



**WATFORD  
BOROUGH  
COUNCIL**



# **FINANCE SCRUTINY COMMITTEE**

**8 March 2023**

**7.00 pm**

**Rooms 201/202 Annexe, Watford**

**Contact**

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**Publication date: 28 February 2023**

# Committee Membership

Councillor M Turmaine (Chair)

Councillor P Kloss (Vice-Chair)

Councillors K Clarke-Taylor, A Khan, R Martins, L Nembhard, B Stanton, D Walford and R Wenham

## Agenda

### Part A - Open to the Public

1. **Apologies for absence**

2. **Disclosure of interests**

3. **Minutes**

The [minutes](#) of the meeting held on 9 January 2023 to be submitted and signed.

4. **Financial Monitoring Report - Period 10 (Pages 3 - 28)**

Part A

**Report to:** Finance Scrutiny Committee

**Date of meeting:** Wednesday, 8 March 2023

**Report author:** Head of Finance

**Title:** Financial Monitoring Report Period 10 - January 2022/23

## 1.0 Summary

- 1.1 This report sets out the financial monitoring position for 2022/23 as at Period 10 (1 April to 31 January 2023). This is the fourth report of the financial year and focuses on the forecast year end position compared to the approved latest budget set in January 2023.
- 1.2 The latest budget takes into account the impact of inflation during 2022/23 which has driven up the cost of delivering services through increases to energy, supplies and services and wages. Persistent high inflation remains the most significant risk to the Council’s budget across the Medium-Term Financial Strategy (MTFS). The potential financial impact of inflationary risks is set out below in Section 4 below.

## 1.3 Revenue Summary

- 1.3.1 The following table sets out the original budget of £13.734m which was agreed at Council on 24 January 2022, the latest budget which includes the budget carry forwards and variances reported to Period 9 2022/23 as reported to Council on 31 January 2023, and the year end forecast on 31 January 2023. The resulting forecast variance to latest budget is (£0.093m).

<b>Revenue Account 2022/23</b>				
<b>Service Area</b>	<b>Original Budget £'000</b>	<b>Latest Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance to Latest Budget £'000</b>
Corporate, Housing & Wellbeing	5,538	5,240	5,121	(119)
Place	(51)	2,269	2,269	0
Democracy, Strategy and Initiatives	3,961	4,051	4,085	34
Strategic Finance	4,287	3,611	3,603	(8)
<b>Net Cost of Service</b>	<b>13,734</b>	<b>15,171</b>	<b>15,079</b>	<b>(93)</b>
Funded By:				
Planned use of Reserves	(49)	(1,486)	(1,394)	93
Taxation & Non Specific Grants	(13,685)	(13,685)	(13,685)	0
<b>Total Funding</b>	<b>(13,734)</b>	<b>(15,171)</b>	<b>(15,079)</b>	<b>93</b>

1.3.2 The detailed revenue position is set out in Section 4 below with further detail at service level provided in appendices 1 to 4.

## 1.4 Capital Summary

1.4.1 The original Capital Investment Programme of £79.210m for 2022/23 was agreed by Council on 25 January 2022. The latest agreed budget is £46.080m which includes £37.669m carried forward from 2021/22 was approved by Cabinet on 31 January 2023.

Service Area	Latest Budget 2022/23 £000's	Forecast Outturn 2022/23 £000's	Actual to Date £000's
Corporate, Housing & Wellbeing Services	15,260	15,199	8,610
Place	17,422	17,422	6,090
Strategic Finance	13,397	13,397	10,489
<b>TOTAL CURRENT CAPITAL PROGRAMME</b>	<b>46,080</b>	<b>46,018</b>	<b>25,189</b>

1.4.2 Following a review of the profile of expenditure for 2022/23, the forecast year end position is £46.018m.

1.4.3 The detailed capital position is set out in Section 4 below with further detail at service level provided in appendices 1 to 4.

## 2.0 Risks

2.1 The key budgetary risks are set out in appendix 8. All risks are closely monitored on an ongoing basis.

2.2 Service specific risks are set out in appendices 1 to 4.

## 3.0 Recommendations

3.1 To consider the Financial Monitoring Report 2022/23 – Period 10 and note both the revenue and capital forecasts for 2022/23.

3.2 To makes any recommendations to Cabinet and/or Council.

### Further information:

Hannah Doney

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**Report approved by:**

Alison Scott, Shared Director of Finance

[alison.scott@threerivers.gov.uk](mailto:alison.scott@threerivers.gov.uk)

#### 4.0 Detailed proposal

#### 4.1 Economic Context

- 4.1.1 As noted in previous financial monitoring reports, the current economic environment is starkly different from the economic outlook when the original budget was set in January 2022. Inflation has remained pervasively high throughout the year with April seeing the lowest 12 month increase of 9% and a high of 11.1% recorded in November. January CPI was 10.1% (10.5% in December).
- 4.1.2 The [latest report from the Bank of England Monetary Policy Committee \(MPC\)](#), sets out that inflation is expected to fall rapidly during the 2023/24 financial year to 3% by 31 March 2024 and reducing to 0.4% by the end of the Council's MTFS period. The MPC attributes this to a number of factors including a slowing the risk in energy costs, resolution of supply chain issues for businesses, and the actions taken by the MPC to increase the Bank of England base rate which is now at 4%.
- 4.1.3 As previously noted, a reduction in the rate of inflation will reduce future price rises but will not return prices to previous levels meaning that higher prices are baked into expenditure in future years. Current prices have been built into the 2022/23 latest budget and the MTFS agreed by Council on 31 January 2023. In addition, a contingency budget has been set aside to help manage inflation in future years but there is a risk that inflation will exceed this, particularly in the short term.
- 4.1.4 On 30 January, UNISON, GMB and Unite lodged their pay claim for 2023/24 which included a headline claim for a pay increase of 12.7%, being the November Retail Price Index 12 month inflation figure of 10.7% plus 2%.
- 4.1.5 On 23 February 2023 the National Employers for local government services responded to this with an initial offer of £1,925 per employee for employees on scale point 2 to 43 and a 3.88% increase for employees above this pay spine but below deputy chief officer. This would achieve a pay increase of 9.42% for those at the bottom of the scale and ensure a minimum increase of 3.88% across all employees. This is higher than the 3.5% recommended by HM Treasury for other public sector workers including teachers, nurses, doctors, dentists, police, and judges. At the time of writing, the Unions have not formally responded to this initial offer.
- 4.1.6 The MTFS includes an allowance of 2% per year for pay inflation creating a total 6% allowance across the three-year MTFS. This offer would significantly exceed the allowance in 2023/24 but could be brought back to broadly within budget by the

end of MTFS if inflation falls as swiftly as projected by the Bank of England resulting in minimal pay awards in 2034/25 and 2025/26.

