



**WATFORD
BOROUGH
COUNCIL**

BUDGET PANEL

13 September 2017

7.00 pm

Town Hall, Watford

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For information about attending meetings please visit the [council's website](#).

Publication date: 5 September 2017

Committee Membership

Councillor Asif Khan (Chair)

Councillor M Hofman (Vice-Chair)

Councillors N Bell, A Dychton, J Fahmy, R Martins, M Parker, G Saffery and N Shah

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 27 June 2017 to be submitted and signed.

4. Training: Process for setting the budget for 2018/19 and Medium Term Financial Strategy for 2020/21

Presentation by the Head of Finance

5. Finance Digest 2017/18 (Q1) (Pages 4 - 36)

The Finance Digest 2017/18: Quarter 1 is attached for councillors to review

6. Exclusion of press and public

The Chair to move: that, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the item there would be disclosure to them of exempt information as defined in Section 100(1) of the Act for the reasons stated below in terms of Schedule 12A.

Note: if approved, the Chair will ask members of the press and public to leave the meeting at this point.

7. Presentation on Property Investment Board activities

Presentation by the Regeneration and Property Section Head

This presentation will be considered Part B in accordance with paragraph 3 Part 1 Schedule 12A as the information contained relates to the financial and business affairs of the council.



FINANCE DIGEST

2017/18

BUDGET MONITORING



Quarter 1 (as at 30 June)



A table of contents is shown below together with the appropriate page number.

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Executive Summary

The budget of **£14.262 million** for 2017/18 was approved by Council on 24 January 2017. The latest budget of **£15.465 million**, which includes approved budget carry forwards from 2016/17 and additional spend from reserves both of which were approved by Cabinet on 3 July 2017.

This Finance Digest shows the expected financial position (forecast outturn) for the current financial year based on the Council's actual financial performance at the end of Quarter 1 (June) 2017 set against the latest budget. Trend analysis for comparisons with previous years is not available due to the restructure of services in 2017/18.

Revenue summary

The 2017/18 forecast outturn is **£15.851 million**, which gives an unfavourable variance of **£0.386 million** when compared to the latest budget. This variance is due to the following:-

<u>Variance</u>	<u>£ 000</u>
Increase in ICT costs for the year	287
Increased income from planning application fees	(120)
Revision of overestimated rental income	246
Other smaller variances (individual >£20,000)	(27)
Total service variance Period 3	386

The in-year annual budget is revised in January and it is anticipated that any variances will be managed through reserves. It is expected that the current variance will be met from the following reserves:

<u>Reserve</u>	<u>£ 000</u>
Economic Impact reserve	(386)
Total	(386)

The table below shows a summary of the Council's revised use of contribution from reserves for 2017/18.

<u>Medium Term Financial Strategy</u>	<u>2017/18</u> <u>£ 000</u>
Latest Budget (including carry forwards)	15,465
Variances this period (see appendix 1A)	386
Forecast Outturn	15,851
Funding (income from business rates, grants and council tax)	(13,629)
Budgeted use of reserves	(1,836)
Additional contribution to / (from) reserves	(386)
Total funding and use of reserves	(15,851)

Capital summary

The 2017/18 capital budget is £41.719 million. Services are forecasting an outturn position of £42.001 million resulting in a variance of £0.282 million. The programme is funded as per the table below:

<u>Medium Term Financial Strategy</u>	<u>2017/18</u> <u>£ 000</u>
Latest Budget (including rephased schemes from 2016/17)	41,719
Variances this period (see appendix 3)	282
Forecast Outturn	42,001
<u>Funding the capital programme</u>	
Grants & contributions, S106 & CIL	(1,810)
Reserves	(4,888)
Capital Receipts	(14,183)
Internal Borrowing	(21,120)
Total Funding	(42,001)

Reserves

The potential effect of both the revenue and capital variances upon on each reserve is shown in the table below. A full list of reserve balances is shown at **Appendix 9**.

Description	Balance at 1 April	Agreed use of Reserves	Previously reported Movement	Reported Movement this period	Total	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000
Capital Reserves	(19,181)	7,646	0	282	7,928	(11,253)
Earmarked Reserves	(9,475)	1,710	0	386	2,096	(7,379)
General Fund	(1,350)	0	0	0	0	(1,350)
Total	(30,006)	9,356	0	668	10,024	(19,982)

1.0 Revenue Budget

1.1 Budget monitoring report is a key tool in scrutinising the Council's financial performance and is designed to provide an overview to all relevant stakeholders. It is essential that the council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives within its resource limits and, where necessary, corrective action is taken. A key principle of budgetary control is to align the budget holders' financial responsibilities and their management responsibilities.

1.2 The latest budget is **£15.465 million**. The services' prediction of forecast outturn is now estimated to be **£15.851 million** which results in an unfavourable service variance of **£0.386 million**.

1.3 The table below compares the latest budget to the forecast outturn and shows the variance against each service. It also shows the current actual spend to date (as at 30 June). The figures in the table relate to direct costs and incomes for each service.

Revenue Account 2017/18			
Service Area	Latest Budget	Forecast Outturn	Variance
	£000	£000	£000
Service Transformation	2,188	2,481	293
Community & Environmental	9,299	9,299	0
Democracy & Governance	3,193	3,193	0
Place Shaping & Performance	(4,405)	(4,312)	93
Corporate Strategy & Communications	1,032	1,032	0
Human Resources	581	581	0
Strategic Finance	3,577	3,577	0
Net Expenditure	15,465	15,851	386

1.4 The detail of comparing the forecast outturn to the latest budget, together with an explanation for the variance by service is shown at **Appendix 1**. Services with significant forecast outturn variances have provided the narratives below:

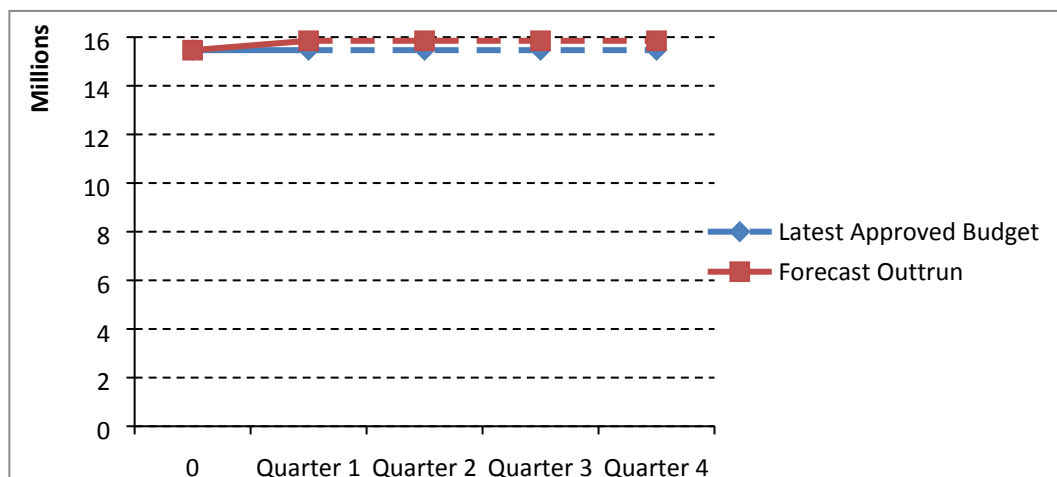
Service Transformation

1.4.1 There is an increase in ICT costs of £478,000 which is mainly due to additional staffing costs. The net cost to WBC is likely to be £286,800 with £191,200 to be charged to TRDC as part of shared service cost (subject to confirmation). Additional spend above the approved budget of £6,000 is required for the maintenance costs of the 'EROS' elections system.

