



**WATFORD
BOROUGH
COUNCIL**

FINANCE SCRUTINY COMMITTEE

26 November 2019

7.00 pm

Contact

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

Publication date: 18 November 2019

Committee Membership

Councillor M Turmaine (Chair)

Councillor P Kloss (Vice-Chair)

Councillors D Allen-Williamson, N Bell, J Johnson, A Khan, J Pattinson, G Saffery and Stanton

Agenda

Part A - Open to the Public

1. Apologies for absence

2. Disclosure of interests

3. Minutes

The [minutes](#) of the meeting held on 11 September 2019 to be submitted and signed.

4. Exclusion of Press and Public

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 on the agenda in terms of Schedule 12A.

5. Property Investment Board update

Presentation from the Head of Regeneration and Property, to include an update on Croxley Business Park.

6. Finance Digest 2019/20 (Q2) (Pages 3 - 36)

The report of the Head of Finance will inform the Committee of the Council's 2019/20 financial position at the end of September 2019 (Quarter 2).

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Tuesday, 26 November 2019

Report author: Section Head - Financial Planning & Analysis

Title: Finance Digest Q2

1.0 Summary

1.1 This report informs the Finance Scrutiny Committee of the Council's 2019/20 financial position at the end of September 2019 (Quarter 2).

1.2 Budget monitoring report is a key tool in scrutinising the Council's financial performance. It 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 and that corrective action is taken where necessary

2.0 Risks

2.1

| Nature of risk | Consequence | Suggested Control Measures | Response (treat, tolerate, terminate or transfer) | Risk Rating (combination of severity and likelihood) |
|--|--|-----------------------------------|--|---|
| The budgets set are not sufficiently accurate | Creates either in-year budget pressures, underspends or additional borrowing costs | Use of reserves | Treat | 6 |
| The Council will not have adequate reserves to manage emerging risks | Reserves diminish | General Fund Balance is set a £2M | Treat | 6 |

3.0 Recommendations

3.1 To consider the 2019/20 Quarter 2 Finance Digest as shown in Annex A, and note both the revenue and capital forecast outturn positions.

3.2 Makes any recommendations to Cabinet/Council.

Further information:

Nigel Pollard

nigel.pollard@watford.gov.uk

Report approved by: Alison Scott

4.0 Detailed proposal

4.1 The detailed report is attached at Annex A.

5.0 Implications

5.1 Financial

5.1.1 Contained in the report

5.2 Legal Issues (Monitoring Officer)

5.2.1 There are no legal implications arising this report.

5.3 Equalities, Human Rights and Data Protection

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected

5.3.2 Having had regard to the council's obligations under s149, it is considered that there are no equalities or Human Rights implications.

5.3.3 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

5.4 Staffing

5.4.1 There are no staffing implications arising from this report.

5.5 Accommodation

5.5.1 There are no accommodation implications arising from this report.

5.6 Community Safety/Crime and Disorder

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 Sustainability

5.7.1 There are no sustainability implications arising from this report.

Appendices

- Annex A – Finance Digest Quarter 2

Background papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Financial Planning (MTFS 2018/19- 2021/22) - Council 29 January 2019

Financial Outturn 2018/19 (June 2019)

Finance Digest - Quarter 1

FINANCE DIGEST

2019/20

BUDGET MONITORING



Quarter 2 (as at 30 September)



Watford Borough Council · TOWN HALL · WATFORD, HERTS WD17 3EX

Executive Summary

The 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 and management responsibilities.

The budget of **£12.696 million** for 2019/20 was approved by Council on 29 January 2019. The latest budget is **£13.998 million**, which includes approved budget carry forwards of £1.302 million from 2018/19.

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) 2019 set against the latest budget. A glossary of financial terms is shown at **Appendix 10**

Revenue summary

The 2019/20 forecast outturn is estimated to be **£14.361 million**. This gives an unfavourable variance of **£0.363 million**, when compared to the latest budget of £13.998 million. The forecast outturn figure, however, includes the planned use of reserves totalling £0.554 million as shown below.

| <u>Variance</u> | <u>£ 000</u> | |
|--|--------------|------------|
| <u>Planned use of Reserves:</u> | | |
| Projects & Programme Management – On Demand Transport | 27 | |
| Projects & Programme Management – Green Waste | 49 | |
| Projects & Programme Management - Colosseum | 60 | |
| Projects & Programme Management – Project Managers | 67 | |
| Re-phasing of Riverwell Development | 1000 | |
| Economic Impact Reserve – Watford 2020 | 92 | |
| Sustainable Transport - Rephasing | <u>(741)</u> | 554 |
| <u>Quarter 2 Variances</u> | | |
| Cost of closing Centre Point Community Centre | 29 | |
| Houses in Multiple Occupation - additional income from mandatory licensing | (40) | |
| Staffing costs for Croxley Park | 44 | |
| Increase in income from car parks – rent reviews | (44) | |
| Net change in Commercial property rental income | (413) | |
| Increase in S106 & CIL income | (82) | |
| Lower borrowing costs due to rephasing on the capital programme | (250) | |
| Additional costs for the CRM system & ESRI licences | 24 | |
| Croxley Park – part year impact | 500 | |
| Other Variances (<£20,000) | 70 | (191) |
| Total service variance Quarter 2 (April – September) | | 363 |

The in-year annual budget is revised in January and it is anticipated that any variances will be managed through reserves. The current unplanned favourable variation of £0.191M is shown against the Economic Impact Reserve. The table below shows a summary of the position on the Council's funding and reserves for 2019/20.

| Medium Term Financial Strategy | 2019/20 £ 000 |
|--|--------------------------|
| Latest Budget | 13,998 |
| Variances this period (Appendix 2) | 363 |
| Forecast Outturn | 14,361 |
| Funding (income from business rates, grants and council tax) | (13,764) |
| Budgeted use of reserves | (234) |
| Planned use of reserves included in total variance | (554) |
| Additional contribution to / (from) reserves | 191 |
| Total funding and use of reserves | (14,361) |

Capital summary

The 2019/20 capital budget is **£69.545 million**. Services are forecasting an outturn position of **£57.544 million** resulting in a variance of **£12.001 million**. The programme is funded as per the table below:

| Medium Term Financial Strategy | 2019/20 £ 000 |
|---|--------------------------|
| Latest Budget (including rephased schemes from 2018/19) | 69,545 |
| Variances this period (Appendix 3) | (12,001) |
| Forecast Outturn | 57,544 |
| | |
| Funding the capital programme | |
| Grants & contributions, S106 & CIL | 4,133 |
| Reserves | 1,022 |
| Capital Receipts | 13,007 |
| Borrowing – Internal/External | 39,382 |
| Total Funding | 57,544 |

It is expected that there will be further rephasing between 2019/20 and future years, however at this this has not yet been identified. Any further rephasing will be reported in Period 8.

Reserves summary

The 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 2019 | Movement in Year | Balance at 31 March 2020 |
|--------------------|--|-----------------------------|---|
| | £000 | | £000 |
| Earmarked Reserves | (18,500) | 1,000 | (17,500) |
| General Fund | (1,414) | (586) | (2,000) |
| Total | (19,914) | (504) | (19,500) |
| | | | |

1.0 Revenue Budget

1.1 The latest budget is **£13.998 million**, which includes approved budget carry forwards of £1.032M from 2018/19. The services' prediction of forecast outturn is now estimated to be **£14.361 million** which results in an unfavourable service variance of **£0.363 million**. However, after the planned use of reserves of £0.554M, this gives a favourable variance of £0.191M.

1.2 The table below compares the latest budget to the forecast outturn and shows the variance against each service. The figures in the table relate to direct costs for each service.

| Revenue Account 2019/20 | | | |
|-------------------------------------|-----------------------|--------------------------|------------------|
| Service Area | Latest Budget £000 | Forecast Outturn £000 | Variance £000 |
| Service Transformation | 4,361 | 4,575 | 214 |
| Community & Environmental | 9,098 | 9,094 | (5) |
| Democracy & Governance | 1,995 | 1,981 | (13) |
| Place Shaping & Performance | (5,646) | (6,416) | (769) |
| Corporate Strategy & Communications | 1,029 | 1,087 | 58 |
| Human Resources | 656 | 627 | (29) |
| Strategic Finance | 2,505 | 3,413 | 908 |
| Net Expenditure | 13,998 | 14,361 | 364 |

1.3 Details of the latest budget, spend to date, forecast outturn and 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**

The Watford 2020 programme will make the council customer focused, digitally enabled and commercially minded. The Council approved the Outline Business Case at its meeting on 10 July 2018, and the current MTFs includes a recurring saving of £1.0 million per annum from 2020/21. The service transformation team are progressing well with the review of services and identifying efficiencies and additional income. The table below shows the latest forecast of savings against the budget in the MTFs.

