



**WATFORD
BOROUGH
COUNCIL**

FINANCE SCRUTINY COMMITTEE

27 June 2023

7.00 pm

Annexe, Town Hall, Watford

Contact

Ian Smith

democraticservices@watford.gov.uk

01923 278323

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Publication date: 19 June 2023

Committee Membership

Councillor A Khan (Chair)

Councillor P Kloss (Vice-Chair)

Councillors K Clarke-Taylor, R Martins, L Nembhard, K Rodrigues, D Walford, D Watling 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 8 March 2023 to be submitted and signed.

4. Training: the role of finance scrutiny

Training presentation by the Head of Finance.

5. Financial Monitoring Report - Year End 2022/23 (Pages 3 - 20)

Report of the Head of Finance

6. Debt Management Process

Presentation from the Head of Revenues and Benefits.

7. 2023-24 Work Programme (Pages 21 - 22)

The committee is asked to consider the work programme for the year.

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Tuesday, 27 June 2023

Report author: Head of Finance

Title: Financial Monitoring Report - Year End 2022/23

1.0 Summary

- 1.1 This report sets out the revenue and capital year end position for the financial year 2022/23. The position is subject to external audit and may change. The audit of the accounts is expected to take place during 2023/24 and will be undertaken by Ernst Young LLP.
- 1.2 The macro-economic environment continues to provide challenges for local authority finances. Inflation, measured by 12 month Consumer Price Index (CPI) was 9.0% in April 2022. This was the smallest 12 month increase across the year with a peak of 11.1% in October 2022 before the rate of increase slowed to 10.1% in March 2023. The 12 month increase in April 2023 was 8.7% reflecting the fact that significant increases in prices were already built into the previous April rate.
- 1.3 In January, the Council revised its budget, noting that inflation remained a risk during the year and in 2023/24. The revised budget reflected the impact of the pay award which was equivalent to around 6% of the Council's pay bill and took account of reduced income from the leisure management contract as a result of the ongoing impact of COVID-19. These pressures were offset by reductions in net expenditure in other services resulting in an overall increase to the budget of just £0.044m.
- 1.4 The revised services Net revenue budget for 2022/23 (set at Council on 31 January 2023) was £13.774m. The outturn position at 31 March 2023 was £14.087m. This is a net overspend of £0.312m. The latest budget included a gap of £0.089m to be funded from the Economic Impact Reserve, this takes the final year end position to an overspend of £0.401m. The revenue variances are set out in full in Appendix 1.
- 1.5 The Council (at its meeting on 31 January 2023) agreed a revised 2022/23 capital budget of £46.080m. At 31 March 2023 the Council had spent £33.356m giving an underspend of £12.723m. Services are requesting that a net £10.526m is rephased to 2023/24 onwards to reflect the latest delivery programme.
- 1.6 The Council's capital programme has continued to be subject to macro-economic factors effecting the construction industry with the shortage of materials in the

supply chain impacting at the beginning of the year and price increases for materials being further driven up by energy inflation as the year progressed. The impact of these factors on the capital programme has been closely monitored throughout the year with the longer-term implications addressed through the budget setting process for 2023/24 although the affordability of schemes will remain under review given the inflationary environment.

2.0 Risks

2.1 The key budgetary risks are set out in Appendix 6. The risks are monitored throughout the year and reported in the Financial Monitoring Report to Finance Scrutiny Committee and Cabinet.

3.0 Recommendations

3.1 To consider and note the 2022/23 revenue year end position as summarised at Paragraph 4.3.1 and set out at Appendix 1.

3.2 To consider and note the 2022/23 capital year end position as summarised at Paragraph 4.4.1 and shown in detail in Appendix 4.

3.3 To note the request to rephase capital budgets of £10.526m into 2023/24 onwards and the revised capital investment programme of £58.441m for 2023/24, £15.452m for 2024/25 and £8.054m for 2025/26 which will be recommended onto Council for approval.

3.4 To note that Council will be recommended to agree the use of £2.400m funding from the Community Infrastructure Levy to fund the delivery of the Colosseum project within the Town Hall Quarter Programme.