Place shaping & Performance

1.4.2 Net decrease in rental income of £196,200, as detailed in Appendix 1. The Council has received additional income of £120,000 from some large planning application receipts. There is also an ongoing cost for annual software support of £17,385 for Atrium property management system.

- 1.5 The latest budget and forecast outturn for the current financial year (2017/18) at the end of June are plotted on the graph below;



Spend to Date and Profiles

- 1.6 To enable further scrutiny of the Council’s financial position, budgets are profiled to allow comparisons to be made between the actual spend/income against expected spend/income to date. This helps to inform if the Council’s spending plans are on track.
- 1.7 The table below compares the profiled budget to date to the actual net expenditure to date and the variance between the two for each service for Quarter 1.
- 1.8 The spend to date equates to approximately 27% of the Council’s net expenditure budget. The Council’s ledger holds profiles for budget account codes. These are set to twelfths as a default but can be adjusted to take account of different profiles or known spikes – eg: seasonal variations. Services control their own profiles.

Service Area	Profiled Budget £000	Spend Q1 £000	Variance £000
Service Transformation	668	685	17
Community & Environmental	1,694	1,657	(37)
Democracy & Governance	713	656	(57)
Place Shaping & Performance	(1,679)	(1,300)	379
Corporate Strategy & Comms	224	235	11
Human Resources	216	216	0
Strategic Finance	1,875	2,087	212
Net Expenditure	3,711	4,236	525

- 1.9 The reasons for the **significant** variances (over £50k or those deemed to be of interest to the Panel) against profile are shown below.

Service Transformation

- 1.9.1 Customer Services and Service Transformation are £34k under profile, this is due to a combination of timing difference of spend and receipt of invoices. ICT Services shows a £46k overspend against profile which relates to increased staffing costs. This will continue in the current year and the full affect is shown above at paragraph 1.4.1. and in Appendix 1a.

Community & Environmental

- 1.9.2 The budget and profile for Leisure services does not include the amount owed from SLM for the backdated discretionary rate relief identified in 2016/17. A provision of £410k was provided for this in the current year's accounts and this will be offset when the actual income is received from SLM throughout the year. This is a statutory accounting adjustment to ensure compliance with accrual accounting and will create a distortion of the actual spend/income to date when compared with the profile – this will reconcile throughout the year.

There is a favourable variance of £168k on Environmental Health & Licensing which is mainly due to grant income received from HCC for environmental projects; this income will need to be budgeted for along with a matching expenditure budget, which once done will even up the profile. Also included is the receipt of taxi licences income that relate to future years and officers are progressing an accounting solution to deal with this income in advance.

Democracy & Governance

- 1.9.3 The variance concerning buildings and projects of £46k relates to lower spending on property maintenance which is due to resources being diverted to the Town Hall project.

Place Shaping & Performance

- 1.9.4 The management of commercial properties has been outsourced to Lambert Smith Hampton (LSH); the variance in income on Investment assets is due to a timing difference between the invoicing and collection by LSH and then the transfer of those receipts to the Council. Income of £733k for the first quarter (April- June) was received in July.

There was an increase of £156k in planning application fee (Development Section) income against profile. The magnitude and volume of planning applications is difficult to predict throughout the year and as a default the budget is profiled in twelfths. The Council has received fees for some large applications in the first quarter resulting in an estimated favourable variance of £120k for the year (see Appendix 1A).

There is a variance on the Transport & Infrastructure service of £141k due to invoices for parking services supplied to Three Rivers DC and Dacorum BC of for quarter 1 (April – June) not raised until July.

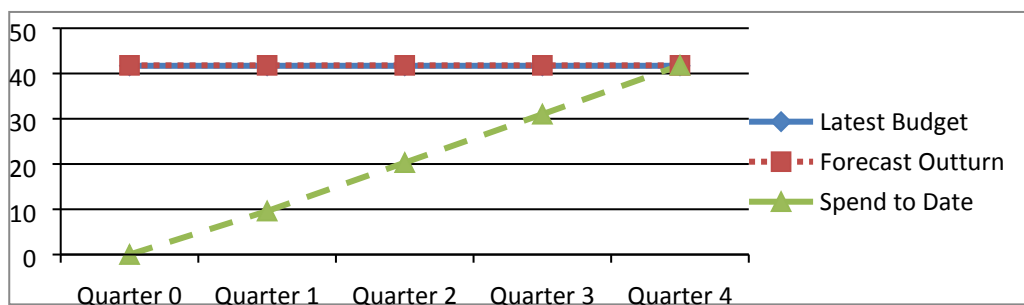
The variance on the Policy Team primarily relates to the unbudgeted grant of £224k received from the Housing & Communities Agency towards the Watford junction project. This is not treated as additional income as it will be matched by expenditure throughout the year.

Strategic Finance

- 1.9.5 There is a timing difference between housing benefits awards and the reimbursement from central government, which results in an unfavourable of £208k. Members should note that the budgeted spend on this service is £39.900 million.

2.0 Capital Programme

- 2.1 The Council has an approved capital investment programme that is designed to support the core services. The original capital programme for 2017/18 (as approved by Council in January 2017) was **£24.668 million**. Following re-phasing from 2016/17 which was approved by Cabinet on 3 July 2017, the latest budget is **£41.719 million**.
- 2.2 The forecast outturn is estimated to be **£42.001 million** which is **£0.281 million** higher than the latest budget. This is mainly due to the cost of upgrading the finance management systems of the Council to allow them to remain operational and supported. There is an increased cost on the Town Hall refurbishment project of £180,000 mainly due to the refit of the server room.
- 2.3 The Council's medium term capital investment programme for 2017-2021 is shown at summary level in **Appendix 2** and by each scheme at **Appendix 3**, together with an update on each scheme.
- 2.4 As at end of June services have spent **£9.664 million** against the latest budget of £41.719 million, which represents 23% of this budget. Of the total spend to date; £8.795 million relates to the property purchases.
- 2.5 The graph below shows the Council's latest budget, the forecast outturn and the actual spend to date for the current financial year (2017/18). The expenditure to date has been extrapolated (dashed line) to show it meeting the forecast position.