Table 2 Watford 2020 - Costs & Savings

| Year | Latest Forecast | | Savings in MTFs | | Shortfall | |
|---------|-----------------|------------|-----------------|------------|-----------|------------|
| | In - Year | Cumulative | In - Year | Cumulative | In - Year | Cumulative |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 2019/20 | 721 | 721 | 0 | 0 | 721 | 721 |
| 2020/21 | (1,168) | (447) | (1,000) | (1,000) | (168) | 553 |
| 2021/22 | (1,234) | (1,681) | (1,000) | (2,000) | (234) | 319 |
| 2022/23 | (1,339) | (3,020) | (1,000) | (3,000) | (339) | (20) |

The table above shows that by 2022/23 there will be a small shortfall in cumulative savings of £20k.

Savings of £92k identified in 2018/19 for the use of Watford 2020 in 2019/20 were transferred to the Economic Impact reserve. These were allocated to the service in Q1. The Programme Management Board has allocated £48.5k to fund resources in the implementation of Green waste - Firmstep / ECHO support resource. Budget savings of

£59.7k identified across services as part of Watford2020 have been allocated to service transformation as agreed for the project. Insurance budget of £38.9k has been transferred to Strategic Finance.

- **Community & Environmental**

Centre Point Community Centre has now closed down. The additional costs are expected to be £29k for restoration works. The storage costs and legal fees relating to a prosecution for health & safety breaches is forecasted at £35k. The new national extended mandatory licensing scheme for HMO has generated an additional £40k to support the administration of the scheme. Agreed PMB funding of £60k to fund works at the Colosseum. Insurance budget of £84k has been transferred to Strategic Finance.

- **Democracy & Governance**

The cost of recruiting a solicitor to work on the Croxley Park scheme is expected to cost £44k. Additional agency spend of £12k has been incurred to cover current work load. Savings of £47.3k as identified by Watford2020 review and insurance budget of £15.2k has been transferred to Strategic Finance.

- **Place shaping & Performance**

Agreed use of PMB budgets for responsive demand transport of £27k.

Net favourable change in commercial rental income of £413k – primarily due to rent reviews and the letting of vacant properties. Lower income of £500k from Croxley Park as not acquired at the beginning of the year. The Demand Responsive Transport project is expected to slip in to 2020/21 amounting to £750k being carried forward. Additional income of £82k from S106 and CIL income. Insurance budget of £49.7k has been transferred to Strategic Finance.

- **Corporate Strategy and Communications**

Project managers funding allowance of £66.9k as approved by the PMB board.

- **Human Resources**

Savings of £19.6k as identified by the Watford2020 review. Insurance budget of £9.2k has been transferred to Strategic Finance.

- **Strategic Finance**

Lower interest payments of £250k due to less borrowing because of slippage on the capital programme. Interest income of £1,000k will not materialise due to selling of Woodlands Block E rather than redeveloping the asset. Insurance costs to be held centrally, with a transfer of £203.6k from service budgets and a revised tender has resulted in a savings of £45k.

1.4

Spend to Date

The table below shows the net spend to date and the percentage for each service area when compared to the latest budget at Quarter 2. The total overall percentage spend is 76% at Q2.

| Revenue Account 2019/20 | | | |
|-------------------------------------|-----------------------|-----------------------|-------------------------------|
| Service Area | Latest Budget £000 | Spend to Date £000 | Percentage spend to date % |
| Service Transformation | 4,361 | 2,616 | 60 |
| Community & Environmental | 9,098 | 3,833 | 42 |
| Democracy & Governance | 1,995 | 820 | 41 |
| Place Shaping & Performance | (5,646) | (2,376) | 42 |
| Corporate Strategy & Communications | 1,029 | 547 | 53 |
| Human Resources | 656 | 247 | 38 |
| Strategic Finance | 2,505 | 4,973 | 198 |
| Net Expenditure | 13,998 | 10,658 | 76 |

1.4.1 The council would expect to have spent approximately 50% (£7,000 million) of net expenditure by the end of Q2. The reasons for the **significant** variances of each service is explained below;

- **Service Transformation**
Licences have been fully paid for the year 2019/20. These have been higher than budgeted and the forecast has been changed to reflect this. Spend on Watford2020 costs vary and income realised is subject to service consultations being completed.
- **Community & Environmental**
Contractor invoice for Veolia for £538k relating to Q2 was received in October (Q3).
- **Democracy & Governance**
Lower spend on election costs to date. Additional grant income received for 2019 voter ID pilot expected to be spent in Q3.
- **Place shaping & Performance**
Grant income carried forward from 2018/19 yet to be spent on projects including Rough sleepers and Homelessness.
Business Rates relating to properties have been paid in full at the beginning of the year amounting to £103k.
Income from Croxley Park will not be for the full year, the forecast has been revised to reflect this. Commercial property rental income from LSH varies due to actual receipts they collect and a timing difference to when monies are transferred.
- **Strategic Finance**
The Employers pension liability of £2.4m to reduce the deficit was paid in full in Q1.
Interest income from Riverwell and Hart homes is expected to materialise later in the year.

1.5 Staff Vacancy Monitoring

1.5.1 A major risk of non-delivery of service is where key staff leave the Council's employ and there is a delay or difficulty in recruiting suitable candidates to fill the vacant post. Although the Council budgets on a full establishment, it will experience 'churn' within the

financial year and therefore an annual vacancy provision of (£95,000), equivalent to 1% of the salary bill was allowed for in the budget. The table below summarises the level of vacancies at the end of June 2019 with a detailed analysis provided by HR at **Appendix 2**.

| Service | Number of Vacant Posts |
|-------------------------------------|------------------------|
| Service Transformation | 8 |
| Community & Environmental | 9 |
| Democracy & Governance | 1 |
| Place Shaping & Performance | 7 |
| Corporate Strategy & Communications | 1 |
| HR | 1 |
| Total | 27 |

- 1.5.2 The percentage of vacant posts at the end of Q2 is 11% when compared against the total number of 254 Council posts. In some cases, vacant posts will be covered by agency staff to ensure service delivery. A council – wide revised salary exercise is currently being conducted, where any savings (after taking into account any cover arrangements and recruitment costs) will be set against the vacancy provision and reported in the next Finance Digest.

2.0 Capital Programme

- 2.1 The Council has an approved capital investment programme that is designed to support its core services. The original capital programme for 2019/20 (as approved by Council in January 2019) was **£58.057 million**. Following re-phasing from 2018/19 as approved by Cabinet on 1 July 2019, the latest budget is **£69.545 million**.

- 2.2 The forecast outturn is estimated to be **£57,544 million** which is **£12,001 million** lower than the latest budget. This is mainly due to the Brown development site (Social rented housing) and the rephasing of the majority of the budget for the redevelopment of the Town Hall site including the Colosseum. It is expected that there will be further rephasing between 2019/20 and future years, however at this stage in the year this has not yet been identified.

- 2.3 The Council's medium term capital investment programme for 2019-2022 is shown at summary level in **Appendix 3** and by each scheme at **Appendix 4**, together with an update on each scheme. As at end of September services have spent £6,064 million against the latest forecast, which represents 11%. The major schemes where little or no expenditure has been incurred in Q2 include, Riverwell, Watford Business Park, Town Hall Redevelopment, Temporary accommodation, Oxhey Park and Hart Homes.

Funding the Approved Capital Programme

- 2.4 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. Details of each funding stream are shown at **Appendix 5**. Any decision on borrowing will be taken if and when it is required, which depends on the progression of all the 2019/20 schemes.

