



**WATFORD
BOROUGH
COUNCIL**



FINANCE SCRUTINY COMMITTEE

14 September 2022

7.00 pm

**Rooms 201 & 202, Annexe, Town Hall,
Watford**

Contact

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Publication date: 6 September 2022

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 27 June 2022 to be submitted and signed.

4. **Training: treasury management and capital investment framework**
5. **Financial Monitoring Report 2022/23 - Quarter 1 (Pages 3 - 29)**
6. **Budget Planning Framework 2023/24 (Pages 30 - 35)**

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Monday, 12 September 2022

Report author: Head of Finance

Title: Financial Monitoring Report 2022/23 - Quarter 1

1.0 Summary

1.1 This report sets out the financial monitoring position for 2022/23 as at Quarter 1 (1 April to 30 June 2022). This is the first report of the financial year and focuses on the forecast year end position compared to the original budget which was set in January 2022.

1.2 Since the budget was set, the economic forecast for 2022/23 and beyond has changed significantly. Rising inflation presents a significant risk to the Council's budget in 2022/23 and will have an ongoing impact across the Medium Term Financial Strategy (MTFS). The potential financial impact of inflationary risks are set out in Section 4 below and further detail is provided in appendices 1 to 4.

1.3 The information in this report is presented based on the new Senior Leadership Structure agreed by Cabinet on 11 July 2022 and effective from 1 August 2022. Cabinet are recommended to approve the associated budget realignments as set out in appendix 8 of this report.

1.4 Revenue Summary

1.4.1 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 as reported at Cabinet on 11 July 2022, and the year end forecast at Quarter 1. The resulting forecast variance to budget is £0.298m. It is expected that this will be met from the Economic Impact Reserve at year end.

Revenue Account 2022/23				
Service Area	Original Budget £'000	Latest Budget £'000	Forecast £'000	Variance to Latest Budget £'000
Corporate, Housing & Wellbeing Place	6,260 (454)	6,894 55	6,866 377	(28) 321
Democracy, Strategy and Initiatives	3,641	3,642	3,647	5
Strategic Finance	4,287	4,536	4,536	0
Net Cost of Service	13,734	15,127	15,425	298
Funded By:				
Planned use of Reserves	(49)	(1,442)	(1,740)	(298)
Taxation & Non Specific Grants	(13,685)	(13,685)	(13,685)	0
Total Funding	(13,734)	(15,127)	(15,425)	(298)

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

1.5 Capital Summary

1.5.1 The original Capital Investment Programme for 2022/23 was agreed by Council on 25 January 2022. The agreed budget was £79.210m. The latest agreed budget is £116.879m and includes £37.669m carried forward from 2021/22 as reported to Cabinet on 11 July 2022.

Budget Responsibility	Latest Budget 2022/23 £'000	Forecast Year end Position £'000	Actual to date £'000
Executive Director of Corporate, Housing & Wellbeing Services	19,985	15,497	4,403
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)	65	65	-
Executive Director of Place	58,772	43,799	898
Director of Finance - Strategic Finance	38,057	14,682	9,131
TOTAL CURRENT CAPITAL PROGRAMME	116,879	74,043	14,432

1.5.2 Following a review of the profile of expenditure for 2022/23, the forecast year end position is £74.043m. Requests for rephrasing of budgets to reflect revised expenditure profiles will be presented to Cabinet in January. It is expected that the majority of the forecast underspend of £42.836m will be required in future years.

1.5.3 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 – Quarter 1, and note both the revenue and capital forecasts for 2022/23.

3.2 To recommend to Council to agree to realign the budget structure following the senior leadership review.

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

Further information:

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Report approved by:

Alison Scott, Shared Director of Finance

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4.0 Detailed proposal

4.1 Economic Context

4.1.1 The current economic climate has triggered a cost-of-living crisis, affecting people worldwide. Rising inflation, largely driven by the sharp increase in price of energy and food has the potential to cause significant financial hardship for many people who live and work within the Borough as well as impacting directly on the cost of delivery of Council services. In response to rising inflation, the Bank of England has raised interest rates with the objective of managing inflation back towards the target of 2% but this also further increases pressure on budgets. In addition, the Bank of England now predicts a lengthy recession at the end of the year.

4.1.2 The Bank of England produces quarterly Monetary Policy Reports which set out the expectations for inflation, interest rates and economic growth. The Council's budget for 2022/23 was agreed by Council on 24 January 2022. The Monetary Policy Report published on 3 February 2022 recognised that inflation was above the

2% target and was expected to peak at 7% in the spring but then swiftly fall back. Despite the increased costs of energy, the UK economy was predicted to continue to grow. This position represented a small decline in the outlook from the previous quarterly report (November 2021) which expected inflation to peak at 5% and return to 2% following a modest increase in interest rates. It was against this outlook that the 2022/23 budget and MTFs was set.

4.1.3 The Council's annual budget setting process takes into account forecasts for inflation. However, where possible, the Council cash limits budgets and only applies inflation to supplies and services budgets where there is a contractual commitment so to do. This means that, for a significant proportion of the Council's budget, annual efficiencies equivalent to the rate of inflation are delivered as services manage increased costs within existing budgets. Over the last five years, annual inflationary pressures of between 1.5% (March 2021) and 9% (March 2022) have been absorbed within budgets.

4.1.4 The main exception to cash limited budgets is for the annual pay award where a contingency budget is created to fund a pay award based on available information regarding the pay settlement. An allowance of 2% has been allowed across the MTFs for increases to pay, linked to the Bank of England's target for inflation.

4.1.5 Since the budget was set the economic outlook has significantly declined. The latest Monetary Policy Report, published on 4 August 2022, sets out that inflation is now expected to peak higher and remain higher for longer. The Bank of England now forecasts a peak of 13% and a period of two years before rates return to the target of 2%, well into the Council's existing MTFs period. Alongside this, the economy is now expected to enter recession in the last two quarters of 2022.

