



**WATFORD
BOROUGH
COUNCIL**

BUDGET PANEL

28 November 2017

7.00 pm

Town Hall, Watford

Contact

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

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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 13 September 2017 to be submitted and signed.

4. Finance Digest 2017/18 (Q2) (Pages 3 - 36)

The Finance Digest 2017/18: Quarter 2 is attached for review

5. Training: Council Finances - business rates retention update

Presentation by the Head of Finance

6. Use of capital receipts for revenue purposes

Update by the Head of Finance

7. Dates of Next Meetings

- 16 January 2018
- 14 March 2018



FINANCE DIGEST

2017/18

BUDGET MONITORING



Quarter 2 (as at 30 September)



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 2 (September) 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 **£15.724 million**, which gives an unfavourable variance of **£0.259 million** when compared to the latest budget. This variance is due to the following:-

<u>Variance</u>	<u>£ 000</u>
Increased income from planning application fees	(270)
Increased income from building regulation fees	(40)
Additional income from recycling credits	(50)
Increase in income from parking (CPZ)	(125)
Spend on traffic regulation projects (CPZ)	200
Additional planned spend on ICT costs	287
Net change in rental income (see appendix 1A)	298
Savings on employee costs	(44)
Additional cost of project work in relation to the new Housing Reduction Act 2017	74
Other smaller variances (individual <£20,000)	(71)
Total service variance Period 6	259

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>
Car Parking Reserve (CPZ)	(75)
Economic Impact reserve	(184)
Total	(259)

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

Medium Term Financial Strategy	2017/18 £ 000
Latest Budget (including carry forwards)	15,465
Variances this period (see appendix 1A)	(127)
Variances previously reported (appendix 1A)	386
Forecast Outturn	15,724
Funding (income from business rates, grants and council tax)	(13,629)
Budgeted use of reserves	(1,836)
Additional contribution to / (from) reserves	(259)
Total funding and use of reserves	(15,724)

Capital summary

The 2017/18 capital budget is £41.758 million. Services are forecasting an outturn position of £41.507 million resulting in a favourable variance of £0.251 million. The programme is funded as per the table below:

Medium Term Financial Strategy	2017/18 £ 000
Latest Budget (including rephased schemes from 2016/17)	41,758
Variance this period (see appendix 3)	(533)
Variances previous reported (see appendix 3)	282
Forecast Outturn	41,507
<u>Funding the capital programme</u>	
Grants & contributions, S106 & CIL	(1,869)
Reserves	(4,888)
Capital Receipts	(13,630)
Internal Borrowing	(21,120)
Total Funding	(41,507)

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	(251)	7,935	(11,786)
Earmarked Reserves	(9,635)	1,246	0	259	1,505	(8,130)
General Fund	(1,412)	0	0	0	0	(1,412)
Total	(30,228)	8,892	0	8	8,900	(21,328)

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 **£15.724 million** which results in an unfavourable service variance of **£0.259 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 September). The figures in the table relate to direct costs and incomes for each service.

Revenue Account 2017/18			
Service Area	Latest Budget £000	Forecast Outturn £000	Variance £000
Community & Environmental	9,324	9,208	(116)
Democracy & Governance	3,193	3,190	(3)
Place Shaping & Performance	(4,405)	(4,270)	135
Corporate Strategy & Communications	1,032	1,022	(10)
Service Transformation	2,188	2,475	287
Human Resources	581	591	10
Strategic Finance	3,552	3,508	(44)
Net Expenditure	15,465	15,724	259

- 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:

Community & Environmental

- 1.4.1 Additional income expected from HCC for recycling credits (£50,000) and increase in green bin income of (£8,000). Additional income from the Licensing Act 2003 (£37,000) and Taxi Licensing (£21,000) due to a revised method of accounting treatment that recognises the income in the appropriate year.

Democracy & Governance

- 1.4.2 Additional spend above the approved budget of £6,000 is required for the maintenance costs of the 'EROS' elections system

Place shaping & Performance

- 1.4.3 Net decrease in rental income of £245,202 as detailed in Appendix 1.

Additional income of £270,000 expected from planning fees due to a strong market. A buoyant market in building control has been reflected by an increase in income of £40,000. Increase in the cost of the CCTV contract and additional hours on monitoring will cost £25,000.

1.4.4 Additional employee costs for housing services of £73,500 for a project manager for the introduction of the Homelessness Reduction Act 2017.

1.4.5 Increased incomes from the parking service of £125,000 as well as additional spend of £200,000 on traffic related projects to be funded from the CPZ reserve.

