Shared Service | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | No monthly forecast variances reported. |
| | Total : Human Resources | | 0 | (22) | (22) | 0 | (84) | (84) | (106) | |

Notes to Agreed Budget Changes

**Agreed Budget Changes reported
in Finance Digest @ Period 7**

Reason for Agreed Budget Change

(22)

Table 2 - Variance Analysis by Service and Cost Centre (continued)

| Service : Strategic Finance Budget Owner : Jo Wagstaffe | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Comments regarding This Month's Forecast Variances |
|---|--------------------|----------------------------|-------------------|-------------------------------------|----------------------------------|-------------------------------|---------------------|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | |
| Finance and Resources | 202 | 3 | 205 | (20) | 0 | (20) | 185 | No monthly forecast variances reported. |
| Finance Services Client | 123 | (3) | 120 | 6 | (59) | (53) | 67 | Variations due to the following :- i) Net favourable budget variation totalling (£59k) approved by Shared Services Joint Committee on 18th November 2013. |
| Revenues and Benefits Client | 1,818 | 57 | 1,875 | 400 | (364) | 36 | 1,911 | Variations due to the following :- i) Housing benefit reconciliation that was carried out in September and submitted to Department of Works and Pensions. ii) Net adverse budget variation totalling £213k approved by Shared Services Joint Committee on 18th November 2013. |
| Corporate Costs (including adjustments under statute) | (4,077) | 171 | (3,906) | (102) | 0 | (102) | (4,008) | No monthly forecast variances reported. |
| Finance Shared Service | 0 | 0 | 0 | 1 | (1) | 0 | 0 | Minor variation of (1k) dealt with via recharge to Finance Services Client above. |
| Revs and Bens Shared Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | No monthly forecast variances reported. |
| <i>Rounding Adjustment</i> | 0 | 0 | 0 | 0 | 1 | 1 | 1 | |
| Total : Strategic Finance | (1,934) | 228 | (1,706) | 285 | (423) | (138) | (1,844) | |

Notes to Agreed Budget Changes

Reason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest @ Period 7**

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Table 3 - Direct Salaries Analysis

Direct Salary Costs Variance Analysis (Incl Consultancy Costs but excluding Shared Services & IAS19)

| Service Area | Previous Year Final Restated | Original Budget | Agreed Budget Change | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Variance | | Comments regarding This Month's Forecast Variances |
|--------------------------------------|------------------------------|-----------------|----------------------|----------------|-------------------------------|----------------------------|-------------------------|------------------|----------|---|--|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | % | ☺ | |
| Corporate Strategy & Client Services | 5,546 | 5,578 | (3,641) | 1,937 | 25 | 82 | 107 | 2,044 | 5.5 | ☹ | See Table 2 - Variance Analysis by Service and Cost Centre (page 6). |
| Community & Customer Services | 3,523 | 3,580 | (172) | 3,408 | (12) | (24) | (36) | 3,372 | (1.1) | ☺ | See Table 2 - Variance Analysis by Service and Cost Centre (page 7). |
| Democracy & Governance | 1,907 | 1,840 | (254) | 1,586 | 0 | 0 | 0 | 1,586 | 0.0 | ☺ | No monthly forecast variances reported. |
| Regeneration & Development | 2,745 | 2,952 | (551) | 2,401 | (32) | 0 | (32) | 2,369 | (1.3) | ☺ | No monthly forecast variances reported. |
| Managing Director | 369 | 240 | (19) | 221 | 0 | 0 | 0 | 221 | 0.0 | ☺ | No monthly forecast variances reported. |
| Human Resources | 9 | 17 | (2) | 15 | 0 | 0 | 0 | 15 | 0.0 | ☺ | No monthly forecast variances reported. |
| Strategic Finance | 1,089 | 169 | (7) | 162 | 0 | 0 | 0 | 162 | 0.0 | ☺ | No monthly forecast variances reported. |
| Consultancy | 225 | 134 | 5 | 139 | 25 | 0 | 25 | 164 | 18.0 | ☹ | No monthly forecast variances reported. |
| Total | 15,413 | 14,510 | (4,641) | 9,869 | 6 | 58 | 64 | 9,933 | 0.6 | ☹ | |

