



**WATFORD
BOROUGH
COUNCIL**



FINANCE SCRUTINY COMMITTEE

21 November 2022

7.00 pm

Town Hall, Watford

Contact

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Publication date: 11 November 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 14 September 2022 to be submitted and signed.

4. Financial Monitoring Report - Quarter 2 (Pages 4 - 32)

5. Exclusion of Press and Public

The Chair to move: that, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the items there would be disclosure to them of exempt information as defined in Section 100(1) of the Act for the reasons stated below in terms of Schedule 12A.

Note: if approved, the Chair will ask members of the press and public to leave the meeting at this point.

6. Property Investment Board update

Update and presentation for this item is considered exempt (part B) in accordance with paragraph 3, schedule 12A, as it contains commercially sensitive information.

7. Croxley Park update

Update and presentation for this item is considered exempt (part B) in accordance with paragraph 3, schedule 12A, as it contains commercially sensitive information.

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Monday, 21 November 2022

Report author: Head of Finance

Title: Financial Monitoring Report 2022/23 - Quarter 2

1.0 Summary

1.1 This report sets out the financial monitoring position for 2022/23 as at Quarter 2 (1 April to 30 September 2022). This is the second 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 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 as reported at Cabinet on 11 July 2022, and the year end forecast at 30 June 2022. The resulting forecast variance to budget is £0.173m. This is an improvement of £0.125m from the forecast to 30 June 2022 when a variance of £0.298m was reported.

Revenue Account 2022/23				
Service Area	Original Budget £'000	Latest Budget £'000	Forecast £'000	Variance to Latest Budget £'000
Corporate, Housing & Wellbeing Place	5,538 (51)	6,298 526	5,278 1,683	(1,020) 1,158
Democracy, Strategy and Initiatives	3,961	4,004	4,103	100
Strategic Finance	4,287	4,300	4,235	(64)
Net Cost of Service	13,734	15,127	15,300	173
Funded By:				
Planned use of Reserves	(49)	(1,442)	(1,615)	(173)
Taxation & Non Specific Grants	(13,685)	(13,685)	(13,685)	0
Total Funding	(13,734)	(15,127)	(15,300)	(173)

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 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	15,260	6,372
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)	65	0	0
Executive Director of Place	58,772	18,070	2,808
Director of Finance - Strategic Finance	38,057	13,397	10,650
TOTAL CURRENT CAPITAL PROGRAMME	116,879	46,727	19,831

1.4.2 Following a review of the profile of expenditure for 2022/23, the forecast year end position is £46.727m. Requests for rephrasing of budgets to reflect revised expenditure profiles will be presented to Council in January.

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 – Quarter 2, 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

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4.0 Detailed proposal

4.1 Economic Context

4.1.1 The Financial Monitoring Report - Quarter 1 set out the economic context within which the 2022/23 budget was set. As noted in the Quarter 1 report, since the budget was set the economic outlook has significantly declined. The latest Monetary Policy Report, published on 3 November 2022, sets out that inflation is now expected to peak at 11.0% in the last quarter of 2022 (previously 13.0%) and fall sharply to some way below the 2% target in two years' time, and further below the target in three years' time to a low of 0.02%. Inflation, measured by twelve-month CPI, was 10.1% in September 2022 (9.9% in August).

4.1.2 On 3 November 2022 the Bank of England's Monetary Policy Committee (MPC) raised the Bank of England Base rate by 0.75% to 3.0%. The [MPC report](#), which accompanied the increase, states that inflation is too high and that 'high energy, food and other bills are hitting people hard' and makes clear that the committee will raise interest rates to bring inflation back to the 2% target.

4.1.3 The economy is now expected to remain in recession throughout 2023 and 2024 and then grow slowly. The Monetary Policy Committee's forecast does not incorporate any further measures that may be announced in the Autumn Statement scheduled for 17 November.

4.1.4 The combination of high inflation, rising interest rates, shrinking economy, and rise in cost of borrowing for government creates a challenging environment for financial planning for 2023/24 onwards.