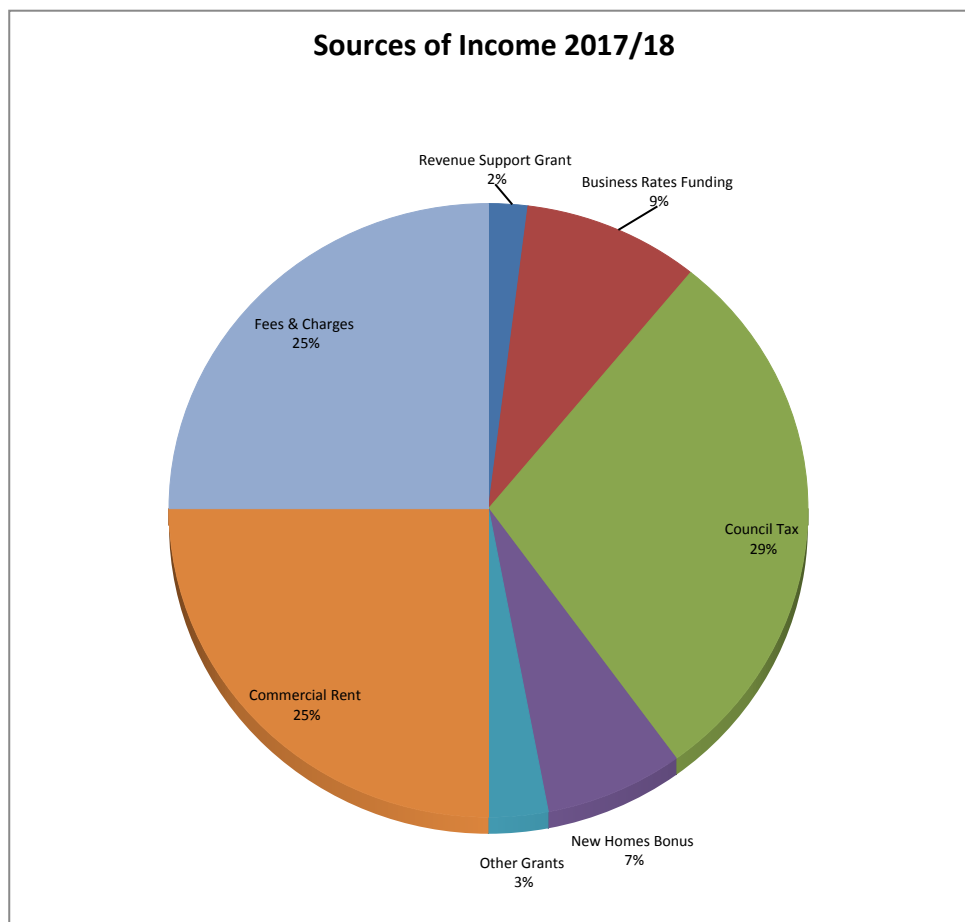
Funding the Approved Capital Programme

- 2.6 The capital programme is mainly supported by three income streams; capital receipts (derived from the sales of assets), grants and contributions, and the use of reserves. Services can also make a contribution to capital from surplus revenue funds if needed. In addition the Council may borrow to fund its capital programme. Borrowing maybe required for 2018/19, although it is anticipated that this will be funded from internal cash resources. Any decision on borrowing will be taken if and when the need arises.
- 2.7 The largest source of funding is from the capital receipts reserve which has accumulated over the years by the disposal of the Council’s surplus assets.
- 2.8 The table below shows the forecasted position of the capital receipts reserve as it supports the capital spending. The details of each funding stream are shown at **Appendix 4**.

Capital Receipts Reserve	2017/18 £000
Balance at 1 April 2017	11,967
In Year Receipts	10,421
Used to Finance Capital Spend	(14,183)
Balance at 31 March 2018	8,205

3.0 Council Income

- 3.1 In providing its services to the public, the Council receives income from the Government, its local tax payers, customers who pay for using chargeable Council services and income from commercial rents and investments.
- 3.2 The total of all these sources of income for 2017/18 is £28.548 million. The three biggest sources of income are council tax, commercial property rents and service fees and charges. It should be noted that although the Council will receive £0.565 million in Revenue Support Grant for 2017/18 this will reduce to zero by 2019/20.
- 3.3 The chart below shows the percentage of the total amount of income for each source of income.



3.4 The table below shows the current figures for the significant sources of service income.

Department	Income Stream	Latest Budget 2017/18	Forecast 2017/18	Profiled budget (Q1)	Actuals to date (Q1)	Comments on Actuals to Profile
		£	£	£	£	
Place Shaping & Performance	Rent <i>Rents form commercial property including Intu as well as rental income from multi storey car parks.</i>	7,890,593	7,709,123	1,888,888	1,155,206	Timing difference in transfer from rents payable by LSH to WBC
	Car Parking <i>Income relates to the Council's surface car parks as well as the Parking Shop</i>	1,609,900	1,609,900	264,975	255,999	On target

	Development Section <i>Income from planning applications, building control and land charges</i>	892,900	1,012,900	223,225	495,464	Increase in application fees for Q1 due to some larger applications. The forecast reflects this change
Community & Environmental	Environmental Health & Licensing <i>Income from all Licensing activities including hackney Carriage (taxis), pest control and fixed penalty notices for environmental crime.</i>	441,750	441,750	90,939	148,539	Certain Licence income has been received which covers a number of years and will be allocated to future years at year end.

Debtors (invoicing)

- 3.5 The Council charges its customers for various services by raising a debtor invoice. The customer is given 21 days to pay and unless there is a dispute, a reminder is issued. If the debt remains outstanding, then a variety of recovery methods are employed including: rearranging the payment terms; stopping the provision of the service or pursuing the debt through legal recovery processes.
- 3.6 As at the 30 June 2017 the total outstanding value of debt was **£1.748 million** of which £1.313 million (75%) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.261 million and equates to fifteen per cent of the total. The table below shows a summary of the outstanding debt by the three main aged categories and further detail can be found at **Appendix 5**.

Aged Debtors At the end of June	Under 1 Month	Over 1 month to Year	Over a Year	Total
Service	£	£	£	£
Community & Environmental	67,324	30,666	42,344	140,334
Democracy & Governance	240	0	3,176	3,416
Place Shaping & Performance	724,957	37,088	215,406	977,451
Corporate Strategy & Comms	1,051	2,298	0	3,349
Human Resources	56	3,439	0	3,495
Strategic Finance	519,388	100,167	0	619,555
Total	1,313,016	173,658	260,927	1,747,601

