



# BUDGET PANEL

**Tuesday, 9th September, 2014**

**7.00 pm**

**Town Hall, Watford**

**Publication date: 1 September 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](mailto:legalanddemocratic@watford.gov.uk) .

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

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# COMMITTEE MEMBERSHIP

Councillor A Khan (Chair)

Councillor A Joynes (Vice-Chair)

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

## 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 9 July 2014 to be submitted and signed.

Copies of the minutes of this meeting are usually available seven working days following the meeting.

*(All minutes are available on the Council's [website](#).)*

4. **WATFORD ECONOMIC GROWTH AND DELIVERY ASSESSMENT**

Presentation by the Economic Development Officer and Head of Regeneration and Development

5. **PERIOD 4: FINANCE DIGEST** (Pages 1 - 20)

Report of Finance

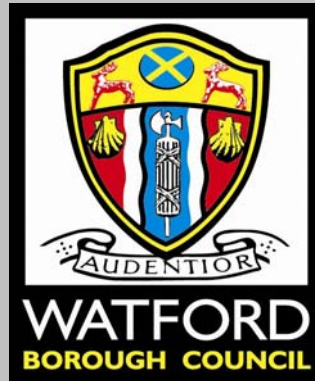
The Finance Digest shows the key indicators that describe Watford's financial health. It provides an update on the Council's budget including effect on reserve balances as well as performance within a discrete number of service areas. Variances to budgets are reflected in the forecast outturn for 2014/15 which are loaded on to the Council's financial management system that continue to be monitored throughout the financial year.

Budget Panel is asked to review the Finance Digest.

6. **DATES OF NEXT MEETINGS**

- Tuesday 28 October 2014
- Tuesday 2 December 2014
- Thursday 15 January 2015

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**FINANCE DIGEST  
2014/15**

**Revenue Financial Monitoring at**

**Period 4**

**(July 2014)**

**Prepared By : Bryan Collett**

**Date : 29th August 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 2014/15 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 variances are reported monthly whereas capital variances are reported 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 either of the following Finance staff :-

Bryan Collett: [bryan.collett@threerivers.gov.uk](mailto:bryan.collett@threerivers.gov.uk) or ( 01923 727043

Stephen Exton: [stephen.exton@threerivers.gov.uk](mailto:stephen.exton@threerivers.gov.uk) or ( 01923 727197

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**Part 1 - Budget Monitoring****1 - General Fund Revenue****Table 1 - General Fund Summary****General Fund Variance Summary for 2014/15 as @ Period 4 (July 2014)**

Service Area	Original Budget	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Variance
	£000's	£000's	£000's	£000's	£000's	%
Corporate Strategy & Client Services	8,194	8,255	(794)	(794)	7,461	(9.6)
Community & Customer Services	4,993	5,082	19	19	5,101	0.4
Democracy & Governance	1,985	2,026	19	19	2,045	0.9
Regeneration & Development	(1,308)	(1,200)	440	440	(760)	36.7
Managing Director	1,017	1,017	0	0	1,017	0.0
Human Resources	0	40	(87)	(87)	(47)	(217.5)
Strategic Finance	(288)	(288)	0	0	(288)	0.0
<b>NET GENERAL FUND REQUIREMENT</b>	<b>14,593</b>	<b>14,932</b>	<b>(403)</b>	<b>(403)</b>	<b>14,529</b>	<b>(2.7)</b>
Budgeted Transfer To/(From) Reserves	38	38	0	0	38	
In Year Transfer To/(From) Reserves	0	(339)	403	403	64	
<b>NET BUDGET REQUIREMENT</b>	<b>14,631</b>	<b>14,631</b>	<b>0</b>	<b>0</b>	<b>14,631</b>	
Financed By :-						
Revenue Support Grant (including re-distributed NNDR)	(4,907)	(4,907)	0	0	(4,907)	
Council Tax receipts	(7,523)	(7,523)	0	0	(7,523)	
Other central government funding	(2,201)	(2,201)	0	0	(2,201)	
<b>TOTAL FINANCING</b>	<b>(14,631)</b>	<b>(14,631)</b>	<b>0</b>	<b>0</b>	<b>(14,631)</b>	
<u>General Fund Working Balance</u>						
Opening Balance	1,350	1,350	0	0	1,350	
<b>CLOSING WORKING BALANCE</b>	<b>1,350</b>	<b>1,350</b>	<b>0</b>	<b>0</b>	<b>1,350</b>	



