



**WATFORD
BOROUGH
COUNCIL**

BUDGET PANEL

11 September 2018

7.00 pm

Town Hall, Watford

Contact

Ishbel Morren

legalanddemocratic@watford.gov.uk

01923 278375

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

Publication date: 3 September 2018

Committee Membership

Councillor S Bashir (Chair)

Councillor P Kloss (Vice-Chair)

Councillors A Barton, N Bell, J Johnson, 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**
3. **Minutes**

The [minutes](#) of the meeting held on 26 June 2018 to be submitted and signed.

4. **Finance Digest 2018/19 Q1** (Pages 4 - 34)

Report of the Head of Finance – the Finance Digest 2018/19: Quarter 1 is attached for review

5. **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.

6. Presentation on Property Investment Board activities

Presentation by 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.

7. Date of next meeting

- 27 November 2018



FINANCE DIGEST

2018/19

BUDGET MONITORING



Quarter 1 (as at 30 June)



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

SECTION	CONTENTS	PAGE
	Executive Summary	2
1	Revenue Budget	4
2	Capital Programme	7
3	Council Income	8
4	Treasury Management	11
5	Key Risks	11

Executive Summary

The budget of **£13.520 million** for 2018/19 was approved by Council on 30 January 2018. The latest budget is **£15.127 million**, which includes approved budget carry forwards of £1.058M from 2017/18 and additional spend from reserves of £0.550M for Watford 2020, both of which were approved by Cabinet in June 2018 and subsequently by Council in July 2018. In addition, Cabinet approved the allocation of a further £0.150M from the Invest to Save reserve to the Projects & Programme Management reserve.

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) 2018 set against the latest budget.

Revenue summary

The 2018/19 forecast outturn is **£15.162 million**. The variation when compared to the latest budget of £15.127M is **£0.035M**. The forecast outturn figure, however, includes the planned use of reserves totalling **£0.188M** as shown below.

<u>Reserve</u>	<u>£ 000</u>
Projects & Programme Management (PMB) – Watford 2020	48
Projects & Programme Management (PMB)– HR	33
Projects & Programme Management (PMB)– On Demand Transport (Buses/Bikes)	27
CPZ Parking reserve	44
Economic Impact – On Demand Transport (Buses/Bikes)	36
Total	188

After taking into account the £0.188M planned use of reserves the adjusted forecast is £14.974. This gives a favourable residual variance of **£0.153 million**, which is due to the following:

<u>Variance</u>	<u>£ 000</u>
Investment interest income target revision	70
Net Increase in rental income at Q1	(160)
Additional Enforcement Investigation costs	20
Increase in Planning Application fee income	(90)
Other smaller variances (individual <£20,000)	7
Total service variance Quarter 1 (April – June)	(153)

The in-year annual budget is revised in January and it is anticipated that any variances will be managed through reserves. The current unplanned variation of £0.153M is shown against the Economic Impact Reserve. The table below shows a summary of the position on the Council's funding and reserves for 2018/19.

Medium Term Financial Strategy	2018/19 £ 000
Latest Budget	15,127
Variances this period	35
Forecast Outturn	15,162
Funding (income from business rates, grants and council tax)	(13,144)
Budgeted use of reserves	(1,983)
Planned use of reserves included in total variance	(188)
Additional contribution to / (from) reserves	153
Total funding and use of reserves	(15,162)

Capital summary

The 2018 capital budget is **£40.313 million**. Services are forecasting an outturn position of **£41.888 million** resulting in a variance of **£1.575 million**. The programme is funded as per the table below:

Medium Term Financial Strategy	2018/19 £ 000
Latest Budget (including rephased schemes from 2017/18)	40,313
Variances this period (see appendix 3)	1,575
Forecast Outturn	41,888
Funding the capital programme	
Grants & contributions, S106 & CIL	(2,063)
Reserves	(1,483)
Capital Receipts	(23,482)
Borrowing – Internal/External	(14,860)
Total Funding	(41,888)

Reserves

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

Description	Balance at 1 April 2018	Planned use of Reserves in MTFS	NDR Adjustment for Prior Years	Movement in Year	Balance at 31 March 2019
	£000	£000	£000	£000	£000
Capital Reserves	(4,842)	0	0	10	(4,832)
Earmarked Reserves	(14,654)	376	(3,300)	2,229	(15,349)
General Fund	(1,414)	0	0	(586)	(2,000)
Total	(20,910)	376	(3,300)	1,653	(22,181)

Note: The NDR adjustment of £3.300M shown in the table above, relates to a repayment of Business Rates deficit that was funded from the Economic Impact reserve in 2016/17.

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 **£15.127 million**, which includes approved budget carry forwards of £1.058M from 2017/18 and additional spend from reserves of £0.550M for Watford 2020, both of which were approved by Cabinet in June 2018. The services' prediction of forecast outturn is now estimated to be **£15.162 million** which results in an unfavourable service variance of **£0.35 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 2018/19			
Service Area	Latest Budget £000	Forecast Outturn £000	Variance £000
Service Transformation	3,249	3,297	48
Community & Environmental	8,944	8,977	33
Democracy & Governance	3,592	3,586	(6)
Place Shaping & Performance	(5,047)	(5,189)	(142)
Corporate Strategy & Communications	946	946	0
Human Resources	629	661	32
Strategic Finance	2,814	2,884	70
Net Expenditure	15,127	15,162	35

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 The budget implications of Watford 2020 were reported and approved by Cabinet on 4 June 2018 and Council on 10 July 2018. The table below shows the position over the medium term financial strategy. Figures for the current year have been included in the forecast outturn. An additional amount of £48K for Watford 2020 is required; this will be met from the PMB reserve.