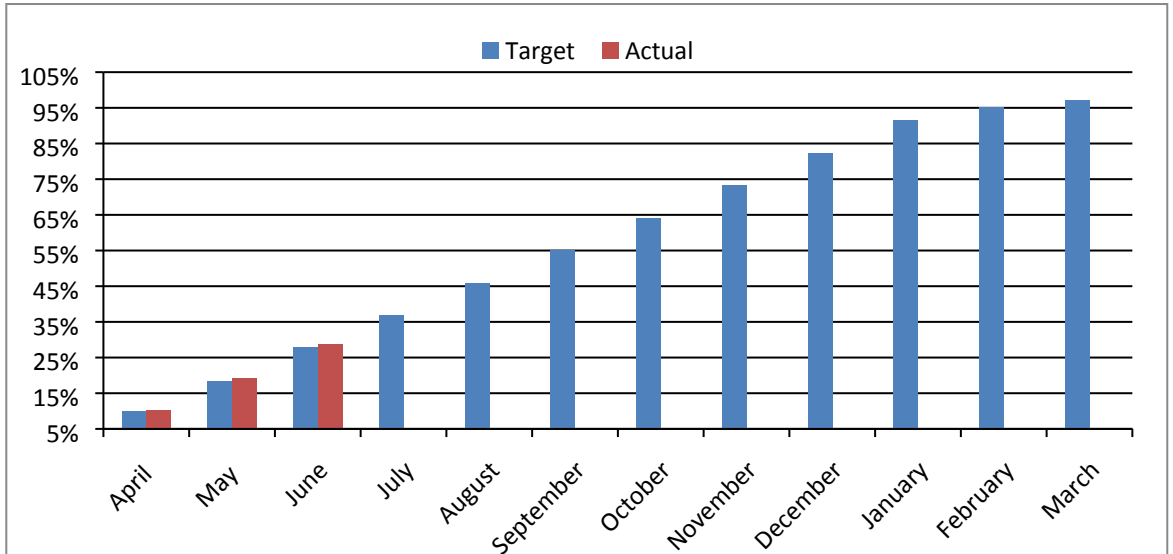
- 3.7 The main debts over 12 months old relate to temporary accommodation charges and Watford Indoor Bowls Club – this is being discussed with the club.

Council Tax and Business Rates Collection

Council Tax Collection

3.8

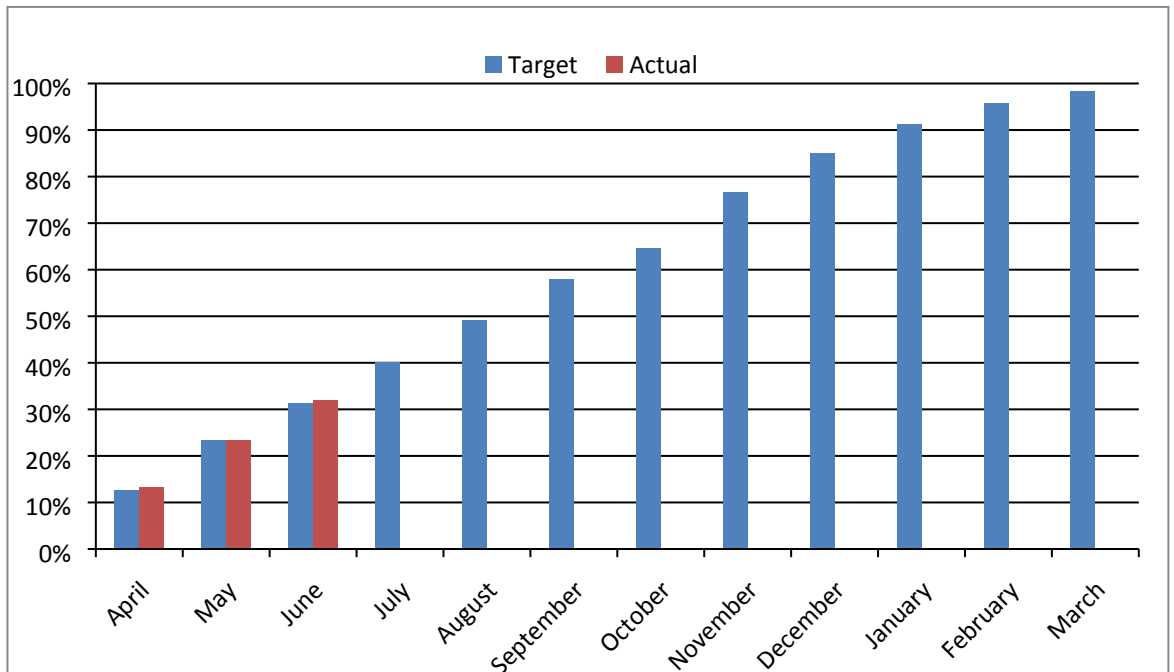
The Council's performance in the collection of **Council Tax** can be seen in the following chart. It shows the collection % to date along with the target for the year. The actual income collected as at 30 June 2017 is 28.6 % of the annual target which is above the profiled target of 27.8%. Further information can be found at **Appendix 6**.



Business Rates Collection

3.9

The Council's performance for **business rates** collection is shown in the following chart. The actual income collected as at 30 June 2107 is 32.0% of the annual target which is just below the profiled target of 31.2%. Further information can also be found at **Appendix 6**.



4.0 Treasury Management

4.1

The interest earned on the investments made by the Council supports the funding of the services it provides. The target rate of earning interest rate is 0.37%. Up to the end of June, the average annualised interest rate earned on investments was 0.34%. This is due to having to hold large amounts of funds on call pending property investments.

4.2 The Council set a budget of **£220,000** on investment interest for 2017/18. The amount earned up to the end of June was **£27,454**.

4.3 Future returns are likely to reduce as large sums previously invested will be released to support the Council’s major capital projects. Furthermore with the bank base rate at its historic low it will mean that any sums invested now will be at the lower rates.

5.0 Key Risk Areas

5.1 Resources are allocated in the revenue and capital budgets to support the achievement of the Council’s corporate plan. The Council’s budget is exposed to risks that can potentially impact on service level provision. The key financial risks are shown at **Appendix 7** together with a risk matrix that shows the likelihood and impact of each risk if they were to materialise.

5.2 Particular service areas of risk are monitored monthly; these are predominantly income generating where demand for a particular service can fluctuate depending on the economic climate, popularity and affordability i.e. planning fees.

5.3 The main 3 risks that are considered the most critical and their financial position are shown in the table below. The latest position of all the key risks is shown in **Appendix 8**.

Risk Area	Latest Budget	Forecast Outturn	Variance	Comment
	£000	£000	£000	
Temporary Accommodation	390	390	0	On target as per current activity levels
Development Control Fees	(520)	(640)	(120)	Increase in planning fees due to a few large applications in quarter 1.
Commercial Rent	(7,538)	(7,342)	196	Adjustment to reflect over-estimation of rent at budget setting.