3.0 Key Risk Areas

3.1 Emerging Budget Risks

3.1.1 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 risks highlighted as part of this quarters monitoring are;

- **Borrowing Costs**

The capital Programme is likely to slip based on past performance, so not all borrowing will occur.

- **Income from Hart Homes**

The Council is currently in joint venture with Watford Community Housing to develop a mixture of affordable, social and open market housing. The Council will receive interest on its investment loans to the companies and this will amount to £5.004 million gross over the MTFS four year period.

- **Croxley Park**

The Council completed its acquisition of Croxley Park in July 2019. As a result the Council is committed to paying the headlease rental of £9.2m per annum, increasing by RPI annually capped at 5%. The Council will receive rent from tenants which is modelled to provide over the 40 year term an additional £1.5 million per annum income within the revenue budget. As part of the deal the Council received £24 million in respect of rental top ups and £68 million towards the planned maintenance programme.

- **Town Hall Development**

Cabinet on 4 July 2019 approved the consultation on the Northern Hub Masterplan. If the Masterplan is implemented as proposed, this will have implications for the Town Hall site and require the relocation of council staff to a new town centre location. As a result the previous town hall development plans have been put on hold. The reduction in rental income within the MTFS will still apply.

- **Waste Contract (extension based on current service levels)**

The waste contract is due to be extended and the contract price will increase to reflect changes to the contract. The current MTFS includes the sum of £300k pa as the expected additional cost from 2020/21. Negotiations with the contractor continue and at this stage the £300k remains a realistic target.

- **Waste Disposal Costs** A further risk is the increase in costs associated with processing mixed dry recycles. This is largely due to a change in policy of China's import restrictions. All Districts within the County are in a similar position.

- **Watford 2020.** The service transformation team are progressing well with the review of services and identifying efficiencies and additional income. Each project has been given a RAG risk rating for 2019/20. For projects assessed as a red risk, 50% of the total savings are deemed at risk and, for projects assessed as an amber risk, 25% of the total savings are deemed at risk. These translate as Red £36k, at risk £18k and Amber £160k at risk £40k, totalling £58k.

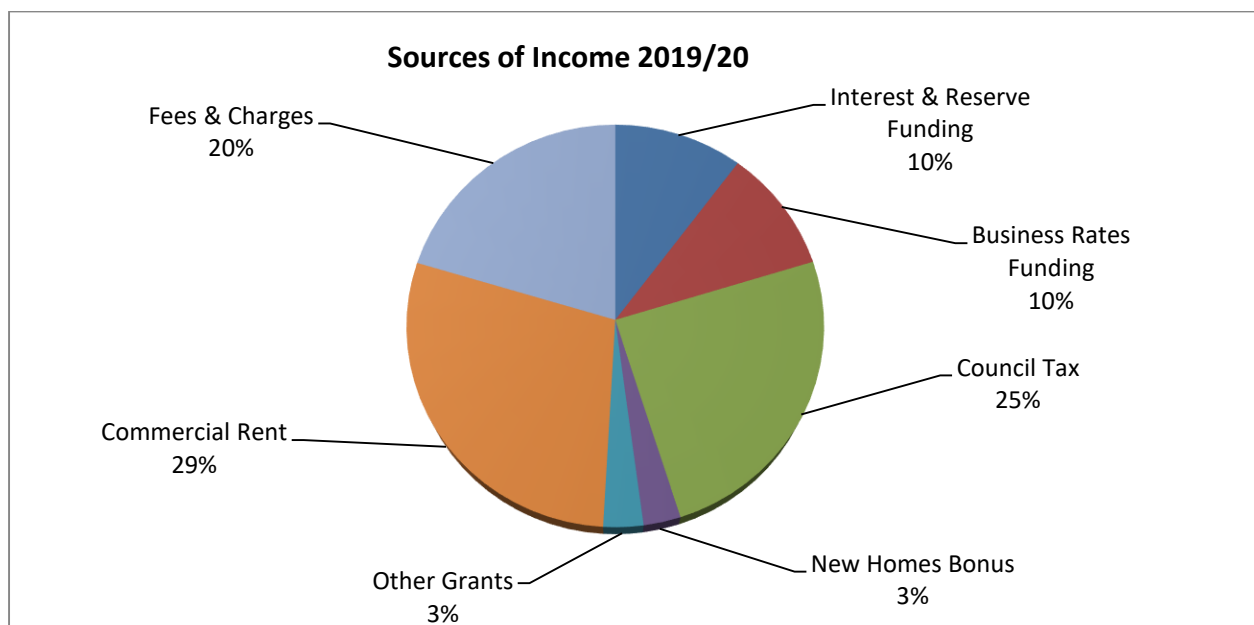
3.1.2 The key risks matrix table shown at **Appendix 6** calculates the level of financial risk, which currently shows a favourable sums for revenue (£0.119 million) and capital (£2.085 million).

3.2 The Council's overall key financial risk matrix is shown at **Appendix 7**. These are reported and monitored and reviewed by the Council's Audit Committee on a quarterly basis.

4.0 Council Income

4.1 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.

4.2 The total of all these sources of income for 2019/20 is **£35.5 million**. The three biggest sources of income are council tax, commercial property rents and service fees and charges. It should be noted that the Council no longer receives any Revenue Support Grant. The chart below shows the percentage of the total amount of income for each source of income.



4.3 Service Income Risk Areas

4.3.1 Particular income generating items can fluctuate depending on the economic climate, popularity and affordability. The main risks that are considered the most critical and their financial position are shown in the table below.

| Service Area | Income Stream | Latest Budget 2019/20 | Forecast 2019/20 | Variance | Comments |
|---------------------------|--------------------------|-----------------------|------------------|----------|---|
| | | £000 | £000 | £000 | |
| Place Shaping | Commercial Rent | (9,205) | (9,803) | (598) | Increase due to letting at the Coleshill and Waterfields sites and various rent reviews |
| | Car Parking Charges | (1,340) | (1,340) | 0 | On Target |
| | Development Control Fees | (780) | (795) | (15) | Increase in pre-applications advice |
| | Building Control Fees | (280) | (260) | 20 | Inspection fees expected to be lower |
| Community & Environmental | Licensing | (273) | (277) | (4) | Minor increase |

Debtors (invoicing)

4.4 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.

4.5 As at the 30 September 2019 the total outstanding value of debt (excluding council tax, business rates and government grants) was **£0.885 million** of which £0.539 million (61%) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.289 million and equates to 33% of the total. This mainly relates to temporary accommodation charges and Watford Indoor Bowls Club, where an agreement has been reached in relation to paying the debt outstanding.

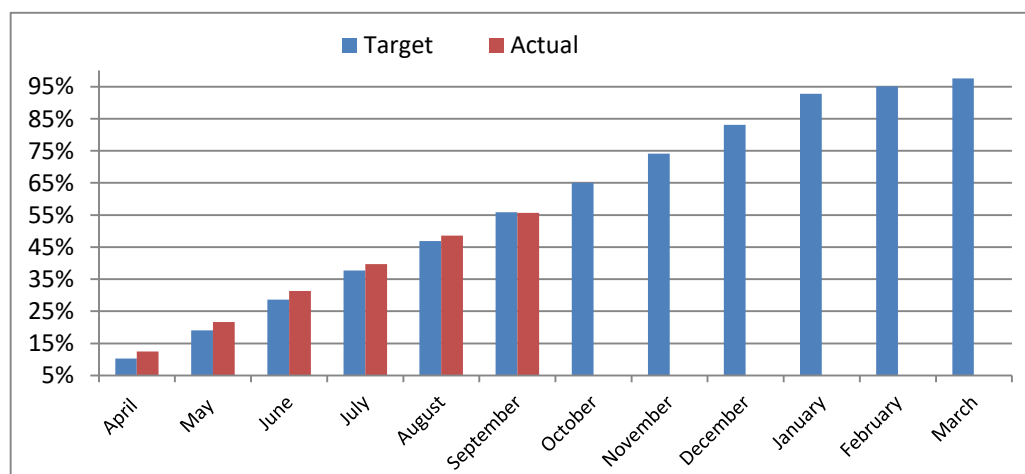
The table below shows a summary of the outstanding debt by the three main aged categories and further detail can be found at **Appendix 8**.