Further information:

Hannah Doney
hannah.doney@threerivers.gov.uk

Report approved by:

Alison Scott, Shared Director of Finance

4.0 Detailed proposal

4.1 This report focuses on the variation between the latest agreed budget and the final expenditure and income for the financial year.

4.2 The report provides an analysis of the revenue and capital year end position for 2022/23. A more detailed financial report can be found in the Statement of Accounts. The draft statement of accounts for 2022/23 was authorised for issue by the Director of Finance on 31 May 2023 and is available on the Council’s website. The accounts are subject to review by the Council’s external auditors and this could result in changes to the numbers presented in this report. Following the conclusion of the audit, the Final Statement of Accounts will be approved by the Council’s Audit Committee.

4.3 Revenue Year End 2022/23

4.3.1 Appendix 1 details the major variances between the revised budget and the year end position. The following table sets out the variations to budget by service area:

Service Area	Revised Budget £'000	Net Expenditure £'000	Variance to Budget £'000
Democracy & Governance	2,047	2,063	16
Place	2,157	3,345	1,188
Corporate Strategy & Comms	1,482	1,603	121
Human Resources	522	598	76
Strategic Finance (this includes pension liability costs of £2.6m)	2,326	2,115	(211)
Corporate, Housing & Wellbeing	5,240	4,362	(878)
Net Direct Cost of Service	13,774	14,086	312
Planned use of Economic Impact Reserve	-89	0	89
Net Cost of Service 2022/2023	13,685	14,086	401

4.3.2 The net variation to budget at year end is £0.312m. After taking into account the planned use of the economic impact reserve, the total contribution required from reserves is £0.400m.

4.3.3 The variation of £1.188m reported for Place includes the impact of inflation on the Veolia contract and reflects the impact of high inflation at the end of 2021/22 and the pay award for 2022/23 working through to the total contract price at year end.

- 4.3.4 The underspend reported for the Corporate, Housing and Wellbeing Services Includes additional income received from the Health Protection Board within Environmental Health and grant funding for the Housing service. In both cases the external funding has been utilised ahead of the Council's core budget, releasing an underspend to the Council.
- 4.3.5 An underspend of £0.211m is reported for Strategic Finance reflecting additional interest received from Treasury Management activities as a result of higher than forecast cash balances in the final three months of the year and the impact of the sharp increase in Bank of England base rate which has improved the returns achievable on short term deposits.
- 4.3.6 The impact of contract inflation on the Veolia budget will feed through into the base contract costs for 2023/24. The 2023/24 budget included a 7% allowance for inflation but did not fully allow for the high level of inflation during 2022/23. This can be partly managed by the contingency budget for inflation created in the 2023/24 financial planning process.
- 4.3.7 The pay award for 2023/24 is likely to present a further budget pressure in 2023/24. An offer, equivalent to around 6% of the Council's total pay budget, has been made by the National Joint Council. However, this has been rejected by the Unite and GMB Unions with Unison expected to follow suit. It is likely that the pay negotiations will be protracted, and the final position will remain unknown well into the financial year. The ongoing impact will be managed through the Financial Planning process for 2024/25 to 2026/27.
- 4.3.8 The Financial Monitoring Report to Finance Scrutiny Committee in September will set out the latest estimates and steps being taken to manage the impact, including allocation of the contingency budget.

4.4 **Capital Year End 2022/23**

- 4.4.1 A summary of the Council's capital investment during 2022/23 against the latest agreed budget is set out in Appendix 3. During 2022/23, the Council invested £33.356m in capital schemes, including the commencement of works on Woodside Sports Village, continuation of the work on the Town Hall Quarter and commencement of construction of new units at Watford Business Park delivering economic regeneration. Appendix 4 sets a detailed analysis of the council's capital programme over the MTFs, including the impact of requests to rephase budgets into future years.
- 4.4.2 A summary of how the 2022/23 capital investment programme has been financed is provided at Appendix 5. As a result of capital investment during 2022/23, the Council's borrowing requirement has increased by £20.843m. The additional interest payable and Minimum Revenue Provision (allowance for the repayment of

debt) have been built into the Council's revenue budget for 2024/25 onwards. Grant funding applied includes the use of £3.274m Public Sector Decarbonisation Scheme (PSDS) grant which has contributed towards energy efficiency works at the Town Hall.