Report prepared by: Pritesh Shah – Finance Manager

Report reviewed by: Bob Watson – Head of Finance

Background Papers

2016/17 Outturn report

Budget returns from Heads of Service

Budget Report ‘Financial Planning’ 2017-2020

APPENDICES

Appendix 1 Revenue Summary – By Service and explanations

Appendix 2 Capital Programme (2017/18) Summary

Appendix 3 Capital Programme (2017/18) Detail

Appendix 4	Capital Funding
Appendix 5	Aged Debtor Analysis
Appendix 6	Collection Rates for Council Tax & Business Rates
Appendix 7	Key Financial & Budgetary Risks
Appendix 8	Key Service Budget Risks
Appendix 9	Reserves
Appendix 10	Glossary of terms

REVENUE SERVICES – FINANCIAL POSITION AT QUARTER 1

Service Area	Budgets & Forecast at 30 June P3			Actuals compared to profiled budget at 30 June P3		
	Latest Budget	Forecast Outturn	Variance	Latest Budget profiled	Actual	Variance
	£	£	£	£	£	£
Service Transformation						
Customer Services	889,880	889,880	0	220,845	202,589	-18,256
ICT Services	880,250	1,173,050	292,800	358,907	410,056	51,149
Service Transformation	418,227	418,227	0	88,557	72,804	-15,753
Totals - Service Transformation	2,188,357	2,481,157	292,800	668,309	685,449	17,140
Community & Environmental						
Corporate Services & Client Support	0	0	0	0	4	4
Contract Monitoring	440,840	440,840	0	580,211	587,158	6,947
Parks And Open Spaces	1,292,240	1,292,240	0	35,895	19,285	-16,610
Leisure	532,746	532,746	0	169,448	348,259	178,811
Environmental Hlth & Licensing	1,463,470	1,463,470	0	325,157	156,767	-168,390
Culture & Play	905,201	905,201	0	198,974	177,802	-21,172
Street Cleansing	1,827,770	1,827,770	0	3,859	603	-3,256
Trading Operations	35,227	35,227	0	0	-4,713	-4,713
Waste And Recycling	2,041,420	2,041,420	0	191,516	182,904	-8,612
Totals - Community & Customer Service	9,299,574	9,299,574	0	1,693,977	1,656,919	-37,058
Democracy & Governance						
Legal And Democratic	1,809,990	1,809,990	0	219,236	193,210	-26,026
Buildings And Projects	1,354,415	1,354,415	0	486,732	445,593	-41,139
Procurement	28,420	28,420	0	7,105	16,710	9,605
Totals - Democracy & Governance	3,192,825	3,192,825	0	713,073	655,513	-57,560

	Budgets & Forecast at 30 June P3			Actuals compared to profiled budget at 30 June P3		
Service Area	Latest Budget	Forecast Outturn	Variance	Latest Budget profiled	Actual	Variance
	£	£	£	£	£	£
Place Shaping & Performance						
Housing	1,700,760	1,700,760	0	-68,604	-93,125	-24,521
Property Management	423,373	441,028	17,655	-302,537	-242,464	60,073
Investment Assets Outsourced	-7,539,898	-7,343,695	196,203	-1,799,653	-1,083,613	716,040
Operational Assets - Owner Occupied	-242,545	-258,278	-15,733	-60,354	-51,082	9,272
Community Assets	-15,820	-20,530	-4,710	-3,957	-4,475	-518
Development Section	403,890	283,890	-120,000	100,972	-154,924	-255,896
Transport And Infrastructure	341,320	361,320	20,000	327,076	468,925	141,849
Policy Team	523,420	523,420	0	127,262	-138,971	-266,233
Totals - Place Shaping & Performance	-4,405,500	-4,312,085	93,415	-1,679,795	-1,299,728	380,067
Corporate Strategy & Comms						
Corporate Management	390,191	390,191	0	62,248	63,470	1,222
Partnerships & Performance	641,550	641,550	0	162,015	172,132	10,117
Totals - Corporate Strategy & Comms	1,031,741	1,031,741	0	224,263	235,602	11,339
Human Resources						
Human Resources Client	94,770	94,770	0	23,692	31,366	7,674
HR Shared Service	486,150	486,150	0	192,255	184,365	-7,890
Totals - Human Resources	580,920	580,920	0	215,947	215,730	-217
Strategic Finance						
Finance & Resources	226,520	226,520	0	25,105	18,747	-6,358
Finance Services Client	842,640	842,640	0	104,469	114,503	10,034
Revenues And Benefits Client	1,140,600	1,140,600	0	-133,448	74,577	208,025
Corporate Costs	1,367,263	1,367,263	-0	1,879,471	1,878,861	-610
Totals - Strategic Finance	3,577,023	3,577,023	-0	1,875,597	2,086,687	211,090
GRAND TOTALS	15,464,940	15,851,155	386,215	3,711,371	4,236,172	524,801

Explanation of Revenue Variance Reported for Period 3 (June) 2017/18

Service Area	Description	Details of Changes Reported	£
Service Transformation	ICT	Increased cost in agency staff for service delivery of £492K. Additional cost of hardware purchase & repairs & maintenance of £42K. Savings on private contractor costs of £56K. Income from TRDC for (40%) increase in cost of service delivery - £191.2K. Service delivery recovery costs are yet to be agreed with TRDC.	286,800
		Additional cost related to Election systems maintenance (EROS) which are expected to be higher than than the original allocated budget.	6,000
		TOTAL	292,800
Place Shaping & Performance	CCTV	Additional security monitoring cost due to addon time of cameras	10,000
	Implementation Team	Emergency repair work to parts of the public carriage way owned by the Council	10,000
	Development Control	Additional income due to a few large planning applications received in Q1	(120,000)
	Valuation & Estates Group	Software licence costs for the property management system - Atrium	17,385
		Overestimation of rental income on Charter place	246,000
		Additional rental income from car parking - Faraday rd, Occupation rd Garage site	(53,000)
		Other Variances	(16,970)
		TOTAL	93,415
		GRAND TOTAL	386,215

CAPITAL INVESTMENT PROGRAMME – SUMMARY

Service Area	Service Provision	Latest Budget 2017/18 £	Actual to date £	Latest Budget 2018/19 £	Latest Budget 2019/20 £	Latest Budget 2020/21 £
Service Transformation	Customer Services	167,477	16,248	0	0	0
	ICT Shared Services	598,754	2,840	210,000	210,000	210,000
	ICT Client Services	618,118	27,361	320,000	320,000	320,000
Community & Environmental	Waste & Recycling (inc Veolia)	94,250	0	435,505	96,810	96,810
	Parks & Open Spaces	3,644,735	547,546	2,015,000	265,000	265,000
	Cemeteries	0	0	250,000	0	0
	Leisure & Play	864,335	154,429	20,000	0	0
	Culture & Heritage	375,011	0	350,000	0	0
	Environmental Health	154,867	1,511	100,000	100,000	100,000
Democracy & Governance	Buildings & Projects	1,080,000	120,767	650,243	400,000	400,000
Place Shaping & Performance	Watford Business Park	4,835,783	494,255	4,872,425	0	0
	Watford Riverwell	9,916,785	2,070,391	8,398,000	9,865,000	8,304,000
	Housing	8,931,531	358,899	2,125,000	2,050,000	50,000
	Transport & Infrastructure	425,871	9,814	250,000	0	0
	Development Control	47,021	2,633	50,000	0	0
	Property Investment Board	9,288,866	5,859,498	0	0	0
Strategic Finance	Capital Support Services	675,470	(2,279)	677,470	679,470	679,470
	Business Systems	0	0	0	0	0
TOTAL CAPITAL PROGRAMME		41,718,874	9,663,914	20,723,643	13,986,280	10,425,280