4.1.5 The impact of rising inflation and interest rates in the current financial year is set out the paragraphs below.

4.2 Revenue Budget 2022/23

4.2.1 The latest net revenue budget is £15.127m. The year end forecast of £15.300m and resulting variation to budget of £0.173m 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	1,745	1,830	82	85
	Housing and Wellbeing	3,541	2,358	(593)	(1,184)
	ICT and Shared Services	1,012	1,090	676	78
Place	Environment	7,784	8,517	3,960	734
	Planning, Infrastructure and Economic Development	1,393	1,206	134	(187)
	Property and Asset Management	(8,651)	(8,040)	(6,198)	611
Corporate Strategy and Communications		1,452	1,570	1,027	118
Democracy and Governance		2,017	2,029	1,001	12
Human Resources		535	504	296	(31)
Strategic Finance		4,300	4,235	4,158	(64)
Total		15,127	15,300	4,544	173

** Latest budget has been updated to reflect final budget realignments as a result of the senior leadership review.*

- 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 £0.734m within the Environment Service includes a forecast pressure of £0.463m due to loss of income from the SLM contract, £0.112m of addition parking enforcement costs, which are funded from the CPZ reserve and £0.096m in relation to additional electricity costs in the new market. As noted in the Quarter 1 report, the monthly cost of electricity in the new market has increased from £1,500 to £2,000 per month to £10,000 per month since the beginning of the year. This is a result of increased energy costs and increased usage. This continues to be 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 Energy Prices Bill was introduced to Parliament on 12 October 2022 and provides the legislative framework to deliver the government's Energy Price Guarantee and Energy Bill Relief Scheme. These schemes will apply to all domestic and non-domestic consumers including the Council. These two measures mean that it is not currently anticipated that there will be further pressure on energy budgets for Council properties during the year.

- 4.2.5 The forecast overspend of £0.611m within the Property and Asset Management Service relates to a £0.360m loss of rental income from core investments in relation to service charges, additional contract management costs of £0.135m for the Council's rental portfolio, 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 accounts for the impact of the 2022/23 pay award. 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. Although this offer was rejected by the Unite Union following a ballot of members, it was agreed on 1 November 2022 with the support of the GMB and Unison unions.
- 4.2.9 The offer made by the National Employers Panel is significantly above the 2.0% increase originally allowed within the budget for 2022/23 and represents an increase to the pay budget of around 5.9%.

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)	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 Corporate, Housing & Wellbeing Services	Associate Director of ICT & Shared Services	1,413	1,413	210	860	530
	Associate Director of Customer & Corporate Services	17,029	12,720	5,498	12,090	0
	Associate Director of Housing & Wellbeing	1,543	1,127	664	350	350
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)		65	0	0	0	0
Executive Director of Place	Associate Director of Planning, Infrastructure & Economy	3,417	1,498	456	1,050	0
	Associate Director of Property & Asset Management	40,507	11,366	1,325	5,182	2,023
	Associate Director of Environment	14,848	5,206	1,027	1,531	1,367
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	38,057	13,397	10,650	677	677
TOTAL CURRENT CAPITAL PROGRAMME		116,879	46,727	19,831	21,740	4,947

- 4.3.2 The forecast year end position of £46.727m is £70.152m 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, Woodside Sports Village, the Town Hall Quarter and investment in Watford Business Park.
- 4.3.3 A request to rephrase 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 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.
- 4.3.6 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 capital finance is the Public Works Loans Board (PWLB). PWLB interest rates are linked to Government Gilt rates which are currently volatile. The rise in government borrowing costs is also driving up the cost of borrowing for local authorities. Since 1 April 2022, the interest rate on 25 year borrowing has risen from 2.84% to 4.97% at 30 September 2022 resulting in 75% increase in the interest payable.
- 4.3.8 Rising project delivery costs and rising borrowing costs pose a significant risk to the affordability of the capital programme this will be considered in the budget setting process. Actions to mitigate the increased cost pressures include undertaking a review of budget carry forwards to confirm if the budget is required, removing residual budgets as projects are ending, and ensuring that budgets are matched to achievable delivery timescales.

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	(25,677)	1,332	(24,345)
Economic Impact Reserve	(1,744)	283	(1,461)
General Fund	(2,000)	0	(2,000)
Total	(29,421)	1,615	(27,806)

- 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 will be funded by 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 6.

4.4.5 In January 2022, Council agreed the creation of a pump-priming reserve of £0.500m to support the Council's Sustainability Strategy. This reserve was carved out of the Croxley Park Reserve following the strong performance of the investment during 019/20 and 2020/21. The new sustainability reserve is now included within Earmarked Reserves.