4.4.3 The table below provides a summary of the variation to budget after taking account of rephasing requests:

WBC Capital Programme 2022/23	£'000
Revised Budget	46,080
Expenditure	33,356
Variance	12,723
Rephasing requests to 2023/24 Onwards	10,526
Croxley Park (Funded from the contribution that formed part of the acquisition)	392
Net overspend / (underspend)	(1,806)

4.4.4 Major schemes to be rephased into 2023/24 are :-

- Town Hall Quarter £3.361m
- Watford Business Park Phase 2 £1.980m

4.4.5 During 2022/23 a Capital Contingency budget of £1.233m was created. This contingency was not allocated during 2022/23 and will also be carried forward to manage price risk across the programme in future years.

4.4.6 The revised capital programme at appendix 4 includes additional investment in the Town Hall Quarter Programme of £2.400m. This additional investment will be funded from the Community Infrastructure Levy to enable the delivery of refurbishment works to the Colosseum, subject to agreement by Council on 18 July 2023.

4.5 Council Reserves

4.5.1 The Council has set aside specific amounts which it holds as reserves for future business purposes and to cover contingencies in case of operational need i.e. economic impact reserve.

4.5.2 Appendix 6 shows the level of Earmarked Reserves held by the council, which at the beginning of the year stood at £22.946m and closed at the end of the year at

£20.852m after the revenue overspend is funded from the Economic Impact Reserve. The General Fund remains at the risk assessed level of £2.000m after the year end variation to budget is funded from the Economic Impact Reserve. The total reserves available at 31 March 2023 are therefore £22.852m.

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 Revenue variances 2022/23
- Appendix 2 Capital Summary 2022/23
- Appendix 3 Capital detailed report 2022/23
- Appendix 4 Capital Programme Funding 2022/23
- Appendix 5 Reserves 2022/23
- Appendix 6 Key Budgetary Risks

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

- Budget Report to Council – January 2022
- Budget Report to Council – January 2023
- Financial Monitoring Report to Period 10 to Cabinet – March 2023

Revenue Services – Year End Variations to Latest Budget

Service Area	Description	Details of Variances	£
Democracy & Governance	Legal Services	Net additional costs of service as part of new shared service with St Albans District Council	29,222
	Data Protection	Lower spend on outsourced service for Data protection in 2022/23	(16,188)
		Other Variances	2,513
		TOTAL	15,547
Place	Corporate Asset Management	Largely due to higher costs from decommissioning 2 buildings than anticipated.	80,685
	Contract Monitoring	Costs reduced more than anticipated from tier 3 restructure, and original budget projections too high.	(246,421)
	Leisure	Sports centre net income/expenditure was reprofiled after agreeing a contract extension and covid recovery leading to a better year end position.	(35,241)
	Grants	Year end position strengthened through staff efficiency derived through contract management of cycle scheme.	(73,624)
	Culture & Play	Museum staff costs increased to document the collections for the THQ project, in addition loss of a grant not included in forecasts.	111,875
	Street Cleansing	Result of contract inflation, full impact not known till Q4.	337,204
	Parking Service	Less than expected income and increase cost of service	60,661
	Parks & Open Spaces	Higher contract inflation than budgeted.	903,583
		Other Variances	49,107
		TOTAL	1,187,829
Corporate Strategy & Comms	Play and Events	Additional costs of holding events across the borough due to inflationary pressures	17,473
	Corporate Management	Additional cost of resources to deliver Council objectives	108,969
		Other Variances	(5,109)
		TOTAL	121,333