## 4.2 Revenue Budget 2022/23

4.2.1 The latest net revenue budget is £15.171m. The year end forecast of £15.158m and resulting variation to budget of (£0.093m) is set out by service area in the table below:

Directorate	Service Area	Latest Budget £'000	Year End Forecast £'000	Actuals to Date £'000	Forecast Variance to Budget £'000
Corporate, Housing & Wellbeing	Customer and Corporate Services	1,797	1,767	1,364	(30)
	Housing and Wellbeing	2,338	2,249	174	(89)
	ICT and Shared Services	1,105	1,105	1,122	0
Place	Environment	8,535	8,535	8,401	0
	Planning, Infrastructure and Economic Development	1,578	1,578	1,069	0
	Property and Asset Management	(7,844)	(7,844)	(7,745)	0
Corporate Strategy and Communications		1,482	1,482	(3,623)	0
Democracy and Governance		2,047	2,081	1,638	34
Human Resources		522	522	499	0
Strategic Finance		3,611	3,603	1,504	(8)
<b>Total</b>		<b>15,171</b>	<b>15,079</b>	<b>4,403</b>	<b>(93)</b>

4.2.2 There is one area of forecast overspend within Democracy & Governance, reflecting the impact of the increase in member allowances agreed by Council on 31 January 2023. The underspend within Housing & Wellbeing primarily relates to a drawdown from the Sustainability reserve which is not required in 2022/23 and is offset by a reduction in planned use of reserves.

4.2.3 Further detail on the revenue forecast and reported variations to budget are set out in Appendices 1 to 4.

## 4.3 Capital Investment Programme 2022/23 to 2024/25

4.3.1 The Capital Investment Programme was agreed by Council in January 2022. The original budget for 2022/23 was £79.210m. The latest budget as approved by Council on 31 January 2023 includes the reprofiling of £37.669m from 2021/22 into 2022/23 as agreed by Council in July 2022. The latest forecast is set out in the table below:

Service Area		Latest Budget 2022/23	Forecast Outturn 2022/23	Actual to date	Latest Budget 2023/24 (Including rephasings & savings)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)
		£	£	£	£	£	£
Corporate, Housing & Wellbeing Services	ICT & Shared Services	1,413,286	1,413,286	235,253	243,000	530,000	530,000
	Customer & Corporate	12,720,000	12,720,000	7,579,032	14,561,800	337,000	0
	Housing & Wellbeing	1,126,997	1,065,463	795,626	311,534	250,000	250,000
Strategy & Initiatives (Communications, Partnerships & Community)		0	0	0	65,000	0	0
Place	Planning, Infrastructure & Economy	1,824,556	1,824,556	1,056,636	1,783,231	660,000	400,000
		160,932	160,932	160,920	20,490	120,450	0
	Property & Asset Management	1,985,488	1,985,488	1,217,555	1,803,721	780,450	400,000
		10,165,517	10,165,517	3,220,752	19,709,462	4,603,000	5,399,000
Environment	5,271,289	5,271,289	1,651,580	4,034,000	7,813,133	406,000	
Strategic Finance	Strategic Finance	13,396,961	13,396,961	10,489,109	5,701,860	676,860	676,860
<b>TOTAL CURRENT CAPITAL PROGRAMME</b>		<b>46,079,538</b>	<b>46,018,004</b>	<b>25,188,908</b>	<b>46,430,377</b>	<b>14,990,443</b>	<b>7,661,860</b>

4.3.2 The forecast year end position of £46.018m is £0.061m lower than the latest budget. This is comprised of minor variations within the Housing and Wellbeing service where rephasing into 2023/24 will be requested in the year end report to reflect the latest spend profile. A detailed scheme breakdown is provided in appendices 1 to 4 and includes commentary on schemes where there is risk to delivering the forecast spend by 31 March 2023.

4.3.3 As previously reported, ongoing inflation poses a significant risk to the affordability of the Capital Investment Programme. The Council is particularly exposed to this risk where schemes are still at the feasibility or pre-tender stage. Where schemes are already within contract this provides some protection against the risk of price increases. However, there is an increased risk of contractor or sub-contractor failure in light of the inflationary pressures on businesses. Mitigation measures are already in place to protect the Council through the tender and contracting process, including assessment of the financial sustainability of contractors.

4.3.4 The Capital Investment Programme is funded by capital receipts (generated by the sale of assets), revenue contributions (including earmarked reserves), capital grants and contributions, and borrowing under the prudential borrowing framework. Detail of the proposed funding for the 2022/23 forecast capital investment is set out in appendix 5.

- 4.3.5 The latest capital investment programme includes planned use of £1.555m Community Infrastructure Levy (CIL). The schemes funded from CIL are set out in Appendix 6.
- 4.3.6 The revenue implications of borrowing are incorporated into the Council’s MTFs and are reported within the Strategic Finance budgets. This includes interest payable on external borrowing, fees associated with arranging borrowing, and the Minimum Revenue Provision for the repayment of debt (MRP).
- 4.3.7 The Council’s primary lender of long term capital finance is the Public Works Loans Board (PWLb). PWLB interest rates are linked to Government Gilt rates. The rise in government borrowing costs is also driving up the cost of borrowing for local authorities. On 31 January 2023 the rate for a 25 year loan was 4.79%. This compares to a ten year average of 3.23%. The latest forecast for PWLB rates from the Council’s Treasury Management advisors, Link Group, indicates that PWLB rates will begin to fall gradually over the MTFs period to 3.40% in March 2026. However, higher interest rates over the next three years will place pressure on the Council’s capital financing budget and makes affordability for new capital schemes challenging.