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

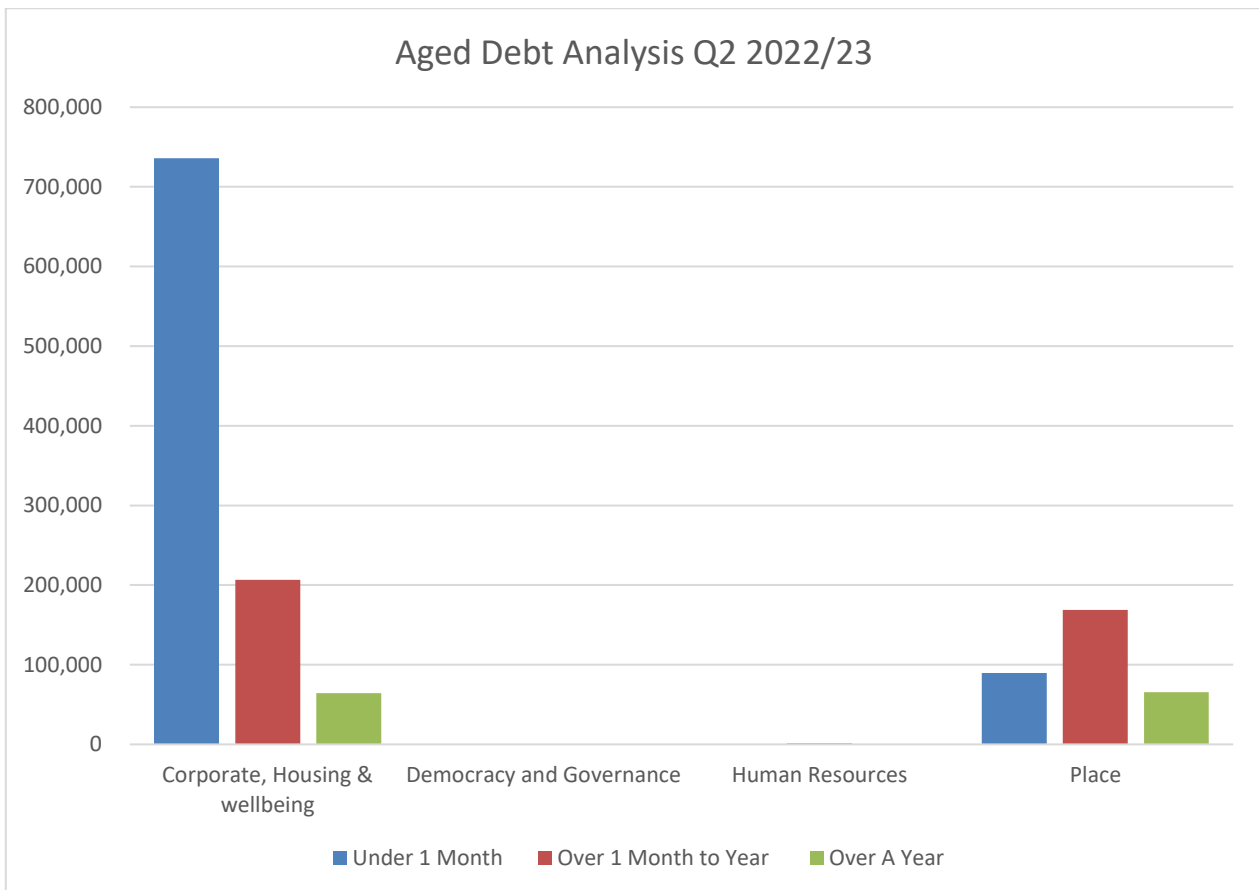
4.5.3 The Bank of England base interest rate was 0.75% on 1 April 2022 and has increased gradually to 2.25% at 30 September 2022 (3% at 3 November 2022) as the Bank of England takes measures to manage inflation. The increase in base rate has fed through into increased market returns for short-term deposits which will have a positive impact on interest earned. However, as noted above, 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.

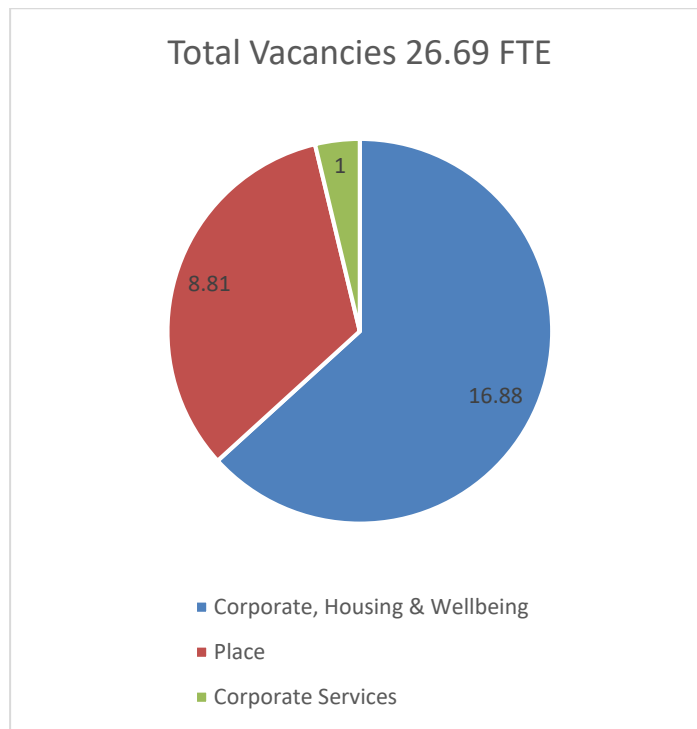
4.6.2 The following graph sets out the aged debt analysis as at 30 September 2022. The total outstanding debt at this date was £1.160m. This compares to a total outstanding debt of £1.229m at 30 September 2021. Debt has reduced by £0.020m from £1.080m at the 30 June 2022.