**Table 2 - Variance Analysis by Service and Cost Centre**

Service : Budget Owner :	<b>Corporate Strategy &amp; Client Services  Lesley Palumbo</b>	Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
		£000's	£000's	£000's	£000's	£000's	£000's	
	Management Support	0	0	0	0	0	0	No monthly forecast variances reported.
	Contract Monitoring	0	0	0	0	0	0	No monthly forecast variances reported.
	Parks and Open Spaces	1,322	97	1,419	0	0	1,419	No monthly forecast variances reported.
	Leisure	1,604	(93)	1,511	(815)	(815)	696	SLM contract review and mediation.
	Grants	807	0	807	0	0	807	No monthly forecast variances reported.
	Street Cleansing	1,999	0	1,999	0	0	1,999	No monthly forecast variances reported.
	Waste and Recycling	1,983	0	1,983	25	25	2,008	Budget for Abandoned Vehicles moved from Environmental Health and Licensing.

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

Service : Budget Owner :	<b>Corporate Strategy &amp; Client Services (cont'd)</b> <b>Lesley Palumbo</b>	Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
		£000's	£000's	£000's	£000's	£000's	£000's	
	Partnerships and Performance	478	53	531	(4)	(4)	527	Budget for Healthy Lifestyles Grant moved to Culture & Play.
	ICT Service	0	4	4	0	0	4	No monthly forecast variances reported.
	<b>Total : Corporate Strategy &amp; Client Services</b>	8,194	61	8,255	(794)	(794)	7,461	

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

Service : Budget Owner :	<b>Community &amp; Customer Services Alan Gough</b>	Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
		£000's	£000's	£000's	£000's	£000's	£000's	
	Customer Services	18	13	31	0	0	31	No monthly forecast variances reported.
	Housing	1,860	35	1,895	40	40	1,935	Net increase in provision of emergency accommodation for the Homeless.
	Environmental Health and Licensing	1,967	38	2,005	(25)	(25)	1,980	Budget for Abandoned Vehicles moved to Waste and Recycling.
	Culture and Play	1,147	4	1,151	4	4	1,155	Budget for Healthy Lifestyles grant moved from Partnership & Performance
	<b>Total : Community &amp; Customer Services</b>	4,993	89	5,082	19	19	5,101	

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

Service : Budget Owner :	<b>Democracy &amp; Governance</b> <b>Carol Chen</b>	Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
		£000's	£000's	£000's	£000's	£000's	£000's	
	Legal and Democratic	1,809	42	1,851	19	19	1,870	Increase due to Members' Allowances and Remuneration
	Buildings and Projects	175	0	175	0	0	175	No monthly forecast variances reported.
	Procurement	0	0	0	0	0	0	No monthly forecast variances reported.
	<b>Total : Democracy &amp; Governance</b>	1,985	41	2,026	19	19	2,045	

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

Service : Budget Owner :	<b>Regeneration &amp; Development</b>  <b>Jane Custance</b>	Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
		£000's	£000's	£000's	£000's	£000's	£000's	
	Commercial Projects (property portfolio)	(5,297)	108	(5,189)	440	440	(4,749)	Loss of commercial rent predominantly from Intu and Cardiff Road properties.
	Development Section	1,105	0	1,105	0	0	1,105	No monthly forecast variances reported.
	Transport and Infrastructure	2,196	0	2,196	0	0	2,196	No monthly forecast variances reported.
	Policy Team	658	0	658	0	0	658	No monthly forecast variances reported.
	Economic Development	30	0	30	0	0	30	No monthly forecast variances reported.
	<b>Total : Regeneration &amp; Development</b>	(1,308)	108	(1,200)	440	439	(760)	

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

Service : Budget Owner :	<b>Managing Director</b>		Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
			£000's	£000's	£000's	£000's	£000's	£000's	
	Corporate Management		1,017	0	1,017	0	0	1,017	No monthly forecast variances reported.
	<b>Total : Managing Director</b>		1,017	0	1,017	0	0	1,017	

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

Service : Budget Owner :	Human Resources		Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
	Cathy Watson		£000's	£000's	£000's	£000's	£000's	£000's	
	Human Resources Client		0	0	0	(87)	(87)	(87)	Savings in corporate training (£50k), deletion of post (£13k), and reduced costs of occupational health charges and absence management (£24k).
	HR Shared Service		0	40	40	0	0	40	No monthly forecast variances reported.
	<b>Total : Human Resources</b>		0	40	40	(87)	(87)	(47)	