| Aged Debtors At the end of June | Under 1 Month | Over 1 month to Year | Over a Year | Total |
|--|--------------------------|-------------------------------------|------------------------|--------------|
| Service | £000 | £000 | £000 | £000 |
| Community & Environmental | 420 | 16 | 28 | 464 |
| Democracy & Governance | 3 | 0 | 0 | 3 |
| Place Shaping & Performance | 113 | 36 | 259 | 440 |
| Human Resources | 4 | 0 | 0 | 4 |
| Strategic Finance | 0 | 4 | 1 | 5 |
| Total | 539 | 57 | 289 | 885 |

Council Tax and Business Rates Collection

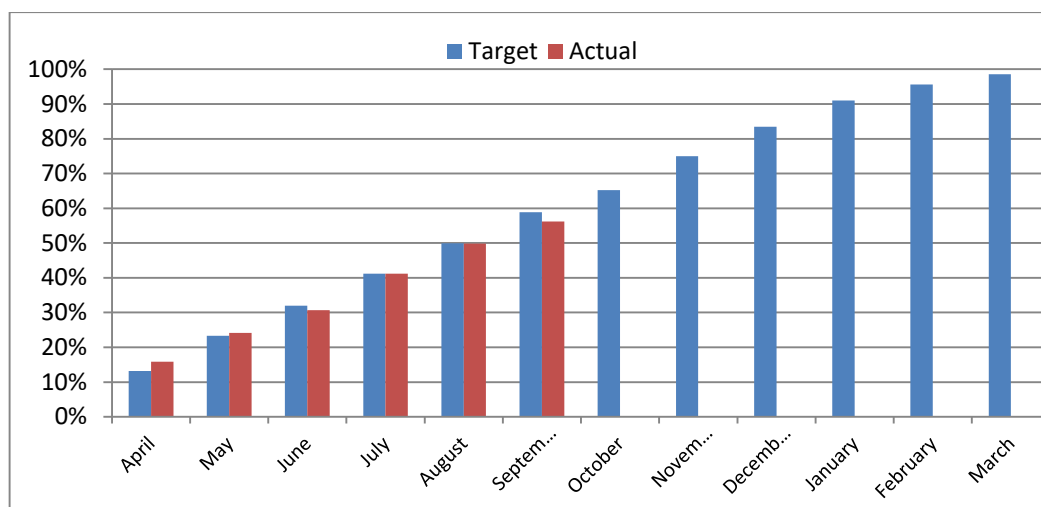
Council Tax Collection

4.6 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 2019 is 55.7% of the annual target which is marginally lower than the profiled target of 55.9%



Business Rates Collection

- 4.7 The Council's performance for **business rates** collection is shown in the following chart. The actual income collected as at 30 September 2019 is 56.22% of the annual target which is slightly below the profiled target of 58.9%.



5.0 Treasury Management

- 5.1 The interest earned on the investments made by the Council supports the funding of the services it provides. Up to the end of September, the average annualised interest rate earned on investments was 0.71%.
- 5.2 The Council set a budget of **£150,000** on investment interest for 2019/20. The amount earned up to the end of September was £42.2k. Any change to the forecast will be assessed alongside the capital financing charges at Period 8 and any projected variations will be reported accordingly.
- 5.3 The Council is currently in the process of working with its Treasury Management advisers to invest the sinking fund received in relation to Croxley Park taking into account the need to balance the inherent risks and the planned drawdown profile required in relation to voids and maintenance and refurbishment.

Report prepared by: Pritesh Shah – Finance Manager
Nigel Pollard – Section Head – Financial Planning & Analysis

Report reviewed by: Alison Scott – Head of Finance

Background Papers

2018/19 Outturn report
Budget returns from Heads of Service
Budget Report 'Financial Planning' 2019-2022

APPENDICES

Appendix 1 Revenue Summary – By Service and explanation of Variances
Appendix 2 Staff Vacancies
Appendix 3 Capital Programme (2019/20) Summary
Appendix 4 Capital Programme (2019/20) Detail

| | |
|-------------|-----------------------|
| Appendix 5 | Capital Funding |
| Appendix 6 | Emerging Budget Risks |
| Appendix 7 | Key Financial Risks |
| Appendix 8 | Aged Debtor Analysis |
| Appendix 9 | Reserves |
| Appendix 10 | Glossary of terms |

Page 18

VARIANCE ANALYSIS

| Explanation of Revenue Outturn Variance 2019/20 | | | |
|---|-------------------------------|---|----------|
| Service Area | Description | Details of Variances | £ |
| Service Transformation | Watford 2020 | Employee savings identified from services in 18/19, these are part of the agreed contributions from the Economic Impact reserve for use in 19/20 for the Watford 2020 projects. | 91,728 |
| | | Allocation as part of savings identified in services - Watford2020 review | 59,700 |
| | | Use of PMB funds for the green waste programme - Funding of additional resource to work on Firmstep and ECHO | 48,500 |
| | Customer Service Centre | Post allocation to CSC as part of Watford2020 services review | 52,000 |
| | Various | Insurance budgets transferred to strategic finance - to be held centrally | (38,940) |
| | | Other Variances | 580 |
| TOTAL | | | 213,568 |
| Community & Environmental | Environmental Health Team | Evidence storage costs in fatality investigation | 15,000 |
| | | Legal fees as part of an ongoing court case | 20,000 |
| | | Additional income from the issuing of export food certificates | (6,000) |
| | Leisure | PMB funded - Colosseum works | 60,000 |
| | Culture & Play | Firework income - part of Watford2020 review | (8,450) |
| | Housing Standards | HMO income to facilitate scheme delivery | (40,000) |
| | Centre Point Community Centre | Expected final costs as part of closing down the centre operationally | 28,800 |
| | Various | Insurance budgets transferred to strategic finance - to be held centrally | (84,080) |
| TOTAL | | | 10,070 |
| TOTAL | | | (4,660) |
| Democracy & Governance | Legal Services | Recruitment of solicitor to work on Croxley Park | 43,900 |
| | | Additional staffing costs to cover current heavy workload | 12,000 |
| | | Savings on Thompson Reuters contract cost | (6,000) |
| | Democratic Services | Watford2020 employee costs review | (47,395) |
| | Various | Insurance budgets transferred to strategic finance - to be held centrally | (15,520) |
| | | Other Variances | (365) |
| TOTAL | | | (13,380) |

| Explanation of Revenue Outturn Variance 2019/20 | | | |
|---|------------------------------|--|-----------|
| Service Area | Description | Details of Variances | £ |
| Place Shaping & Performance | Responsive Transport | Agreed use of PMB reserve to support the transport project | 27,000 |
| | Investment Assets Outsourced | Loss of income, revised as per expected income from Intu Watford | 93,000 |
| | | Income as per lettings form Coleshill Industrial estate | (101,558) |
| | | Income as per lettings form Waterfields Retail Park | (265,844) |
| | | Addition income due to new lettings, rent reviews and uplifts | (325,323) |
| | | Lower income - Croxley Park project as part year only | 500,000 |
| | | LSH contract and general management costs for commercial property lettings | 187,100 |
| | Transport & Infrastructure | DRT project has been delayed, will commence 2020/21 | (750,000) |
| | Development Control | Additional income received from S106 & CIL | (82,000) |
| | Various | Insurance budgets transferred to strategic finance - to be held centrally | (49,780) |
| | Other Variances | (1,866) | |
| | | TOTAL | (769,271) |
| Corporate Strategy & Comms | Partnership & Performance | Income from Town centre WIFI not achievable, budget set too high | 12,000 |
| | | Project manager costs - as agreed by PMB | 66,907 |
| | | Savings as identified by Watford2020 review | (16,730) |
| | Various | Insurance budgets transferred to strategic finance - to be held centrally | (5,460) |
| | | Other Variances | 1,450 |
| | | TOTAL | 58,167 |
| Human Resources | HR | Savings as identified by Watford2020 review | (14,600) |
| | Corporate Employee Expenses | Savings as identified by Watford2020 review | (5,000) |
| | Various | Insurance budgets transferred to strategic finance - to be held centrally | (9,280) |
| | | TOTAL | (28,880) |
| Strategic Finance | Interest Paid | Lower payment on borrowing due to slippage on the Capital programme | (250,000) |
| | Interest Earned | Interest not receivable due to selling Woodlands block E rather than develop the asset | 1,000,000 |
| | Insurance | Savings on the insurance contract for 2019/20 | (45,000) |
| | | Budgets reallocated from services | 203,060 |
| | | TOTAL | 908,060 |
| | | | |
| | | GRAND TOTAL | 363,604 |
| | | | |