4.6.3 Of the outstanding debt, £0.826m (71%) is under one month and is expected that the majority of these debt will be settled. The total debt over one year is £061.m (5%). 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 September 2022 with a detailed analysis by service within appendices 1 to 4. The total vacancies at 30 September were 26.69 FTE. This is a decrease from 34.0 FTE at the end of Quarter 1.



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	£1,744,753	£1,829,878	£818,920	£85,125
Housing & Wellbeing	£3,541,283	£2,357,585	(592,986)	(1,183,698)
Ict & Shared Services	£1,011,998	£1,090,311	£832,315	£78,313
Total	£6,298,034	£5,277,774	£1,058,249	(1,020,260)

At the end of Quarter 2 an underspend of £1.020m 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	£
Customer Services Centre	Call handling costs for garden waste and recycling. Income allocation from Recycling Kerbside	(23,350)
ICT Services	Efficiency saving target for 2022/23 will not be met	61,568
Project Resource	Approved funding allocation for sustainable strategy - from budgets in Strategic Finance	37,698
Housing	Anticipated demand on housing following Covid19 has not reached levels as first projected.	(894,300)
Environmental Health Team	Income from costs awarded following successful prosecution of a fatal accident at work.	(475,000)
Commercial Contract Costs	Contract costs income budgets updated with current agreed charges	45,000
Climate Change	Approved funding from Strategic Finance and Sustainability reserve to fund projects and additional resources	119,400
	Revised employee costs as part of the corporate restructure - No additional pressure on budgets due to alignment across other services	61,869
	Other Variances	46,855
	TOTAL	(1,020,260)

The underspend against the housing budget is reported following a full review of expected demand, available grant funding, and contractual commitments. This has identified that additional grant income, received in previous years and carried forward, can be utilised in year which has enabled the service to give up the £0.550m budget carried forward from 2021/22 and base budget. The housing budget is demand led and a risk remains that demand will increase during the year as a result of external factors such as the cost of living crisis. The forecast will be closely monitored as the year progresses.

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	(246)	(251)	(6)	Minor Change in Fees & Charges Income

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
Associate Director of ICT & Shared Services	ICT Shared Services	304	304	210	45	45
	ICT Client Services	1,110	1,110	0	815	485
Associate Director of Customer & Corporate Services	Town Hall Quarter	17,029	12,720	5,498	12,090	0
Associate Director of Housing & Wellbeing	Environmental Health	1,298	1,040	664	300	300
	Housing	245	87	0	50	50
TOTAL CURRENT CAPITAL PROGRAMME		19,985	15,260	6,372	13,300	880

The budget for the Town Hall Quarter Programme will be reprofiled to reflect the latest project delivery plan.

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 30 September 2022:

Post	Date Vacant	FTE	Comments
Business Compliance Officer 01	01/11/2021	1	held pending service review in December 2022
Covid Engagement Officer 01	27/06/2022	0.68	
Covid Engagement Officer 03	28/06/2022	1	
Covid Response Officer 01	20/09/2021	1	
Covid Response Officer 05	20/04/2022	1	
Environmental Health Officer 05	22/11/2021	1	
Environmental Health Officer 11	11/09/2021	1	recruitment underway with amended role profile due to failure to recruit previously
Health Inequalities Research Assistant	13/06/2022	0.61	
Housing Caseworker 02	14/08/2021	1	Permanent recruitment underway post review of role
Housing Caseworker 03	22/06/2021	1	
Housing Caseworker 05	21/05/2021	1	
Housing Solutions Officer 01	13/08/2022	1	
Housing Solutions Officer 03	21/06/2022	1	
LLPG and GIS Officer	21/01/2022	1	
Rough Sleepers Co-ordinator	06/09/2022	1	
Senior Covid Response Officer 02	01/10/2022	1	
Senior Project Manager 06	08/02/2022	0.59	
ICT Project Manager	01/01/2022	1	
Total		16.88	