Budget Implications (£'000)	2018/19	2019/20	2020/21	2021/22	2022/23
Recurring new costs	144	334	392	393	393
Net transformation change to base	(19)	(502)	(1,030)	(1,174)	(1,209)
Transformation and one-off costs	1,088	832	0	0	0
Less existing budgets	(520)	0	0	0	0
Net cost / income in year	550	330	(1,030)	(1,174)	(1,209)

Place shaping & Performance

1.4.2 Net increase in rental income of £160K due to rent reviews and new properties.

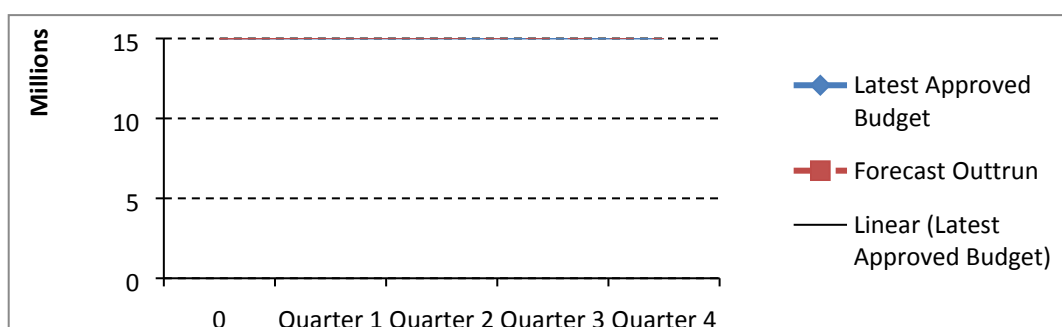
In support of the Public Realm High Street works, £34K has been allocated to the project from the Car Parking Zones (CPZ) reserve. There has been an increase in Planning Application fee of £90K.

The cost of £63k for the feasibility study of the new On-Demand Transport initiative (Buses & Bikes) will be met from the PMB reserve (£27K) and the Economic Impact Reserve (£36K).

Strategic Finance

1.4.3 Interest on investment income will be lower, as resources are expected to be used to fund the capital programme and to purchase further commercial properties later in the year.

1.5 The latest budget and forecast outturn for the current financial year (2018/19) 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 34% 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 – e.g. seasonal variations. Services control their own profiles. Appendix 1 shows an analysis by service area.

Service Area	Profiled Budget £000	Spend Q1 £000	Variance £000
Service Transformation	1,072	862	(210)
Community & Environmental	2,444	2,459	15
Democracy & Governance	1,043	1,201	158
Place Shaping & Performance	(1,277)	(2,318)	(1,041)
Corporate Strategy & Comms	226	210	(16)
Human Resources	234	221	(13)
Strategic Finance	1,898	2,260	362
Net Expenditure	5,640	4,895	(745)

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. The total impact of those variations due to income or expenditure not being accrued to the period to which they relate, adjusting for these variations gives expenditure of £4.785M.

Service Transformation

1.9.1 The variance mainly relates to Watford 2020 spend. Due to the nature of the project costs that vary from month to month and the variance is due to the profile being spread equally over the year.

Community & Environmental

1.9.2 The budget and profile for Leisure services does not include the 2017/18 management fee owed from SLM for. A provision of £230k was provided for this in the current year's accounts and this will be offset when the actual income is received in July.

There is a favourable variance of £84k on Environmental Health & Licensing which is mainly due to grant income received from HCC for community safety and public health grants; this income will need to be budgeted for along with a matching expenditure budget, which once done will even up the profile.

A favourable variance on Culture & Play of £28K due to income received from filming income. This will be monitored and reflected in Q2 if a variance needs to be reported.

Democracy & Governance

1.9.3 The variance relates to election costs of £132K, these will be covered by the funding once the claim is complete. Income is expected to be received later in the year.

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 £539k for the first quarter (April- June) was received in July.

There is an increase of £90k in planning application fee (Development Section) income in Q1. The magnitude and volume of planning applications is difficult to predict throughout the year and as a default the budget is profiled in twelfths.

There is a variance on the Transport & Infrastructure service of £166k due to invoices from the parking services provider relating to April – June 2018 being paid in July 2018.

The variance on the Policy Team primarily relates to spend on the Local Development Plan of £70k under against profile. Spend has proved difficult to predict and hence the budget has been profiled in twelfths.

Strategic Finance

1.9.5 There is a timing difference throughout the year between housing benefits awards and the reimbursement from central government, which is the primary reason for the unfavourable variance.

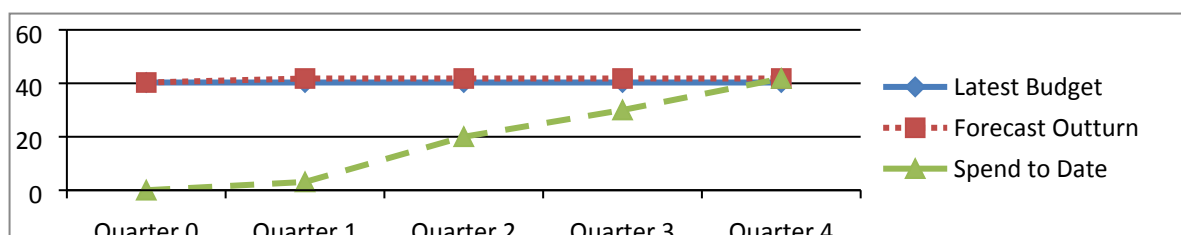
2.0 Capital Programme

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 2018) was **£32.766 million**. Following re-phasing from 2017/18 which was approved by Cabinet on 2 July 2018, the latest budget is **£40.313 million**.