Service Area	Description	Details of Variances	£
Human Resources	HR Shared Service	Net Cost of agency staff covering vacant post	86,044
		Other Variances	(10,272)
		TOTAL	75,772
Strategic Finance	Interest	Cost of borrowing was revised in year, however due to delay in capital projects, higher cash balances and increases in interest rates has led to a more favourable return.	(209,617)
		TOTAL	(209,617)
Corporate, Housing & Wellbeing	Housing Services	Underspend due to additional grant received in year.	(363,820)
	Environmental	Underspend due to Health Protection Board funding allocation used as required for 2022/23 projects .	(467,735)
	ICT	Overspend due to small Increases in staffing, Equipment, software, private contractor and inflationary costs	104,112
	Information Unit	Lower Staffing and project costs due to timing differences on project start dates.	(79,410)
	Sustainability	Lower spend due to timing differences on project delivery	(38,076)
		Other Variances	(33,075)
		TOTAL	(878,004)
		GRAND TOTAL	312,860

Capital Investment Programme – Summary

Budget Responsibility		Services	Latest Budget 2022/23	Actual to date	Latest Budget 2023/24 (Including rephasings, savings & growth)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)
			£	£	£	£	£
Executive Director of Corporate, Housing & Wellbeing Services	Associate Director of ICT & Shared Services	ICT Shared Services	303,729	236,125	67,534	67,535	67,535
		ICT Client Services	1,258,924	149,867	567,685	854,686	854,686
	Associate Director of Customer & Corporate Services	Customer Services	0	0	0	0	0
		Town Hall Quarter	12,773,400	9,412,088	20,323,112	337,000	0
	Associate Director of Housing & Wellbeing	Environmental Health	1,040,463	796,821	300,000	200,000	200,000
		Housing	86,534	20,000	66,534	50,000	50,000
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)		Corporate Communications	0	0	65,000	0	0
Executive Director of Place	Associate Director of Planning, Infrastructure & Economy	Transport & Infrastructure	1,992,046	1,720,831	1,982,786	660,000	400,000
		Development Control	160,932	163,445	28,577	120,450	0
	Associate Director of Property & Asset Management	Corporate Asset Management	456,303	519,870	186,432	250,000	500,000
		Watford Business Park	7,000,000	5,020,319	10,533,468	0	0
		Watford Riverwell	289,825	99,249	8,955,576	4,353,000	4,899,000
		Property Investment Board	0	9,703	0	0	0
		Property Management	2,316,344	2,419,861	2,547,252	0	0
		Town Hall Quarter	211,691	113,445	98,246	0	0
	Associate Director of Environment	Waste & Recycling (inc Veolia)	1,213,391	541,975	904,748	551,400	11,000
		Parks & Open Spaces	1,583,105	967,789	1,565,638	680,000	320,000
		Cemeteries	210,000	103,309	76,384	0	0
		Leisure & Play	785,790	476,579	2,463,852	4,651,441	75,000
		Culture & Heritage	190,437	27,546	100,319	0	0
		Community Projects	1,124,602	142,641	70,862	0	0
		Commissioning	23,584	7,625	515,959	500,000	0
		Town Hall Quarter	201,633	275,397	86,236	1,500,000	0
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	Capital Support Services	141,864	0	676,860	676,860	676,860
		West Herts Crematorium	0	0	0	0	0
		Hart Homes JV	11,482,010	10,132,010	5,025,000	0	0
		Capital Budget Contingency	1,232,931	0	1,232,931	0	0
TOTAL CURRENT CAPITAL PROGRAMME			46,079,538	33,356,494	58,440,991	15,452,372	8,054,081