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	177,805	
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)	7,665	Service request for rephasing £2.472m into 2023/24 and £1.837m into 2024/25.
Town Hall Quarter Cultural Programme	0	0	0	100	
Town Hall Quarter (Delivery)					
Town Hall Refurbishment	850,000	850,200	200	143,813	Forecast mitigated within existing cost centres.
Colosseum Refurbishment	4,700,000	4,700,000	0	180,925	
Annexe Refurbishment	1,750,000	1,750,000	0	1,571,060	
Thq Programme Delivery	400,000	399,800	(200)	188,153	Forecast mitigated within existing cost centres.
Reimagining Watford	20,000	20,000	0	1,273	
Decarbonisation Project Salix	5,000,000	5,000,000	0	3,380,322	
Environmental Health					
Decent Homes Assistance	813,223	813,223	0	577,257	
Private Sector Housing Renewal	227,240	227,240	0	86,367	
Street Improvement Programme	257,694	0	(257,694)	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	50,000	(103,687)	0	Identified capital budget saving.
York House Boiler Replacement	75,000	0	(75,000)	0	Identified capital budget saving.
Housing First - Phase 2	0	20,000	20,000	0	Funding approved from Section 106 receipts.
Total	19,985,464	15,260,283	(4,725,181)	6,371,872	

Place Directorate

1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Environment	£7,783,513	£8,517,419	£3,960,491	£733,906
Planning, Infrastructure & Eco	£1,392,917	£1,206,065	£133,808	(186,852)
Property & Asset Management	(8,650,790)	(8,040,275)	(8,316,809)	£610,515
Total	£525,640	£1,683,209	(4,222,509)	£1,157,569

At the end of Quarter 2 an overspend of £1.157m is forecast for the Place Directorate.

2. Revenue Variances

Reported variances are itemised in the table below:

Description	Details of Variances	£
Building Control	Professional fees - consultancy to cover additional business needs	20,000
Policy Team	Saving on employee costs due to vacant post	(50,000)
CCTV	Additional income from third parties for use of security cameras	(18,200)
Green Travel Pan	Income received from Third Party for services provided on projects	(140,000)
Investments - Core	Loss of rental income for the year on Intu Watford due to cost recovery	360,000
Valuations & estates Group	Additional staffing costs for agency appointments	80,000
	Additional costs for the Watford Junction Project - Allocation from agreed budgets in Strategic Finance	60,000
	Saving on employee costs due to vacant post	(25,000)
	External contract management costs for rental income portfolio	135,000
Highways	Funding from HCC for highways	(45,000)
Town Hall Carpark	Loss of income due to suspended charging for parking	33,000
SLM (Central & Woodside)	Loss of income from service provider due to the impact of Covid19 on business recovery	463,000
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
	Christmas decorations - Allocation from agreed budgets in Strategic Finance	16,278
Parking	Additional costs on the enforcement contract, costs to be funded as part of the Car Parking Reserve	112,000
Employee	Revised employee costs as part of the corporate restructure - No additional pressure on budgets due to alignment across other services	61,495
	Other Variances	(24,355)
TOTAL		1,157,568

Within the reported position is a reduction in income of £0.813m 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 partially offset by additional budget of £0.350m brought forward from 2021/22 to fund this shortfall leaving a net variation of £0.463m.

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.

Income Stream	Latest Budget 2022/23 £000	Forecast 2022/23 £000	Forecast Variance £000	Comments
Commercial Rent	(9,490)	(9,199)	291	Net change mainly due to loss from Intu Income
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) £'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
Associate Director of Planning, Infrastructure & Economy	Transport & Infrastructure	3,417	1,498	445	1,050	0
	Development Control	0	0	11	0	0
Associate Director of Property & Asset Management	Corporate Asset Management	1,699	456	305	250	250
	Watford Business Park	14,554	7,000	780	0	0
	Watford Riverwell	11,945	1,462	2	4,932	1,773
	Property Investment Board	133	0	0	0	0
	Property Management	11,989	2,260	204	0	0
	Town Hall Quarter	187	187	35	0	0
Associate Director of Environment	Waste & Recycling (inc Veolia)	1,213	1,213	315	71	72
	Parks & Open Spaces	2,062	1,595	451	1,110	1,045
	Cemeteries	350	210	50	0	0
	Leisure & Play	8,537	665	116	250	250
	Culture & Heritage	289	190	14	0	0
	Community Projects	1,151	1,125	(2)	0	0
	Commissioning	1,061	24	11	0	0
	Town Hall Quarter	184	184	71	100	0
TOTAL CURRENT CAPITAL PROGRAMME		58,772	18,070	2,808	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 on 30 September 2022:

Post	Date Vacant	FTE	Comments
Building Surveyor 03	27/04/2021	1	
Contract and Relationship Manager	22/08/2022	1	
Enforcement Officer 03	19/09/2022	1	
Head of Corporate Asset Management	11/06/2022	1	Covered by interim
Museum Collections Officer	28/06/2022	1	
Partnerships and Funding Manager	07/06/2021	1	post holder on secondment
Planning Officer (Policy) 02	12/09/2022	0.81	
Property Development Project Manager 02	16/02/2022	1	
Senior Surveyor 01	13/08/2022	1	
Total		8.81	

Place Directorate Capital Scheme Detail

Capital Scheme	Latest Budget 2022/23 (Excluding rephasings for approval)	Forecast Outturn	Forecast Variance	Actual 2022/23	Scheme Update
	£	£	£	£	
Transport & Infrastructure					
Clarendon Road Streetscape Improvements	0	0	0	0	
Intro Electric Vehicle Charging	0	0	0	0	
Public Realm (High Street)	1,234	1,234	0	0	
Public Realm (Clarendon Rd Phase III)	298,312	298,312	0	41,201	
St Albans Rd Improvement Works	6,307	0	(6,307)	0	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	0	(159,483)	62,958	Identified capital budget saving.
Public Realm - Queens Rd, The Broad	100,000	100,000	0	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	100,000	(150,000)	224,609	Identified capital budget saving.
Sustainable Transport Programme	675,817	275,817	(400,000)	34,604	Identified capital budget saving.
St Albans Rd Imp Works (Ph 2)	300,000	56,307	(243,693)	13,000	Service request for rephasing into 2024/25.
Wayfinding & Public Art Strategy	221,500	200,500	(21,000)	17,528	Service request for rephasing £21k into 2023/24.
EV Rapid Charging Points Programme	100,000	75,000	(25,000)	403	Service request for rephasing £25k into 2023/24.
CCTV Control Room Strategy	500,000	0	(500,000)	18,800	Service request for rephasing £500k into 2023/24.
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	146,808	(400,000)	32,235	Service request for rephasing £400k into 2023/24.
Upgrading/Resurfacing Car Parks	0	0	0	0	
Match Funding Capital Projects	3,863	0	(3,863)	0	Identified capital budget saving.
Goodwood Parade Enhancement Project	0	0	0	0	
Watford Junction Cycle Park Hub	7,110	0	(7,110)	0	Identified capital budget saving.
Development Control					
CI Review	0	0	0	10,600	
Corporate Asset Management					
Community Asset Review	1,356,303	356,303	(1,000,000)	258,984	Service request for rephasing into future financial years.
Building Investment Programme	342,696	100,000	(242,696)	46,426	Identified capital budget saving.
Watford Business Park					
Watford Business Park Phase 2	14,553,787	7,000,000	(7,553,787)	779,617	Service request for rephasing into 2023/24.
Watford Business Park Phase 3	0	0	0	0	
Watford Riverwell	11,945,342	1,462,000	(10,483,342)	1,537	Service request for rephasings into future financial years.
Property Investment Board					
PIB Investment Board	132,931	0	(132,931)	0	Identified capital budget saving.
Property Management					
Redevelopment Town Hall	0	0	0	3,516	
Charter Place	0	0	0	23,631	
Temp Housing Accommodation	146,385	50,000	(96,385)	51,867	Identified capital budget saving.
Surplus Sites	825,214	225,214	(600,000)	103,626	Identified capital budget saving of £200k plus rephasing request of £400k into 2023/24.
Croxley Park Asset	0	0	0	15,469	Funded by PPM contribution that formed part of the original Croxley Business Park transaction.
Exchange Road	1,000,000	0	(1,000,000)	0	Budget re-alignment involving Watford Business Park.
Lower High Street	4,985,000	1,985,000	(3,000,000)	5,965	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	Identified capital budget saving.
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	0	(1,670,000)	0	Identified capital budget saving of £770k plus rephasing request of £900k into 2023/24.
Surplus Site - Land Acquisition (Site B)	1,021,439	0	(1,021,439)	0	Identified capital budget saving.