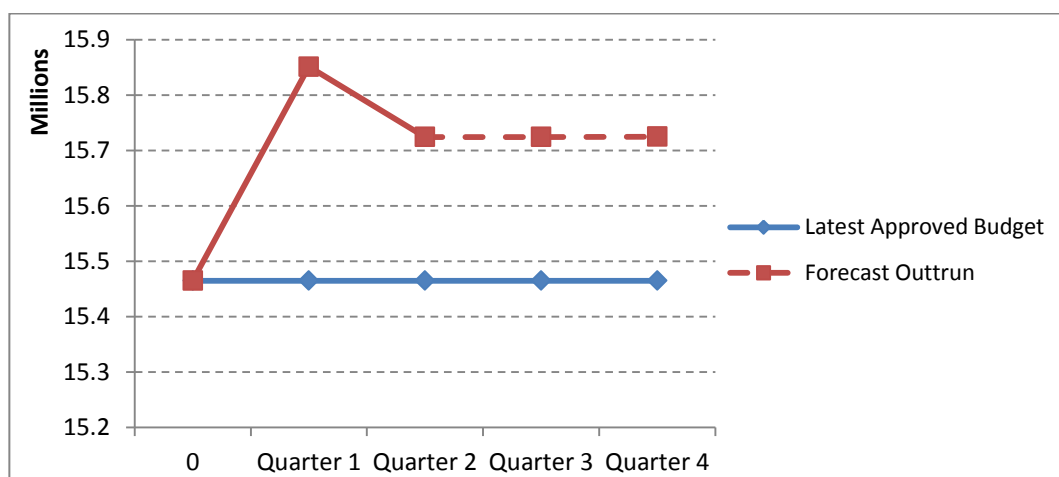
Service Transformation

1.4.6 There is additional planned increase in ICT expenditure above the original budget of £286,800 which is mainly staffing (including agency) costs.

Strategic Finance

1.4.7 Savings on staffing costs of £43,680 in the Revenues & Benefits service.

1.5 The latest budget and forecast outturn for the current financial year (2017/18) at the end of September 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 2.

1.8 The spend to date equates to approximately 65.6% 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 Q2 £000	Variance £000
Community & Environmental	4,449	3,756	(693)
Democracy & Governance	1,463	1,363	(100)
Place Shaping & Performance	(2,179)	(1,945)	234
Corporate Strategy & Comms	445	437	(8)
Service Transformation	1,149	1,359	210
Human Resources	305	397	92
Strategic Finance	3,170	4,621	1,451
Net Expenditure	8,803	9,988	1,186

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.

Community & Environmental

1.9.1 There is a favourable variance of £220k 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. Invoice from Veolia for August of £498k was received in October and will be processed in Q3.

Democracy & Governance

1.9.2 The variance concerning buildings and projects of £51k relates to lower spending on property maintenance which is due to resources being diverted to the Town Hall project. Expenditure relating to elections has yet to be allocated and shows a favourable variance of £64K against profile.

Place Shaping & Performance

1.9.3 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 £711k was received in October (Q3) some of which relates to Q2. It is anticipated that the budget will be achieved.

There was an increase of £280k 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 £240k for the year (see Appendix 1A).

The variance on the Policy Team primarily relates to the unbudgeted grant income 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 over two years.

Service Transformation

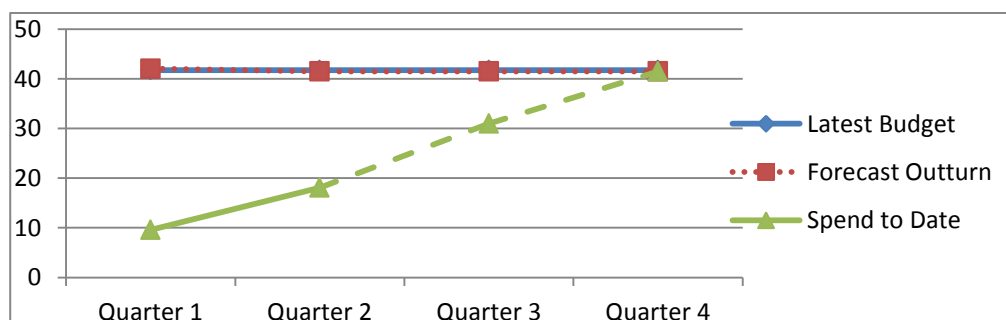
- 1.9.4 Customer Services and Service Transformation are £100k under profile, this is due to a combination of timing difference of spend and receipt of invoices. ICT Services shows a net £187k overspend against profile which relates to a planned increased staffing cost, which will be shared with Three Rivers District Council under the shared services agreement (gross £311k). This will continue in the current year and the full effect is shown above at paragraph 1.4.1. and in Appendix 1a.