2.2 The forecast outturn is estimated to be **£41.888 million** which is **£1.575 million** higher than the latest budget. This is mainly due to the Public Realm High Street capital scheme which has attracted additional funding from Herts County Council as well as S106.

2.3 The Council's medium term capital investment programme for 2018-2021 is shown at summary level in **Appendix 2** and by each scheme at **Appendix 3**, together with an update on each scheme. As at end of June services have spent **£3.083 million** against the latest budget of £40.313 million, which represents 8% of this budget.

2.4 The graph below shows the Council's latest budget, the forecast outturn and the actual spend to date for the current financial year (2018/19). The expenditure to date has been extrapolated (dashed line) to show it meeting the forecast position.



Funding the Approved Capital Programme

2.5 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. 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.

2.6 The table below shows the forecasted position of the capital receipts reserve as it supports the capital spending. Details of each funding stream are shown at **Appendix 4**. Any decision on borrowing will be taken if and when it is required, which depends on the progression of all the 2018/19 schemes.

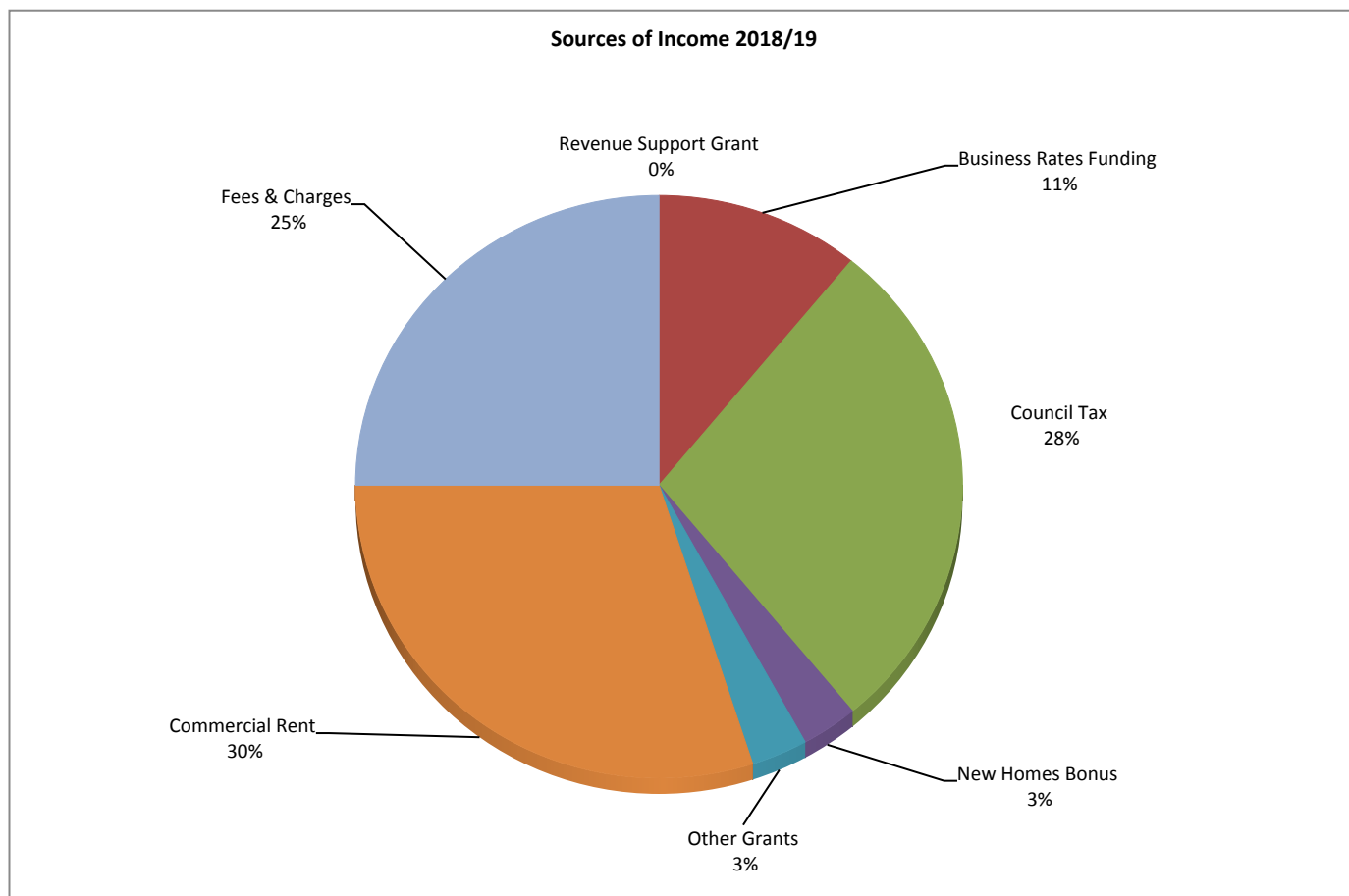
Capital Receipts Reserve	2018/19 £000
Balance at 1 April 2018	987
In Year Receipts	24,485
Used to Finance Capital Spend	(23,482)
Balance at 31 March 2019	1,990