Notes to Agreed Budget Changes

Agreed Budget Changes reported in Finance Digest @ Period 7

(4,641)

Table 4 - Key Financial Risk Areas (as at end of November 2013)

| Service Area | Original Budget | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Variance | | Comments |
|--|-----------------|----------------|-------------------------------|----------------------------|-------------------------|------------------|----------|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | % | ☺ | |
| Commercial Rental Income (incl Parks & Leisure properties and Multi Storey Car Parks) | (3,283) | (3,283) | (240) | 0 | (240) | (3,523) | (7.3) | ☺ | A detailed review of the Council's commercial property portfolio is routinely carried out by Property in consultation with Finance. |
| Housing Benefit Client :- | | | | | | | | | |
| Grant Income (incl Bad Debt cont'n) | (34,348) | (34,348) | 385 | (4,444) | (4,059) | (38,407) | (11.8) | ☺ | Extremely high risk area due to demands on the service including claimant volumes and central government changes to entitlements. See Table 2 - Variance Analysis by Service and Cost Centre (page 12) for an explanation to the current month's forecast variance. |
| Rent Allowance Payments | 33,884 | 33,921 | 15 | 3,867 | 3,882 | 37,803 | 11.4 | 🔔 | |
| Shared Services (Operating Costs) :- | | | | | | | | | |
| Finance | 821 | 901 | 3 | (59) | (56) | 845 | (6.2) | ☺ | Reviewed and monitored by the appropriate Head of Service. Forecast variations recently approved via the Shared Services Joint Committee held on 18th November 2013. |
| Human Resources | 506 | 506 | 0 | (84) | (84) | 422 | (16.6) | ☺ | |
| ICT | 847 | 847 | 317 | 44 | 361 | 1,208 | 42.6 | 🔔 | |
| Revenues & Benefits | 1,733 | 1,733 | 0 | 213 | 213 | 1,946 | 12.3 | 🔔 | |
| Parks, Street & Waste Services (Net costs Re: Veolia outsourcing) | 0 | 4,363 | 0 | 0 | 0 | 4,363 | 0.0 | ☺ | The client team work closely with representatives of Veolia Environmental Services to ensure the contract is being delivered and adhered to as specified in the contract. |

Table 4 - Key Financial Risk Areas (as at end of November 2013) (continued)

| Service Area | Original Budget | Current Budget | Forecast Variance to Period 7 | Forecast Variance Period 8 | Total Forecast Variance | Forecast Outturn | Variance | | Comments |
|--|-----------------|----------------|-------------------------------|----------------------------|-------------------------|------------------|----------|---|--|
| | £000's | £000's | £000's | £000's | £000's | £000's | % | ☺ | |
| Business Rates Retention | Circa 62,000 | Circa 62,000 | 0 | 0 | 0 | Circa 62,000 | 0.0 | ☺ | Current estimates indicate that the council may be below the business rates baseline. The maximum exposure for Watford will be £186k. |
| Development Control / Building Control and Land Charges Income | (554) | (554) | (34) | 0 | (34) | (588) | (6.1) | ☺ | The fragile recovery in economic conditions continue to impact this income stream. Legislation has also affected the ability to charge for Land Charge services. The Council continues to look at operational cost savings mainly through outsourcing of which Building Control is currently under review. |
| Homelessness Spend (net) | 120 | 120 | (30) | 20 | (10) | 110 | (8.3) | ☺ | B&B costs are regularly reviewed by the Housing Section Head who has reported a £20k adverse forecast change during this period. The service continues to look at minimising the impact these costs have on the General Fund. |
| Investment Interest | (270) | (270) | 0 | 0 | 0 | (270) | 0.0 | ☺ | Forecast higher cash balances available for investment offset by very low rates of interest. Other investment opportunities are also being considered E.G. investing with local authorities. |
| Kerbside Recycling Income | (464) | (464) | 0 | 0 | 0 | (464) | 0.0 | ☺ | The council retains significant interest and risk in recycling income post outsourcing which is an area under current review. The change in service to co-mingling which started in early November is expected to improve recycling tonnages collected. |

Part 2 - Performance Indicators

2 - Performance Indicators

The following analysis identifies performance on the Councils key 'financial health' and key business indicators.

