



**WATFORD
BOROUGH
COUNCIL**

FINANCE SCRUTINY COMMITTEE

21 November 2023

7.00 pm

Annexe, Town Hall, Watford

Contact

Ian Smith

democraticservices@watford.gov.uk

01923 278323

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

Publication date: 13 November 2023

Committee Membership

Councillor A Khan (Chair)

Councillor P Kloss (Vice-Chair)

Councillors K Clarke-Taylor, S Johnson, R Martins, L Nembhard, 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 12 September 2023 to be submitted and signed.

4. Executive/Scrutiny protocol (Pages 4 - 13)

Report of the Senior Democratic Services Officer

5. Training - Prudential Framework and Treasury Management

Training presentation from the Chief Finance Officer

6. Financial Monitoring Report - Quarter 2 (Pages 14 - 42)

Report of the Chief Finance Officer

7. 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 items 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.

8. Property Investment Board update

The Associate Director of Property and Asset Management and representatives of Lambert, Smith Hampton Investment Management will provide an update to the committee.

This update is considered Part B in accordance with Paragraph 3, Part 1, Schedule 12A, as it contains commercially sensitive information.

9. Croxley Park update

The Associate Director of Property and Asset Management and representatives of Lambert Smith Hampton Investment Management will provide an update to the committee.

This update is considered Part B in accordance with Paragraph 3, Part 1, Schedule 12A, as it contains commercially sensitive information.

Agenda Item 4

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Tuesday, 21 November 2023

Report author: Senior Democratic Services Officer

Title: Executive/Scrutiny protocol

1.0 Summary

1.1 This report provides the Executive/Scrutiny protocol for noting by Finance Scrutiny Committee. The protocol sets out the relationship between the Executive and Scrutiny and good practice for driving improvements in public services.

2.0 Risks

2.1 There are no risks associated with this report.

3.0 Recommendations

3.1 To note the protocol.

Further information:

Jodie Kloss, Senior Democratic Services Officer
jodie.kloss@watford.gov.uk

4.0 Executive/Scrutiny Protocol

4.1 This report provides Finance Scrutiny Committee with the approved Executive Scrutiny protocol. This document has been approved by Portfolio Holders and Overview and Scrutiny Committee on 18 October 2023.

4.2 The report to Overview and Scrutiny Committee and the protocol are provided as appendices to this report. These set out the context and details of the protocol's operation.

4.3 Finance Scrutiny Committee is asked to note the protocol.

Appendices

Appendix 1 – Report to Overview and Scrutiny Committee, 18 October 2023

Appendix 2 – Executive/Scrutiny Protocol

Part A

Report to: Overview and Scrutiny Committee

Date of meeting: Wednesday, 18 October 2023

Report author: Senior Democratic Services Officer

Title: Executive/Scrutiny protocol

1.0 Summary

1.1 This report provides an overview of the draft Executive/Scrutiny protocol for approval. The protocol sets out the relationship between the Executive and Scrutiny and good practice for driving improvements in public services.

2.0 Risks

2.1 There are no risks associated with this report.

3.0 Recommendations

3.1 To approve the protocol, with any appropriate amendments.

Further information:

Jodie Kloss, Senior Democratic Services Officer
jodie.kloss@watford.gov.uk

Report approved by: Ben Martin, Associate Director of Planning, Infrastructure and Economy

4.0 Introduction

4.1 Overview and scrutiny has been a feature of local government in England for 20 years. Scrutiny is a strategic function of the authority; central to the organisation's corporate governance. Most importantly, it should provide councillors who are not in executive decision-making roles with the opportunity to publicly hold to account Cabinet – and, beyond the council, to investigate and inquire into issues of interest and relevance to local people.

4.2 The challenge of ensuring that scrutiny meets that ambition is not just the responsibility of scrutiny councillors and the officers who support them. Fundamentally, a successful scrutiny function hinges on the commitment of those in leadership positions. It is about the mindset and values of those in decision-making positions – about the council's political and organisational culture.

- 4.3 In May 2019 the Government published statutory guidance on overview and scrutiny, a key component of the guidance was the importance of culture to the success of scrutiny. Without an open, transparent and accountable culture within a council, the guidance notes that scrutiny will struggle.
- 4.4 The guidance further recommends that an executive/scrutiny protocol be agreed to deal with the practical expectations of scrutiny committee members and the executive, as well as the cultural dynamics. Noting that there is the potential for differences of opinion between the Executive and Scrutiny, a protocol can help define the relationship between the two and mitigate issues before they manifest themselves in unhelpful and unproductive ways.
- 4.5 Scrutiny also plays an important role in oversight of the authority's finances, therefore a productive and robust approach to finance scrutiny will assist in ensuring good value for money.