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 2018/19 is £29.365 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 £0.114 million in Revenue Support Grant for 2018/19, 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 2018/19	Forecast 2018/19	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>	7,348,402	8,368,350	1,789,534	1,853,984	Increase in actuals to profile reflects the forecast change, bulk of which will materialise from Q2 onwards. A favourable variance of £160k is being reported in the forecast
	Car Parking <i>Income relates to the Council's surface car parks as well as the Parking Shop</i>	1,725,700	1,725,700	293,925	253,147	Timing difference in banking due to new service provider / bank - cash banking agreement
	Development Section <i>Income from planning applications, building control and land charges</i>	1,129,400	1,129,400	282,330	415,865	Planning application income has exceeded current expectations and a £90k favourable variance is reported in the forecast
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>	471,560	471,560	107,641	115,510	On Target

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 2018 the total outstanding value of debt (excluding council tax, business rates and government grants) was **£0.943 million** of which £0.593 million (63%) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.234 million and equates to twenty five per cent of the total. This relates to temporary accommodation charges and Watford Indoor Bowls Club, which is being discussed with the club.

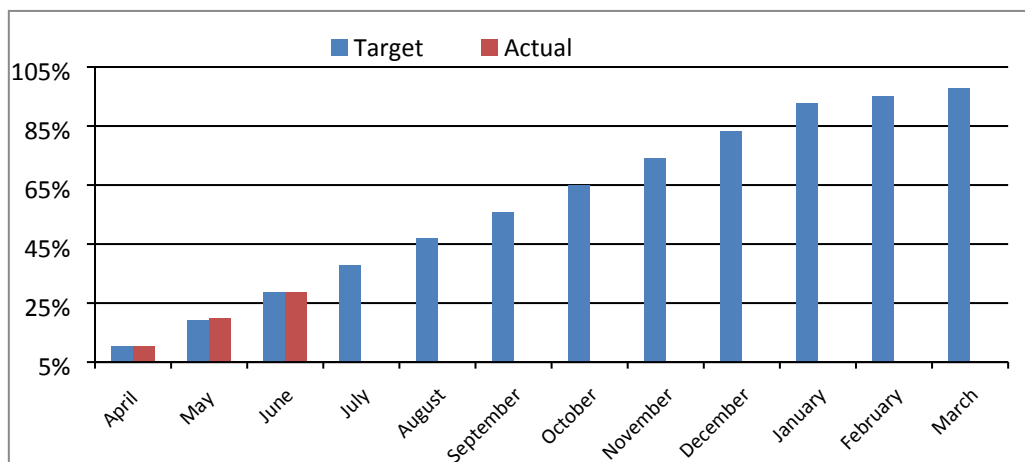
The table below shows a summary of the outstanding *debt by the three main aged categories and further detail can be found at **Appendix 5***.

Aged Debtors At the end of June	Under 1 Month	Over 1 month to Year	Over a Year	Total
Service	£	£	£	£
Community & Environmental	76,155	13,909	37,830	127,894
Democracy & Governance	384	0	3,176	3,560
Place Shaping & Performance	516,046	100,823	188,990	805,859
Human Resources	178	539	3,333	4,050
Strategic Finance	435	443	834	1,712
Total	593,198	115,714	234,164	943,076

Council Tax and Business Rates Collection

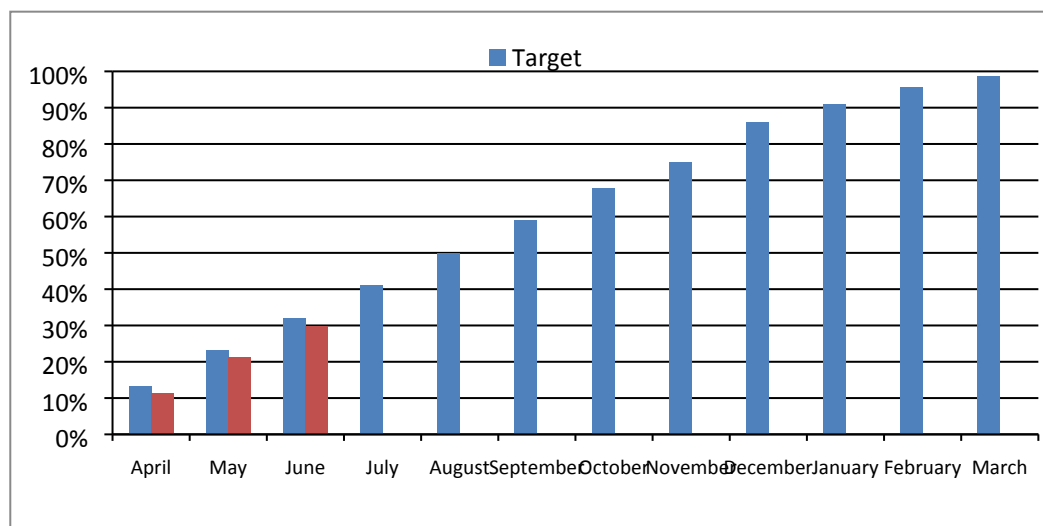
Council Tax Collection

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 2018 is 28.7 % of the annual target which is marginally above the profiled target of 28.6%. 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 2018 is 29.8% of the annual target which is slightly below the profiled target of 32%. Further information can 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 0.62%. Up to the end of June, the average annualised interest rate earned on investments was 0.56%.
- 4.2 The Council set a budget of **£220,000** on investment interest for 2018/19. The forecast has now been revised to **£150,000**. The amount earned up to the end of June was £28,880.
- 4.3 Future returns are likely to reduce as large sums previously invested will be released to support the Council's major capital projects. The Monetary Policy Committee raised bank base rate to 0.75% from 2 August 2018.