#### 4.4 General Fund and Earmarked Reserves

- 4.4.1 The following table sets out the latest forecast for the General Fund and Earmarked Reserves.

Reserve Type	Balances at 1 April 2022	Movement in Year	Balance at 31 March 2023
Specific Earmarked Reserves	(24,431)	1,253	(23,178)
Economic Impact Reserve	(1,744)	141	(1,603)
General Fund	(2,000)	0	(2,000)
<b>Total</b>	<b>(28,175)</b>	<b>1,394</b>	<b>(26,781)</b>

- 4.4.2 The Council’s risk assessed level for the General Fund is £2.000m. The General Fund is forecast to remain at this level for 2022/23 and over the MTFs.
- 4.4.3 The Economic Impact Reserve is held to smooth the impact of a surplus or deficit against the budget. The original budget for 2022/23 included a funding gap of £0.089m which was planned to be funded from a contribution from this reserve.
- 4.4.4 Earmarked Reserves are used to support service expenditure and projects. A detailed breakdown of the forecast for Earmarked Reserves is provided at appendix 7.

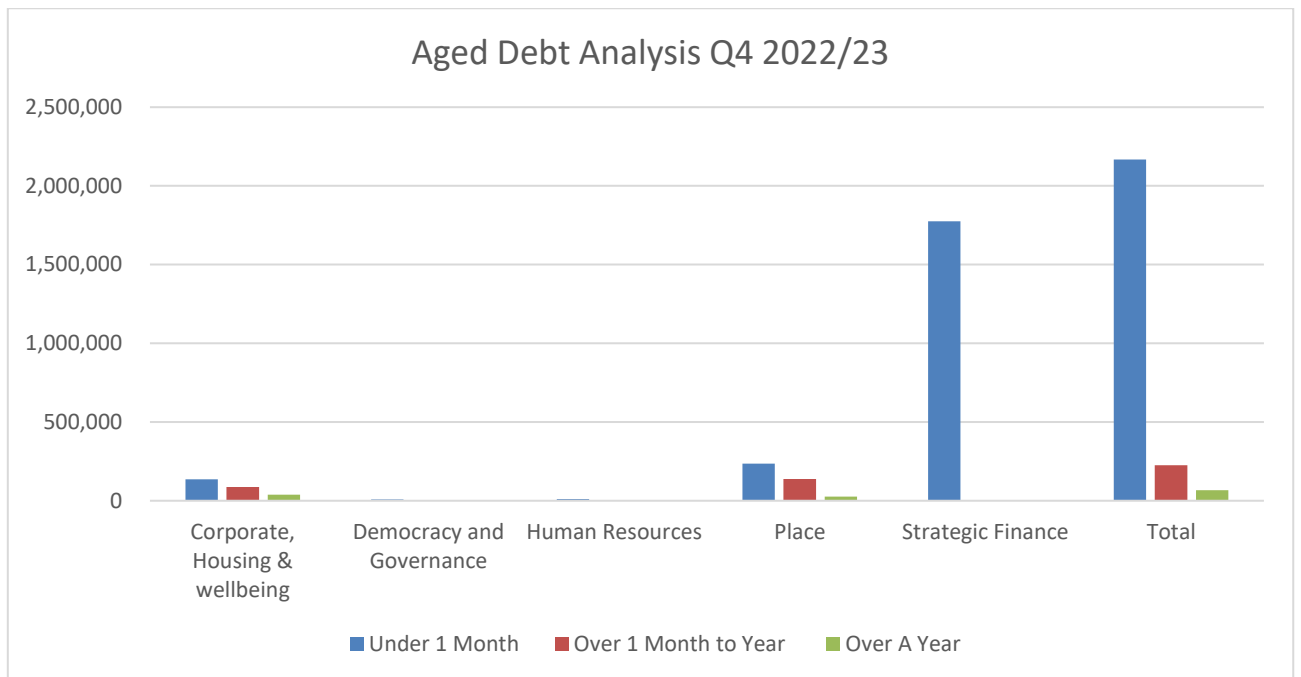


## **4.5 Strategic Finance**

- 4.5.1 Strategic Finance includes budgets in relation to the Council's Treasury activities and Capital Financing, incorporating borrowing costs and investment income.
- 4.5.2 The Council has managed its cash flows and adhered to its Treasury Management policy during the year to 31 January. The interest earned on the investments made by the Council supports the funding of the services it provides.
- 4.5.3 The Bank of England base interest rate was 0.75% on 1 April 2022 and has increased incrementally over the year to 4.0% at 3 February 2023 as the Bank of England takes measures to manage inflation. The increase in base rate has fed through into increased market returns for short-term deposits which will have a positive impact on interest earned. However, the interest rate on Government Gilts has also risen resulting in increased borrowing rates from both the Public Works Loan Board (PWLB) and the inter-authority lending market following the mini budget on 23 September 2022. The forecast for interest rates is being closely monitored to ensure that the Council's debt portfolio is financed at the right time to take advantage of the best rates.
- 4.5.4 Further detail is provided in appendix 4.