Capital Investment Programme – Detail

Capital Scheme	Latest Budget 2022/23	Actual 2022/23	Latest Budget 2023/24 (Including rephasings & savings)	Latest Budget 2023/24 (Including rephasings, savings & growth)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)	Scheme Update
	£	£	£	£	£	£	
ICT Shared Services							
ShS-ICT Modernisation	0	4,083	0	0	0	0	
ShS-Migration To The Cloud	156,000	0	22,534	22,534	22,535	22,535	Service request for budget rephasing split equally into future financial years.
ShS-Hardware Replacement Programme	147,729	232,042	45,000	45,000	45,000	45,000	
ICT Client Services							
ICT-Hardware Replacement Programme	603,287	500	200,929	200,929	400,929	400,929	Service request for budget rephasing split equally into future financial years.
ICT-Business Application Upgrade	386,270	0	206,756	206,756	293,757	293,757	
ICT-Project Management Provision	269,367	149,367	160,000	160,000	160,000	160,000	
Town Hall Quarter (Delivery)							
Town Hall Refurbishment	850,200	515,195	8,802,805	8,802,805	0	0	Service request for budget rephasing into 2023/24. £2.4m of strategic CIL receipts identified for use.
Colosseum Refurbishment	4,700,000	1,641,380	8,278,620	10,678,620	0	0	
Annexe Refurbishment	1,750,000	1,630,706	119,294	119,294	0	0	
Thq Programme Delivery	453,200	394,622	358,578	358,578	180,200	0	
Reimagining Watford	20,000	1,273	18,727	18,727	0	0	
Decarbonisation Project Salix	5,000,000	4,903,501	670,499	670,499	0	0	
Innovation & Incubation Hub	0	0	0	0	156,800	0	
Town Hall / Colosseum Fabric Works	0	325,411	(325,411)	(325,411)	0	0	
Environmental Health							
Decent Homes Assistance	813,223	707,597	100,000	100,000	100,000	100,000	
Private Sector Housing Renewal	227,240	89,224	200,000	200,000	100,000	100,000	Service request for budget rephasing into 2023/24.
Housing							
Private Sector Stock Condition	16,534	0	16,534	16,534	0	0	Service request for budget rephasing into 2023/24.
Retained Housing Stock	50,000	0	50,000	50,000	50,000	50,000	
Housing First - Phase 2	20,000	20,000	0	0	0	0	
Total	15,463,050	10,614,900	18,924,865	21,324,865	1,509,221	1,172,221	

Capital Scheme	Latest Budget 2022/23	Actual 2022/23	Latest Budget 2023/24 (Including rephasings & savings)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)	Scheme Update
	£	£	£	£	£	
EH-COMMUNICATIONS, PARTNERSHIPS & COMMUNITY						
Corporate Communications						
Town Boundary Signage	0	0	65,000	0	0	
Total	0	0	65,000	0	0	
ED-PLACE						
Transport & Infrastructure						
Public Realm (High Street)	1,234	0	0	0	0	
Public Realm (Clarendon Rd Phase III)	298,312	217,676	80,636	0	0	Service request for budget rephasing into 2023/24.
CCTV Site Equipment	15,000	15,000	10,000	10,000	0	
Public Realm - Market St South	217,580	199,422	11,823	0	0	Service request for <u>net</u> rephasing into 2023/24 after mitigating overspend on Public Realm - Market St North scheme.
Camera Enforcement - High St	159,483	102,919	0	0	0	
Public Realm - Queens Rd, The Broadway	109,558	309,558	0	0	0	Service request for budget rephasing from 2023/24.
Public Realm - Market St North	226,655	232,990	0	0	0	See comment above for Public Realm - Market St South scheme.
TTIW Delivery Programme	402,864	316,412	436,452	100,000	100,000	
St Albans Rd Imp Works (Ph 2)	56,307	45,530	10,777	250,000	0	Service request for budget rephasing from 2023/24.
Wayfinding & Public Art Strategy	211,603	101,948	230,655	0	0	
EV Rapid Charging Points Programme	14,740	16,125	99,597	100,000	100,000	
CCTV Control Room Strategy	100,000	85,728	416,906	0	0	Service request for budget rephasing into 2023/24.
Watford Junction Masterplan	18,993	5,445	0	0	0	
Watford 3D Planning Model	12,909	11,210	0	0	0	
High St Phase 2 (St Mary's)	146,808	60,869	485,940	0	0	Service request for budget rephasing into 2023/24.
Parades Improvements	0	0	200,000	200,000	200,000	
Development Control						
CIL Review	0	10,600	0	0	0	
Section 106 - Herts CC Schemes	6,000	6,000	0	0	0	
CIL Grant Funded Projects	154,932	146,845	8,087	0	0	Service request for budget rephasing into 2023/24.
Supporting Local Business	0	0	20,490	120,450	0	