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	298	298	0	On target as per current activity levels
Development Control Fees	(705)	(795)	(90)	Increase in planning application fees as current activity levels exceed expectations
Commercial Rent (outsourced)	(7,007)	(7,167)	(160)	Variance reflects new properties and rent reviews in year. As per LSH rental confirmations.
Watford 2020	1,040	1,088	48	This is met from the PMB reserve

Report prepared by: Pritesh Shah – Finance Manager
Report reviewed by: Alison Scott – Head of Finance

Background Papers

2017/18 Outturn report

Budget returns from Heads of Service

Budget Report 'Financial Planning' 2018-2021

APPENDICES

Appendix 1	Revenue Summary – By Service and explanations
Appendix 2	Capital Programme (2018/19) Summary
Appendix 3	Capital Programme (2018/19) 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	Budget & Forecast at 30 June Q1			Actuals compared to profiled budget at 30 June Q1		
	Latest Budget	Forecast Outturn	Variance	Latest Budget profiled	Actual	Variance
	£	£	£	£	£	£
Place Shaping & Performance						
Housing	1,248,970	1,248,970	0	426,843	(222,477)	(649,320)
Property Management	(9,858)	850,450	860,308	(8,849)	154,121	162,970
Investment Assets Outsourced	(7,007,694)	(8,027,642)	(1,019,948)	(1,703,584)	(1,592,641)	110,943
Investment Assets Retained	(275,207)	(275,207)	0	(71,244)	(65,284)	5,960
Operational Assets - Owner Occupied	(280,123)	(280,123)	0	(136,572)	(150,227)	(13,655)
Community Assets	(19,530)	(19,530)	0	(4,884)	(4,475)	409
Development Section	214,421	124,421	(90,000)	37,137	(276,223)	(313,360)
Transport And Infrastructure	249,990	356,990	107,000	54,668	(219,668)	(274,336)
Policy Team	832,450	832,450	0	129,300	58,483	(70,817)
Totals - Place Shaping & Performance	(5,046,581)	(5,189,221)	(142,640)	(1,277,185)	(2,318,392)	(1,041,207)
Corporate Strategy & Comms						
Corporate Management	296,190	296,190	0	63,373	92,222	28,849
Partnerships & Performance	650,100	650,100	0	162,526	117,286	(45,240)
Totals - Corporate Strategy & Comms	946,290	946,290	0	225,899	209,509	(16,390)
Human Resources						
Human Resources Client	104,790	137,790	33,000	26,197	18,615	(7,582)
HR Shared Service	523,810	523,810	0	207,875	202,945	(4,930)
Totals - Human Resources	628,600	661,600	33,000	234,072	221,560	(12,512)
Strategic Finance						
Finance & Resources	226,520	226,520	0	25,105	2,076	(23,029)
Finance Services Client	860,100	860,100	0	318,482	300,047	(18,435)
Revenues And Benefits Client	1,154,380	1,154,380	0	(927,788)	(642,227)	285,561
Corporate Costs	572,899	642,899	70,000	2,482,334	2,599,904	117,570
Totals - Strategic Finance	2,813,899	2,883,899	70,000	1,898,133	2,259,800	361,667
GRAND TOTALS	15,126,983	15,161,918	34,935	5,640,022	4,894,749	(745,273)

Explanation of Revenue Variance Reported for Quarter 1 (April -June) 2018/19

Service Area	Description	Details of Changes Reported	£
	Watford 2020	Resource allocation as agreed by Cabinet in July for projects- Met from PMB reserve	48,000
		TOTAL	48,000
Community & Environmental	Environmental Health Team	Cost of bailiff for travellers eviction	7,000
	Health & Safety at Work	One off Investigation into fatality at work	20,000
		Other Variances	5,600
		TOTAL	32,600
Democracy & Governance	Legal Services	Savings due to vacancies	(8,800)
		Other Variances	2,775
		TOTAL	(6,025)
Place Shaping & Performance	Investment Assets Outsourced	Rental income due to a combination of new properties, rent reviews as confirmed by LSH and revision of incorrect budgets	(1,438,537)
		Loss of rental income mainly due to surrender of leases and rental income budget corrections	418,589
	General Property Administration	Additional anticipated rental income has now been achieved - (see above)	687,808
	Valuation & Estates Group	Contract costs and rental income management fee payable to LSH	176,000
	Development Control	Increased income from Planning Application fee	(90,000)
	Implementation Team	To fund feasibility study regarding the On Demand Transport project	63,000
	Parking Service	Additional costs supporting the Public Realm (High Street project) (£34k) and increase in staffing costs for issuing parking permits at the Library at weekends. Both these will be funded from the CPZ reserve	44,000
		Other Variances	(3,500)
		TOTAL	(142,640)
Human Resources		Costs for the Gallanach Organisation Development contract (£24k) and one off costs to support the Project manager open day (£9k). Both will be met from the PMB reserve	33,000
		TOTAL	33,000
Strategic Finance	Interest earned	Reduction due to resources to be used for the capital programme and any purchases of property in year.	70,000
		TOTAL	70,000
		GRAND TOTAL	34,935