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	291,403	
Veolia Capital Improvements	70,000	70,000	0	24,076	
Parks & Open Spaces					
Whippendell Woods SSSI Enhancement	13,000	0	(13,000)	0	Identified capital budget saving.
Green Spaces Strategy	249,778	149,778	(100,000)	(9,233)	Identified in year budget saving. Project deliverables to be met.
Oxhey Park North	38,948	38,948	0	5,445	
Tree Planting Programme	95,000	60,000	(35,000)	51,385	Identified capital budget saving.
River Colne Restoration	311,993	311,993	0	48,485	
Nascot Grange Open Space	10,000	10,000	0	3,896	
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	1,817	
Meriden Park Improvements	145,556	145,556	0	4,745	
Cassiobury Park Wetlands	133,000	133,000	0	34,239	
Biodiversity - Parks & Open Spaces	50,000	0	(50,000)	0	Identified capital budget saving.
Cassiobury Park Ad Hoc Works	25,000	25,000	0	0	
Meriden Park Barrier	55,000	55,000	0	0	
Footpaths - Cassiobury Park Nature Reserve	330,000	230,000	(100,000)	132,506	Service request for rephasing £100k into 2023/24.
Footpaths - Cassiobury Park	238,000	138,000	(100,000)	108,926	Service request for rephasing £100k into 2023/24.
Allotment Provision	50,000	50,000	0	0	
Shrub Replacement (Open Space)	50,000	25,000	(25,000)	1,623	Identified in year budget saving.
Parks - Building Investment	150,000	150,000	0	24,043	
Oxhey Grange Footpath	30,000	0	(30,000)	0	Identified capital budget saving.
River Gade Management Works	32,000	0	(32,000)	0	Identified capital budget saving.
Water Fountains in Green Flag Parks	5,000	0	(5,000)	0	Identified capital budget saving.
Cemeteries					
Cemetery Reprovision	141,000	150,000	9,000	44,692	Identified in year budget pressure.
North Watford Cemetery Improvements	57,563	0	(57,563)	5,603	Identified capital budget saving.
New Cemetery Provision	109,776	0	(109,776)	0	Identified capital budget saving.
Vicarage Rd - WFC Memorial Area	42,000	60,000	18,000	0	Identified in year budget pressure.
Leisure & Play					
Leisure & Cultural Venues	60,521	0	(60,521)	0	Identified capital budget saving.
Watford Tennis Partnership	25,000	25,000	0	0	
Oxhey Grange-Bowling Gr'N Imps	110,000	0	(110,000)	1,750	Service request for rephasing into 2023/24
Cassiobury Park Tennis Courts	40,000	0	(40,000)	0	Service request for rephasing into 2023/24
Orchard Park & Callowland Cricket Improvements	20,000	20,000	0	0	
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	7,861,733	300,000	(7,561,733)	94,236	Identified in year budget saving of £1m and service request for budget rephasing of £6.562m into 2023/24.
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	60,000	(68,795)	0	Identified capital budget saving.
Improvements Community Centres	13,980	0	(13,980)	0	Identified capital budget saving.
Cultural Quarter Phase 1	10,000	0	(10,000)	0	Identified capital budget saving.
Heritage Trail	97,987	105,437	7,450	4,707	Additional funding obtained from central government.
Watford Market	38,673	25,000	(13,673)	9,741	Identified capital budget saving.
Community Projects					
Cycle Hub	111,099	111,099	0	0	
All Saints Churchyard Improvements	1,000	0	(1,000)	0	Identified capital budget saving.
Paddock Road Depot Enhancements	1,013,503	1,013,503	0	(1,534)	
Derby Rd Skate Park Blockade	25,000	0	(25,000)	0	Identified capital budget saving.
Commissioning					
Transport App	25,550	0	(25,550)	0	Identified capital budget saving.
Departmental Vehicle Renewal	11,600	0	(11,600)	0	Identified capital budget saving.
Cycle & Road Infrastructure Improvements	1,023,584	23,584	(1,000,000)	10,635	Service request for rephasing £500k into 2023/24 and 2024/25 respectively.
Town Hall Quarter (Concept)					
Regeneration Project	187,000	187,000	0	34,518	
Town Hall Quarter (Delivery)					
Museum & Heritage	150,000	150,000	0	20,724	
Colosseum Retender	34,000	34,000	0	50,775	
Total	58,771,797	18,069,821	(40,701,976)	2,808,395	

Democracy, Strategy and Initiatives

1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Corporate Strategy & Comms				
Corporate Management	£519,194	£470,378	£275,350	(48,816)
Partnerships & Performance	£932,644	£1,099,803	£751,805	£167,159
Total	£1,451,838	£1,570,181	(4,857,717)	£118,343
Democracy & Governance				
Legal And Democratic	£2,017,210	£2,029,251	£1,001,479	£12,041
Total	£2,017,210	£2,029,251	£1,001,479	£12,041
Human Resources				
Hr Shared Service	£480,667	£449,898	£285,055	(30,769)
Human Resources Client	£54,017	£54,017	£11,361	£0
Total	£534,684	£503,915	£296,415	(30,769)
TOTAL	£4,003,732	£4,103,347	(3,559,822)	£99,615