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 £1.330 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 **£41.758 million**.
- 2.2 The forecast outturn is estimated to be **£41.507 million** which is **£0.251 million** lower than the latest budget. This is mainly due to the capital rephrasing required on the town hall projects.
- 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 September services have spent **£18.098 million** against the latest budget of £41.758 million, which represents 43% of this budget. Of the total spend to date; £12.415 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.



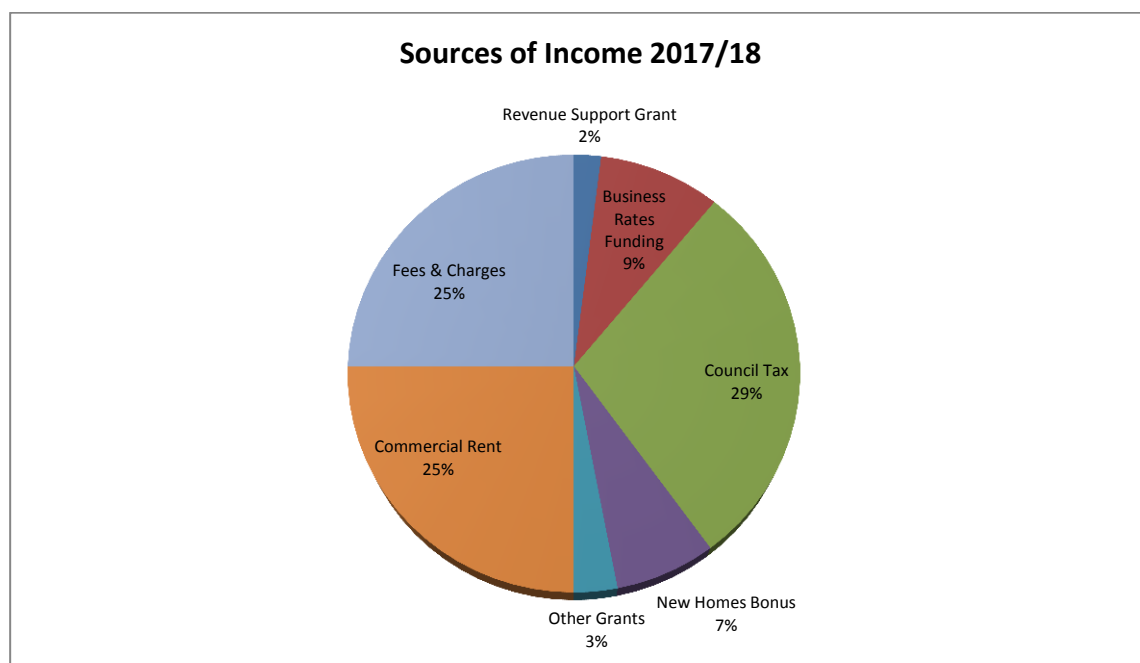
Funding the Approved Capital Programme

- 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	14,313
Used to Finance Capital Spend	(13,630)
Balance at 31 March 2018	12,650

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 (Q2)	Actuals to date (Q2)	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>	7,902,093	7,818,628	3,995,837	3,226,304	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	1,743,400	529,950	637,680	Additional income expected as per revised forecast
	Development Section <i>Income from planning applications, building control and land charges</i>	890,500	1,187,000	445,250	737,744	Increase in application fees mainly 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	532,750	220,875	329,116	Increased fee from Licence act 2003 – revision on how income is allocated in year. This increase is reflected in the forecast.

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 September 2017 the total outstanding value of debt was **£0.678 million** of which £0.285 million (42%) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.273 million and equates to forty 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.*