4.1.6 Inflation, measured by twelve month CPI, was 10.1% in July 2022 (9.4% in June). The combination of higher and more pervasive inflation is likely to mean that it will not be possible to absorb cost pressures, driven by inflation, within existing budgets during 2022/23 and creates a challenging environment for financial planning for 2023/24 onwards.

4.2 **Revenue Budget 2022/23**

4.2.1 The latest net revenue budget is £15.127m. The year end forecast of £15.425m and resulting variation to budget of £0.298m 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 and Wellbeing	Customer and Corporate Services	1,690	1,667	498	(23)
	Housing and Wellbeing	4,207	4,201	(640)	(6)
	ICT and Shared Services	997	997	676	0
Place	Environment	8,305	8,493	2,732	188
	Planning, Infrastructure and Economic Development	1,030	1,003	(1,094)	(27)
	Property and Asset Management	(9,279)	(9,119)	(3,509)	160
Corporate Strategy and Communications		1,118	1,118	285	0
Democracy and Governance		1,999	2,004	583	5
Human Resources		525	525	156	0
Strategic Finance		4,536	4,536	128	0
Total		15,127	15,425	(184)	298

- 4.2.2 There are two main areas of forecast overspend, both within the Place Directorate, partially offset by forecast underspends across the wider Council. These are within the Environment Service and Property and Asset Management Service.
- 4.2.3 The forecast overspend of £0.133m within the Environment Service includes a forecast pressure of £0.096m in relation to additional electricity costs in the new market. The monthly cost of electricity has increased from £1,500 to £2,000 per month to £10,000. This is a result of increased energy costs and increased usage. This is being closely monitored.
- 4.2.4 Across the wider Council, the Council's energy contract, which pre-purchased gas and electricity in bulk and at a lower cost, has protected budgets from the impact of increased energy costs in the short term. The price is reset every six months in April and October and is expected to increase in October. A further update will be provided in the next monitoring report.
- 4.2.5 The forecast overspend of £0.215m within the Property and Asset Management Service relates to contract management costs for the Council's rental portfolio which are above budget by £0.135m and £0.080m additional staffing costs due to the use of interim staff to fill key vacancies which is a result of the challenging recruitment market in this specialist area. It may be possible to reduce the forecast pressure on staffing costs as the year progresses and the use of interim staff reduces.
- 4.2.6 Further detail on the revenue forecast and reported variations to budget are set out in Appendices 1 to 4.

- 4.2.7 The forecast year end position does not include the impact of the 2022/23 pay award. The pay award remains the most significant risk to the annual budget and MTFS. The unions submitted the 2022 pay claim, effective from 1 April 2022, which would see individual council employees receive the higher of a £2,000 rise or the current rate of RPI (presently 12.3%). An offer was made by the National Employers Panel on 25 July 2022.
- 4.2.8 The offer included an increase of £1,925 for all employees and an increase in allowances of 4.04% effective from 1 April 2022 plus an increase of one day to all employees' annual leave entitlement from 1 April 2023. This offer has not been accepted by the unions.
- 4.2.9 The offer made by the National Employers Panel is significantly above the 2.0% increase allowed within the budget for 2022/23 and represents an increase to the pay budget of around 5.9%.
- 4.2.10 The total cost is estimated at £0.580m (including increased on costs) compared to a budget of £0.197m. If agreed, this would create an annual pressure of £0.383m. This pressure could be met from the Economic Impact Reserve on a one off basis in the current year but will need to be addressed on an ongoing basis through the budget planning process.

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 has been updated to include 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:

Budget Responsibility		Latest Budget 2022/23 (Excluding rephasings for approval) £'000	Forecast Outturn £'000	Actual to date £'000	Latest Budget 2023/24 (Excluding rephasings for approval) £'000	Latest Budget 2024/25 (Excluding rephasings for approval) £'000
Executive Director of Corporate, Housing & Wellbeing Services	Associate Director of ICT & Shared Services	1,413	1,413	66	860	530
	Associate Director of Customer & Corporate Services	17,029	12,720	3,782	12,090	0
	Associate Director of Housing & Wellbeing	1,543	1,363	555	350	350
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)		65	65	0	0	0
Executive Director of Place	Associate Director of Planning, Infrastructure & Economy	3,417	2,921	212	1,050	0
	Associate Director of Property & Asset Management	40,507	27,220	463	5,182	2,023
	Associate Director of Environment	14,848	13,658	224	1,531	1,367
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	38,057	14,682	9,131	677	677
TOTAL CURRENT CAPITAL PROGRAMME		116,879	74,043	14,432	21,740	4,947

- 4.3.2 The forecast year end position of £74.043m is £42.836m lower than the latest budget. This reflects the anticipated reprofiling of schemes across the Capital Investment Programme including the Hart Homes and Riverwell Joint Ventures based on the latest approved business plans.
- 4.3.3 A request to rephase these budgets will be included in the Quarter 3 monitoring report to Cabinet. A detailed scheme breakdown is provided in appendices 1 to 4.
- 4.3.4 Rising 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.
- 4.3.5 A detailed risk assessment of the Capital Investment Programme is being undertaken and this will be incorporated into the budget setting process.
- 4.3.6 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.
- 4.3.7 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).

4.4 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	(25,177)	1,735	(23,442)
Economic Impact Reserve	(1,744)	387	(1,357)
General Fund	(2,000)	0	(2,000)
Total	(28,921)	2,122	(26,799)

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 includes a funding gap of £0.089m which will be funded from a contribution from this reserve. The forecast assumes that the reported overspend of £0.303m is also funded from the Economic Impact 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 6.

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 Quarter 1. The interest earned on the investments made by the Council supports the funding of the services it provides.