STAFF VACANCIES

| | Service | Job Title | Date Vacant | FTE | Comments |
|----|---------------------------------|---|--------------|------|--|
| 1 | Community & Environmental | Parks Assistant | N/A New role | 1.00 | New Role, to be advertised |
| 2 | Community & Environmental | Contract Relationship Manager | N/A New role | 1.00 | Advertised - closing 11-10-19 |
| 3 | Community & Environmental | Environmental Health Officer | 18/02/2019 | 1.00 | Filled by Agency to July 2020 |
| 4 | Community & Environmental | Environmental Health Manager | 31/07/2019 | 1.00 | Being covered by secondment |
| 5 | Community & Environmental | Environmental Crime Officer | 11/06/2018 | 1.00 | Not currently advertised |
| 6 | Community & Environmental | Business Compliance Officer | | 0.32 | Not currently advertised |
| 7 | Community & Environmental | Environmental Health Officer & Compliance Officer | N/A New role | 1.00 | Filled by Agency to March 2020 |
| 8 | Community & Environmental | Support Officer | 14/09/2018 | 0.50 | Filled by Agency to March 2020 |
| 9 | Community & Environmental | Safeguarding Manager | N/A New role | 0.41 | Covered by contractor to March 2020 |
| 10 | Democracy & Governance | GDPR Officer | 25/10/2019 | 0.50 | Interviewing 3 Oct 2019 |
| 11 | Corp Strategy & Client Services | Corp Strategy & Client Services Co-ordin | 05/05/2019 | 1.00 | Not currently advertised |
| 12 | Place Shaping & Performance | Principal Surveyor | 31/12/2017 | 1.00 | Unsuccessful recruitment campaign Oct 2018, not yet readvertised |
| 13 | Place Shaping & Performance | Applications Casework Manager | 30/06/2019 | 1.00 | Not currently advertised - service undergoing 2020 review |
| 14 | Place Shaping & Performance | Principal Planning Officer | 07/06/2019 | 1.00 | Not currently advertised - service undergoing 2020 review |
| 15 | Place Shaping & Performance | Technical Support Officer | 31/05/2019 | 0.81 | Not currently advertised - service undergoing 2020 review |
| 16 | Place Shaping & Performance | Apprentice Housing Solutions Officer | 11/01/2019 | 1.00 | not currently advertised |
| 17 | Place Shaping & Performance | Housing Caseworker | 06/08/2019 | 1.00 | not currently advertised |
| 18 | Place Shaping & Performance | Property Surveyor | 19/09/2018 | 1.00 | TBC - 2020 team moving to Transformation |
| 19 | Human Resources | Head of HR Operations | 30/09/2019 | 0.65 | Not currently advertised - service undergoing 2020 review |
| 20 | Service Transformation | CSC Advisor | 18/04/2019 | 1.00 | Hours being covered by other team members working additional hours |
| 21 | Service Transformation | CSC Apprentice | 02/04/2019 | 1.00 | Not currently advertised |
| 22 | Service Transformation | Desktop Support Engineer | 16/05/2017 | 1.00 | Fixed Term to March 2020 |
| 23 | Service Transformation | Business Relationship Manager | 02/04/2019 | 1.00 | To be filled on 1 November 2019 |
| 24 | Service Transformation | Quantity Surveyor / Project Manager | 31/05/2019 | 1.00 | 100% rech to Capital |
| 25 | Service Transformation | Facilities & Resilience Manager | 03/09/2019 | 1.00 | Filled by contractor |
| 26 | Service Transformation | Surveyor (M&E) | 30/06/2018 | 1.00 | Service to be reviewed |
| 27 | Service Transformation | Surveyor | 31/12/2016 | 1.00 | Recruitment cycle in August 2019 was unsuccessful. Currently on hold |

CAPITAL INVESTMENT PROGRAMME – SUMMARY

| Service Area | Service Provision | Latest Budget 2019/20 | Forecast Outturn | Actual to date | Previously Reported Variances | Variances for Period 6 only | Cumulative Variance @ Period 6 | Latest Budget 2020/21 | Latest Budget 2021/22 | Latest Budget 2022/23 |
|---------------------------------|--------------------------------|-----------------------|------------------|----------------|-------------------------------|-----------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|
| | | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Service Transformation | Customer Services | 47,741 | 47,741 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | ICT Shared Services | 240,715 | 516,000 | 291,666 | 240,000 | 35,285 | 275,285 | 185,000 | 45,000 | 45,000 |
| | ICT Client Services | 1,131,331 | 471,046 | 172,128 | (240,000) | (420,285) | (660,285) | 730,000 | 485,000 | 485,000 |
| | Corporate Asset Management | 13,950,907 | 1,683,435 | 315,328 | 0 | (12,267,472) | (12,267,472) | 13,049,472 | 400,000 | 400,000 |
| Community & Environmental | Waste & Recycling (inc Veolia) | 2,736,935 | 2,736,935 | 324,885 | 0 | 0 | 0 | 96,810 | 98,260 | 100,230 |
| | Parks & Open Spaces | 4,939,700 | 5,019,700 | 946,492 | 80,000 | 0 | 80,000 | 305,000 | 285,000 | 265,000 |
| | Cemeteries | 1,504,779 | 1,504,779 | 75,563 | 0 | 0 | 0 | 1,055,000 | 0 | 0 |
| | Leisure & Play | 1,587,614 | 1,587,614 | 615,409 | 0 | 0 | 0 | 6,675,000 | 2,405,000 | 0 |
| | Culture & Heritage | 1,118,948 | 1,118,948 | 8,747 | 0 | 0 | 0 | 400,000 | 300,000 | 0 |
| | Environmental Health | 300,000 | 125,000 | 2,070 | 0 | (175,000) | (175,000) | 400,000 | 300,000 | 100,000 |
| | Community Projects | 1,190,000 | 1,190,000 | 0 | 0 | 0 | 0 | 500,000 | 0 | 0 |
| Place Shaping & Performance | Watford Business Park | 4,982,506 | 4,982,506 | 118,493 | 0 | 0 | 0 | 7,800,000 | 300,000 | 0 |
| | Watford Riverwell | 15,403,000 | 15,403,000 | 833,984 | 0 | 0 | 0 | 8,392,000 | 2,855,003 | 8,878,000 |
| | Housing | 285,872 | 285,872 | 0 | 0 | 0 | 0 | 50,000 | 50,000 | 50,000 |
| | Transport & Infrastructure | 4,024,850 | 4,041,300 | 1,703,840 | 16,450 | 0 | 16,450 | 2,714,800 | 5,410,800 | 0 |
| | Development Control | 80,000 | 80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Property Investment Board | 66,230 | 66,230 | 13,655 | 0 | 0 | 0 | 50,000 | 50,000 | 0 |
| | Property Management | 14,973,982 | 15,703,982 | 572,028 | 480,000 | 250,000 | 730,000 | 23,435,000 | 18,730,000 | 0 |
| Strategic Finance | Capital Support Services | 979,470 | 979,470 | 70,174 | 0 | 0 | 0 | 679,470 | 680,740 | 682,020 |
| TOTAL CURRENT CAPITAL PROGRAMME | | 69,544,580 | 57,543,558 | 6,064,459 | 576,450 | (12,577,472) | (12,001,022) | 66,517,552 | 32,394,803 | 11,005,250 |