CAPITAL INVESTMENT PROGRAMME – SUMMARY

Service Area	Service Provision	Latest Budget 2018/19	Forecast Outturn	Actual to date	Latest Budget 2019/20	Latest Budget 2020/21	Latest Budget 2021/22
		£	£	£	£	£	£
Service Transformation	Customer Services	134,711	86,711	(7,400)	0	0	0
	ICT Shared Services	45,000	45,000	78,742	45,000	45,000	45,000
	ICT Client Services	925,796	925,796	(46,228)	485,000	485,000	485,000
Community & Environmental	Waste & Recycling (inc Veolia)	435,505	435,505	0	2,396,810	96,810	98,260
	Parks & Open Spaces	5,484,315	5,809,315	327,902	340,000	290,000	265,000
	Cemeteries	450,000	450,000	8,576	100,000	50,000	0
	Leisure & Play	1,445,851	1,445,851	20,000	20,000	250,000	0
	Culture & Heritage	562,244	562,244	47,724	0	0	0
	Environmental Health	208,204	208,204	28,717	100,000	100,000	100,000
	Community Projects	0	32,053	32,053	0	0	0
Democracy & Governance	Buildings & Projects	3,220,959	3,220,959	88,139	11,536,000	782,000	400,000
Place Shaping & Performance	Watford Business Park	5,064,042	5,064,042	514,182	0	0	0
	Watford Riverwell	13,737,053	13,737,053	768,722	3,281,000	14,159,000	100,000
	Housing	266,224	266,224	1,352	50,000	50,000	50,000
	Transport & Infrastructure	2,465,253	3,606,253	511,008	415,000	315,000	0
	Development Control	80,000	80,000	0	0	0	0
	Property Investment Board	0	125,000	(750)	0	0	0
	Property Management	5,110,529	5,110,529	705,440	2,000,000	0	0
Strategic Finance	Capital Support Services	677,470	677,470	5,114	679,470	679,470	680,740
	Business Systems	0	0	0	0	0	0
TOTAL CAPITAL PROGRAMME		40,313,156	41,888,209	3,083,295	21,448,280	17,302,280	2,224,000

CAPITAL INVESTMENT PROGRAMME – DETAIL

Capital Scheme	Latest Budget 2018/19	Forecast Outturn	Forecast Variance	Actual to date	Scheme Update
	£	£	£	£	
SERVICE TRANSFORMATION					
Customer Services					
CSI Project	134,711	86,711	(48,000)	(7,400)	Lower implementation costs connected to Firmstep (CRM installation). Budget transfer to Watford 2020 programme.
ICT Shared Services					
ShS-Business Application Upgrade	0	0	0	386	
ShS-ICT Modernisation	0	0	0	33,566	
ShS-Hardware Replacement Programme	45,000	45,000	0	44,791	
ICT Client Services					
ICT-Hardware Replacement Programme	315,825	315,825	0	4,668	
ICT-Business Application Upgrade	489,971	489,971	0	(50,896)	
ICT-Project Management Provision	120,000	120,000	0	0	
COMMUNITY & ENVIRONMENTAL					
Waste & Recycling (inc Veolia)					
Replacement Domestic Bins	42,185	42,185	0	0	
Veolia Contract Fleet Requirements	225,000	225,000	0	0	
Recycling Boxes	36,940	36,940	0	0	
Veolia Capital Improvements	95,380	95,380	0	0	
Additional Green Waste Bins	36,000	36,000	0	0	
Parks & Open Spaces					
Allotments & Parks Upgrades	0	0	0	(272)	
Green Spaces Strategy	192,207	192,207	0	49,439	
Colne River Project	0	0	0	0	
Cassiobury Park HLF Project	282,713	282,713	0	32,860	
Cassiobury Dev't (Fullerians)	200,000	200,000	0	200,000	
Oxhey Park North Enhancements	6,125	6,125	0	(905)	
Oxhey Park North	3,438,270	3,688,270	250,000	23,098	Additional £250k spend met by contribution from Veolia Environmental Trust for the same amount.
Tree Planting Programme	15,000	15,000	0	0	
River Colne Restoration	100,000	100,000	0	7,907	
Cassiobury Park Car Park Imps	1,000,000	1,000,000	0	9,090	
Garston Park Improvements	250,000	250,000	0	6,684	
Oxhey Park North Project Mgmt	0	75,000	75,000	0	£75k agreed funding from Projects and Programme Management Reserve.

Capital Scheme	Latest Budget 2018/19	Forecast Outturn	Forecast Variance	Actual	Scheme Update
	£	£	£	£	
Cemeteries					
Cemetery Improvements	250,000	250,000	0	4,056	
Cemetery Reprovision	50,000	50,000	0	4,520	
North Watford Cemetery Imps	150,000	150,000	0	0	
Leisure & Play					
Play Review	1,743	1,743	0	0	
Gaelic Football Relocation	60,908	60,908	0	0	
Hérons F.C.	25,000	25,000	0	0	
Leisure Centres (SLM)	1,313,200	1,313,200	0	0	
Watford Tennis Partnership	25,000	25,000	0	0	
Southwold Road Play Area	20,000	20,000	0	20,000	
Culture & Heritage					
Watford Museum HLF Matchfunding	421,690	421,690	0	47,724	
Improvements Community Centres	59,160	59,160	0	0	
Cultural Quarter Phase 1	31,394	31,394	0	0	
Little Cassiobury Match Funding	50,000	50,000	0	0	
Environmental Health					
Idox (GDPR)	10,000	10,000	0	5,264	
Decent Homes Assistance	198,204	198,204	0	23,452	
Community Projects					
Guidepost Renovation Works	0	4,009	4,009	4,009	Both capital schemes funded by additional DFG grant funding carried over from 2017/18.
SLM Disabled Access Improvements	0	28,044	28,044	28,045	
DEMOCRACY & GOVERNANCE					
Buildings & Projects					
MP19-6 Town Hall Redevelopment	2,310,000	2,310,000	0	38,477	
Building Investment Programme	910,959	910,959	0	49,662	