## **4.6 Aged Debt**

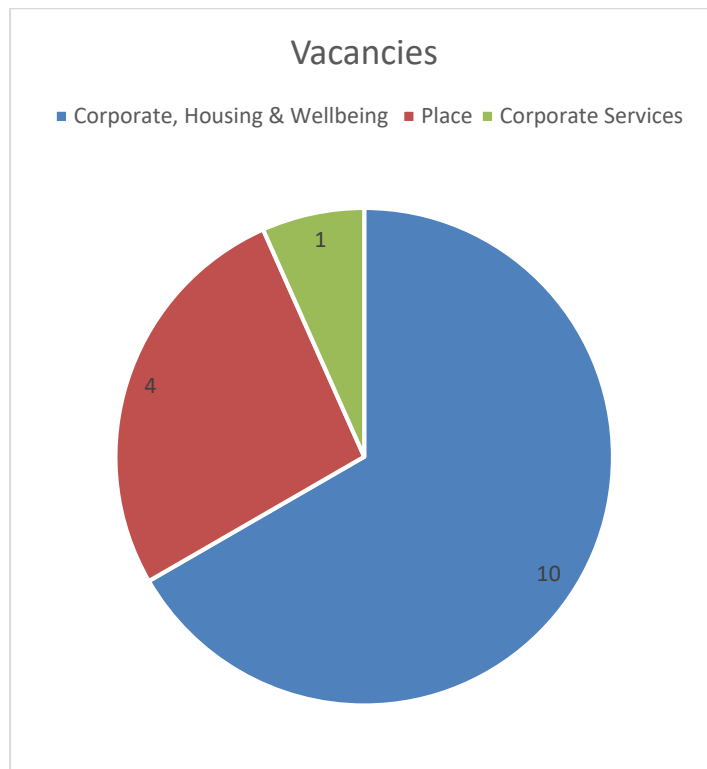
- 4.6.1 The Council charges its customers for various services by raising a debtor invoice. The customer is given 21 days to pay after which a reminder is issued if payment remains outstanding and a dispute has not been raised. If the debt continues to remain outstanding then a variety of recovery methods are employed including: rearranging the payment terms; stopping the provision of the service or pursuing the debt through legal recovery processes.
- 4.6.2 The following graph sets out the aged debt analysis as of 31 January 2023. The total outstanding debt at this date was £2.167m. This included an invoice to West Herts Crem Joint Committee for the recovery of capital costs incurred by the Council on behalf of the Joint Committee in relation to the development of a new crematorium. This invoice was for £1.794m and has now been paid. Excluding this invoice, debt was £0.898m. This compares to a total outstanding debt of £1.229m on 30 September 2022. Underlying debt has therefore decreased by £0.331m.



4.6.3 Of the outstanding debt (excluding the invoice to the Joint Committee), £0.391 (57%) is under one month and is expected that most of this debt will be settled. The total debt over one year is £0.066m (9.7%). This has increased from £0.027m at 31 January 2023. The Council’s debt recovery team will continue to chase these debts and initiate payment plans to enable debtors to pay by instalments wherever possible.

#### 4.7 Vacancy Monitoring

4.7.1 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. The graph below summarises the level of vacancies at the end of January 2023 with a detailed analysis by service within appendices 1 to 4. The total vacancies at 31 January was 15 FTE compared to 21 FTE at 30 November.



## 5.0 Implications

### 5.1 Financial

5.1.1 The Shared Director of Finance comments that the financial implications are set out in the main body of the report.

### 5.2 Legal Issues (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that there are no legal implications directly arising from 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 characteristics and persons who do not share them.

5.3.2 Having had regard to the council's obligations under s149, it is considered there are no relevant issues arising directly from this report.

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 Section 17 of the Crime and Disorder Act 1998 requires the council to give due regard to the likely effect of the exercise of its functions on crime and disorder in its area and to do all it reasonably can to prevent these. There are no issues arising from this report.

#### 5.7 **Sustainability**

5.7.1 There are no sustainability implications arising from this report.

### **Appendices**

- Appendix 1 Corporate, Housing and Wellbeing Services Directorate Monitoring Report
- Appendix 2 Place Directorate Monitoring Report
- Appendix 3 Democracy, Strategy and Initiatives Monitoring Report
- Appendix 4 Strategic Finance
- Appendix 5 Capital Finance
- Appendix 6 Planned use of Community Infrastructure Levy
- Appendix 7 Earmarked Reserves
- Appendix 8 Key Budgetary Risks

## Corporate, Housing and Wellbeing Services Directorate

### 1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Customer & Corporate Services	£1,797,030	£1,767,030	£1,364,418	(30,000)
Housing & Wellbeing	£2,337,946	£2,249,169	£173,501	(88,777)
ICT & Shared Services	£1,105,112	£1,105,112	£832,315	£0
<b>Total</b>	<b>£5,240,088</b>	<b>£5,121,311</b>	<b>£2,370,234</b>	<b>(118,777)</b>

At the end of Period 10 an underspend of £0.119m is forecast for the Corporate, Housing and Wellbeing Services Directorate.

### 2. Revenue Variances

Reported variances are itemised in the table below:

Description	Details of Variances	£
Printing Section	Decrease in spend on print materials and in-house printing costs	(30,000)
Public Health & Nuisance	Net increase in public health burial costs	3,523
Licencing	Net increase in income from licencing fees	(12,200)
Climate Change	Funds not required in 2022/23, transferred back to reserve	(79,000)
	Other Variances	(1,100)
<b>TOTAL</b>		<b>(118,777)</b>

### 3. Significant Income Streams

Particular income generating items can fluctuate depending on the economic climate, popularity and affordability. Licencing income has been identified as a significant income stream for this directorate. It is currently forecast to be on target to achieve budgeted income levels for 2022/23.

Service Area	Income Stream	Latest Budget 2022/23 £000	Forecast 2022/23 £000	Forecast Variance £000	Comments
Corporate, Housing & Wellbeing	Licensing	(258)	(269)	(11)	Minor Change in Fees & Charges Income

#### 4. Capital Investment Programme

Budget Responsibility	Services	Latest Budget 2022/23 £'000	Forecast Outturn 2022/23 £'000	Actual to date £'000	Latest Budget 2023/24 (Including rephasings & savings) £'000	Latest Budget 2024/25 (Including rephasings & savings) £'000	Latest Budget 2025/26 (Including rephasings & savings) £'000
Associate Director of ICT & Shared Services	ICT Shared Services	304	304	235	45	45	45
	ICT Client Services	1,110	1,110	1	198	485	485
Associate Director of Customer & Corporate Services	Customer Services	0	0	0	0	0	0
	Town Hall Quarter	12,720	12,720	7,579	14,562	337	0
Associate Director of Housing & Wellbeing	Environmental Health	1,040	1,040	796	200	200	200
	Housing	87	25	0	112	50	50
<b>Total Current Capital Programme</b>		<b>15,260</b>	<b>15,199</b>	<b>8,610</b>	<b>15,116</b>	<b>1,117</b>	<b>780</b>

The scheme detail is provided at Annex A

#### 5. Vacancy Monitoring

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. There are no service impacts to report as a result of current vacancies.