CAPITAL INVESTMENT PROGRAMME – DETAIL

| Cost Centre | Capital Scheme | Latest Budget 2019/20 | Forecast Outturn | Forecast Variance | Actual 2019/20 | Scheme Update |
|---------------|---|-----------------------|------------------|-------------------|----------------|---|
| | | £ | £ | £ | £ | |
| WA5510 | SERVICE TRANSFORMATION | | | | | |
| | Customer Services | | | | | |
| WAA236 | CSI Project | 47,741 | 47,741 | 0 | 0 | |
| | ICT Shared Services | | | | | |
| WAA946 | ShS-Migration To The Cloud | 156,000 | 16,000 | (140,000) | 0 | Request for budget rephasing into 2020/21. |
| WAA982 | ShS-Hardware Replacement Programme | 84,715 | 500,000 | 415,285 | 291,666 | Budget adjustment between capital cost centre |
| | ICT Client Services | | | | | |
| WAA109 | ICT-Hardware Replacement Programme | 317,621 | 317,621 | 0 | 172,128 | |
| WAA111 | ICT-Business Application Upgrade | 613,710 | 98,425 | (515,285) | 0 | Budget adjustment between capital cost centres & request for budget rephasing into 2020/21. |
| WAA221 | ICT-Project Management Provision | 200,000 | 55,000 | (145,000) | 0 | Request for budget rephasing into 2020/21. |
| | Corporate Asset Management | | | | | |
| WAA905 | Redevelopment Town Hall | 8,767,472 | 250,000 | (8,517,472) | (3,436) | Budget adjustment between capital cost centres & request for budget rephasing into 2020/21. |
| WAA906 | Colosseum | 4,000,000 | 250,000 | (3,750,000) | 0 | Budget adjustment between capital cost centres & request for budget rephasing into 2020/21. |
| WAA995 | Building Investment Programme | 1,183,435 | 1,183,435 | 0 | 318,764 | |
| WA5520 | COMMUNITY & ENVIRONMENTAL | | | | | |
| | Waste & Recycling (inc Veolia) | | | | | |
| WAA161 | Replacement Domestic Bins | 42,185 | 42,185 | 0 | 0 | |
| WAA197 | Veolia Contract Fleet Requirements | 2,525,000 | 2,525,000 | 0 | 292,580 | |
| WAA975 | Recycling Boxes | 36,940 | 36,940 | 0 | 0 | |
| WAA991 | Veolia Capital Improvements | 96,810 | 96,810 | 0 | 32,305 | |
| WAA992 | Additional Green Waste Bins | 36,000 | 36,000 | 0 | 0 | |
| | Parks & Open Spaces | | | | | |
| WAA290 | Callowland Allotment Enhancement | 10,000 | 10,000 | 0 | 1,844 | |
| WAA291 | Whippendell Woods SSSI Enhancement | 15,000 | 15,000 | 0 | 0 | |
| WAA954 | Green Spaces Strategy | 158,311 | 158,311 | 0 | 99,932 | |
| WAB966 | Cassiobury Park HLF Project | 186,876 | 186,876 | 0 | 15,724 | |
| WAB970 | Oxhey Park North Enhancements | 4,500 | 4,500 | 0 | 0 | |
| WAB971 | Oxhey Park North | 3,518,658 | 3,518,658 | 0 | 210,963 | |
| WAB972 | Tree Planting Programme | 15,000 | 15,000 | 0 | 6,612 | |
| WAB974 | River Colne Restoration | 82,104 | 82,104 | 0 | (18,616) | |
| WAB975 | Cassiobury Park Car Park Imps | 669,607 | 669,607 | 0 | 629,920 | |
| WAB978 | Garston Park Improvements | 236,539 | 316,539 | 80,000 | 113 | £80k S106 funding approved for play equipment. |
| WAB979 | Oxhey Park North Project Mgmt | 43,105 | 43,105 | 0 | 0 | |
| | Cemeteries | | | | | |
| WAB968 | Cemetery Improvements | 211,646 | 211,646 | 0 | 13,540 | |
| WAB976 | Cemetery Reprovision | 91,000 | 91,000 | 0 | 0 | |
| WAB977 | North Watford Cemetery Imps | 177,133 | 177,133 | 0 | 62,023 | |
| WAB980 | New Cemetery Provision | 1,000,000 | 1,000,000 | 0 | 0 | |
| WAB984 | Vicarage Road Cemetery Feasibility Study | 25,000 | 25,000 | 0 | 0 | |

| Cost Centre | Capital Scheme | Latest Budget 2019/20 | Forecast Outturn | Forecast Variance | Actual 2019/20 | Scheme Update |
|---------------|--|-----------------------|------------------|-------------------|----------------|--|
| | | £ | £ | £ | £ | |
| | Leisure & Play | | | | | |
| WAA219 | Gaelic Football Relocation | 38,558 | 38,558 | 0 | 0 | |
| WAA301 | Hérons F.C. | 0 | 0 | 0 | 0 | |
| WAA302 | Leisure Centres (SLM) | 135,837 | 135,837 | 0 | 132,816 | |
| WAA303 | Watford Tennis Partnership | 25,000 | 25,000 | 0 | 0 | |
| WAA304 | Leisure Centres Loan (SLM) | 0 | 0 | 0 | 225,000 | |
| WAB945 | Southwold Road Play Area | 0 | 0 | 0 | 0 | |
| WAB969 | Tennis Courts Enhancement | 0 | 0 | 0 | 0 | |
| WAB981 | Woodside Sports Village | 988,219 | 988,219 | 0 | (5,658) | |
| WAB982 | Cassiobury Park Croquet Club | 40,000 | 40,000 | 0 | 2,375 | |
| WAB983 | Play Area Improvements | 360,000 | 360,000 | 0 | 260,875 | |
| | Culture & Heritage | | | | | |
| WAA195 | Watford Museum HLF Matchfunding | 255,788 | 255,788 | 0 | 8,747 | |
| WAA912 | Improvements Community Centres | 33,160 | 33,160 | 0 | 0 | |
| WAA983 | Cultural Quarter Phase 1 | 30,000 | 30,000 | 0 | 0 | |
| WAB973 | Little Cassiobury Match Funding | 50,000 | 50,000 | 0 | 0 | |
| WAM000 | Watford Market | 750,000 | 750,000 | 0 | 0 | |
| | Environmental Health | | | | | |
| WAJ300 | Decent Homes Assistance | 100,000 | 25,000 | (75,000) | 2,927 | Funded from other sources |
| WAJ310 | Private Sector Housing Renewal | 100,000 | 0 | (100,000) | 0 | Request for budget rephasing into 2020/21 |
| WAJ311 | Street Improvement Programme | 100,000 | 100,000 | 0 | 0 | |
| WAJ312 | Social Care Project Fund | 0 | 0 | 0 | (857) | |
| | Community Projects | | | | | |
| WAJ304 | Cycle Hub | 350,000 | 443,000 | 93,000 | 0 | Budget adjustment between capital cost centres |
| WAJ305 | All Saints Churchyard Improvements | 40,000 | 40,000 | 0 | 0 | |
| WAJ306 | Paddock Road Depot Enhancements | 800,000 | 707,000 | (93,000) | 0 | Budget adjustment between capital cost centres |
| WA5540 | PLACE SHAPING & PERFORMANCE | | | | | |
| | Watford Business Park | | | | | |
| WAA185 | Watford Business Park | 3,582,506 | 3,582,506 | 0 | 118,493 | |
| WAA186 | Watford Business Park Phase 2 | 1,400,000 | 1,400,000 | 0 | 0 | |