CAPITAL INVESTMENT PROGRAMME – DETAIL

Capital Scheme	Latest Budget 2017/18	Forecast Outturn	Forecast Variance	Actual to date	Scheme Update
	£	£	£	£	
SERVICE TRANSFORMATION					
Customer Services					
CSI Project	167,477	167,477	0	16,248	
ICT Shared Services					
ShS-Business Application Upgrade	354,314	354,314	0	(51,063)	Contractor provisions & commitments set aside in 2016/17 yet to be paid.
ShS-ICT Modernisation	123,629	123,629	0	53,903	
ShS-Hardware Replacement Programme	120,811	120,811	0	0	
ICT Client Services					
ICT-Hardware Replacement Programme	332,992	397,992	65,000	27,361	Re-aligned ICT core infrastructure costs for WBC.
ICT-Project Management Provision	285,126	220,126	(65,000)	0	
COMMUNITY & ENVIRONMENTAL					
Waste & Recycling (inc Veolia)					
Veolia Capital Improvements	94,250	94,250	0	0	
Parks & Open Spaces					
Allotments & Parks Upgrades	0	0	0	7,816	
Farm Terrace Allotments	0	0	0	(86,231)	Contractor provisions & commitments set aside in 2016/17 yet to be paid.
Green Spaces Strategy	175,344	175,344	0	10,833	
Colne River Project	4,166	4,166	0	0	
Local Nature Reserves	6,090	6,090	0	0	
Cassiobury Park HLF Project	1,219,135	1,219,135	0	487,041	
Cassiobury Dev't (Fullerians)	200,000	200,000	0	0	
Oxhey Park North Enhancements	25,000	25,000	0	0	
Oxhey Park North	2,000,000	2,000,000	0	128,087	
Tree Planting Programme	15,000	15,000	0	0	

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
Leisure & Play					
Play Review	478,836	478,836	0	185,217	
Gaelic Football Relocation	0	0	0	(30,788)	Contractor provisions & commitments set aside in 2016/17 yet to be paid.
Ridgehurst Avenue Play Area	10,499	10,499	0	0	
Tennis Courts Enhancement	225,000	225,000	0	0	
Cassiobury Park Play Area	150,000	150,000	0	0	
Culture & Heritage					
Watford Museum HLF Matchfunding	125,000	125,000	0	0	
Improvements Community Centres	59,160	59,160	0	0	
Cultural Quarter Phase 1	140,851	140,851	0	0	
Little Cassiobury Match Funding	50,000	50,000	0	0	
Environmental Health					
ICT-Env Health	5,500	5,500	0	0	
Decent Homes Assistance	149,367	149,367	0	1,511	
DEMOCRACY & GOVERNANCE					
Buildings & Projects					
MP19-6 Town Hall Redevelopment	80,000	80,000	0	81,050	
Building Investment Programme	1,000,000	1,180,000	180,000	39,717	Additional spend connected with Town Hall accommodation review including £150k on IT Server Room.

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
PLACE SHAPING & PERFORMANCE					
Watford Business Park					
Watford Business Park	4,835,783	4,835,783	0	494,255	
Watford Riverwell					
Garages Project (incl Parking)	11,163	11,163	0	0	
Campus-Client Side & Land Assembly	164,565	164,565	0	28,334	
Campus-Ind Zone South	1,575,000	1,575,000	0	0	
Campus-Ind Zone South (Loan)	2,042,057	2,042,057	0	2,042,057	
Campus-Willow Lane (Phase 1)	1,335,000	1,335,000	0	0	
Campus-Riverside East (Phase 2)	1,688,000	1,688,000	0	0	
Campus-Riverside C'tral (Phase 3)	2,325,000	2,325,000	0	0	
Campus-Riverside West (Phase 4)	776,000	776,000	0	0	
Housing					
Private Sector Stock Condition	108,800	108,800	0	0	
Retained Housing Stock	192,104	192,104	0	49,471	
Mandatory Disabled Facilities Grant	555,627	600,485	44,858	88,437	Service transfer to Herts Home Improvement Agency at end of March 2018. Variance supported by funding from Herts CC.
Modular Temporary Accommodation	2,000,000	2,000,000	0	220,991	
Loan to HHW	6,075,000	6,075,000	0	0	
Transport & Infrastructure					
Town Hall Subway CCTV	0	0	0	(2,338)	Contractor provisions & commitments set aside in 2016/17 yet to be paid.
Clarendon Road Streetscape Improvem	18,000	18,000	0	0	
Intro Electric Vehicle Charging	31,182	31,182	0	4,624	
Pop Up Toilets Refurbishment	30,000	0	(30,000)	0	Budget no longer required.
Town Centre CCTV Camera Replacement	0	0	0	(1,850)	Contractor provisions & commitments set aside in 2016/17 yet to be paid.
High Street Enhancement	250,000	250,000	0	0	
Upgrading/Resurfacing Car Parks	14,573	14,573	0	10,000	
Match Funding Capital Projects	73,116	73,116	0	8,378	
Cassiobury Park Cycle Route	0	0	0	(9,000)	Contractor provisions & commitments set aside in 2016/17 yet to be paid.
Goodwood Parade Enhancement Project	9,000	9,000	0	0	

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
Development Control			0		
New Market	17,021	17,021	0	2,161	
Non PIB-Strategy & Programme Disposal	0	0	0	472	
CIL Review	30,000	30,000	0	0	
Property Investment Board					
PIB Investment Strategy	9,288,866	9,288,866	0	5,859,498	See Memorandum Item below
STRATEGIC FINANCE					
Capital Support Services					
Support Services	552,470	552,470	0	0	Recharges carried out at year end.
Major Projects - FBP and QS	123,000	123,000	0	(2,279)	
Business Systems					
Financial Systems Upgrade	0	87,000	87,000	0	Upgrade requirements to business systems.
TOTAL CAPITAL PROGRAMME	41,718,874	42,000,732	281,858	9,663,914	
MEMORANDUM ITEM					
Property Investment Board					
PIB-Strategy & Programme Disposal	0	0	0	1,755	Utilisation of property opportunities identified to maximise investment returns through acquisition and development.
Parkhouse Interchange	9,288,866	0	(9,288,866)	0	
Coleshill Ind Estate (Units 14-22)	0	5,841,000	5,841,000	5,841,076	
120-122 Exchange Road	0	0	0	16,667	
Coleshill Ind Estate (Units 10-13)	0	3,447,866	3,447,866	0	
Total	9,288,866	9,288,866	0	5,859,498	

CAPITAL INVESTMENT PROGRAMME – FUNDING

FUNDING TYPE	Forecast Outturn 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
Grants & Contributions	1,651,137	239,502	84,000	84,000
Reserves	4,887,753	536,400	0	0
Capital Receipts (non PIB)	14,182,919	19,544,741	13,902,280	10,341,280
Section 106 & CIL Contributions	159,000	20,000	0	0
Local Enterprise Partnership Loan	0	0	0	0
Internal Borrowing	21,119,923	383,000	0	0
TOTAL CAPITAL FUNDING APPLIED	42,000,732	20,723,643	13,986,280	10,425,280