The following table sets out the vacancies on 31 January 2023:

Post	Date Vacant	FTE	Comments
Business Compliance Officer 01	01/11/2021	1.00	Held pending Service Review
Covid Response Officer 01	20/09/2021	1.00	
Covid Response Officer 05	20/04/2022	1.00	
Environmental Health Officer 05	22/11/2021	1.00	
Environmental Health Officer 11	11/09/2021	1.00	Recruitment ongoing - post review in progress
Housing Caseworker 02	14/08/2021	1.00	Recruitment ongoing - post review in progress
Housing Caseworker 03	22/06/2021	1.00	Recruitment ongoing - post review in progress
Housing Caseworker 05	21/05/2021	1.00	Recruitment ongoing - post review in progress
Housing Solutions Officer 01	13/08/2022	1.00	
Housing Solutions Officer 03	21/06/2022	1.00	
<b>Total</b>		<b>10.00</b>	

## Corporate, Housing and Wellbeing Services Directorate Capital Scheme Detail

Capital Scheme	Latest Budget 2022/23	Forecast Outturn 2022/23	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
<b>ICT Shared Services</b>					
ShS-ICT Modernisation	0	0	0	6,805	
ShS-Migration To The Cloud	156,000	156,000	0	0	
ShS-Hardware Replacement Programme	147,729	147,729	0	227,949	
<b>ICT Client Services</b>					
ICT-Hardware Replacement Programme	603,287	603,287	0	500	
ICT-Business Application Upgrade	386,270	386,270	0	0	
ICT-Project Management Provision	120,000	120,000	0	0	
<b>Town Hall Quarter (Concept)</b>					
Town Hall & Colosseum Projects	0	0	0	3,437	
Town Hall Quarter Cultural Programme	0	0	0	4,800	
Decarbonisation Project Salix	0	0	0	110,778	
<b>Town Hall Quarter (Delivery)</b>					
Town Hall Refurbishment	850,200	850,200	0	395,040	
Colosseum Refurbishment	4,700,000	4,700,000	0	652,172	
Annexe Refurbishment	1,750,000	1,750,000	0	1,629,064	
Thq Programme Delivery	399,800	399,800	0	289,199	
Reimagining Watford	20,000	20,000	0	1,273	
Decarbonisation Project Salix	5,000,000	5,000,000	0	4,355,417	
Innovation & Incubation Hub	0	0	0	0	
Town Hall / Colosseum Fabric Works	0	0	0	137,853	
<b>Environmental Health</b>					
Decent Homes Assistance	813,223	813,223	0	707,597	
Private Sector Housing Renewal	227,240	227,240	0	88,029	
<b>Housing</b>					
Private Sector Stock Condition	16,534	0	(16,534)	0	Service request for rephasing into 2023/24.
Retained Housing Stock	50,000	5,000	(45,000)	0	
Housing First - Phase 2	20,000	20,000	0	0	
<b>Total</b>	<b>15,260,283</b>	<b>15,198,749</b>	<b>(61,534)</b>	<b>8,609,912</b>	

## Place Directorate

### 1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Environment	£8,423,188	£8,423,188	£8,400,902	£0
Planning, Infrastructure & Eco	£1,578,030	£1,578,030	£1,068,682	£0
Property & Asset Management	(7,843,953)	(7,843,953)	(7,744,628)	£0
<b>Total</b>	<b>£2,157,265</b>	<b>£2,157,265</b>	<b>£1,724,956</b>	<b>£0</b>

At the end of Period 10 no variances are being reported against the latest budget.

### 2. Revenue Variances

No changes being reported.

### 3. Significant Income Streams

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. All income streams are currently forecast to be on target to achieve budgeted income levels for 2022/23. However, they will continue to be closely monitored throughout the year as the impact of the cost of living crisis on businesses and households is likely to make income targets harder to achieve.

Service Area	Income Stream	Latest Budget 2022/23 £000	Forecast 2022/23 £000	Forecast Variance £000	Comments
Place	Commercial Rent	(9,199)	(9,199)	0	As per budgets set at council 31/01/23
	Development Control Fees	(730)	(730)	0	
	Building Control Fees	(221)	(221)	0	
	Car Parking Charges	(1,540)	(1,540)	0	



#### 4. Capital Investment Programme

Budget Responsibility	Services	Latest Budget 2022/23 £'000	Forecast Outturn 2022/23 £'000	Actual to date £'000	Latest Budget 2023/24 (Including rephasings & savings) £'000	Latest Budget 2024/25 (Including rephasings & savings) £'000	Latest Budget 2025/26 (Including rephasings & savings) £'000
Associate Director of Planning, Infrastructure & Economy	Transport & Infrastructure	1,825	1,825	1,057	1,783	660	400
	Development Control	161	161	161	20	120	0
Associate Director of Property & Asset Management	Corporate Asset Management	456	456	448	250	250	500
	Watford Business Park	7,000	7,000	2,274	8,554	0	0
	Watford Riverwell	262	262	33	8,765	4,353	4,899
	Property Investment Board	0	0	0	0	0	0
	Property Management	2,260	2,260	410	2,141	0	0
	Town Hall Quarter	187	187	56	0	0	0
Associate Director of Environment	Waste & Recycling (inc Veolia)	1,213	1,213	405	229	551	11
	Parks & Open Spaces	1,545	1,545	602	980	680	320
	Cemeteries	210	210	102	0	0	0
	Leisure & Play	780	780	379	2,225	4,582	75
	Culture & Heritage	190	190	16	0	0	0
	Community Projects	1,125	1,125	6	0	0	0
	Commissioning	24	24	1	500	500	0
	Town Hall Quarter	184	184	141	100	1,500	0
<b>Total Current Capital Programme</b>		<b>17,422</b>	<b>17,422</b>	<b>6,090</b>	<b>25,547</b>	<b>13,197</b>	<b>6,205</b>

The scheme detail is provided at Annex A.