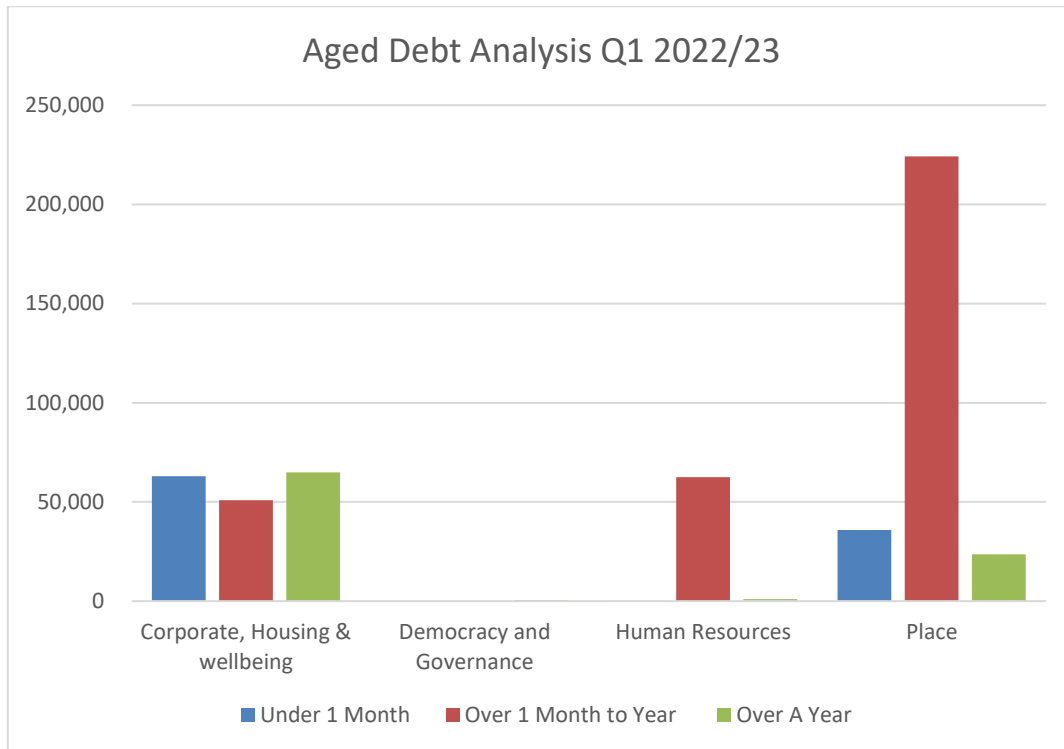
4.5.3 The Bank of England base interest rate was 0.75% on 1 April 2022, and was subsequently increased by 0.25% in both May and June 2022. The base rate was therefore 1.25% at the end of the period. A further increase of 0.50% was made in August 2022. The increase in base rate has fed through into increased 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. 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.

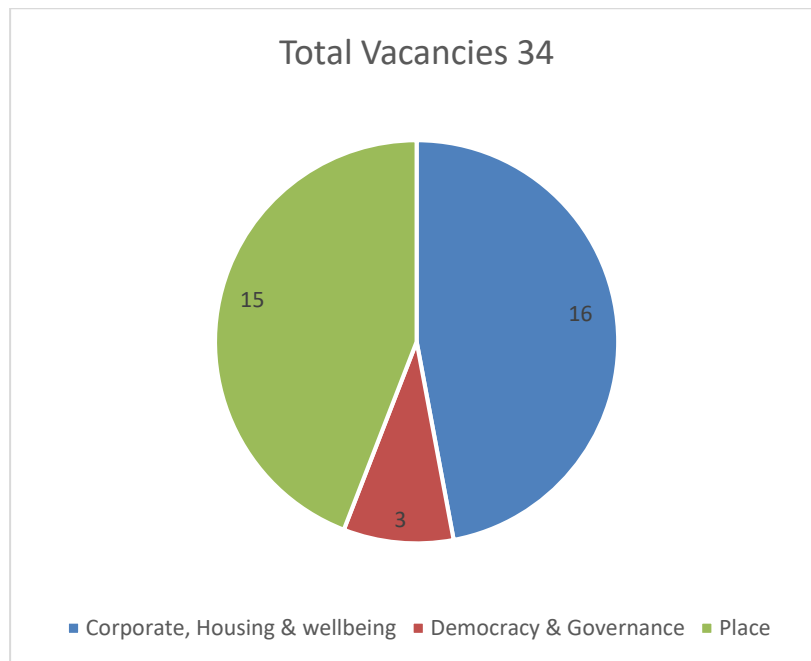
4.6.2 The following graph sets out the aged debt analysis as at 30 June 2022. The total outstanding debt at this date was £0.526m. This compares to a total outstanding debt of £1.180m at 30 June 2021.



4.6.3 Of the outstanding debt, £0.099m (19%) is under one month and is expected that the majority of these debt will be settled. The total debt over one year is £0.89m (17%). 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 June 2022 with a detailed analysis by service within appendices 1 to 4.



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 Earmarked Reserves
- Appendix 7 Key Budgetary Risks

Corporate, Housing and Wellbeing Services Directorate

1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget
Customer & Corporate Services	1,690,031	1,666,991	498,383	(23,040)
Housing & Wellbeing	4,206,731	4,201,021	(640,073)	(5,710)
ICT Client & Shared Services	997,197	997,197	675,907	0
Total	6,893,959	6,865,209	534,217	(28,750)

At the end of Quarter 1 a small underspend of £0.029m is forecast for the Corporate, Housing and Wellbeing Services Directorate.

2. Revenue Variances

Reported variances are itemised in the table below:

Service Area	Description	Details of Variances	£
Corporate Housing & Wellbeing	Customer Services Centre	Call handling costs for garden waste and recycling. Income allocation from Recycling Kerbside	(23,350)
		Other Variances	(5,400)
		TOTAL	(28,750)

In addition to the reported variances the Directorate is managing the risk of additional pressure on the Housing budget with demand expected to increase during the year.