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

Service : <b>Strategic Finance</b> Budget Owner : <b>Jo Wagstaffe</b>	Original Budget	Agreed Budget Change	Current Budget	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Comments regarding This Month's Forecast Variances
	£000's	£000's	£000's	£000's	£000's	£000's	
Finance and Resources	169	0	169	0	0	169	No monthly forecast variances reported.
Finance Services Client	163	0	163	0	0	163	No monthly forecast variances reported.
Revenues and Benefits Client	2,123	0	2,123	0	0	2,123	No monthly forecast variances reported.
Corporate Costs (including adjustments under statute)	(2,744)	0	(2,744)	0	0	(2,744)	No monthly forecast variances reported.
Finance Shared Service	0	0	0	0	0	0	No monthly forecast variances reported.
Revs and Bens Shared Service	0	0	0	0	0	0	No monthly forecast variances reported.
<b>Total : Strategic Finance</b>	(288)	0	(288)	0	0	(288)	



**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 3	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Total Forecast Variance as	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	1,981	801	0	801	0	0	0	801	0.0	No monthly forecast variances reported.
Community & Customer Services	3,316	3,451	20	3,471	0	0	0	3,471	0.0	No monthly forecast variances reported.
Democracy & Governance	1,643	1,535	0	1,535	0	0	0	1,535	0.0	No monthly forecast variances reported.
Regeneration & Development	2,294	2,528	0	2,528	0	0	0	2,528	0.0	No monthly forecast variances reported.
Managing Director	213	212	0	212	0	0	0	212	0.0	No monthly forecast variances reported.
Human Resources	1	16	0	16	0	(13)	(13)	3	(81.3)	Deletion of one post
Strategic Finance	25	(43)	0	(43)	0	0	0	(43)	0.0	No monthly forecast variances reported.
Consultancy	165	103	85	188	0	0	0	188	0.0	No monthly forecast variances reported.
<b>Total</b>	<b>9,638</b>	<b>8,603</b>	<b>105</b>	<b>8,708</b>	<b>0</b>	<b>(13)</b>	<b>(13)</b>	<b>8,695</b>	<b>(0.1)</b>	

**Table 4 - Key Financial Risk Areas (as at end of July 2014)**

Service Area	Original Budget	Current Budget	Forecast Variance to Period 3	Forecast Variance Period 4	Total Forecast Variance	Forecast Outturn	Variance	Comments
	£000's	£000's	£000's	£000's	£000's	£000's	%	
Commercial Rental Income (incl Miscellaneous and Parks & Leisure properties as well as Multi Storey Car Parks)	(4,381)	(4,381)	0	414	414	(3,967)	9.4	The Property Portfolio is monitored closely following the review carried out in February 2014. At the moment losses have arisen from Intu.
Housing Benefit Client :-								
Grant Income (incl Bad Debt cont'n)	(39,068)	(39,068)	0	0	0	(39,068)	0.0	High risk area due to customer demands on the service including claimant volumes as well as central government changes to benefit entitlements. No change at this stage.
Rent Allowance Payments	38,440	38,440	0	0	0	38,440	0.0	
Parks, Street & Waste Services (Net costs Re: Veolia outsourcing)	5,652	5,652	0	0	0	5,652	0.0	Regular meetings between the client monitoring team and operational representatives from Veolia Environmental Services are held to ensure the contract is being delivered as specified.

**Table 4 - Key Financial Risk Areas (as at end of July 2014) (continued)**

Service Area	Original Budget	Current Budget	Forecast Variance to Period 3	Forecast Variance Period 4	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 above the business rates baseline.
Development Control / Building Control and Land Charges Income	(574)	(574)	0	0	0	(574)	0.0	Officers continue to look at operational cost savings within this service area including the potential outsourcing of Building Control.
Homelessness Spend (net)	110	110	0	40	40	150	36.4	B&B expenditure is monitored regularly by the Housing Section Head in order to minimise the budgetary impact. However, the variance reported for the provision of emergency accommodation was unavoidable.
Investment Interest	(240)	(240)	0	0	0	(240)	0.0	Interest rates continue to be depressed in the short term.
Kerbside Recycling Income	(457)	(457)	0	0	0	(457)	0.0	The council retains the risk in recycling income post outsourcing.