2.1 Treasury Management Performance

The performance of the council's treasury management strategy for the period ending 30th November 2013 shows an average annualised return on investments of 0.70% which is below the original estimate of 1.0%.The size of the Council's investment portfolio is larger than anticipated so budgeted interest receivable for the year is forecast to be £270k.

The current estimate of interest returns for 2013/14 is:

| | <u>2013/14</u> |
|--------------|-----------------------|
| Best case | 1.00 % |
| Central case | 0.70 % |
| Worst case | 0.50 % |

2.2

Creditor Payment Monitoring @ Period 8 (November 2013)

The Council paid 98.54% of undisputed invoices within 30 days (against an Audit Commission target of 100%). Under government legislation, invoices not paid within 30 days are subject to interest charges (excluding those invoices that are in dispute).

The number of payments made by BACS for the month was 91.77% (cumulative figure is 90.54%) against a target of 90%.

Creditor Payment Monitoring Statistics By Service Area

| Service Area | Total Undisputed Invoices | Late Payments | Payments On Time | % Payments On Time (This Month) | % Payments On Time (Yr to date) |
|--------------------------------------|---------------------------|---------------|------------------|---------------------------------|---------------------------------|
| Corporate Strategy & Client Services | 63 | 0 | 63 | 100.00 | 98.33 |
| Community & Customer Services | 129 | 1 | 128 | 99.22 | 97.35 |
| Democracy & Governance | 248 | 2 | 246 | 99.19 | 97.31 |
| Regeneration & Development | 66 | 2 | 64 | 96.97 | 97.74 |
| Managing Director | 25 | 0 | 25 | 100.00 | 96.38 |
| Shared Services | 86 | 4 | 82 | 95.35 | 92.63 |
| Total | 617 | 9 | 608 | 98.54 | 96.76 |

Cumulative Percentages of Payments Made On Time

| Month | 2012/13 Actual % | 2013/14 Actual % |
|-----------|------------------|------------------|
| April | 94.67 | 96.22 |
| May | 92.09 | 95.91 |
| June | 91.69 | 95.94 |
| July | 90.91 | 95.61 |
| August | 90.78 | 96.21 |
| September | 90.32 | 96.54 |
| October | 90.32 | 96.53 |
| November | 91.18 | 96.76 |
| December | 92.07 | |
| January | 92.26 | |
| February | 92.60 | |
| March | 92.93 | |

2.3 Debtors Monitoring @ Period 8 (November 2013)

Debtors monitoring statistics by service area is as follows :-

| Invoices Raised from 1st April 2013 to 30th November 2013 | | | | | |
|--|---------------------|---------------------------|------------------------|--------------------|-------------|
| Service Area | No. Invoices | Total Raised £ | Collected £ | Outstanding | |
| | | | | £ | % |
| Corporate Strategy & Client Services | 1,407 | 1,032,744 | 925,752 | 106,992 | 10.36 |
| Community & Customer Services | 715 | 968,328 | 888,713 | 79,615 | 8.22 |
| Democracy & Governance | 1 | 17 | 0 | 17 | 100.00 |
| Regeneration & Development | 4,028 | 11,224,160 | 10,915,268 | 308,892 | 2.75 |
| Managing Director | 14 | 6,062,301 | 6,035,961 | 26,340 | 0.43 |
| Human Resources | 2 | 783 | 783 | 0 | 0.00 |
| Strategic Finance | 504 | 840,212 | 680,227 | 159,985 | 19.04 |
| Total | 6,671 | 20,128,545 | 19,446,705 | 681,841 | 3.39 |

Of the outstanding debt of £681,841, the amount between 0 to 3 months old totals £496,039 (72.75%).