CAPITAL BALANCES AFTER FUNDING THE APPROVED CAPITAL PROGRAMME

FUNDING TYPE	Forecast Outturn 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
Grants & Contributions	297,155	141,653	141,653	141,653
Reserves	912,537	376,137	376,137	376,137
Capital Receipts (Non PIB & PIB)	8,204,206	3,705,465	17,373,185	22,170,905
Section 106 & CIL Contributions	1,839,252	2,074,252	2,689,252	3,304,252
Sub Total	11,253,150	6,297,507	20,580,227	25,992,947
Internal Borrowing	(27,516,350)	(27,899,350)	(26,399,350)	(26,399,350)
TOTAL CAPITAL FUNDING AVAILABLE	(16,263,200)	(21,601,843)	(5,819,123)	(406,403)

AGED DEBT ANALYSIS




Invoices Outstanding from 1st July 2016 to 30th June 2017								
Service Area	Description	Invoices outstanding by age of debt						Grand Total
		0 - 1	2 - 3	4 - 6	7 - 9	10 - 12	Over 12	
Community & Environmental	Community	58,334	3,700	10,369	2,004	4,715	34,928	114,050
	Community and Customer Service	2,364	0	0	0	0	0	2,364
	Env Services-Premises Licence	5,282	710	6,022	2,368	680	3,952	19,014
	Community Services - Pitch Hire							0
	Environmental Health	1,343	0	98	0	0	3,465	4,907
Democracy and Governance	Democracy and Governance	240	0	0	0	0	3,176	3,416
Place, Shaping & Performance	Housing	13,307	0	0	0	0	1,689	14,996
	Property (exc. Commercial rent)	165,971	59	0	0	0	60	166,090
	Property - Commercial Rents	28,561	0	13,161	0	16,680	213,658	272,060
	Property - Garages	101	49	59	0	0	0	208
	Property - Parking Spaces	28	0	0	0	0	0	28
	Planning (exc. Inspection fees)	506,503	2,929	3,026	0	0	0	512,458
	Planning - Inspection Fees	10,486	430	696	0	0	0	11,611
Corporate Strategy & Comms	Corporate Service	1,051	18	2,280	0	0	0	3,349
Human Resources		56	0	106	0	3,333	0	3,495
Strategic Finance		519,388	98,400	0	1,767	0	0	619,555
Grand Total		1,313,016	106,295	35,817	6,139	25,408	260,927	1,747,601
Percentage of Amount Outstanding		75.13%	6.08%	2.05%	0.35%	1.45%	14.93%	100.00%

COLLECTION RATES FOR COUNCIL TAX AND BUSINESS RATES

Council Tax Collection - Percentage of current year council tax collected by period													
	Annual	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Target	97.2	10.0	18.4	27.8	36.7	45.8	54.9	64.1	73.3	82.3	91.5	95.2	97.2
2016/17 Actual		10.3	19.1	28.6									
On Target													

Business Rates - Percentage of current year business rates collected by period													
	Annual	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Target	98.2	12.5	23.3	31.2	40.2	49.0	57.9	64.6	76.5	84.9	91.2	95.7	98.2
2016/17 Actual		13.2	23.3	32.0									
On Target													

'On target' has a RAG rating whereby the underachievement of the target is based on the following thresholds.

RAG	% below target	
Red	More than 5%	
Amber	2% to 5%	
Green	Less than 2%	

KEY FINANCIAL & BUDGETARY RISKS

Risk No.	Type of Risk	Comment	Impact	Likelihood	Overall Score
1	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account a 1% increase for the period 2017/18 to 2019/20	3	2	6
2	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	2	2	4
3	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 continues to place uncertainty on the investment strategy.	2	3	6
4	Inaccurate estimates of fees and charges income	Key income streams are shown in the latest Finance Digest	3	3	9
5	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.	3	1	3
6	The estimated cost reductions and additional income gains are not achieved	Savings identified and included in the budget will be monitored as part of the budget monitoring process	3	3	9

Risk No.	Type of Risk	Comment	Impact	Likelihood	Overall Score
7	The Council is faced with potential litigation and other employment related risks	The Council has one outstanding litigation cases.	3	2	6
8	The amount of government grant is adversely affected	The grant settlement for 2017/18 and provisional settlements for 2018/19 and 2019/20 have been factored into the MTFP. The Council decided to accept the Government's offer of a four year settlement.	3	1	3
9	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 these income streams are outside the Council's control.	3	2	6
10	Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre- determined baseline level.	2	2	4

Note: 1= Very Low Risk 16= Very High Risk.

Key Financial Risk Areas					
The Council is exposed to risks in certain key areas. These risks include economic conditions, demographics and dependency on demand. The table below shows those risks that are closely monitored each month and the variances between the latest budget and the forecast outturn at Quarter 1					
Service Area	Latest Budget	Forecast Outturn	Forecast Variance Quarter 1	Actuals to Date	Comments
	£000's	£000's	£000's	£000's	
Parks, Street & Waste Services	5,914	5,914	0	494	The invoice for May totalling £ 4680,000 was paid in July and the June invoice has not yet been received.
Kerbside Recycling Expenditure and Income	(201)	(201)	0	0	The Herts CC (Alternative Financial Model) income for Kerbside Recycling across the County is not received until the end of the year.
Temporary Accommodation (net)	389	389	0	61	There is a budget pressure in Temporary accommodation due to increased demand
Development Control Fee Income	(520)	(640)	(120)	(307)	The forecast income for 2017/18 has been revised due to a few large applications that have been received in the first quarter.
Building Control Fee Income	(232)	(232)	0	(92)	Expected to meet 2017/18 target at Q1 stage.
Land Charges Fee Income	(120)	(120)	0	(33)	On Target
Commercial rent income	(8,630)	(8,454)	177	(1,629)	Due to the outsourcing of the property management contract there is a timing difference in the receipt of rental income. Income of £1.275M was received in July, part of which relates to Q1.