#### 5. Vacancy Monitoring

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. There are no service impacts to report as a result of current vacancies.

The following table sets out the vacancies on 31 January 2023:

Post	Date Vacant	FTE	Comments
Planning Officer (Development Management) 02	12/09/2022	1	
Contract and Relationship Manager	22/08/2022	1	
Partnerships and Funding Manager	07/06/2021	1	post holder on secondment
Property Development Project Manager 02	16/02/2022	1	
<b>Total</b>		<b>4</b>	

## Place Directorate Capital Scheme Detail

Capital Scheme	Latest Budget 2022/23	Forecast Outturn 2022/23	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
<b>Transport &amp; Infrastructure</b>					
Public Realm (High Street)	1,234	1,234	0	0	
Public Realm (Clarendon Rd Phase III)	298,312	298,312	0	128,555	There have been delays to completion of this project with ongoing discussions with TK Maxx
St Albans Rd Improvement Works	0	0	0	3,690	
CCTV Site Equipment	15,000	15,000	0	0	
Public Realm - Market St South	217,580	217,580	0	158,069	This is expected to be spent in full with delivery of lampposts and cycle hoops.
Camera Enforcement - High St	159,483	159,483	0	67,548	An underspend may be achieved against this budget at year end.
Public Realm - Queens Rd, The Broadway	100,000	100,000	0	150,000	
Public Realm - Market St North	226,655	226,655	0	226,655	
TTIW Delivery Programme	275,817	275,817	0	103,300	It is anticipated that a carry forward request of circa £100k may be required at year end.
St Albans Rd Imp Works (Ph 2)	56,307	56,307	0	41,840	
Wayfinding & Public Art Strategy	200,500	200,500	0	75,261	There has been some slippage in developing proposals, therefore implementation is likely to slip into the next financial year
EV Rapid Charging Points Programme	403	403	0	1,788	
CCTV Control Room Strategy	100,000	100,000	0	39,068	Delay to works may require carry forward request at year end.
Watford Junction Masterplan	13,548	13,548	0	0	
Watford 3D Planning Model	12,909	12,909	0	0	
High St Phase 2 (St Mary's)	146,808	146,808	0	60,863	Initial scoping work is being undertaken, however, this project will commence in earnest next year due to resourcing issues.
Parades Improvements	0	0	0	0	
<b>Development Control</b>					
CIL Review	0	0	0	10,600	
Section 106 - Herts CC Schemes	6,000	6,000	0	6,000	
CIL Grant Funded Projects	154,932	154,932	0	144,320	
Supporting Local Business	0	0	0	0	
<b>Corporate Asset Management</b>					
Community Asset Review	356,303	356,303	0	390,161	
Building Investment Programme	100,000	100,000	0	57,434	
<b>Watford Business Park</b>					
Watford Business Park Redevelopment	0	0	0	1,440	
Watford Business Park Phase 2	7,000,000	7,000,000	0	2,272,762	Delay in initiating construction project due to satisfying Environmental Agency concerns which is likely to result in some spend slipping into the next financial year

Capital Scheme	Latest Budget 2022/23	Forecast Outturn 2022/23	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
<b>Watford Riverwell</b>	262,000	262,000	0	32,912	
<b>Property Management</b>					
Redevelopment Town Hall	0	0	0	3,516	
Charter Place	0	0	0	36,899	
Temp Housing Accommodation	50,000	50,000	0	76,803	
Surplus Sites	225,214	225,214	0	215,762	
Croxley Park Asset	0	0	0	71,424	Funded by PPM contribution that formed part of the original Croxley Business Park transaction.
Lower High Street	1,985,000	1,985,000	0	5,965	We anticipate completion of planned spend by year
Infill Sites (LEP funded)	0	0	0	0	
Surplus Site - Land Acquisition (Site A)	0	0	0	0	
<b>Waste &amp; Recycling (inc Veolia)</b>					
Veolia Contract Fleet Requirements	1,143,391	1,143,391	0	361,814	Due to continued delays of delivery times spend could be next FY, this delay is outside council control.
Flats - Extension Of Recycling Provision	0	0	0	0	
Veolia Capital Improvements	70,000	70,000	0	43,360	
<b>Parks &amp; Open Spaces</b>					
Green Spaces Strategy	149,778	149,778	0	32,028	There has been delay in resourcing this work, which has now been remedied - spend is now likely to occur in next year.
Oxhey Park North	38,948	38,948	0	(3,155)	
Tree Planting Programme	60,000	60,000	0	51,385	
River Colne Restoration	311,993	311,993	0	71,332	
Nascot Grange Open Space	10,000	10,000	0	3,896	
Parks Litter Bin Replacements	10,000	10,000	0	1,817	
Meriden Park Improvements	145,556	145,556	0	9,159	
Cassiobury Park Wetlands	133,000	133,000	0	28,805	A carry forward request will be made at year end as works have moved to Summer 2023 (August – November 23) owing to prohibitive costs associated with carrying out works during winter.
Cassiobury Park Ad Hoc Works	25,000	25,000	0	0	
Meriden Park Barrier	55,000	55,000	0	0	
Parks Litter Bins	0	0	0	2,428	
Footpaths - Cassiobury Park Nature Reserve	230,000	230,000	0	132,506	
Footpaths - Cassiobury Park	138,000	138,000	0	110,870	
Allotment Provision	0	0	0	0	
Shrub Replacement (Open Space)	25,000	25,000	0	1,623	
Parks - Building Investment	150,000	150,000	0	99,384	
Oxhey Activity Pk- Modular Unit	63,110	63,110	0	58,904	
Wider Footpaths-Parks Refurbishment	0	0	0	541	
Oxhey Grange Footpath	0	0	0	0	
River Gade Management Works	0	0	0	0	
Water Fountains in Green Flag Parks	0	0	0	0	
<b>Cemeteries</b>					
Cemetery Re-provision	75,000	75,000	0	44,692	
North Watford Cemetery Improvements	30,000	30,000	0	27,045	
New Cemetery Provision	45,000	45,000	0	30,637	
Vicarage Rd - WFC Memorial Area	60,000	60,000	0	0	This is likely to slip into 2023/24.
<b>Leisure &amp; Play</b>					
Watford Tennis Partnership	25,000	25,000	0	0	
Oxhey Grange-Bowling Gr'N Imps	0	0	0	1,750	
Cassiobury Park Tennis Courts	0	0	0	0	
Orchard Park & Callowland Cricket Improvements	20,000	20,000	0	156	
King George V Muga	20,000	20,000	0	19,349	
Leavesden Green Rec Ground Improvements	50,000	50,000	0	0	
Woodside Sports Village	415,000	415,000	0	289,376	
Play Area Improvements	237,890	237,890	0	68,182	
Lea Farm Recreation Improvements	12,000	12,000	0	0	
Orchard Park Ballproof Fence & AstroTurf Wicket	0	0	0	0	