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	(235)	(235)	0	No Change at Q1

4. Capital Investment Programme

Budget Responsibility		Services	Latest Budget 2022/23 (Excluding rephasings for approval) £'000	Forecast Outturn £'000	Actual to date £'000	Latest Budget 2023/24 (Excluding rephasings for approval) £'000	Latest Budget 2024/25 (Excluding rephasings for approval) £'000
Executive Director of Corporate, Housing & Wellbeing Services	Associate Director of ICT & Shared Services	ICT Shared Services	304	304	66	45	45
		ICT Client Services	1,110	1,110	-	815	485
	Associate Director of Customer & Corporate	Customer Services	-	-	-	-	-
		Town Hall Quarter	17,029	12,720	3,782	12,090	-
	Associate Director of Housing & Wellbeing	Environmental Health	1,298	1,098	555	300	300
	Housing	245	265	-	50	50	
TOTAL CURRENT CAPITAL PROGRAMME			19,985	15,497	4,403	13,300	880

The budget for the Town Hall Quarter Programme will be reprofiled to reflect the latest project delivery plan with budget of £4.309m rephrased into 2023/24.

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 at 30 June 2022:

Service Area	Post	Date Vacant	FTE	Comments
Corporate, Housing & wellbeing	Customer Service Centre Advisor 12	01/04/2022	1	to be filled in October
	Security and Infrastructure Manager	01/04/2022	1	to be filled in October
	Housing Caseworker 05	21/05/2021	1	Permanent recruitment underway post review of role
	Housing Caseworker 03	22/06/2021	1	
	Housing Caseworker 02	14/08/2021	1	recruitment underway with amended role profile due to failure to recruit previously
	Environmental Health Officer 11	11/09/2021	1	
	Covid Response Officer 01	20/09/2021	1	held pending service review in December 2022
	Business Compliance Officer 01	01/11/2021	1	
	Environmental Health Officer 05	22/11/2021	1	to be filled in september
	ICT Project Manager	01/01/2022	1	
	LLPG and GIS Officer	21/01/2022	1	
	Senior Project Manager 06	08/02/2022	1	
	Customer Service Centre Advisor 11	01/04/2022	1	
	Covid Response Officer 05	20/04/2022	1	
	Health Inequalities Research Assistant	13/06/2022	1	
	Housing Solutions Officer 03	21/06/2022	1	
	Total		16	

Corporate, Housing and Wellbeing Services Directorate Capital Scheme Detail

Capital Scheme	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
ICT Shared Services					
ShS-Migration To The Cloud	156,000	156,000	0	0	
ShS-Hardware Replacement Programme	147,729	147,729	0	66,308	
ICT Client Services					
ICT-Hardware Replacement Programme	603,287	603,287	0	0	
ICT-Business Application Upgrade	386,270	386,270	0	0	
ICT-Project Management Provision	120,000	120,000	0	0	
Town Hall Quarter (Concept)					
Town Hall & Colosseum Projects	4,308,800	0	(4,308,800)	816,185	Service request for rephasing £2.472m into 2023/24 and £1.837m into 2024/25.
Town Hall Quarter Cultural Programme	0	0	0	28,075	
Decarbonisation Project Salix	0	0	0	2,928,293	
Town Hall Quarter (Delivery)					
Town Hall Refurbishment	850,000	850,000	0	8,796	
Colosseum Refurbishment	4,700,000	4,700,000	0	0	
Annexe Refurbishment	1,750,000	1,750,000	0	228	
Thq Programme Delivery	400,000	400,000	0	0	
Reimagining Watford	20,000	20,000	0	0	
Decarbonisation Project Salix	5,000,000	5,000,000	0	0	
Environmental Health					
Decent Homes Assistance	813,223	813,223	0	507,597	
Private Sector Housing Renewal	227,240	227,240	0	47,780	
Street Improvement Programme	257,694	57,694	(200,000)	0	No location identified for 2022/23 and budget not required. Further discussions with portfolio holders planned.
Housing					
Private Sector Stock Condition	16,534	16,534	0	0	
Retained Housing Stock	153,687	153,687	0	0	
York House Boiler Replacement	75,000	75,000	0	0	
Housing First - Phase 2	0	20,000	20,000	0	Funding approved from Section 106 receipts.
Total	19,985,464	15,496,664	(4,488,800)	4,403,260	

Place Directorate

1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Environment	8,305,037	8,493,387	2,731,956	188,350
Planning, Infrastructure & Eco	1,029,809	1,002,609	(1,093,668)	(27,200)
Property & Asset Management	(9,279,374)	(9,064,374)	(3,509,050)	215,000
Total	55,472	431,622	(1,870,762)	376,150

At the end of Quarter 1 an overspend of £0.376m is forecast for the Place Directorate.

2. Revenue Variances

Reported variances are itemised in the table below:

Service Area	Description	Details of Variances	£
PLACE	Building Control	Professional fees - consultancy to cover additional business needs	20,000
	CCTV	Additional income from third parties for use of security cameras	(18,200)
	Valuations & estates Group	Additional staffing costs for agency appointments	80,000
		External contract management costs for rental income portfolio	135,000
	Recycling - Kerbside	Call handling costs for garden waste and recycling. Income credited to customer & Corporate services	23,350
	New Market	Increase electricity costs due to economic climate and increase in number of units being occupied	96,000
		Sponsorship income received as part of Centenary events	(15,000)
		Other Variances	0
	TOTAL	321,150	

Within the reported position is a reduction in income of £0.359m in relation to the Leisure Management Contract following the agreement to reprofile the management fee as a result of the ongoing impact of COVID-19. This is offset by additional budget of £0.350m brought forward from 2021/22 to fund this shortfall.

The reprofiling of the management fee recognises that activity levels remain below the initial expectations when contract commenced due to a lack of growth during the period of the COVID-19 pandemic. This agreement results in a reduced fee for 2022/23 that will be recovered over the life of the contract.

The Leisure Management Contract includes a utilities price mechanism. However, any discussions in relation to additional support for the operator will recognise the existing support that is in place for 2022/23.