Capital Scheme	Latest Budget 2022/23	Actual 2022/23	Latest Budget 2023/24 (Including rephasings & savings)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)	Scheme Update
	£	£	£	£	£	
Corporate Asset Management						
Community Asset Review	356,303	466,282	140,021	250,000	500,000	Service request for budget rephasing from 2023/24.
Building Investment Programme	100,000	53,589	46,411	0	0	Service request for budget rephasing into 2023/24.
Watford Business Park						
Watford Business Park Phase 2	7,000,000	5,020,319	10,533,468	0	0	Service request for budget rephasing into 2023/24.
Watford Riverwell	289,825	99,249	8,955,576	4,353,000	4,899,000	Service request for budget rephasing into 2023/24.
Property Investment Board						
PIB Investment Board	0	9,703	0	0	0	
Property Management						
Charter Place	0	36,899	0	0	0	
Temp Housing Accommodation	50,000	78,873	0	0	0	
Surplus Sites	275,899	328,223	400,000	0	0	
Croxley Park Asset	0	391,998	0	0	0	Funded by PPM contribution that formed part of the original Croxley Business Park transaction.
Lower High Street	1,990,445	1,583,868	406,577	0	0	Service request for budget rephasing into 2023/24.
Infill Sites (LEP funded)	0	0	840,675	0	0	
Surplus Site - Land Acquisition (Site A)	0	0	900,000	0	0	
Waste & Recycling (inc Veolia)						
Veolia Contract Fleet Requirements	1,143,391	467,643	763,748	479,000	11,000	Service request for budget rephasing into 2023/24.
Flats - Extension Of Recycling Provision	0	0	70,000	0	0	
Veolia Capital Improvements	70,000	74,332	71,000	72,400	0	
Parks & Open Spaces						
Green Spaces Strategy	159,500	46,866	262,634	250,000	0	Service request for budget rephasing into 2023/24.
Oxhey Park North	38,948	(1,850)	40,798	0	0	Service request for budget rephasing into 2023/24.
Tree Planting Programme	67,043	88,903	28,140	50,000	50,000	Service request for budget rephasing from 2023/24.
River Colne Restoration	323,671	230,062	343,609	0	0	Service request for budget rephasing into 2023/24.
Nascot Grange Open Space	10,000	3,896	0	0	0	
Parks Litter Bin Replacements	10,000	1,817	18,183	10,000	0	Service request for budget rephasing into 2023/24.
Meriden Park Improvements	147,242	96,110	51,132	0	0	Service request for budget rephasing into 2023/24.
Cassiobury Park Wetlands	138,905	35,933	177,972	0	0	Service request for budget rephasing into 2023/24.
Cassiobury Park Ad Hoc Works	25,000	0	25,000	0	0	See comment for Parks Litter Bins below.
Meriden Park Barrier	55,000	54,607	0	0	0	
Parks Litter Bins	0	6,026	0	0	0	Overspend mitigated by underspend on Cassiobury Park Ad Hoc Works.
Footpaths - Cassiobury Park Nature Reserve	230,843	133,349	197,494	100,000	100,000	Service request for budget rephasing into 2023/24.
Footpaths - Cassiobury Park	138,843	111,713	127,130	100,000	100,000	Service request for budget rephasing into 2023/24.
Allotment Provision	0	0	50,000	0	0	
Shrub Replacement (Open Space)	25,000	4,973	45,027	25,000	25,000	Service request for budget rephasing into 2023/24.
Parks - Building Investment	150,000	96,481	153,519	100,000	0	Service request for budget rephasing into 2023/24.
Oxhey Activity Pk- Modular Unit	63,110	58,904	0	0	0	
Water Fountains in Green Flag Parks	0	0	45,000	45,000	45,000	