5.0 Draft protocol

- 5.1 Following an exercise to review published protocols in operation in other areas, a protocol has been drafted that reflects current arrangements in Watford.
- 5.2 The aims of the protocol are to:
- Describe the roles and responsibilities of scrutiny committees and Cabinet.
 - Set out good scrutiny practice for driving improvement in public services.
 - Promote an ethos of mutual respect, trust and courtesy in the interrelationships between Scrutiny members and Cabinet members and to foster a climate of openness leading to constructive debate, with a view to ensuring service improvements.
 - Support focused, transparent and timely scrutiny of council business.
 - Facilitate effective scrutiny work planning.
 - Enable scrutiny committees to influence council business in a meaningful way.
- 5.3 Much of what is in the protocol formalises current practices between the functions, there are however, a few areas where a more developed approach to co-operation is set out. These include:
- That the relevant portfolio holder(s) could meet the Scrutiny chair and officers at the outset of the review, when the task group is considering its scope, methodology and witnesses and as appropriate, during the process.
 - Cabinet responses to recommendations will be reported to the next meeting of Overview and Scrutiny Committee. A piece of work will be undertaken to ensure a more consistent approach to reporting back to Scrutiny.
- 5.4 The protocol is to be overseen by the Group Head of Democracy and Governance as the Monitoring Officer. The government guidance recommends that it remains under regular review. It is proposed that this be included in the Annual Scrutiny Report to full Council which is published each July.

5.5 The protocol has been reviewed and approved by the Corporate Management Board and Portfolio Holders with minor amendments incorporated.

5.6 Following the review and approval by Overview and Scrutiny Committee, the protocol will be taken to Finance Scrutiny Committee for noting.

6.0 Implications

6.1 Financial

6.1.1 The Shared Director of Finance comments that there are no direct financial implications arising from report. However, effective scrutiny supports the delivery of value for money, appropriate allocation of resources, and the financial sustainability of the Council.

6.2 Legal Issues (Head of Legal Shared Services)

6.2.1 The Head of Legal Shared Services comments that the legal issues have been considered in detail in the protocol and this report.

6.2.2 Having regard to the responsibilities, duties and obligations of the Overview and Scrutiny Committee as set out in the Council's Constitution and legislation, there are no further legal issues.

6.3 Equalities, Human Rights and Data Protection

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

6.3.2 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.

6.3.3 There are no human rights implications.

6.4 Staffing

6.4.1 No implications.

6.5 Accommodation

6.5.1 No implications.

6.6 Community Safety/Crime and Disorder

6.6.1 No implications. Overview and Scrutiny Committee fulfils its statutory requirement to undertake a review of the Community Safety Partnership each year.

6.7 Sustainability

6.7.1 No implications.

Appendices

Appendix 1 – Draft Executive/Scrutiny protocol

Background papers

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

- Overview and scrutiny: statutory guidance for councils and combined authorities, May 2019.
- The Good Scrutiny Guide, Centre for Governance and Scrutiny, June 2019.
- Taking scrutiny seriously, Parity of esteem between scrutiny and the executive: a short guide for local government Cabinet members and senior officers, Centre for Governance and Scrutiny, January 2020

Watford Borough Council Executive/Scrutiny protocol

Purpose

To describe the working arrangements between the Executive and Scrutiny at Watford Borough Council.

The aims of the protocol are to:

- Describe the roles and responsibilities of scrutiny committees and Cabinet.
- Set out good scrutiny practice for driving improvement in public services.
- Promote an ethos of mutual respect, trust and courtesy in the interrelationships between Scrutiny and Cabinet members and to foster a climate of openness leading to constructive debate, with a view to ensuring service improvements.
- Support focused, transparent and timely scrutiny of council business.
- Facilitate effective scrutiny work planning.
- Enable scrutiny committees to influence council business in a meaningful way.

Context

The Cabinet is the political executive of the council and takes decisions within the policy framework agreed by Council. Scrutiny provides a political check and balance on that authority. It helps ensure robust decision-making by examining the process and information that support decisions. Scrutiny is integral to democracy in ensuring the Council meets its priorities for residents by influencing the planning and delivery of outcomes and by monitoring performance.