Capital Scheme	Latest Budget 2018/19	Forecast Outturn	Forecast Variance	Actual	Scheme Update
	£	£	£	£	
PLACE SHAPING & PERFORMANCE					
Watford Business Park					
Watford Business Park	5,064,042	5,064,042	0	514,182	
Watford Riverwell					
Campus-Client Side & Land Assembly	780,713	780,713	0	68,722	
Riverwell-Woodlands	445,000	445,000	0	0	
Riverwell-Waterside Phase 1	3,005,772	3,005,772	0	690,000	
Riverwell-Waterside Phase 2	1,647,021	1,647,021	0	0	
Riverwell-Mayfield	1,427,954	1,427,954	0	0	
Riverwell-Waterside Phase 3	908,322	908,322	0	0	
Riverwell-Cardiff Rd North	0	0	0	10,000	
Riverwell-Car Park	5,522,271	5,522,271	0	0	
Housing					
Private Sector Stock Condition	65,850	65,850	0	0	
Retained Housing Stock	125,374	125,374	0	1,352	
York House Boiler Replacement	75,000	75,000	0	0	
Transport & Infrastructure					
Clarendon Road Streetscape Improvements	18,000	18,000	0	0	
Intro Electric Vehicle Charging	25,058	25,058	0	0	
Public Realm (High Street)	656,720	1,797,720	1,141,000	361,046	Funding available from S106 (£270k) and contributions from Herts CC including Watford BID (£655k) largely offset the additional spend. However original LEP funding of £400k anticipated at project start has not been awarded and there have been some cost increases in relation to necessary safety measures.
Public Realm (Cl'dn Rd-Palace)	1,557,040	1,557,040	0	144,963	Negotiation with the LEP Board has meant that original funding expected of £1.6m has reduced and replaced with £850k.
Watford Junction Masterplan	30,000	30,000	0	0	
Watford 3D Planning Model	41,500	41,500	0	0	
Public Realm (Watford Junct'n)	100,000	100,000	0	0	
Upgrading/Resurfacing Car Parks	4,573	4,573	0	0	
Watford Junction Cycle Pk Hub	12,362	12,362	0	0	
Watford Cycle Hire Study	20,000	20,000	0	5,000	
Development Control					
CIL Review	80,000	80,000	0	0	

Capital Scheme	Latest Budget 2018/19	Forecast Outturn	Forecast Variance	Actual	Scheme Update
	£	£	£	£	
Property Investment Board					
PIB Investment Strategy	0	125,000	125,000	(750)	Landlord costs in connection to acquired PIB properties.
Property Management					
New Market	4,365	4,365	0	0	
Non PIB-Strategy & Programme Disposal	0	0	0	350,000	
Modular Housing Accommodation	3,254,064	3,254,064	0	(12,928)	
Loan to HHW	1,500,000	1,500,000	0	0	
Temp Housing Accommodation	352,100	352,100	0	368,369	
STRATEGIC FINANCE					
Capital Support Services					
Support Services	552,470	552,470	0	0	
Major Projects - FBP and QS	125,000	125,000	0	5,114	
TOTAL CAPITAL PROGRAMME	40,313,156	41,888,209	1,575,053	3,083,295	

MEMORANDUM ITEM					
Property Investment Board (PIB)					
PIB-Strategy & Programme Disposal	0	0	0	(750)	Monitored through the Property Investment Board.
PIB Renovations	0	125,000	125,000	0	
Total	0	125,000	125,000	(750)	

CAPITAL INVESTMENT PROGRAMME – FUNDING

FUNDING THE APPROVED CAPITAL PROGRAMME				
FUNDING TYPE	Forecast Outturn 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
Grants & Contributions	1,741,435	18,000	18,000	18,000
Reserves	1,482,744	0	0	0
Capital Receipts (PIB & non PIB)	23,481,755	10,569,280	16,902,280	2,206,000
Section 106 & CIL Contributions	322,362	0	0	0
Borrowing (internal / external)	14,859,913	10,861,000	382,000	0
TOTAL CAPITAL FUNDING APPLIED	41,888,209	21,448,280	17,302,280	2,224,000

N.B. The Council applied for a loan from the Local Enterprise Partnership of £1.5m which it intends to use on the redevelopment of Watford Business Park. This loan was received in December 2015 and is expected to be repaid during financial year 2019/20

CAPITAL BALANCES AFTER FUNDING THE APPROVED CAPITAL PROGRAMME

FUNDING TYPE	Forecast Outturn 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
Grants & Contributions	73,814	73,814	73,814	73,814
Reserves	376,137	376,137	376,137	376,137
Capital Receipts (PIB & Non PIB)	1,990,186	1,208,231	2,579,773	1,373,773
Section 106 & CIL Contributions	4,383,266	4,998,266	5,613,266	6,228,266
Sub Total	6,823,403	6,656,448	8,642,990	8,051,990
Borrowing (internal / external)	(40,978,834)	(51,839,834)	(52,221,834)	(52,221,834)
TOTAL CAPITAL FUNDING AVAILABLE	(34,155,431)	(45,183,386)	(43,578,844)	(44,169,844)