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	(9,442)	(9,442)	0	No Change at Q1
	Development Control Fees	(780)	(780)	0	
	Building Control Fees	(278)	(278)	0	
	Car Parking Charges	(1,540)	(1,540)	0	

4. Capital Investment Programme

Budget Responsibility	Services	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Actual to date	Latest Budget 2023/24 (Excluding rephasings for approval)	Latest Budget 2024/25 (Excluding rephasings for approval)	
		£'000	£'000	£'000	£'000	£'000	
Executive Director of Place	Associate Director of Planning, Infrastructure &	Transport & Infrastructure	3,417	2,921	201	1,050	-
		Development Control	-	-	11	-	-
		Corporate Asset Management	1,699	1,699	45	250	250
	Associate Director of Property & Asset Management	Watford Business Park	14,554	14,554	322	-	-
		Watford Riverwell	11,945	6,520	1	4,932	1,773
		Property Investment Board	133	133	-	-	-
		Property Management	11,989	4,127	54	-	-
		Town Hall Quarter	187	187	41	-	-
	Associate Director of Environment	Waste & Recycling (inc Veolia)	1,213	1,213	143	71	72
		Parks & Open Spaces	2,062	1,965	58	1,110	1,045
		Cemeteries	350	350	3	-	-
		Leisure & Play	8,537	7,437	18	250	250
		Culture & Heritage	289	297	10	-	-
		Community Projects	1,151	1,151	-	9	-
		Commissioning	1,061	1,061	0	-	-
		Town Hall Quarter	184	184	-	100	-
TOTAL CURRENT CAPITAL PROGRAMME		58,772	43,799	898	7,763	3,390	

The forecast for the Riverwell joint venture (Watford Health Campus LLP) has been updated to reflect the latest business plan as approved by Cabinet.

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 at 30 June 2022:

Service Area	Post	Date Vacant	FTE	Comments
Place	Museum Learning Officer	01/04/2022	1	Currently advertised
	Land Charges Assistant	01/04/2022	1	
	Technical Support Officer 05	01/04/2022	1	
	Building Surveyor 03	27/04/2021	1	
	Partnerships and Funding Manager	07/06/2021	1	post holder on secondment
	Principal Planning Officer (Development	28/09/2021	1	
	Senior Surveyor 02	02/11/2021	1	
	Cassiobury Park Manager	08/01/2022	1	Post to be filled in August
	Property Development Project Manager 02	16/02/2022	1	
	Project Programme Manager	19/03/2022	1	
	Principal Planning Officer (Policy) 02	19/04/2022	1	
	Technical Support Officer 04	28/05/2022	1	Post to be filled in August
	Economic Development Officer	01/06/2022	1	to be filled in september
	Head of Corporate Asset Management	11/06/2022	1	Covered by interim
	Museum Collections Officer	28/06/2022	1	
	Total		15	

Place Directorate Capital Scheme Detail

ED-PLACE					
Capital Scheme	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
Transport & Infrastructure					
Public Realm (High Street)	1,234	1,234	0	0	
Public Realm (Clarendon Rd Phase III)	298,312	298,312	0	8,680	
St Albans Rd Improvement Works	6,307	0	(6,307)	8,000	Budget transfer to related cost centre.
CCTV Site Equipment	2,634	0	(2,634)	0	Budget transfer to related cost centre.
Public Realm - Market St South	217,580	217,580	0	0	
Camera Enforcement - High St	159,483	159,483	0	43,100	
Public Realm - Queens Rd, The Broadway	100,000	300,000	200,000	0	Service rephasing request to bring forward 2023/24 budget of £200k due to scheme completing in 2022/23.
Public Realm - Market St North	250,000	250,000	0	135,566	
Sustainable Transport Programme	675,817	275,817	(400,000)	0	Service request for rephasing £400k into 2023/24.
St Albans Rd Imp Works (Ph 2)	300,000	56,307	(243,693)	0	Service request for rephasing into 2023/24.
Wayfinding & Public Art Strategy	221,500	200,500	(21,000)	1,452	Service request for rephasing £21k into 2023/24.
EV Rapid Charging Points Programme	100,000	75,000	(25,000)	0	Service request for rephasing £25k into 2023/24.
CCTV Control Room Strategy	500,000	502,634	2,634	0	Budget transfer from related cost centre.
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)	546,808	546,808	0	4,653	
Match Funding Capital Projects	3,863	3,863	0	0	
Watford Junction Cycle Park Hub	7,110	7,110	0	0	
Development Control					
CIL Review	0	0	0	10,600	
Corporate Asset Management					
Community Asset Review	1,356,303	1,356,303	0	30,702	
Building Investment Programme	342,696	342,696	0	14,129	
Watford Business Park					
Watford Business Park Phase 2	14,553,787	14,553,787	0	322,270	
Watford Riverwell	11,945,342	6,520,342	(5,425,000)	1,162	Service request for rephasing £5.425m into 2023/24 and bringing forward 2024/25 budget of £1.773m into 2023/24.
Property Investment Board					
PIB Investment Board	132,931	132,931	0	0	
Property Management					
Redevelopment Town Hall	0	0	0	3,627	
Charter Place	0	0	0	5,258	
Temp Housing Accommodation	146,385	146,385	0	11,895	
Surplus Sites	825,214	225,214	(600,000)	23,286	Service request to rephase £600k into 2023/24 as projects at different stages of progress.
Croxley Park Asset	0	0	0	9,442	Funded by PPM contribution that formed part of the original Croxley Business Park transaction.
Exchange Road	1,000,000	100,000	(900,000)	0	Service request to rephase £900k into 2023/24 as land acquisition and feasibility work to be ascertained.
Lower High Street	4,985,000	1,985,000	(3,000,000)	0	Service request to rephase £1.5m into 2023/24 and £1.5m to 2024/25 as the Council ascertains the requirements of land acquisition, a sustainable transport hub including public realm works and feasibility studies.
Scenery Store Redevelopment	1,500,000	0	(1,500,000)	0	Service request to rephase £1.5m into 2023/24 to fulfil other capital opportunities (incl community assets) that are supported by business cases.
Infill Sites (LEP funded)	840,675	0	(840,675)	0	Service request to rephase £841k into 2023/24 to accelerate housing delivery.
Surplus Site - Land Acquisition (Site A)	1,670,000	1,670,000	0	0	
Surplus Site - Land Acquisition (Site B)	1,021,439	0	(1,021,439)	0	Service request to rephase £1.021m into 2023/24 for land acquisition opportunities.