There are two scrutiny committees at Watford; Overview and Scrutiny Committee and Finance Scrutiny Committee. They are politically proportionate and meet in public. Overview and Scrutiny Committee also establishes time-limited task groups to undertake focused scrutiny on specific issues. Cabinet engages with Scrutiny for work planning to identify where scrutiny might add value. Scrutiny exercises influence and persuasion but does not take decisions and cannot override Cabinet. Scrutiny should be open and transparent, but does undertake some work in private, outside formal committee meetings, when undertaking task group reviews to support agile working, a more thorough analysis or a frank exchange of views.

[National guidance](#) defines effective scrutiny as:

- Providing constructive 'critical friend' challenge.
- Amplifying the voices and concerns of the public.
- Being led by independent people who take responsibility for their role.
- Driving improvement in public services.

To be effective, Scrutiny needs an organisational culture which confers the same respect and has the same importance in the governance system as executive decision-making activities. It requires a constructive relationship with the Cabinet where roles and responsibilities are understood. Good communication, engagement and mutual respect are vital in this relationship. There should be a shared understanding of the principles underpinning the relationship and the ways of working that support it.

Principles

Scrutiny should:

1. Provide purposeful challenge to the Cabinet and service performance.
2. Be objective, evidence-based and constructive.
3. Act as a critical friend to help sound decision-making.
4. Take a strategic perspective, focussing on the wider community outcomes.

5. Aim for consensus, drawing on political insight.
6. Work collaboratively with the Cabinet and recognise that there will not always be full agreement with scrutiny conclusions and recommendations.
7. Be well informed, with members being fully prepared for meetings with a good understanding of the issues before them.

Cabinet should:

1. Recognise and value Scrutiny, and its rights, and be open to constructive challenge.
2. Respect the independence of scrutiny committees and their chosen work programmes.
3. Identify opportunities for scrutiny committees to support and influence its work.
4. Properly and fully consider Scrutiny conclusions and findings.
5. Feedback and explain its response to Scrutiny recommendations.
6. Engage with Scrutiny early to enable it to add value in a timely way.

Together, Scrutiny and Cabinet should:

1. Communicate and engage early on plans and activities.
2. Foster a climate of trust, openness, honesty and integrity, sharing timely information including that which may be confidential or sensitive.
3. Be positive and respectful in their interactions with each other.
4. Manage any areas of disagreement in a constructive way.

Scrutiny's rights

Scrutiny members have a number of rights set out in legislation:

- The right to refer a relevant matter to the committee. This provision does not apply to planning and licensing, or to matters which are vexatious, discriminatory or not reasonable to be included in the agenda.
- The right to review called-in key decisions, within the parameters set out in the constitution.
- The right to require executive members and officers to appear before them.
- The right to have access to information about the authority particularly on performance, management and risk and have broader rights than other councillors in relation to access to information. This relates particularly to:
 - an action or decision that a member is reviewing or scrutinising; or
 - any review contained in any programme of work of a scrutiny committee / task group
 - a document or part of a document containing advice provided by a political adviser or assistant.

Scrutiny committees cannot oblige either the executive, the council or external bodies to act upon their findings.

Ways of working together

Communication and engagement

- Cabinet will engage with scrutiny committees at an early stage in the development or review of relevant strategies, policies and plans, to enable meaningful and timely scrutiny input.
- Cabinet members and Scrutiny chairs will liaise regularly to update on plans and activities.
- Scrutiny will communicate about its work and its work programme regularly to the Cabinet, and all members, both informally and through the annual scrutiny report to Council.

Scrutiny work planning

- The work programme will reflect council priorities and be balanced between policy and strategy development, service reviews and performance monitoring.
- Any member (not just scrutiny councillors), as well as officers and members of the public, may raise issues for the scrutiny work programme.

Scrutiny committee chairs

- Chairs should ensure Scrutiny is member-led and independent, setting the tone for constructive challenge to the Cabinet.
- Chairs are responsible for managing meetings, enabling debate and maintaining focus of Scrutiny. They ensure effective work programme planning.
- Collectively, they monitor the overall Scrutiny function to ensure best practice and learning are embedded.

Task groups

Portfolio Holders can assist task group reviews in a number of ways including:

- Meeting the Scrutiny chair and officers at the outset of the review, when the task group is considering its scope, methodology and witnesses and as appropriate, during the process.
- Attending task group meetings and providing context and the executive's perspective, as invited by the task group.
- Giving evidence, as required, during the course of the review.

Key decisions

Overview and Scrutiny Committee will examine the Notice of Executive Decisions and the Council's Delivery Plan to identify areas where there is potential for scrutiny to review a topic as well as noting the progress of key decisions.