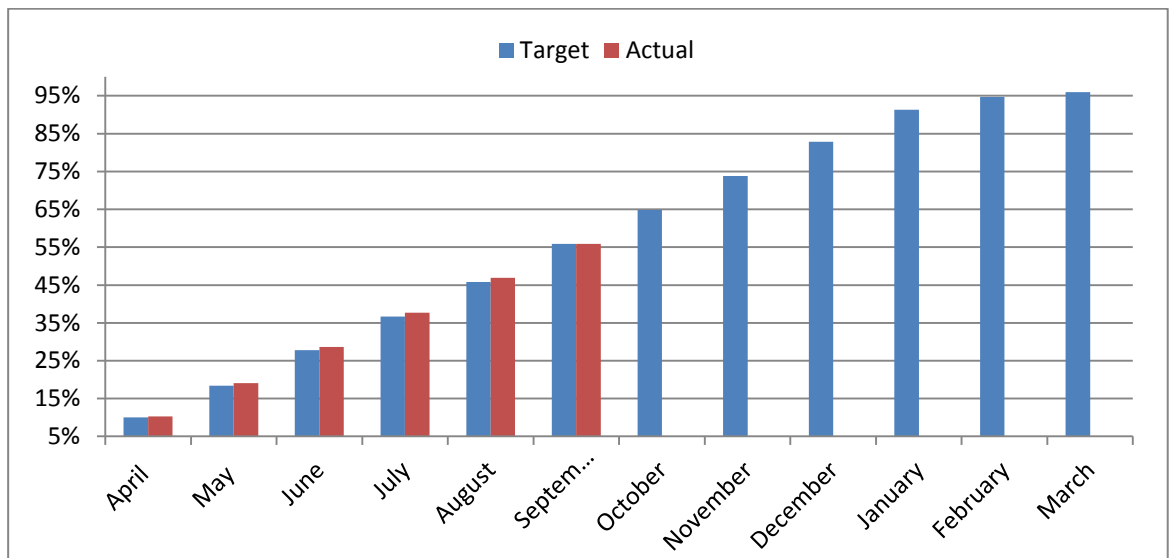
Aged Debtors At the end of September	Under 1 Month	Over 1 month to Year	Over a Year	Total
Service	£	£	£	£
Community & Environmental	43,097	17,996	28,183	89,275
Democracy & Governance	0	1,165	3,465	4,630
Place Shaping & Performance	188,672	88,791	237,552	515,015
Corporate Strategy & Comms	42,695	4,485	223	47,403
Human Resources	9,818	2,891	0	12,708
Strategic Finance	1,056	4,323	3,333	8,712
Total	285,337	119,650	272,756	677,743

- 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. By excluding this long term debtor from the debt portfolio it reduces the total outstanding debt to **£0.443 million** and the debts over a year old to 9% of the total.

Council Tax and Business Rates Collection

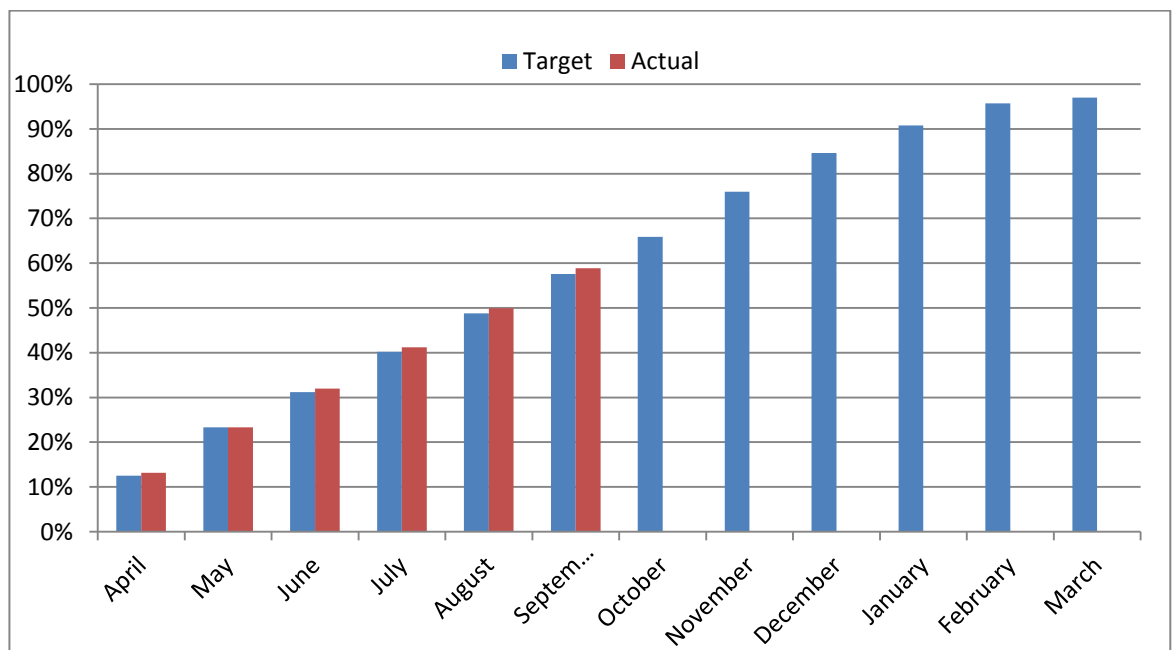
Council Tax Collection

- 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 September 2017 is 55.9 % of the annual target and is on profiled target. 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 September 2107 is 58.9% of the annual target which is just above the profiled target of 57.6%. 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 September, the average annualised interest rate earned on investments was 0.47%. 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 September was **£169,500**.