## **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 Council held £31.9m of investments at 31st July 2014 of which £6.0m was a loan from Growing Places with regard the Watford Health Campus Partnership. The Council invested this loan with the Debt Management Office which guarantees full security of funds placed with them.

The performance of the Council's treasury management strategy for the period ending 31st July 2014 excluding the loan of £6.0m above shows an average annualised return on investments of 0.63% against a benchmark rate of 0.62%.

The forecast for interest receivable remains unchanged at £200k for 2014/15.

The current estimate of interest returns for 2014/15 is:

	<b><u>2014/15</u></b>
Best case	0.70 %
Central case	0.62 %
Worst case	0.50 %

## 2.2

**Creditor Payment Monitoring @ Period 4 (July 2014)**

The Council paid 97.35% 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 97.95% (cumulative figure is 98.50%) against a target of 90%.

**Creditor Payment Monitoring Statistics By Service Area**

<b>Service Area</b>	<b>Total Undisputed Invoices</b>	<b>Late Payments</b>	<b>Payments On Time</b>	<b>% Payments On Time (This Month)</b>	<b>% Payments On Time (Yr to date)</b>
Corporate Strategy & Client Services	35	0	35	100.00	95.24
Community & Customer Services	110	2	108	98.18	99.24
Democracy & Governance	115	0	115	100.00	97.82
Regeneration & Development	223	12	211	94.62	98.90
Managing Director	4	0	4	100.00	91.67
Shared Services	42	0	42	100.00	100.00
<b>Total</b>	<b>529</b>	<b>14</b>	<b>515</b>	<b>97.35</b>	<b>98.46</b>

**Cumulative Percentages of Payments Made On Time**

<b>Month</b>	<b>2013/14 Actual %</b>	<b>2014/15 Actual %</b>
April	96.22	99.42
May	95.91	98.79
June	95.94	98.46
July	95.61	98.19
August	96.21	
September	96.54	
October	96.53	
November	96.76	
December	96.89	
January	96.82	
February	96.97	
March	97.09	

**2.3 Debtors Monitoring @ Period 4 (July 2014)**

Debtors monitoring statistics by service area is as follows :-

<b>Invoices Raised from 1st April 2014 to 31st July 2014</b>					
<b>Service Area</b>	<b>No. Invoices</b>	<b>Total Raised £</b>	<b>Collected £</b>	<b>Outstanding</b>	
				<b>£</b>	<b>%</b>
Corporate Strategy & Client Services	4	958,381	958,381	0	0.00
Community & Customer Services	252	343,368	322,384	20,984	6.11
Democracy & Governance	5	9,881	8,881	1,000	10.12
Regeneration & Development	1,836	5,005,520	4,545,623	459,897	9.19
Managing Director	8	20,298	16,878	3,420	16.85
Human Resources	7	12,528	12,472	56	0.45
Strategic Finance	144	1,157,744	1,156,759	985	0.09
<b>Total</b>	<b>2,256</b>	<b>7,507,720</b>	<b>7,021,378</b>	<b>486,342</b>	<b>6.48</b>

## 2.4

**Council Tax and NNDR Collection Rates**

Reference	Description													
<b>RB 1</b>	<b>Council Tax Collection</b>													
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	95.5	11.0	19.9	28.5	37.4	46.2	55.0	64.4	73.1	82.0	90.1	93.4	95.5
	2013/14 Actual	95.5	11.0	19.9	28.5	37.4	46.2	55.0	64.4	73.1	82.0	90.1	93.4	95.5
	2014/15 Actual		11.0	20.2	29.0	38.3								
	Target Achieved?		☺	☺	☺	☺								
	Direction of Travel		↔	↑	↑	↑								
Comment on Performance														

Reference	Description													
<b>RB 2</b>	<b>NNDR Collection</b>													
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	97.3	13.3	23.9	32.4	42.3	51.4	60.0	70.4	80.1	87.6	93.8	96.4	97.3
	2013/14 Actual	97.3	13.3	23.9	32.4	42.3	51.4	60.0	70.4	80.1	87.6	93.8	96.4	97.3
	2014/15 Actual		10.6	21.1	32.0	41.5								
	Target Achieved?		☹	☹	☹	☹								
	Direction of Travel		↓	↓	↓	↓								
Comment on Performance														

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