RESERVE BALANCES

Description	Balance at 1 April 2017 £000	Use of/contribution to in Year £000	Movement between Reserves £000	Balance at 31 March 2018 £000	Purpose
Capital Reserves					
Capital Fund	(650)	650	0	0	Funding key capital projects
Development Sites Decontamination	(446)	446	0	0	Decontamination costs where the Council is liable
New Homes Bonus	(4,069)	3,533	0	(536)	Additional grant set aside for capital
Performance Reward Grant (Capital)	(141)	0	0	(141)	Grant allocated by Local Strategic Partnership
Vehicle Replacement	(182)	0	0	(182)	Funding replacement of vehicles
Weekly Collection Support Grant (Capital)	(53)	0	0	(53)	Supporting weekly collections of waste
Capital Receipts	(11,966)	3,761	0	(8,205)	Funding the capital investment programme
Section 106	(681)	(356)	0	(1,037)	Developers contributions towards facilities
Community Infrastructure Levy	(552)	(250)	0	(802)	Developers contributions towards infrastructure
Grants & Contributions	(441)	144	0	(297)	Other contributions e.g. Disabled Facility Grants
Total	(19,181)	7,928	0	(11,253)	
Revenue Reserves					
Budget Carry Forward	(887)	887	0	0	Budgets carried forward from prior years
Car Parking Zones	(850)	0	0	(850)	Statutory, ring fenced for parking costs
Charter Place Tenants	(160)	0	0	(160)	Tenants' contributions to major works
Climate Change	(57)	0	0	(57)	Energy saving initiatives
Leisure Structured Maintenance	(423)	0	0	(423)	Funding maintenance not in contract
Le Marie Centre Repairs	(12)	0	0	(12)	Funding Council obligations as landlord
Multi-Storey Car Park Repair	(181)	0	0	(181)	Funding major structural works
Rent Deposit Guarantee Scheme	(100)	0	0	(100)	Assist in providing homelessness accommodation
Area Based Grant	(85)	0	0	(85)	Extremism and anti-social behaviour prevention
Crematorium	(50)	0	0	(50)	Funding repairs and maintenance
Economic Impact	(1,111)	883	0	(228)	Provide resources to offset economic downturn
Housing Benefit Subsidy	(996)	0	0	(996)	If Department for Work & Pensions claw back funds
Housing Planning Delivery Grant	(266)	0	0	(266)	Improve planning outcomes and delivery of housing
Invest to Save	(839)	0	0	(839)	Support expenditure producing savings
LA Business Growth Incentive (LABGI)	(504)	0	0	(504)	Business growth initiatives
Local Development Framework	(128)	92	0	(36)	Support local plan production and inspection
Pension Funding	(2,249)	0	0	(2,249)	Reduction of pension deficit
Performance Reward Grant (Revenue)	(29)	0	0	(29)	Grant allocated by Local Strategic Partnership
Project and Programme Management	(359)	359	0	0	Support major project work
Riverwell Project	(284)	0	0	(284)	Supporting project
Weekly Collection Support Grant (Revenue)	(30)	0	0	(30)	Supporting weekly collections of waste
Total	(9,600)	2,221	0	(7,379)	
General Fund Working Balance	(1,350)	0	0	(1,350)	
Total Revenue Reserves	(10,950)	2,221	0	(8,729)	
Total	(30,131)	10,149	0	(19,982)	

GLOSSARY OF TERMS

<i>Accounting period</i>	The timescale during which accounts are prepared or reported on.
<i>'Accounts Payable'</i>	The section and/or system within the Council that is responsible for paying the Council's creditors and invoices raised against the Council.
<i>'Accounts Receivable'</i>	The section and/or system within the Council that is responsible for invoicing and collection from the Council's debtors and for invoices raised by the Council.
<i>Accrual</i>	The recording within the accounts of the Council the cost of goods or services received and for which an invoice has been received but for which payment has not yet been made.
<i>Accrual accounting</i>	The practice of accounting for goods and services when they are received/provided rather than when they are paid for/payment received.
<i>Asset</i>	a present, economic resource of the Council to which it has a right or other type of access that other individuals or organisations do not have.
<i>Balances</i>	A figure representing the difference between credits and debits in an account; the amount of money held in an account. Also known as 'financial reserves'.
<i>Base budget</i>	Estimate of the amount required to provide services at current levels. Can also be referred to as 'rollover budget'.
<i>Budget Monitoring</i>	The process comparing of actual income and expenditure against budget; used to support budgetary control.
<i>Business Rates/NDR*</i>	Rates are payable on non-domestic property including libraries, offices, schools. The level of business rates is set by the Government and collected by the District Councils on their behalf. The money is then re-allocated to authorities in accordance with resident population as part of the annual financial settlement.
<i>Capital Asset</i>	Capital or Fixed assets are long-term resources, such as plant, equipment and buildings.
<i>Capital Charges</i>	A charge to services to reflect the cost of fixed assets used in the provision of those services
<i>Capital expenditure</i>	Expenditure on items that create an asset which has a long-term benefit of more than one year.
<i>Carry forward [of budget]</i>	Budgets unspent in a prior year that have (once approved) been added to the current year budget. Strict rules on what can be 'carried forward'

apply.

<i>Chart of accounts</i>	The hierarchy of recording income and expenditure within the Council's accounts. The main distinctions are between fund e.g. County fund, Pension Fund; objective e.g. service or cost centre; subjective e.g. the classification of expenditure between salaries, equipment, stationery, fuel costs etc.
<i>Commitment</i>	A commitment to spend occurs when an order is raised
<i>Cost centre</i>	A collection of subjective codes (<i>qv</i>) linked to a particular service or sub-service area.
<i>Creditor</i>	A person or company to whom the Council owes money.
<i>Debtor</i>	A person or company who owes money to the Council
<i>Depreciation</i>	The accounting method of amortising the value of an asset over its useful life
<i>Ear marking</i>	Setting aside for specific purposes
<i>Financial Regulations</i>	Rules of financial management that apply to all officers and members of the Council. These can be found on the intranet.
<i>Financial Year</i>	Period of twelve months commencing on 1 April and ending 31 March the following year.
<i>Forecast Outturn</i>	A projection of anticipated expenditure incurred and income received to provide an estimate of the service position at the end of the year compared to the planned budget.
<i>Funding</i>	Source of income to support service expenditure – can be capital or revenue
<i>General Fund</i>	The main revenue account of the Council through which day to day transactions are conducted.
<i>General Ledger</i>	A collection of accounting records detailing the authority's transactions and balances
<i>Internal Audit</i>	A team that works to protect the Council's assets and assist managers in improving their use.

<i>Invoice</i>	A bill – a request for payment for goods or services received
<i>Journal</i>	The transfer of income or expenditure from one code to another more appropriate code.
<i>Medium Term Financial [Plan][Strategy]</i>	The Council’s plan for the management of its resources during the next 3 years, which remains under rolling review, and links to the service planning process.
<i>Liability</i>	The Council’s financial debt or obligations that arise during the course of its business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services.
<i>NDR</i>	Non-Domestic Rates – see business rates (<i>qv</i>)
<i>Profile</i>	A term used to describe the pattern of expenditure or income that is expected to occur over a period of time
<i>[The] Prudential code</i>	The authority which enables the Council to set its own borrowing limits as part of the budget making processes.
<i>Reserves</i>	Amounts set aside for general contingencies and to provide for working balances, or can be earmarked for specific future expenditure.
<i>Resources</i>	Includes cash, staff, equipment, property, stocks, etc.
<i>Revenue expenditure</i>	Expenditure on ‘day-to-day’ items required to support the running of the Council services
<i>Revenue Support Grant (RSG)</i>	The Revenue Support Grant (RSG) - a Government grant providing general support for Council services.
<i>Subjective Code</i>	A code describing expenditure or income by type e.g. salaries costs, premises costs. Can also be called “accounting code”
<i>Supplementary Estimate</i>	An in-year increase in budget – normally necessitated by a new burden or an in-year pressure not identified at budget setting. These must be approved by Council.
<i>Ultra Vires</i>	A Latin term meaning ‘beyond the powers’.
<i>Variance</i>	Difference between budget and actual income or expenditure. May be favourable (more income or lower spend than budgeted) or unfavourable/adverse (less income or more spend than budgeted)
<i>Virement</i>	Formal transfer of funds from one budget to another. Does not change the Council’s overall budget.
<i>Zero based budgets</i>	The construction of a budget based on the needs of the Council without reference to previous expenditure history.