- 4.3 There is no change to the forecast at this stage as it's anticipated that the Council will be releasing its funds in the next six months to support the Council's major capital projects. Furthermore there is a high probability that the Monetary Policy Committee will make a decision to raise the bank base rate at their meeting in November. Once this has been confirmed any changes to the will be reported in the Period 8 (end of November) Finance Digest.

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)	(790)	(270)	Increase in planning fees due to a few large applications and buoyant market.
Commercial Rent	(7,902)	(7,818)	84	Net variance to reflect various changes as per report

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 2

	Q2 Budget & Forecast at 30 September P6				Q2 Actuals compared to profiled budget at 30 September P6		
Service Area	Latest Budget	Forecast Outturn	Variance		Latest Budget profiled	Actual	Variance
	£	£	£		£	£	£
Service Transformation							
Customer Services	889,880	889,880	0		444,940	395,534	(49,406)
ICT Services	880,250	1,167,050	286,800		495,205	806,414	311,209
Service Transformation	418,227	418,227	0		209,113	158,000	(51,113)
Totals - Service Transformation	2,188,357	2,475,157	286,800		1,149,258	1,359,948	210,690
Community & Environmental							
Corporate Services & Client Support	25,000	25,000	0		12,500	0	(12,500)
Contract Monitoring	440,840	440,840	0		219,900	200,464	(19,436)
Parks And Open Spaces	1,309,740	1,309,740	0		610,525	488,709	(121,816)
Leisure	532,746	541,746	9,000		350,543	483,713	133,170
Environmental Hlth & Licensing	1,463,470	1,406,210	(57,260)		659,570	438,883	(220,687)
Culture & Play	887,701	872,701	(15,000)		471,444	447,096	(24,348)
Street Cleansing	1,827,770	1,827,770	0		763,885	626,199	(137,686)
Trading Operations	35,227	35,227	0		8,807	(4,713)	(13,520)
Waste And Recycling	2,041,420	1,988,420	(53,000)		883,340	625,321	(258,019)
Totals - Community & Customer Service	9,324,574	9,208,314	(116,260)		4,449,329	3,755,547	(693,782)
Democracy & Governance							
Legal And Democratic	1,809,990	1,806,990	(3,000)		678,280	613,854	(64,426)
Buildings And Projects	1,354,415	1,355,135	720		771,255	719,529	(51,726)
Procurement	28,420	28,420	0		14,210	30,028	15,818
Totals - Democracy & Governance	3,192,825	3,190,545	(2,280)		1,463,745	1,363,411	(100,334)

	Q2 Budget & Forecast at 30 September P6				Q2 Actuals compared to profiled budget at 30 September P6		
Service Area	Latest Budget	Forecast Outturn	Variance		Latest Budget profiled	Actual	Variance
	£	£	£		£	£	£
Place Shaping & Performance							
Housing	1,700,760	1,774,260	73,500		339,306	356,581	17,275
Property Management	423,373	593,598	170,225		320,310	369,494	49,184
Investment Assets Outsourced	(7,539,898)	(7,451,803)	88,095		(3,812,644)	(3,049,840)	762,804
Operational Assets - Owner Occupied	(242,545)	(248,175)	(5,630)		(96,690)	(95,511)	1,179
Community Assets	(15,820)	(19,530)	(3,710)		(7,910)	(9,190)	(1,280)
Development Section	403,890	115,390	(288,500)		201,945	(130,747)	(332,692)
Transport And Infrastructure	341,320	442,820	101,500		616,345	672,230	55,885
Policy Team	523,420	523,420	0		260,210	(58,148)	(318,358)
Totals - Place Shaping & Performance	(4,405,500)	(4,270,020)	135,480		(2,179,128)	(1,945,133)	233,995
Corporate Strategy & Comms							
Corporate Management	390,191	390,191	0		124,495	124,197	(298)
Partnerships & Performance	641,550	632,000	(9,550)		320,775	313,410	(7,365)
Totals - Corporate Strategy & Comms	1,031,741	1,022,191	(9,550)		445,270	437,607	(7,663)
Human Resources							
Human Resources Client	94,770	94,770	0		47,385	84,380	36,995
HR Shared Service	486,150	494,990	8,840		257,575	312,387	54,812
Totals - Human Resources	580,920	589,760	8,840		304,960	396,767	91,807
Strategic Finance							
Finance & Resources	226,520	226,520	0		61,493	59,433	(2,060)
Finance Services Client	842,640	842,640	0		488,160	496,357	8,197
Revenues And Benefits Client	1,140,600	1,096,920	(43,680)		725,300	2,055,420	1,330,120
Corporate Costs	1,342,263	1,342,263	0		1,894,733	2,009,314	114,581
Totals - Strategic Finance	3,552,023	3,508,343	(43,680)		3,169,686	4,620,524	1,450,838
GRAND TOTALS	15,464,940	15,724,290	259,350		8,803,120	9,988,671	1,185,551