Capital Scheme	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
Waste & Recycling (inc Veolia)					
Veolia Contract Fleet Requirements	1,143,391	1,143,391	0	143,462	
Veolia Capital Improvements	70,000	70,000	0	0	
Parks & Open Spaces					
Whippendell Woods SSSI Enhancement	13,000	13,000	0	0	
Green Spaces Strategy	249,778	149,778	(100,000)	8,153	Identified in year budget saving. Project deliverables to be met.
Oxhey Park North	38,948	38,948	0	2,986	
Tree Planting Programme	95,000	95,000	0	5,282	
River Colne Restoration	311,993	311,993	0	35,678	
Nascot Grange Open Space	10,000	10,000	0	0	
Cassiobury Park Performance Space	40,000	0	(40,000)	0	Identified in year budget saving post feedback and prior event.
Parks Litter Bin Replacements	10,000	10,000	0	0	
Meriden Park Improvements	145,556	145,556	0	1,561	
Cassiobury Park Wetlands	133,000	133,000	0	(1,377)	
Biodiversity - Parks & Open Spaces	50,000	50,000	0	0	
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	69	
Footpaths - Cassiobury Park Nature Reserve	330,000	330,000	0	412	
Footpaths - Cassiobury Park	238,000	238,000	0	1,635	
Allotment Provision	50,000	50,000	0	0	
Shrub Replacement (Open Space)	50,000	30,000	(20,000)	0	Identified in year budget saving.
Parks - Building Investment	150,000	150,000	0	3,540	
Oxhey Activity Pk- Modular Unit	0	63,110	63,110	0	Additional funding obtained from Sport England.
Wider Footpaths-Parks Refurbishment	0	0	0	541	
Oxhey Grange Footpath	30,000	30,000	0	0	
River Gade Management Works	32,000	32,000	0	0	
Water Fountains in Green Flag Parks	5,000	5,000	0	0	
Cemeteries					
Cemetery Re provision	141,000	141,000	0	0	
North Watford Cemetery Improvements	57,563	57,563	0	2,801	
New Cemetery Provision	109,776	109,776	0	0	
Vicarage Rd - WFC Memorial Area	42,000	42,000	0	0	
Leisure & Play					
Leisure & Cultural Venues	60,521	60,521	0	0	
Watford Tennis Partnership	25,000	25,000	0	0	
Oxhey Grange-Bowling Gr'N Imps	110,000	110,000	0	0	
Cassiobury Park Tennis Courts	40,000	40,000	0	0	
Orchard Park & Callowland Cricket Improvements	20,000	20,000	0	0	
King George V Muga	20,000	20,000	0	0	
Leavesden Green Rec Ground Improvements	50,000	50,000	0	0	
Woodside Sports Village	7,861,733	6,861,733	(1,000,000)	17,749	Identified in year budget saving. Re-design opportunities to be reported back to Mayor and members.
Play Area Improvements	337,890	237,890	(100,000)	585	Identified in year budget saving. Programme being reviewed.
Lea Farm Recreation Improvements	12,000	12,000	0	0	
Culture & Heritage					
Watford Museum	128,795	128,795	0	0	
Improvements Community Centres	13,980	13,980	0	0	
Cultural Quarter Phase 1	10,000	10,000	0	0	
Heritage Trail	97,987	105,437	7,450	0	Additional funding obtained from central
Watford Market	38,673	38,673	0	9,741	
Community Projects					
Cycle Hub	111,099	111,099	0	0	
All Saints Churchyard Improvements	1,000	1,000	0	0	
Paddock Road Depot Enhancements	1,013,503	1,013,503	0	(9,397)	
Derby Rd Skate Park Blockade	25,000	25,000	0	0	
Commissioning					
Transport App	25,550	25,550	0	0	
Departmental Vehicle Renewal	11,600	11,600	0	0	
Cycle & Road Infrastructure Improvements	1,023,584	1,023,584	0	180	
Town Hall Quarter (Concept)					
Regeneration Project	187,000	187,000	0	40,803	
Town Hall Quarter (Delivery)					
Museum & Heritage	150,000	150,000	0	0	
Colosseum Retender	34,000	34,000	0	0	
Total	58,771,797	43,799,243	(14,972,554)	898,225	

Democracy, Strategy and Initiatives

1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Corporate Strategy & Comms				
Corporate Management	512,573	512,573	134,035	0
Partnerships & Performance	605,119	605,119	151,384	0
	1,117,692	1,117,692	285,418	0
Democracy & Governance				
Legal And Democratic	1,999,122	2,004,242	583,035	5,120
	1,999,122	2,004,242	583,035	5,120
Human Resources				
Hr Shared Service	470,846	470,846	174,067	0
Human Resources Client	54,017	54,017	(17,885)	0
	524,863	524,863	156,182	0
Total	3,641,677	3,646,797	1,024,636	5,120

At the end of Quarter 1 a small overspend of £0.005m is forecast for Democracy and Governance Service. There is no variation to budget forecast for the Corporate Strategy and Communications and Human Resources services.

2. Revenue Variances

Reported variances are itemised in the table below:

Description	Details of Variances	£
Legal Services	Contribution to the new Iken case management system as part of shared services	4,000
	Other Variances	1,120
	TOTAL	5,120

3. Capital Investment Programme

There is one small capital budget within this service area relating to town boundary signage. This budget is currently forecast to be utilized in full during 2022/23.