| Cost Centre | Capital Scheme | Latest Budget 2019/20 | Forecast Outturn | Forecast Variance | Actual 2019/20 | Scheme Update |
|-------------|--|-----------------------|------------------|-------------------|----------------|---------------------------------------|
| | | £ | £ | £ | £ | |
| | Watford Riverwell | | | | | |
| WA6541 | Watford Riverwell Project | 15,403,000 | 15,403,000 | 0 | 833,984 | |
| WAA920 | Campus-Client Side & Land Assembly | 965,000 | 965,000 | 0 | 93,984 | |
| WAA923 | Campus-Equity-Infrastructure | 0 | 0 | 0 | 15,000 | |
| WAA929 | Riverwell-Ind Zone South | 0 | 0 | 0 | 0 | |
| WAA930 | Riverwell-Ind Zone South Loan | 0 | 0 | 0 | 0 | |
| WAA931 | Riverwell-Woodlands | 0 | 0 | 0 | 0 | |
| WAA932 | Riverwell-Waterside Phase 1 | 1,321,000 | 1,321,000 | 0 | 85,000 | |
| WAA933 | Riverwell-Waterside Phase 2 | 1,452,000 | 1,452,000 | 0 | 65,000 | |
| WAA934 | Riverwell-Mayfield | 0 | 0 | 0 | 0 | |
| WAA935 | Riverwell-Island Site | 10,000 | 10,000 | 0 | 0 | |
| WAA936 | Riverwell-Waterside Phase 3 | 108,000 | 108,000 | 0 | 35,000 | |
| WAA937 | Riverwell-Cardiff Rd North | 0 | 0 | 0 | 0 | |
| WAA938 | Riverwell-Car Park | 5,193,000 | 5,193,000 | 0 | 65,000 | |
| WAA939 | Riverwell-Farm Terrace Allotments | 5,301,000 | 5,301,000 | 0 | 475,000 | |
| WAA942 | Riverwell-School | 905,000 | 905,000 | 0 | 0 | |
| WAA943 | Riverwell-Administration | 148,000 | 148,000 | 0 | 0 | |
| | Housing | | | | | |
| WAA196 | Private Sector Stock Condition | 36,850 | 36,850 | 0 | 0 | |
| WAA987 | Retained Housing Stock | 174,022 | 174,022 | 0 | 0 | |
| WAI103 | York House Boiler Replacement | 75,000 | 75,000 | 0 | 0 | |
| | Transport & Infrastructure | | | | | |
| WAA194 | Intro Electric Vehicle Charging | 25,058 | 25,058 | 0 | 1,500 | |
| WAA247 | Public Realm (High Street) | 9,333 | 9,333 | 0 | 2,948 | |
| WAA249 | Public Realm (Cl'dn Rd-Palace) | 0 | 0 | 0 | 682,183 | |
| WAA250 | Public Realm (Cl'dn Rd Phase III) | 1,989,000 | 1,989,000 | 0 | 1,008,767 | |
| WAA251 | Transport App | 200,000 | 200,000 | 0 | 0 | |
| WAA252 | St Albans Rd Improvement Works | 200,000 | 200,000 | 0 | 0 | |
| WAA400 | Watford Junction Masterplan | 13,548 | 13,548 | 0 | 0 | |
| WAA401 | Watford 3D Planning Model | 56,500 | 56,500 | 0 | 0 | |
| WAA402 | Public Realm (Watford Junct'n) | 183,548 | 199,998 | 16,450 | 0 | Funded by use of PMB capital reserve. |
| WAA403 | High St Phase 2 (St Mary's) | 295,668 | 295,668 | 0 | 3,190 | |
| WAA950 | Upgrading/Resurfacing Car Parks | 4,573 | 4,573 | 0 | 0 | |
| WNC045 | Watford Junction Cycle Pk Hub | 12,362 | 12,362 | 0 | 5,252 | |
| WNC046 | Watford Cycle Hire Study | 4,460 | 4,460 | 0 | 0 | |
| WNC047 | Cycle Hire Scheme | 730,800 | 730,800 | 0 | 0 | |
| WNC048 | Cycle & Road Infrastructure Improvements | 300,000 | 300,000 | 0 | 0 | |

| Cost Centre | Capital Scheme | Latest Budget 2019/20 £ | Forecast Outturn £ | Forecast Variance £ | Actual 2019/20 £ | Scheme Update |
|---------------|--|----------------------------|-----------------------|------------------------|---------------------|--|
| | Development Control | | | | | |
| WAA268 | CIL Review | 80,000 | 80,000 | 0 | 0 | |
| | Property Investment Board | | | | | |
| WA6545 | PIB Investment Strategy | 66,230 | 66,230 | 0 | 13,655 | |
| | Property Management | | | | | |
| WAA211 | New Market | 4,365 | 4,365 | 0 | 0 | |
| WAA223 | Non PIB-Strategy & Programme Disposal | 0 | 0 | 0 | 355,800 | |
| WAJ105 | Temp Housing Accommodation | 4,179,617 | 4,179,617 | 0 | 4,250 | |
| WAJ106 | Hart Homes Equity WDLLP | 50,000 | 300,000 | 250,000 | 200,000 | Change to reflect expected expenditure |
| WAJ107 | Social Rented Housing | 1,000,000 | 1,000,000 | 0 | 0 | |
| WAJ108 | Accelerating Housing Provision | 1,380,000 | 1,380,000 | 0 | 0 | |
| WAJ109 | Land Transfer - Croxley View Phase 2 | 3,000,000 | 3,000,000 | 0 | 0 | |
| WAJ111 | Land Transfer - Rear Of High St | 660,000 | 660,000 | 0 | 0 | |
| WAJ114 | Loan to Hart Homes WDLLP | 4,000,000 | 4,000,000 | 0 | 0 | |
| WAJ115 | Loan to Hart Homes WDLTD | 700,000 | 700,000 | 0 | 0 | |
| WAJ116 | Brow Development (Social Rented Housing) | 0 | 480,000 | 480,000 | 0 | |
| | | | | | | |
| WA5570 | STRATEGIC FINANCE | | | | | |
| | Capital Support Services | | | | | |
| WAA601 | Support Services | 552,470 | 552,470 | 0 | 0 | |
| WAA602 | Major Projects - FBP and QS | 127,000 | 127,000 | 0 | 70,174 | |
| WAA603 | Investment Advisors | 300,000 | 300,000 | 0 | 0 | |
| | | | | | | |
| WA4900 | TOTAL CURRENT CAPITAL PROGRAMME | 69,544,580 | 57,543,558 | (12,001,022) | 6,064,459 | |

CAPITAL INVESTMENT PROGRAMME – FUNDING

| FUNDING TYPE | Forecast Outturn 2019/20 £ | Budget 2020/21 £ | Budget 2021/22 £ | Budget 2022/23 £ |
|--------------------------------------|---|---------------------------------|---------------------------------|---------------------------------|
| Grants & Contributions | 3,799,000 | 6,989,000 | 1,000,000 | 0 |
| Reserves | 1,022,317 | 33,000 | 0 | 0 |
| Capital Receipts (PIB & non PIB) | 13,007,073 | 17,800,612 | 3,402,000 | 6,643,000 |
| Section 106 & CIL Contributions | 333,361 | 0 | 3,000,000 | 0 |
| Borrowing (Internal & External) | 39,381,807 | 41,694,940 | 24,992,803 | 4,362,250 |
| TOTAL CAPITAL FUNDING APPLIED | 57,543,558 | 66,517,552 | 32,394,803 | 11,005,250 |

EMERGING BUDGET RISKS

APPENDIX 6

| Risk Item | Risk | RAG rating | Value in 2019/20 Revenue Budget £000 | Value at Risk (favourable variance) | Red Value | Amber value | Value in 2019/20 Capital Programme £000 | Value at Risk (favourable variance) |
|------------------------|--|------------|--------------------------------------|-------------------------------------|-----------|-------------|---|-------------------------------------|
| Borrowing Costs | Capital programme is expected to slip based on past performance so not all borrowing will occur. | Red | 912 | (662) | (662) | 0 | 0 | 0 |
| Income from Hart Homes | Some slippage may occur on Hart Homes Schemes | Amber | (417) | 417 | 0 | 417 | 0 | 0 |
| Waste Disposal Costs | Waste disposal costs are likely to increase due to a reduction in gate prices for paper recycling | Red | 100 | 100 | 100 | 0 | 0 | 0 |
| Waste Contract | Contract Fleet requirements - may increase depending on mapping of requirements | Amber | 0 | 0 | 0 | 0 | 2,525 | 660 |
| New Cemetery Provision | Depending on potential joint arrangements the £1m budget in 2019/20 and 2020/21 could be returned to the capital funding pot | Amber | 0 | 0 | 0 | 0 | 1,000 | (1,000) |
| | | Total | (40) | (145) | (562) | 417 | 16,292 | (340) |

Page 28

| Revenue Budget | | | |
|----------------------------------|--------------------------|---------------------------|---------------------------------|
| RAG Rating | Total Value at Risk £000 | Probability of Occurrence | Probability Adjusted Value £000 |
| Red | (562) | 50% | (281) |
| Amber | 417 | 25% | 104 |
| Watford 2020 | | | 58 |
| Total Probability Adjusted Value | | | (119) |

| Capital Programme | | | |
|----------------------------------|--------------------------|---------------------------|---------------------------------|
| RAG Rating | Total Value at Risk £000 | Probability of Occurrence | Probability Adjusted Value £000 |
| Red | 0 | 50% | 0 |
| Amber | (340) | 25% | (85) |
| Total Probability Adjusted Value | | | (2,085) |