			APPENDIX 1A
Explanation of Revenue Variance Reported for Period 6 (September) 2017/18			
Service Area	Description	Details of Changes Reported	£
Service Transformation	ICT	Increased staff cost to deliver a functioning service that delivers acceptable levels of performance	286,800
		TOTAL	286,800
Community & Environmental	Recycling Kerbside	Expected increase in income from recycling credits	(50,000)
		Additional green bin income	(8,000)
	Recycling Banks	Decrease in recycling banks income	5,000
	Food Safety	Additional income from food safety Certificates	(6,000)
	Pest Control	Drop in wasp treatments due to weather conditions & lower take up on rats & mice service since introduction of additional charges	10,000
	Taxi Licensing (inc. Hackney)	Income from Hackney driver licences - all income to be accounted for in year of receipt	(21,000)
		Cost of additional temporary staff to support enforcement work	10,000
	Licensing Act 2003	Revised treatment of receipt income received in year	(37,000)
	Centrepont Community Centre	Income levels to reflect past trends	9,000
		Other Variances	(28,260)
		TOTAL	(116,260)
Democracy & Governance	Legal Services	Employee cost saving on Superannuation scheme	(9,000)
	Elections	Additional cost related to Election systems maintenance (EROS) which are expected to be higher than than the original allocated budget.	6,000
		Other Variances	720
		TOTAL	(2,280)
Place Shaping & Performance	Property Services	Overestimation of rental income on Charter place	246,000
		Additional rental income from car parking - Faraday rd., Occupation rd. Garage site	(53,000)
		Additional Income forecasted from Harlequin shopping centre	(47,000)
		Loss of rental income Century & Waterfields retail park due to redevelopment	99,202
		Scrutiny fee to LSH on monitoring commercial property	12,000
	Housing	Cost of project manager as part of service design	73,500
	Development Control	Increased income from pre-application advice due to fee changes & stronger market	(30,000)
		Additional planning application fees due to a growing market	(240,000)
		Spend on scanning as agreed by LT	8,000
	Parking Service	Increased income for permits, pay&display and income fee	(125,000)
		spend on traffic related projects as part of the CPZ schemes	200,000
	CCTV	Increased cost of CCTV annual contract and cost of additional monitoring hours	25,000
	Building Control	Additional income expected in year due to a buoyant market	(40,000)
	Land Charges	Income levels expected to remain at 2016/17 levels	10,000
		Other Variances	(3,222)
		TOTAL	135,480

Explanation of Revenue Variance Reported for Period 6 (September) 2017/18			
Service Area	Description	Details of Changes Reported	£
Corporate Strategy & Comms	Partnership & Performance	Savings on various budget lines not required	(9,550)
		TOTAL	(9,550)
Human Resources	HR	Net additional cost on employees	8,840
		TOTAL	8,840
Strategic Finance	Taxation	Net additional cost on employees	(43,680)
		TOTAL	(43,680)
		GRAND TOTAL	259,350