EH-COMMUNICATIONS, PARTNERSHIPS & COMMUNITY					
Capital Scheme	Latest Budget 2022/23 (Excluding rephasings for approval) £	Forecast Outturn £	Forecast Variance £	Actual 2022/23 £	Scheme Update
Corporate Communications					
Town Boundary Signage	65,000	65,000	0	0	
Total	65,000	65,000	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 30 June 2022:

Service Area	Post	Date Vacant	FTE	Comments
Democracy & Governance	Head of Legal Services	01/04/2022	1	Covered by interim
	Principal Solicitor	01/04/2022	1	
	Senior Solicitor 02	01/04/2022	1	
	Total		3	

Strategic Finance

1. Revenue Summary

	Latest Budget	Forecast	Actuals	Variance - Forecast to Latest Budget
Corporate Costs	2,058,639	2,058,639	(811,298)	
Finance & Resources	223,475	223,475	(33,365)	0
Finance Services Client	1,021,995	1,021,995	119,043	0
Revenues And Benefits Client	988,790	988,790	899,336	0
Service Transformation	243,010	243,010	(45,411)	0
Total	4,535,909	4,480,909	128,305	0

Corporate Costs includes the budgets relating to treasury management activity and capital financing costs.

2. Revenue Variances

There are no variances reported for Quarter 1.

3. Capital Investment Programme

Budget Responsibility		Services	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Actual to date	Latest Budget 2023/24 (Excluding rephasings for approval)	Latest Budget 2024/25 (Excluding rephasings for approval)
			£'000	£'000	£'000	£'000	£'000
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	Capital Support Services	682	682	-	677	677
		West Herts Crematorium	-	-	1,499	-	-
		Hart Homes JV	37,375	14,000	7,632	-	-
TOTAL CURRENT CAPITAL PROGRAMME			38,057	14,682	9,131	677	677

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

The forecast for the Hart Homes joint venture has been updated to reflect the latest business plan as approved by Cabinet.

The scheme detail is provided at Annex A.

DoF-STRATEGIC FINANCE					
Capital Scheme	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
Capitalised Support Services					
Support Services	552,470	552,470	0	0	
Major Projects - FBP and QS	129,550	129,550	0	0	
West Herts Crematorium					
West Herts Crem Bedmond Road	0	0	0	1,498,634	Quarterly recharge to West Herts Crematorium.
Hart Homes JV					
Land Transfer - Croxley View Phase 2	3,000,000	0	(3,000,000)	0	Service request for rephasing into 2023/24.
Land Transfer - Croxley View Phase 3	3,130,000	0	(3,130,000)	0	Service request for rephasing into 2023/24.
Land Transfer - Rear Of High St	760,000	0	(760,000)	0	Service request for rephasing into 2023/24.
Land Transfer - Scheme A	605,000	0	(605,000)	0	Service request for rephasing into 2023/24.
Land Transfer - Scheme B	530,000	0	(530,000)	0	Service request for rephasing into 2023/24.
Loan to Hart Homes WDLTP	14,450,000	8,000,000	(6,450,000)	2,000,000	Service request for rephasing into 2023/24.
Loan to Hart Homes WDLTD	14,900,000	6,000,000	(8,900,000)	5,632,010	Service request for rephasing into 2023/24.
Total	38,057,020	14,682,020	(23,375,000)	9,130,644	

Capital Finance

MEDIUM TERM FINANCIAL STRATEGY			
Medium Term Financial Strategy			2022/23
Latest Budget (including carry forwards)			116,879,281
Variances previously reported			0
Variances this period (Appendix 3)			(42,836,354)
Forecast Outturn			74,042,927
Funded By :-			
Grants & Contributions, S106 & CIL			(8,363,154)
Local Enterprise Partnership (LEP) Loan			(1,250,000)
Reserves			(243,656)
Capital Receipts (PIB, Non PIB & THQ)			(8,940,685)
Borrowing (Internal & External)			(55,245,432)
Total Funding Used			(74,042,927)

Revenue Reserves Forecast 2022/23

Description	Balance at 1 April £000	Movement 2022/23 £000	Balance at 31 March £000	Purpose
Revenue Reserves				
Budget Carry Forward	(1,735)	1,735	0	Budgets carried forward from prior years
Car Parking Zones	(475)	0	(475)	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)	387	(1,357)	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)	0	(2,248)	Reduction of pension deficit
Rent Deposit Guarantee Scheme	(100)	0	(100)	Assist in providing homelessness accommodation
Riverwell Project	(8,272)	0	(8,272)	To cover any guarantees, repayments of outstanding loans and fund future investment.
Renewal Recovery Fund	(631)	0	(631)	To support the recovery process for additional costs due to COVID19
	(26,921)	2,122	(24,799)	
General Fund Working Balance	(2,000)	0	(2,000)	Prudent balance
Total Revenue Reserves	(28,921)	2,122	(26,799)	

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. <i>Recovery from COVID19 and the current economic climate continues to put pressure on the finances.</i>	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 that was proposed for 2022/23 has been rejected by the Unions.	3	3	9
3	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	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. The volatility of the global economy following the EU referendum continues to place uncertainty on the investment strategy.	3	2	6
5	Inaccurate estimates of fees and charges income	See Key Income Streams are shown in the latest Finance Digest. The financial impact of COVID 19 will place a burden on the Council's 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. <i>Some of these may not materialise as resources are diverted away to fund unexpected costs.</i>	3	2	6
9	The income received from Commercial rents decreases	The rental income received from the Council's 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 grant settlement has been factored into the MTFs. The fair funding review is 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. <i>The system was due to be subject to reset and increase to 75% retention. This has been postponed until 2023/24 at the earliest.</i>	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

Budget Realignment

	Pre Realignment	Post Realignment
	Original Budget 2022/23 £	Original Budget 2022/23 £
Service Transformation	3,164,524	0
Community & Environmental	8,265,849	0
Democracy & Governance	2,116,989	1,998,059
Place Shaping & Performance	(5,247,495)	0
Corporate Strategy & Communications	757,207	1,117,692
Human Resources	618,684	524,863
Strategic Finance	4,058,273	4,286,994
Corporate, Housing & Wellbeing	0	6,259,959
Place	0	(453,536)
Total	13,734,031	13,734,031

Agenda Item 6

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Wednesday, 14 September 2022