KEY FINANCIAL & BUDGETARY RISKS

| Risk No. | Type of Risk | Comment | Impact | Likelihood | Overall Score |
|----------|---|--|--------|------------|---------------|
| 1 | Revenue balances insufficient to meet estimate pay award & pension increases | The medium term planning period takes into account a 1% increase for the period 2019/20 to 2021/22 | 2 | 2 | 4 |
| 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 | 2 | 6 |
| 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 | 2 | 6 |
| 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 | 2 | 6 |
| 7 | The income from commercial rents decreases | The property portfolio earns in excess of £8m. Properties that become void or are disposed of will impact on this key funding stream | 4 | 2 | 8 |

| Risk No. | Type of Risk | Comment | Impact | Likelihood | Overall Score |
|-----------------|---|---|---------------|-------------------|----------------------|
| 8 | The Council is faced with potential litigation and other employment related risks | The Council has one outstanding litigation cases. | 3 | 2 | 6 |
| 9 | The amount of government grant is adversely affected | The grant settlement for 2019/20 and provisional settlements for 2020/21 and 2021/22 have been factored into the MTFS. | 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 |

AGED DEBT ANALYSIS

| Invoices outstanding from 1st October 2018 to 30th September 2019 | | | | | | | | |
|---|---------------------------------|-------------------------------------|--------------|---------------|--------------|---------------|----------------|----------------|
| 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 | 407,123 | 390 | 2,610 | 0 | 528 | 13,310 | 423,960 |
| | Env Services-Premises Licence | 5,669 | 360 | 1,000 | 649 | 4,900 | 10,872 | 23,450 |
| | Environmental Health | 7,239 | 392 | 4,000 | 0 | 1,217 | 4,175 | 17,023 |
| Democracy and Governance | Democracy and Governance | 2,900 | 0 | 98 | 0 | 0 | 0 | 2,998 |
| Place, Shaping & Performance | Housing | 10,990 | 1,916 | 2,199 | 1,924 | 8,491 | 9,628 | 35,149 |
| | Property (exc. Commercial rent) | 82 | 147 | 277 | 292 | 0 | 0 | 797 |
| | Property - Commercial Rents | 19,548 | 0 | 358 | 0 | 0 | 249,239 | 269,145 |
| | Property - Parking Spaces | 0 | 0 | 1,033 | 75 | 0 | 0 | 1,108 |
| | Planning (exc. Inspection fees) | 76,042 | 0 | 8,077 | 1,705 | 9,170 | 0 | 94,994 |
| | Planning - Inspection Fees | 5,938 | 440 | 0 | 275 | 0 | 440 | 7,093 |
| Human Resources | | 3,657 | 0 | 144 | 0 | 0 | 0 | 3,801 |
| Strategic Finance | | 69 | 3,763 | 74 | 0 | 443 | 1,147 | 5,497 |
| Grand Total | | 539,256 | 7,408 | 19,871 | 4,920 | 24,749 | 288,811 | 885,015 |
| Percentage of Amount Outstanding | | 60.93% | 0.84% | 2.25% | 0.56% | 2.80% | 32.63% | 100.00% |

REVENUE RESERVE BALANCES

| Description | Balance at 1 April £000 | Movement 2019/20 £000 | Balance at 31 March £000 | Movement 2020/21 £000 | Balance at 31 March £000 | Movement 2021/22 £000 | Balance at 31 March £000 | Movement 2022/23 £000 | Balance at 31 March £000 | Purpose |
|-------------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--|
| Revenue Reserves | | | | | | | | | | |
| Area Based Grant | (86) | 0 | (86) | 0 | (86) | 0 | (86) | 0 | (86) | Extremism and anti-social behaviour prevention |
| Budget Carry Forward | (1,302) | 561 | (741) | 741 | 0 | 0 | 0 | 0 | 0 | Budgets carried forward from prior years |
| Car Parking Zones | (640) | (157) | (797) | (157) | (954) | (157) | (1,111) | (157) | (1,268) | Ring fenced for parking projects |
| Charter Place Tenants | (93) | 0 | (93) | 0 | (93) | 0 | (93) | 0 | (93) | Tenants' contributions to major works |
| Climate Change | (56) | 0 | (56) | 0 | (56) | 0 | (56) | 0 | (56) | Energy saving initiatives |
| Crematorium | (150) | 0 | (150) | 0 | (150) | 0 | (150) | 0 | (150) | Funding repairs and maintenance |
| Economic Impact | (3,651) | 1,871 | (1,780) | 42 | (1,738) | (1,079) | (2,817) | (1,390) | (4,207) | Provide resources to offset economic downturn |
| Housing Benefit Subsidy | (1,435) | 0 | (1,435) | 0 | (1,435) | 0 | (1,435) | 0 | (1,435) | Provision if Dept for Work & Pensions claw back funds |
| Housing Planning Delivery Grant | (266) | 0 | (266) | 0 | (266) | 0 | (266) | 0 | (266) | Improve planning outcomes and delivery of housing |
| Invest to Save | (689) | 0 | (689) | 0 | (689) | 0 | (689) | 0 | (689) | Support expenditure producing savings |
| Le Marie Centre Repairs | (11) | 0 | (11) | 0 | (11) | 0 | (11) | 0 | (11) | Funding Council obligations as landlord |
| Leisure Structured Maintenance | (423) | 0 | (423) | 0 | (423) | 0 | (423) | 0 | (423) | Funding unforeseen maintenance not covered in contract |
| Local Development Framework | (178) | 0 | (178) | 0 | (178) | 0 | (178) | 0 | (178) | Support local plan production and inspection |
| Multi-Storey Car Park Repair | (181) | 0 | (181) | 0 | (181) | 0 | (181) | 0 | (181) | Funding major structural works |
| Parks, Waste & Street Strategy | (60) | 0 | (60) | 0 | (60) | 0 | (60) | 0 | (60) | Support Street Projects |
| Pension Funding | (2,248) | 200 | (2,048) | 200 | (1,848) | 200 | (1,648) | 200 | (1,448) | Reduction of pension deficit |
| Performance Reward Grant (Revenue) | (28) | 0 | (28) | 0 | (28) | 0 | (28) | 0 | (28) | Grant allocated by Local Strategic Partnership |
| Project and Programme Management | (411) | 150 | (261) | 0 | (261) | 0 | (261) | 0 | (261) | Support major project work |
| Rent Deposit Guarantee Scheme | (100) | 0 | (100) | 0 | (100) | 0 | (100) | 0 | (100) | Assist in providing homelessness accommodation |
| Riverwell Project | (3,942) | (1,625) | (5,567) | 0 | (5,567) | 0 | (5,567) | (1,000) | (6,567) | To cover any guarantees, repayments of outstanding loans and fund future investment. |
| Weekly Collection Support Grant | (30) | 0 | (30) | 0 | (30) | 0 | (30) | 0 | (30) | Supporting weekly collections of waste |
| Collection fund | (2,521) | 0 | (2,521) | 0 | (2,521) | 0 | (2,521) | 0 | (2,521) | Equalisation fund to smooth impact of surplus/deficit |
| Total | (18,501) | 1,000 | (17,501) | 826 | (16,675) | (1,036) | (17,711) | (2,347) | (20,058) | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| General Fund Working Balance | (1,414) | (586) | (2,000) | 0 | (2,000) | 0 | (2,000) | 0 | (2,000) | Prudent balance |
| | | | | | | | | | | |
| | (19,915) | 414 | (19,501) | 826 | (18,675) | (1,036) | (19,711) | (2,347) | (22,058) | |

GLOSSARY OF TERMS

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|--------------------------------------|---|
| <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. |

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| <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>Journal</i> | The transfer of income or expenditure from one ledger code to another. |
| <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 a 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. |

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| <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>Subjective Code</i> | A code describing expenditure or income by type e.g. salaries costs, premises costs. Can also be called “accounting code” |
| <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. |