2.4

Council Tax and NNDR Collection Rates

| Reference | Description | | | | | | | | | | | | | | |
|---|--|--------|------|------|------|------|------|------|------|------|------|------|------|------|--|
| RB 1 | Council Tax Collection | | | | | | | | | | | | | | |
| Indicator Definition | Percentage of current year council tax collected in year | | | | | | | | | | | | | | |
| | | Annual | Apr | May | Jun | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | |
| Watford | Target | 96.0 | 10.8 | 19.8 | 28.6 | 37.8 | 46.7 | 55.2 | 64.3 | 73.5 | 82.4 | 90.6 | 94.0 | 96.0 | |
| | 2012/13 Actual | 95.6 | 11.1 | 19.6 | 28.1 | 36.8 | 46.0 | 54.7 | 64.0 | 72.8 | 81.7 | 90.0 | 93.4 | 95.4 | |
| | 2013/14 Actual | | 11.0 | 19.9 | 28.5 | 37.4 | 46.2 | 55.0 | 64.4 | 73.1 | | | | | |
| | Target Achieved? | | | | | | | | | | | | | | |
| | Direction of Travel | | ↑ | ↑ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↓ | | | | |
| Comment on Performance | | | | | | | | | | | | | | | |
| The average in-year collection rate for English Shire Districts in 2012/13 was 97.4%. Targets for 2013/14 have been adjusted in the light of 2012/13 recovery rates and April 2013 changes eg reductions in benefits. | | | | | | | | | | | | | | | |

| Reference | Description | | | | | | | | | | | | | | |
|---|--|--------|------|------|------|------|------|------|------|------|------|------|------|------|--|
| RB 2 | NNDR Collection | | | | | | | | | | | | | | |
| Indicator Definition | Percentage of current year national non-domestic rates collected in year | | | | | | | | | | | | | | |
| | | Annual | Apr | May | Jun | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | |
| Watford | Target | 97.0 | 13.7 | 23.5 | 33.4 | 41.6 | 50.5 | 60.1 | 68.8 | 77.7 | 88.4 | 92.7 | 94.8 | 96.5 | |
| | 2012/13 Actual | 96.7 | 13.5 | 23.0 | 32.6 | 41.8 | 50.3 | 56.6 | 69.6 | 79.0 | 86.7 | 93.9 | 95.6 | 97.0 | |
| | 2013/14 Actual | | 13.3 | 23.9 | 32.4 | 42.3 | 51.4 | 60.0 | 70.4 | 80.1 | | | | | |
| | Target Achieved? | | | | | | | | | | | | | | |
| | Direction of Travel | | ↓ | ↑ | ↓ | ↑ | ↑ | ↓ | ↑ | ↑ | | | | | |
| Comment on Performance | | | | | | | | | | | | | | | |
| The average in-year collection rate for English Shire Districts in 2012/13 was 97.7%. Targets for 2013/14 have been adjusted in the light of 2012/13 recovery rates. The 2012/13 collection and 2013/14 collection to date takes account of rates deferral (a manual calculation is currently done for it as the system cannot yet deal with it). | | | | | | | | | | | | | | | |

Agenda Item 5

Report to: Budget Panel

Date of meeting: 15th January 2014

Report of: Head of Finance Shared Services

Title: Financial Planning
Draft Revenue and Capital Estimates 2014 -2018 &
Treasury Management Strategy 2014 -2017

1.0 **SUMMARY**

- 1.1 This report includes the draft report to Cabinet for its meeting on 20 January 2014 and provides all relevant information regarding the revenue & capital estimates and the treasury management strategy (circulated under separate cover).
- 1.2 The Budget Panel is requested to consider the report and provide any observations to enable Cabinet to make decisions.
- 1.3 To assist the Panel, the recommendations in the report act as a checklist of the issues to be addressed.

2.0 **RECOMMENDATIONS**

- 2.1 The Budget Panel is asked to consider the report and forward comments to Cabinet for its meeting on 20 January.

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| Members are welcome to raise questions prior to any discussion at the meeting. Indeed, it would be helpful if questions could be notified in advance to ensure comprehensive responses are available at the meeting |
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