Capital Scheme	Latest Budget 2022/23	Actual 2022/23	Latest Budget 2023/24 (Including rephasings & savings)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)	Scheme Update
	£	£	£	£	£	
Cemeteries						
Cemetery Re provision	75,000	44,692	0	0	0	
North Watford Cemetery Improvements	30,000	27,979	2,021	0	0	Service request for budget rephasing into 2023/24.
New Cemetery Provision	45,000	30,637	14,363	0	0	Service request for budget rephasing into 2023/24.
Vicarage Rd - WFC Memorial Area	60,000	0	60,000	0	0	Service request for budget rephasing into 2023/24.
Leisure & Play						
Watford Tennis Partnership	25,000	0	25,000	0	0	Service request for budget rephasing into 2023/24.
Oxhey Grange-Bowling Gr'N Imps	1,686	22,480	89,206	0	0	Service request for budget rephasing from 2023/24.
Cassiobury Park Tennis Courts	0	0	40,000	0	0	
Orchard Park & Callowland Cricket Improvements	20,000	6,478	13,522	0	0	Service request for budget rephasing into 2023/24.
King George V Muga	20,000	19,349	0	0	0	
Leavesden Green Rec Ground Improvements	50,000	0	50,000	0	0	Service request for budget rephasing into 2023/24.
Woodside Sports Village	419,214	360,090	2,059,124	4,446,733	0	Service request for budget rephasing into 2023/24.
Play Area Improvements	237,890	68,182	175,000	144,708	75,000	Service request for budget rephasing into 2023/24 & 2024/25.
Lea Farm Recreation Improvements	12,000	0	12,000	0	0	Service request for budget rephasing into 2023/24.
Orchard Park Ballproof Fence & Astroturf Wicket	0	0	0	60,000	0	
Culture & Heritage						
Watford Museum	60,000	0	0	0	0	Service request for budget rephasing into 2023/24 but transferred to Museum & Heritage.
Heritage Trail	105,437	5,118	100,319	0	0	Service request for budget rephasing into 2023/24.
Watford Market	25,000	22,428	0	0	0	
Community Projects						
Cycle Hub	111,099	0	0	0	0	
Paddock Road Depot Enhancements	1,013,503	142,641	70,862	0	0	Project scope substantially reduced largely to site demolition works only. Therefore service request for budget rephasing of £70,862 only into 2023/24.
Commissioning						
Cycle & Road Infrastructure Improvements	23,584	7,625	515,959	500,000	0	Service request for budget rephasing into 2023/24.
Town Hall Quarter (Concept)						
Regeneration Project	211,691	113,445	98,246	0	0	Service request for budget rephasing into 2023/24.
Town Hall Quarter (Delivery)						
Museum & Heritage	156,743	106,569	210,174	1,500,000	0	
Colosseum Retender	44,890	168,828	(123,938)	0	0	Service request for budget rephasing into 2023/24.
Total	17,759,683	12,609,583	30,116,335	13,266,291	6,205,000	

Capital Scheme	Latest Budget 2022/23	Actual 2022/23	Latest Budget 2023/24 (Including rephasings & savings)	Latest Budget 2023/24 (Including rephasings, savings & growth)	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)	Scheme Update
	£	£	£	£	£	£	
DoF-STRATEGIC FINANCE							
Capitalised Support Services							
Support Services	12,314	0	552,470	552,470	552,470	552,470	
Major Projects - FBP and QS	129,550	0	124,390	124,390	124,390	124,390	
Hart Homes JV							
Land Transfer - Croxley View Phase 3	0	0	3,130,000	3,130,000	0	0	
Land Transfer - Rear Of High St	0	0	760,000	760,000	0	0	
Land Transfer - Scheme A	0	0	605,000	605,000	0	0	
Land Transfer - Scheme B	0	0	530,000	530,000	0	0	
Loan to Hart Homes WDLLP	5,850,000	4,500,000	0	0	0	0	
Loan to Hart Homes WDLTD	5,632,010	5,632,010	0	0	0	0	
Capital Budget Contingency							
Capital Contingency	1,232,931	0	1,232,931	1,232,931	0	0	Service request for budget rephasing into 2023/24.
Total	12,856,805	10,132,010	6,934,791	6,934,791	676,860	676,860	
TOTAL CURRENT CAPITAL PROGRAMME	46,079,538	33,356,494	56,040,991	58,440,991	15,452,372	8,054,081	

Financing the 2022/23 Capital Programme

Medium Term Financial Strategy			2022/23
Actual @ Year End			33,356,494
Funded By :-			
Grants & Contributions, S106 & CIL			(8,768,558)
Local Enterprise Partnership (LEP) Loan			(1,250,000)
Reserves			(7,625)
Capital Receipts (PIB, Non PIB & THQ)			(2,486,792)
Borrowing (Internal & External)			(20,843,519)
Total Funding Used			(33,356,494)