AGED DEBT ANALYSIS




Invoices Outstanding from 1st July 2017 to 30th June 2018								
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	60,963	846	11	393	61	28,598	90,871
	Env Services-Premises Licence	2,482	730	4,360	1,260	6,249	9,134	24,215
	Environmental Health	12,710	0	0	0	0	98	12,809
Democracy and Governance	Democracy and Governance	384	0	0	0	0	3,176	3,560
Place, Shaping & Performance	Housing	29,430	14,839	6,440	569	852	0	52,131
	Property (exc. Commercial rent)	17,883	53	0	0	0	2	17,938
	Property - Commercial Rents	128,635	2,425	0	0	0	188,988	320,048
	Property - Parking Spaces	0	800	0	0	0	0	800
	Planning (exc. Inspection fees)	500	23,590	19,800	30,805	0	0	74,695
	Planning - Inspection Fees	9,069	650	0	0	0	0	9,719
	Regeneration & Development	330,529	0	0	0	0	0	330,529
Human Resources		178	539	0	0	0	3,333	4,050
Strategic Finance		435	85	70	287	0	834	1,712
Grand Total		593,198	44,557	30,681	33,314	7,162	234,164	943,076
Percentage of Amount Outstanding		62.90%	4.72%	3.25%	3.53%	0.76%	24.83%	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	97.6	10.3	19.1	28.6	37.7	46.9	55.9	65.0	74.1	83.1	92.8	95.1	97.6
2018/19 Actual		10.3	19.7	28.7									
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	98.6	13.2	23.3	32.0	41.2	49.9	58.9	67.7	75.0	85.9	91.0	95.6	98.6
2018/19 Actual		11.4	21.2	29.8									
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 2018/19 to 2020/21	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 2018/19 and provisional settlements for 2019/20 and 2020/21 have been factored into the MTFP.	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
11	Delivery of the Watford 2020 Project	This is a major undertaking designed to transform the Council in becoming a customer focused, digitally enabled and a commercially minded organisation.	4	3	12

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

KEY SERVICE BUDGET RISKS

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 Q1.					
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	6,318	6,318	0	6	The invoices for April - June 2018 totalling £1.6 million will be paid in July
Kerbside Recycling Expenditure and Income	1,254	1,254	0	290	The Herts CC (Alternative Financial Model) income for Kerbside Recycling across the County is not received until later in the year.
Temporary Accommodation (net)	298	298	0	15	On target as per forecast as reported at Q1.
Development Control Fee Income	(705)	(795)	(90)	(284)	Increase in planning applications at Q1, this is reflected in the outturn
Building Control Fee Income	(278)	(278)	0	(88)	The forecast income for 2018/19 is expected to be on target at this stage of the year.
Land Charges Fee Income	(120)	(120)	0	(26)	On target as per forecast as reported at Q1.
Watford 2020	1,040	1,088	48	0	Increase is met from the PMB reserve.
Commercial rent income	(7,007)	(7,167)	(160)	(1,053)	Forecast has been revised due to an increase in expected income from rent reviews and property purchases.

REVENUE RESERVE BALANCES

APPENDIX 9

Description	Balance at 1 April 2018	Planned Use of Reserves in MTFS	Additional Budget Approvals	Transfers Between Reserves	Planned Use of Reserves	NDR Adjustment for Prior Years	Movement in Year	Balance at 31 March 2019	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	
Earmarked Revenue Reserves									
Area Based Grant	(86)							(86)	Extremism and anti-social behaviour prevention
Budget Carry Forward	(1,058)		1,058					0	Budgets carried forward to subsequent years
Car Parking Zones	(333)	(110)			44			(399)	Statutory, ring fenced for parking costs
Charter Place Tenants	(93)							(93)	Tenants' contributions to major works
Climate Change	(56)							(56)	Energy saving initiatives
Crematorium	(150)							(150)	Funding repairs and maintenance
Economic Impact	(1,421)	1,346		586	36	(3,300)	(153)	(2,906)	Provide resources to offset economic downturn
Housing Benefit Subsidy	(997)							(997)	Equalisation fund to meet potential DWP clawback
Housing Planning Delivery Grant	(266)							(266)	Improve planning outcomes and delivery of housing
Invest to Save	(839)		550	150				(139)	Supporting expenditure producing savings
Le Marie Centre Repairs	(13)							(13)	Funding Council obligations as landlord
Leisure Structured Maintenance	(423)							(423)	Funding maintenance not in contract
Local Development Framework	(178)							(178)	Supporting Local Plan production and inspection
Multi-Storey Car Park Repair	(181)							(181)	Funding repairs
Collection Fund	(2,486)							(2,486)	Equalisation fund to smooth impact of surpluses/deficits
Parks, Waste & Street Strategy	(60)							(60)	Supporting Street Projects
Pension Funding	(2,248)	100						(2,148)	Reduction of pension deficit
Performance Reward Grant	(28)							(28)	Grant allocated by Local Strategic Partnership
Project and Programme Management	(359)			(150)	108			(401)	Supporting major project work
Rent Deposit Guarantee Scheme	(100)							(100)	Assist in providing homelessness accommodation
Riverwell Project	(3,249)	(960)						(4,209)	Supporting projects
Weekly Collection Grant (Revenue)	(30)							(30)	Supporting weekly collections of waste
Total Revenue Earmarked Reserves	(14,654)	376	1,608	586	188	(3,300)	(153)	(15,349)	
General Fund Working Balance	(1,414)				(586)			(2,000)	
Total Usable Revenue Reserves	(16,068)	376	1,608	0	188	(3,300)	(153)	(17,349)	

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 control on 'carried forwards' 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.