Capital Scheme	Latest Budget 2022/23	Forecast Outturn 2022/23	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
<b>Culture &amp; Heritage</b>					
Watford Museum	60,000	60,000	0	0	
Heritage Trail	105,437	105,437	0	4,707	Following the successful heritage trail pilot, further work is on pause with focus on public art and wayfinding.
Watford Market	25,000	25,000	0	11,174	
<b>Community Projects</b>					
Cycle Hub	111,099	111,099	0	0	
Paddock Road Depot Enhancements	1,013,503	1,013,503	0	6,343	The scheme was rescope and should be complete by year end, with significant reduction in spend.
<b>Commissioning</b>					
Cycle & Road Infrastructure Improvements	23,584	23,584	0	824	
<b>Town Hall Quarter (Concept)</b>					
Regeneration Project	187,000	187,000	0	55,673	Homes England are supporting funding this year.
<b>Town Hall Quarter (Delivery)</b>					
Museum & Heritage	150,000	150,000	0	63,071	
Colosseum Retender	34,000	34,000	0	77,577	

## Democracy, Strategy and Initiatives

### 1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
<b>Corporate Strategy &amp; Comms</b>				
Corporate Management	£476,999	£476,999	£436,304	£0
Partnerships & Performance	£1,004,939	£1,004,939	£751,805	£0
<b>Total</b>	<b>£1,481,938</b>	<b>£1,481,938</b>	<b>£1,188,109</b>	<b>£0</b>
<b>Democracy &amp; Governance</b>				
Legal And Democratic	£2,047,339	£2,081,339	£894,161	£34,000
<b>Total</b>	<b>£2,047,339</b>	<b>£2,081,339</b>	<b>£894,161</b>	<b>£34,000</b>
<b>Human Resources</b>				
Hr Shared Service	£467,719	£467,719	£475,289	£0
Human Resources Client	£54,017	£54,017	£24,159	£0
<b>Total</b>	<b>£521,736</b>	<b>£521,736</b>	<b>£499,448</b>	<b>£0</b>
<b>TOTAL</b>	<b>£4,051,013</b>	<b>£4,085,013</b>	<b>£2,581,718</b>	<b>£34,000</b>

At the end of Period 10 an overspend of £0.034m is forecast, details of variances for individual services as per table below.

### 2. Revenue Variances

Reported variances are itemised in the table below:

Description	Details of Variances	£
<b>Democracy &amp; Governance</b>		
Members Remuneration	Allowance increases as agreed at Council on 31 January 2023	34,000
	<b>TOTAL</b>	<b>34,000</b>

### 3. Capital Investment Programme

There is one small capital budget within this service area relating to town boundary signage. This budget has been rephased for use in 2023/24.

Budget Responsibility	Services	Latest Budget 2022/23 £'000	Forecast Outturn 2022/23 £'000	Actual to date £'000	Latest Budget 2023/24 (Including rephasings & savings) £'000	Latest Budget 2024/25 (Including rephasings & savings) £'000	Latest Budget 2025/26 (Including rephasings & savings) £'000
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)	Corporate Communications	0	0	0	65	0	0

There are no capital investment budgets for this service area for 2023/24 and 2024/25.

#### 4. Vacancy Monitoring

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. There are no service impacts to report as a result of current vacancies.

The following table sets out the vacancies at 31 January 2023:

Post	Date Vacant	FTE	Comments
Senior Communications and Engagement Officer 01	01/02/2023	1.00	
<b>Total</b>		<b>1.00</b>	

## Strategic Finance

### 1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Corporate Costs	£1,303,848	£1,303,848	(972,731)	£0
Finance & Resources	£223,475	£223,475	£146,059	£0
Finance Services Client	£1,021,995	£1,021,995	£911,027	£0
Revenues And Benefits Client	£988,790	£988,790	£9,225,606	£0
Service Transformation	£72,904	£64,904	(21,175)	(8,000)
<b>Total</b>	<b>£3,611,012</b>	<b>£3,603,012</b>	<b>£9,288,786</b>	<b>(8,000)</b>

Corporate Costs includes the budgets relating to treasury management activity and capital financing costs. Timing difference on income allocations under Revenues & Benefits reflects the high actuals as at 31 January.

### 2. Revenue Variances

Description	Details of Variances	£
Service Transformation	Savings on project costs for the year	(8,000)
	<b>TOTAL</b>	<b>(8,000)</b>

### 3. Capital Investment Programme

Budget Responsibility	Services	Latest Budget 2022/23 £	Forecast Outturn 2022/23 £	Actual to date £	Latest Budget 2023/24 (Including rephasings & savings) £	Latest Budget 2024/25 (Including rephasings & savings) £	Latest Budget 2025/26 (Including rephasings & savings) £
Director of Finance - Strategic Finance	Capital Support Services	682	682	103	677	677	677
	West Herts Crematorium	0	0	254	0	0	0
	Hart Homes JV	11,482	11,482	10,132	5,025	0	0
	Capital Budget Contingency	1,233	1,233	0	0	0	0
<b>TOTAL CURRENT CAPITAL PROGRAMME</b>		<b>13,397</b>	<b>13,397</b>	<b>10,489</b>	<b>5,702</b>	<b>677</b>	<b>677</b>

Expenditure for the West Herts Crematorium will be recovered in fully from the West Herts Crematorium. Costs are regularly recharged.