Report author: Hannah Doney, Head of Finance

Title: Budget Planning Framework

1.0 Summary

- 1.1 This report sets out the Budget Planning Framework that will enable to Council to set a balanced budget for 2023/24, and three year Medium Term Financial Strategy (MTFS) and Capital Investment Strategy to 2025/26.
- 1.2 The budget and MTFS will support the delivery of the Council's Council Plan 2022-26 and Delivery Plan 2022-24

2.0 Risks

Nature of Risk	Consequence	Suggested Control Measures	Response <i>(tolerate, treat, terminate, transfer)</i>	Risk Rating <i>(combination of likelihood and impact)</i>
Failure to agree the Council Plan and Service Plans for implementation from 1 April 2023 and failure to meet statutory deadline for setting a legal budget	The Council does not have a Council Plan for 2023/24 and does not legally set a budget	Revert to previous Council Plan and MTFS	Treat	4

3.0 Recommendations

- 3.1 To consider and note the 2022/23 Service and Budget Planning Framework and outline timetable at Appendix 1.

Further information:

Hannah Doney, Head of Finance
hannah.doney@threerivers.gov.uk

Report approved by: Alison Scott – Director of Finance

4.0 Detailed proposal

4.1 Each year the Council is required to set a realistic, achievable in-year budget and indicative budgets for the following two years. Overall responsibility for the budget setting process is the responsibility of the Shared Director of Finance.

4.2 The budget reflects the alignment of resource to delivery of the commitments contained within the Council Plan, ensuring our limited resources are directed to areas most important to our residents, community, businesses and staff.

4.3 Council Plan

4.3.1 On 19 July 2022, Council adopted the new Council Plan 2022-26 and Delivery Plan 2022-24.

4.3.2 The refreshed Council Plan, which covers the period 2022–2026, is designed to be strategic, high level and outward-facing, with an emphasis on outcome focused commitments. It describes to the workforce, our community and our partners how we see the council and the town progressing by resetting our strategic themes, commitments and areas of activity.

4.3.3 The four Council Plan themes are:

- A council working for our community and serving our residents
- A greener, brighter future. It was the greenest plan the council had ever produced.
- An inspiring, thriving and creative town
- A diverse, happy and healthy town

4.3.4 The Delivery Plan 2022-24 sets out how the council will focus our work to bring the Council Plan to life, making sure we deliver what we said we would over the next two years. Under each theme and commitment, we set out our key priority areas of actions, which we are committed to achieving by 2024. Every activity will be assigned to a lead officer and aligned to a Portfolio Holder to enable regular updates on progress.

4.3.5 The Delivery Plan will be monitored and a report on progress will be reported to Cabinet quarterly, and Overview and Scrutiny Committee quarterly and, annually, we will prepare a report for residents, businesses and partners.

4.3.6 The actions in the Delivery Plan will be cascaded through service plans, team business plans through to individual objectives.

4.4 **Financial Plan – Revenue**

- 4.4.1 The Council prepares and monitors a rolling three-year Medium Term Financial Strategy (MTFS) consisting of a working budget for the current year and indicative budgets for the following years. This contains budget estimates calculated at a detailed level. The latest financial monitoring report (at end of June – Quarter 1) is elsewhere on this agenda.
- 4.4.2 Officers will convert the previous indicative budget for 2023/24 into a detailed plan. They will also add a ‘new’ third year indicative budget to complete the three-year plan for 2023/24 to 2025/26.
- 4.4.3 In creating the proposed indicative budget for 2023/24, Officers will review Fees and Charges and look for opportunities to increase income and reduce costs through achievement of efficiency savings.

4.5 **Assumptions in the current MTFS**

- 4.5.1 The existing MTFS for 2023/24 and 2024/25, agreed in January 2022, is based on the following assumptions:
- The Council Tax base increases by 0.5% each year
 - Council Tax is raised by 1.5% each year
 - A Contingency budget is created to provide for a 2% annual pay award
 - A cash freeze for supplies and services budgets unless there is a contractual agreement or there are known increases or unavoidable demographic pressures.
 - Fees and charges increase in line with inflation
- 4.5.2 These assumptions will be reviewed and updated during the Autumn with any changes incorporated into the proposed budget and MTFS.

4.6 **Capital Investment Programme**

- 4.6.1 The Financial Monitoring Reports to Cabinet provide the current position on progress against the 2022/23 capital investment programme and the resources available for future investment.
- 4.6.2 An option appraisal and affordability assessment will be undertaken on future capital investment schemes. Those schemes that are deemed to be as ‘invest to save’ or fully funded by grant income are likely to be regarded more favourably than those requiring growth in revenue expenditure either through increased service delivery costs or borrowing costs.

5.0 Implications

5.1 Financial

5.1.1 There are no changes to the budget already agreed by Members as a result of this report.

5.2 Legal Issues (Monitoring Officer)

5.2.1 The Council must set its budget before 11 March 2023 in accordance with Section 32 (10) of the Local Government Finance Act 1992.

5.2.2 The Council's Chief Financial Officer (Shared Director of Finance) has a statutory duty to report to the Council if it is likely to incur expenditure that is unlawful or likely to exceed its resources.

5.2.3 The Localism Act includes powers to allow local residents to veto through a referendum council tax rises that propose to exceed the limit imposed by Central Government.

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

- Appendix 1 – Outline Timetable

Background papers

- Council Plan 2022-26 and Delivery Plan 2022-24 to Council 17 July 2022

Outline Timetable – Key Dates

Date	Board / Committee	Activity
Early December	Corporate Management Board	Consider and sign off proposed detailed revenue/capital estimates and fees & charges
Prior to Christmas break	Portfolio Holders	Agree revenue & capital estimates: fees & charges; use of reserves for sustainable budget
9 January 2023	Finance Scrutiny Committee	Finance Scrutiny Committee consider detailed revenue and capital estimates including growth/ savings; fees & charges; Government funding, available reserves & inviting the Finance scrutiny Committee's recommendation on Council Tax
31 January 2023	Council	Council consider/approve Budgets and Council Tax
22 February	Functions Committee	2023/24 Council Tax and precepts are approved