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	21,146	0	0	0
	ICT Shared Services	598,754	17,612	210,000	210,000	210,000
	ICT Client Services	618,118	76,707	320,000	320,000	320,000
Community & Environmental	Waste & Recycling (inc Veolia)	94,250	31,011	435,505	96,810	96,810
	Parks & Open Spaces	3,644,735	904,786	2,015,000	265,000	265,000
	Cemeteries	0	0	250,000	0	0
	Leisure & Play	864,335	673,751	20,000	0	0
	Culture & Heritage	375,011	11,450	350,000	0	0
	Environmental Health	154,867	11,559	100,000	100,000	100,000
Democracy & Governance	Buildings & Projects	1,080,000	200,880	650,243	400,000	400,000
Place Shaping & Performance	Watford Business Park	4,835,783	1,401,307	4,872,425	0	0
	Watford Riverwell	9,916,785	3,191,469	8,398,000	18,069,000	100,000
	Housing	8,931,531	2,024,866	2,125,000	2,050,000	50,000
	Transport & Infrastructure	464,497	20,664	250,000	0	0
	Development Control	47,021	3,024	50,000	0	0
	Property Investment Board	9,288,866	9,471,966	0	0	0
Strategic Finance	Capital Support Services	675,470	36,229	677,470	679,470	679,470
	Business Systems	0	0	0	0	0
TOTAL CAPITAL PROGRAMME		41,757,500	18,098,425	20,723,643	22,190,280	2,221,280

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	21,146	
ICT Shared Services					
ShS-Business Application Upgrade	354,314	354,314	0	(36,291)	Contractor provisions & commitments set aside in 2016/17 not yet 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	76,707	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	31,011	
Parks & Open Spaces					
Allotments & Parks Upgrades	0	0	0	7,885	
Farm Terrace Allotments	0	0	0	(86,231)	Contractor provisions & commitments set aside in 2016/17 not yet paid.
Green Spaces Strategy	175,344	175,344	0	43,836	
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	669,945	
Cassiobury Dev't (Fullerians)	200,000	200,000	0	0	
Oxhey Park North Enhancements	25,000	25,000	0	4,456	
Oxhey Park North	2,000,000	2,000,000	0	264,894	
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	550,244	
Gaelic Football Relocation	0	0	0	(29,546)	Contractor provisions & commitments set aside in 2016/17 not yet paid.
Ridgehurst Avenue Play Area	10,499	10,499	0	0	
Tennis Courts Enhancement	225,000	225,000	0	675	
Cassiobury Park Play Area	150,000	150,000	0	152,378	
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	11,450	
Little Cassiobury Match Funding	50,000	50,000	0	0	
Environmental Health					
ICT-Env Health	5,500	5,500	0	7,000	
Decent Homes Assistance	149,367	149,367	0	4,559	
DEMOCRACY & GOVERNANCE					
Buildings & Projects					
MP19-6 Town Hall Redevelopment	80,000	130,000	50,000	81,050	Additional spend required prior to major planned capital works for 2018/19 & 2019/20.
Building Investment Programme	1,000,000	598,000	(402,000)	119,830	As discussed at August PMB meeting. Rephasing into 2018/19 will be required.

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	1,401,307	
Watford Riverwell					
Garages Project (incl Parking)	11,163	11,163	0	0	
Campus-Client Side & Land Assembly	164,565	164,565	0	99,411	
Campus-Ind Zone South	1,575,000	1,575,000	0	1,050,000	
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	88,754	
Mandatory Disabled Facilities Grant	555,627	600,485	44,858	174,044	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	262,068	
Loan to HHW	6,075,000	6,075,000	0	1,500,000	
Transport & Infrastructure					
Clarendon Road Streetscape Improvement	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.
High Street Enhancement	250,000	250,000	0	(2,338)	
Upgrading/Resurfacing Car Parks	14,573	14,573	0	10,000	
Match Funding Capital Projects	73,116	73,116	0	8,378	
Goodwood Parade Enhancement Project	9,000	9,000	0	0	
Watford Junction Cycle Pk Hub	38,626	38,626	0	0	

Capital Scheme	Latest £	Forecast £	Forecast £	Actual to £	Scheme Update
Development Control			0		
New Market	17,021	17,021	0	2,552	
Non PIB-Strategy & Programme Disposal	0	0	0	472	
CIL Review	30,000	30,000	0	0	
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	36,229	
Business Systems					
Financial Systems Upgrade	0	87,000	87,000	0	Upgrade requirements to business systems.
TOTAL CAPITAL PROGRAMME	41,757,500	41,507,358	(250,142)	18,098,425	
MEMORANDUM ITEM					
Property Investment Board					
PIB-Strategy & Programme Disposal	0	0	0	(8,164)	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	5,843,026	
120-122 Exchange Road	0	0	0	16,667	
Coleshill Ind Estate (Units 10-13)	0	3,447,866	3,447,866	3,620,437	
Total	9,288,866	9,288,866	0	9,471,966	