The scheme detail is provided at Annex A.

## Annex A

Capital Scheme	Latest Budget 2022/23	Forecast Outturn 2022/23	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
<b>Capitalised Support Services</b>					
Support Services	552,470	552,470	0	0	
Major Projects - FBP and QS	129,550	129,550	0	102,885	
<b>West Herts Crematorium</b>					
West Herts Crem Bedmond Road	0	0	0	254,214	
<b>Hart Homes JV</b>					
Loan to Hart Homes WDLLP	5,850,000	5,850,000	0	4,500,000	
Loan to Hart Homes WDLTD	5,632,010	5,632,010	0	5,632,010	
<b>Capital Budget Contingency</b>					
Capital Contingency	1,232,931	1,232,931	0	0	Capital programme contingency.
<b>Total</b>	<b>13,396,961</b>	<b>13,396,961</b>	<b>0</b>	<b>10,489,109</b>	



## Capital Finance

<b>MEDIUM TERM FINANCIAL STRATEGY</b>			
<b>Medium Term Financial Strategy</b>			<b>2022/23</b>
Latest Budget (including carry forwards)			46,079,538
Variances previously reported			0
Variances this period (Appendix 3)			(61,534)
<b>Forecast Outturn</b>			46,018,004
Funded By :-			
Grants & Contributions, S106 & CIL			(8,406,506)
Local Enterprise Partnership (LEP) Loan			(1,250,000)
Reserves			(23,584)
Capital Receipts (PIB, Non PIB & THQ)			(2,297,685)
Borrowing (Internal & External)			(34,040,230)
<b>Total Funding Used</b>			<b>(46,018,004)</b>

## Schemes funded by the Community Infrastructure Ley (CIL)

Scheme	2022/23 £	2023/24 £	2024/25 £	2025/26 £
CIL Grant Funded Projects	154,932	-	-	-
River Colne Restoration	311,993	-	-	-
TTIW Delivery Programme	88,007	-	-	-
Cycle & Rd Infrastructure Improvements	-	500,000	500,000	-
<b>Total</b>	<b>554,932</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>

## Revenue Reserves Forecast 2022/23

Description	Balance at 1 April £000	Movement 2022/23 £000	Balance at 31 March £000	Purpose
<b>Revenue Reserves</b>				
Budget Carry Forward	(1,735)	1,735	0	Budgets carried forward from prior years
Car Parking Zones	(475)	187	(288)	Ring fenced for parking projects
Collection Fund	(9,301)	0	(9,301)	Equalisation fund to smooth impact of surplus / deficit, allocation end of 2022/23
Crematorium	(150)	0	(150)	Funding repairs and maintenance
Economic Impact Reserve	(1,744)	141	(1,603)	Provide resources to offset economic downturn
Housing Benefit Subsidy	(1,583)	0	(1,583)	Provision if Dept for Work & Pensions claw back funds
Housing Planning Delivery Grant	(266)	0	(266)	Improve planning outcomes and delivery of housing
Leisure Structured Maintenance	(57)	0	(57)	Funding unforeseen maintenance not covered in contract
Local Development Framework	(178)	0	(178)	Support local plan production and inspection
Multi-Storey Car Park Repair	(181)	0	(181)	Funding major structural works
Pension Funding	(2,248)	200	(2,048)	Reduction of pension deficit
Rent Deposit Guarantee Scheme	(100)	0	(100)	Assist in providing homelessness accommodation
Riverwell Project	(7,026)	(1,000)	(8,026)	To cover any guarantees, repayments of outstanding loans and fund future investment.
Sustainability Reserve	(500)	0	(500)	Funding sustainable projects for a better environment
Renewal Recovery Fund	(631)	131	(500)	To support the recovery process for additional costs due to COVID19
	<b>(26,175)</b>	<b>1,394</b>	<b>(24,781)</b>	
<b>General Fund Working Balance</b>	<b>(2,000)</b>	<b>0</b>	<b>(2,000)</b>	Prudent balance
<b>Total Revenue Reserves</b>	<b>(28,175)</b>	<b>1,394</b>	<b>(26,781)</b>	

## Key Budgetary Risks

No.	Type of Consequence	Comment	Likelihood	Impact	Overall Score
1	The Medium term financial position worsens.	In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register. Recovery from COVID-19 and the current economic climate of rising inflation and rising interest rates continue to put pressure on the finances. However, action is being taken through the budget setting process to ensure a balanced budget for 2023/24 and across the medium term.	3	2	6
2	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account the pay increases for the period - The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The pay award of £1,925 per employee has been agreed for 2022/23 and is factored into the forecast. It is likely that the pay award for 2023/24 will exceed the allowance of 2%.	4	3	12
3	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible. A contingency for inflation has been factored into the MTFS. However, there is a risk that inflation will exceed the level allowed.	3	3	9
4	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 and the interest payable on the Council's debt relating to the Capital Investment Programme.	3	3	9
5	Inaccurate estimates of fees and charges income	See Key Income Streams are shown in the latest Financial Monitoring Report. There is a legacy impact from COVID-19 on some income streams, including offstreet parking and leisure that will place a burden on the Councils Revenue account through loss of income .	3	3	9
6	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.	1	4	4
7	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances.	3	3	9
8	The estimated cost reductions and additional income gains are not achieved	Savings identified are monitored as part of the monthly budget monitoring process. There is a risk that some of these may not materialise as resources are diverted away to fund unexpected costs.	3	2	6
9	The income received from Commercial rents decreases	The rental income received from the Councils property portfolio is a significant proportion of the total income the Council receives.	4	3	12
10	The amount of government grant is adversely affected	The provisional local government settlement containing details of grant funding from central government has been factored into the MTFS. The fair funding review on hold at the current time.	2	3	6
11	Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre determined baseline level. The Council is currently in a safety net position. The system was due to be subject to reset and increase to 75% retention. This has been postponed until 2025/26 at the earliest.	2	2	4

1= VERY LOW RISK 4 = VERY HIGH RISK

	Likelihood	Impact	Overall Score
very low risk	1	1	1
low risk	2	2	4
high risk	3	3	9
very high risk	4	4	16