Earmarked Reserve Balances

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)	144	(331)	Ring fenced for parking projects
Collection Fund	(6,317)	0	(6,317)	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)	754	(990)	Provide resources to offset economic downturn
Housing Benefit Subsidy	(1,582)	(24)	(1,606)	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
Grants and Contribution Reserve	(260)	(578)	(838)	Funding identified projects in future years
Rent Deposit Guarantee Scheme	(100)	0	(100)	Assist in providing homelessness accommodation
Riverwell Project	(6,522)	0	(6,522)	To cover any guarantees, repayments of outstanding loans and fund future investment.
Sustainability Reserve	(500)	0	(500)	Funding sustainable projects for a better environment
Renewal Recovery Fund	(631)	63	(568)	Budgeted to be used over the MTFs to offset the reduction in income from the Leisure Management Contract due to COVID-19
	(22,946)	2,094	(20,852)	
General Fund Working Balance	(2,000)	0	(2,000)	Prudent balance
Total Revenue Reserves	(24,946)	2,094	(22,852)	

Note: Reserve balances are subject to change following the conclusion of the external audit of the statement of accounts for 2020/21.

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. 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 2024/25 and across the medium term.	3	2	6
2	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account the pay increases for the period - The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The pay award of £1,925 per employee has been agreed for 2022/23 and is factored into the forecast. It is likely that the payaward for 2023/24 will exceed the allowance of 2%.	4	3	12
3	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible. A contingency for inflation has been factored into the MTFS. However, there is a risk that inflation will exceed the level allowed.	4	3	12
4	Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market and the interest payable on the Council's debt relating to the Capital Investment Programme.	3	3	9
5	Inaccurate estimates of fees and charges income	See Key Income Streams are shown in the latest Financial Monitoring Report. There is a legacy impact from COVID-19 on some income streams, including offstreet parking and leisure that will place a burden on the Councils Revenue account through loss of income .	3	3	9
6	Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs.	1	4	4
7	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances.	3	3	9
8	The estimated cost reductions and additional income gains are not achieved	Savings identified are monitored as part of the monthly budget monitoring process. There is a risk that some of these may not materialise as resources are diverted away to fund unexpected costs.	3	2	6
9	The income received from Commercial rents decreases	The rental income received from the Councils property portfolio is a significant proportion of the total income the Council receives.	4	3	12
10	The amount of government grant is adversely affected	The provisional local government settlement containing details of grant funding from central government has been factored into the MTFS. The fair funding review on hold at the current time.	2	3	6
11	Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre determined baseline level. The Council is currently in a safety net position. The system was due to be subject to reset and increase to 75% retention. This has been postponed until 2025/26 at the earliest.	2	2	4

1= VERY LOW RISK 4 = VERY HIGH RISK

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

Agenda Item 7

Finance Scrutiny Committee 2023/24 Work Programme

Chair: Cllr Asif Khan

Vice Chair: Cllr Peter Kloss

Councillors Clarke Taylor, Martins, Nembhard, Rodrigues, Walford, Watling and Wenham

Meeting date	Item for agenda	Officer
27 June 2023	Training: the role of finance scrutiny	Head of Finance
	Financial Monitoring Report – Year End 2022/23	Head of Finance
	Debt Management Process	Head of Revenues and Benefits
	2023-24 Work Programme	Democratic Services Officer
12 September 2023	Training: treasury management and capital investment framework	Head of Finance
	Financial Monitoring Report 2023/24 – Period 3	Head of Finance
	The Service and Budget Planning Framework	Head of Finance
21 November 2023	Property Investment Board update	Associate Director of Property and Asset Management
	Croxley Park update	Associate Director of Property and Asset Management
	Financial Planning: Draft Revenue and Capital Estimates 2024/25 to 2026/27	Director of Finance / Head of Finance
10 January 2024	Financial Monitoring Report 2023/24 - Period 8	Head of Finance
	Financial Planning: Draft Revenue and Capital Estimates 2024/25 to 2026/27	Director of Finance / Head of Finance
6 March 2024	Financial Monitoring Report 2023/24 - Period 10	Head of Finance