At the end of Quarter 2 an overspend of £0.099m 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	£
Corporate Strategy & Communications		
Civic Events	Additional income from Sponsorship	(15,000)
Services	Allocation of agreed budgets to fund projects/resources across the services	145,000
Employee	Revised employee costs as part of the corporate restructure - No additional pressure on budgets due to alignment across other services	(11,658)
TOTAL		118,342

Democracy & Governance		
Legal Services	Contribution to the new Iken case management system as part of shared services	4,000
Employee	Revised employee costs as part of the corporate restructure - No additional pressure on budgets due to alignment across other services	6,922
	TOTAL	10,922
HUMAN RESOURCES		
Employee	Revised employee costs as part of the corporate restructure - No additional pressure on budgets due to alignment across other services	(30,768)
	TOTAL	(30,768)

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 September 2022:

Service Area	Post	Date Vacant	FTE	Comments
Corporate Services	Executive Director	01/08/2022	1	
	Total		1	

Strategic Finance

1. Revenue Summary

	Latest Budget £	Forecast £	Actuals £	Variance - Forecast to Latest Budget £
Corporate Costs	£1,844,591	£1,927,896	(823,021)	£83,305
Finance & Resources	£223,475	£223,475	£80,295	£0
Finance Services Client	£1,021,995	£1,021,995	£351,669	£0
Revenues And Benefits Client	£988,790	£988,790	£4,570,115	£0
Service Transformation	£220,760	£73,154	(21,175)	(147,606)
Total	£4,299,611	£4,235,310	£4,157,883	(64,301)

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

2. Revenue Variances

Description	Details of Variances	£
Budget Strategy Items	Additional staffing costs based on revised pay offer for 2022/23 subject to final approval	362,000
	Allocation of agreed budgets to fund projects/resources across the services	(299,376)
Employee	Revised employee costs as part of the corporate restructure - No additional pressure on budgets due to alignment across other services	(87,860)
Other		(39,063)
	TOTAL	(64,299)

3. 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
Head of Finance - Strategic Finance	Capital Support Services	682	682	24	677	677
	West Herts Crematorium	0	0	1,495	0	0
	Hart Homes JV	37,375	11,482	9,132	0	0
	Capital Budget Contingency	0	1,233	0	0	0
TOTAL CURRENT CAPITAL PROGRAMME		116,879	46,727	19,831	21,740	4,947

Expenditure for the West Herts Crematorium will be recovered in fully 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.

Capital Programme Detail

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	23,628	
West Herts Crematorium					
West Herts Crem Bedmond Road	0	0	0	1,494,693	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 WDLLP	14,450,000	5,850,000	(8,600,000)	3,500,000	Identified capital budget saving.
Loan to Hart Homes WDLTD	14,900,000	5,632,010	(9,267,990)	5,632,010	Identified capital budget saving.
Capital Budget Contingency					
Capital Contingency	0	1,232,931	1,232,931	0	Budget contingency control.
Total	38,057,020	13,396,961	(24,660,059)	10,650,331	

Capital Finance

MEDIUM TERM FINANCIAL STRATEGY	
Medium Term Financial Strategy	<u>2022/23</u>
Latest Budget (including carry forwards)	116,879,281
Variances previously reported	(42,836,354)
Variances this period (Appendix 3)	(27,315,862)
Forecast Outturn	46,727,065
Funded By :-	
Grants & Contributions, S106 & CIL	(8,356,044)
Local Enterprise Partnership (LEP) Loan	(1,250,000)
Reserves	(23,584)
Capital Receipts (PIB, Non PIB & THQ)	(2,297,685)
Borrowing (Internal & External)	(34,799,752)
Total Funding Used	(46,727,065)

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)	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)	283	(1,461)	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	(8,272)	(1,000)	(9,272)	To cover any guarantees, repayments of outstanding loans and fund future investment.
Sustainability Reserve	(500)	79	(421)	Funding sustainable projects for a better environment
Renewal Recovery Fund	(631)	131	(500)	To support the recovery process for additional costs due to COVID19
	(27,421)	1,615	(25,806)	
General Fund Working Balance	(2,000)	0	(2,000)	Prudent balance
Total Revenue Reserves	(29,421)	1,615	(27,806)	

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 COVID19 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.	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 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