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)	13,630,164	19,544,741	22,106,280	2,137,280
Section 106 & CIL Contributions	218,381	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	41,507,358	20,723,643	22,190,280	2,221,280

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)	12,649,676	8,150,935	13,614,655	26,616,375
Section 106 & CIL Contributions	2,154,871	2,389,871	3,004,871	3,619,871
Sub Total	16,014,239	11,058,596	17,137,316	30,754,036
Internal Borrowing	(27,516,350)	(27,899,350)	(26,399,350)	(26,399,350)
TOTAL CAPITAL FUNDING AVAILABLE	(11,502,111)	(16,840,754)	(9,262,034)	4,354,686

AGED DEBT ANALYSIS

Invoices Outstanding from 1st October 2016 to 30th September 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 and Customer Service	15,769	404	2,757	7,990	2,198	24,026	53,144
	Env Services-Premises Licence	19,191	0	0	0	0	0	19,191
	Community Services - Pitch Hire							0
	Environmental Health	8,137	1,744	890	1,472	540	4,157	16,940
Democracy and Governance	Democracy and Governance	0	1,165	0	0	0	3,465	4,630
Place, Shaping & Performance	Housing	116,683	4,466	68,524	0	0	-441	189,232
	Property (exc. Commercial rent)	3,307	2,442	0	98	0	3,176	9,024
	Property - Commercial Rents	30,000	0	0	0	0	0	30,000
	Property - Garages	5	0	55	0	0	60	120
	Property - Parking Spaces	37,999	0	0	13,161	0	234,758	285,918
	Planning (exc. Inspection fees)	613	44	0	0	0	0	657
	Planning - Inspection Fees	65	0	0	0	0	0	65
Corporate Strategy & Comms	Corporate Service	42,695	0	1,216	3,269	0	223	47,403
Human Resources		9,818	625	430	1,836	0	0	12,708
Strategic Finance		1,056	900	3,423	0	0	3,333	8,712
Grand Total		285,337	11,791	77,296	27,826	2,738	272,756	677,743
Percentage of Amount Outstanding		42.10%	1.74%	11.40%	4.11%	0.40%	40.24%	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	96.0	10.0	18.4	27.8	36.7	45.8	55.9	64.8	73.8	82.9	91.3	94.7	96.0
2017/18 Actual		10.3	19.1	28.6	37.7	46.9	55.9						
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	97.0	12.5	23.3	31.2	40.2	48.8	57.6	65.9	76.0	84.6	90.8	95.7	97.0
2017/18 Actual		13.2	23.3	32.0	41.2	49.9	58.9						
On Target													

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

<u>RAG</u>	<u>% below target</u>	
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

Risk No.	Type of Risk	Comment	Impact	Likelihood	Overall Score
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
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 2					
Service Area	Latest Budget	Forecast Outturn	Forecast Variance Quarter 2	Actuals to Date	Comments
	£000's	£000's	£000's	£000's	
Parks, Street & Waste Services	5,931	5,931	0	2,001	The invoices for August & September totalling £1,022K were paid in October 2017.
Kerbside Recycling Expenditure and Income	(201)	(251)	(50)	(79)	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	165	On Target at Q2.
Development Control Fee Income	(520)	(790)	(270)	(415)	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)	(268)	(37)	(171)	The forecast income for 2017/18 has been revised due to favourable market conditions.
Land Charges Fee Income	(120)	(110)	10	(59)	On Target as per forecast as reported at Q2.
Commercial rent income	(8,701)	(8,620)	81	(3,481)	Due to the outsourcing of the property management contract there is a timing difference in the receipt of rental income. Income of £711K was received in October, part of which relates to Q2.

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)	3,228	0	(8,738)	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)	7,395	0	(11,786)	
Revenue Reserves					
Budget Carry Forward	(887)	887	0	0	Budgets carried forward from prior years
Car Parking Zones	(907)	75	0	(832)	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	(86)	0	0	(86)	Extremism and anti-social behaviour prevention
Crematorium	(50)	0	0	(50)	Funding repairs and maintenance
Economic Impact	(973)	184	0	(789)	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)	(569)	0	0	(569)	Business growth initiatives
Local Development Framework	(178)	0	0	(178)	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	(9,635)	1,505	0	(8,130)	
General Fund Working Balance	(1,412)	0	0	(1,412)	
Total Revenue Reserves	(11,047)	1,505	0	(9,542)	
Total	(30,228)	8,900	0	(21,328)	

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 (qv) 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.