Policy development

- Cabinet members and officers should draw to the attention of Scrutiny key strategy and policy plans at the earliest opportunity.
- Cabinet members and officers should discuss with scrutiny committees how and when scrutiny can best influence strategy and policy development.
- The approach to scrutiny of strategy and policy development will be agreed by Overview and Scrutiny Committee but may be carried out informally by a task group.

Performance monitoring

- Scrutiny committees will monitor the progress against the Council and Delivery Plans and the performance report.
- Scrutiny committees and Cabinet members should share views about the performance measures that are in place.
- Scrutiny committees may use performance data to identify issues for further scrutiny.

Scrutiny meetings

- Cabinet members will aim to attend all scrutiny meetings which relate directly to their individual portfolio, where possible.
- Questions will be directed to the Cabinet member but may be referred to an officer if need be. It is the role of the Cabinet member to respond to questions on behalf of the executive, rather than asking their own questions.
- Members should be respectful of each other and of officers and guests presenting at meetings.

Scrutiny recommendations

- Scrutiny recommendations will be clear, reasoned and outcomes focused to assist response and monitoring and to help evidence the impact scrutiny has on Council business. As far as possible, recommendations should be SMART (specific, measurable, achievable, realistic and timebound).
- Cabinet will give due consideration to Scrutiny recommendations and views.
- Cabinet responses to recommendations will be reported to the next meeting of Overview and Scrutiny Committee.
- Responses will include an explanation for why any recommendations have not been accepted.
- The relevant Scrutiny chair will attend Cabinet to present scrutiny reports and give feedback from their committee on the review.

Information

- Scrutiny should have the information that underpins policy and decision-making to be able play its role and for assurance regarding the evidence used.
- Cabinet and officers will be open and transparent and will provide the information scrutiny committees need to do their job effectively. Information will be provided in a timely way to enable meaningful input.
- The overriding principle is transparency. When information cannot be made available the reasons will be clearly explained.
- Scrutiny committees will have background information on issues being scrutinised through pre-meetings, briefings and advice from officers.
- Where possible, all members should have briefings on significant strategies, policies and proposals under development. It is understood that some initiatives will necessarily remain confidential in accordance with the Local Government Act 1972 Schedule 12 A and will not be shared until they are fully worked up and ready for formal consultation or implementation.
- Members will keep themselves informed through research and be well prepared for meetings by reading papers in advance.
- The constitution requires that members sitting or substituting on a scrutiny committee undergo relevant scrutiny training every other year.

Officer Support

There is dedicated support within Democratic Services for the Scrutiny function and all officers of the Council are available to provide impartial advice to scrutiny committees. Of particular importance is the role played by statutory officers: the Group Head of Democracy and Governance (the council's Monitoring Officer), the Director of Finance (the Section 151 Officer) and the Chief Executive (the Head of Paid Service). They have a particular role ensuring that timely, relevant and high-quality advice is provided to scrutiny committees.

Within the Corporate Management Team, there is a dedicated lead for the scrutiny function. The role of the CMT lead is to provide senior support and strategic direction to Scrutiny and to ensure that the function aligns well with corporate priorities.

Review

This Protocol was agreed by portfolio holders and Overview and Scrutiny Committee on 18 October 2023 and will be reviewed after one year by Overview and Scrutiny Committee. The Group Head of Democracy and Governance will be responsible for overseeing compliance with the Executive Scrutiny Protocol. It will be monitored on a regular basis by scrutiny chairs and the Cabinet so that

any issues can be highlighted at an early stage and acted upon. The success of the protocol will be determined by reference to evidence of:

- Recognition of the value of Scrutiny.
- A record of constructive challenge and impact.
- Timely scrutiny reviews that achieve identified outcomes.
- An open and reasoned decision-making process.
- Effective performance monitoring.
- Scrutiny work programmes balanced between policy development, service review and performance monitoring.

Agenda Item 6

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Tuesday, 21 November 2023

Report author: Chief Finance Officer

Title: Financial Monitoring Report 2023/24 - Quarter 2

1.0 Introduction

1.1 This report sets out the financial monitoring position for 2023/24 as at Quarter 2 (1 April to 30 September). This is the second report of the financial year and focuses on the forecast year end position compared to the latest budget which includes budget changes as approved by Council on 17 October 2023.

1.2 As set out in the report, the Council's financial position is challenging. Persistent high inflation, rising interest rates, and the impact of the cost of living crisis on residents has resulted in a number significant pressures across the Council's budgets. Mitigation measures continue to be in place to bring down the forecast revenue overspend before year end which have been agreed by the Mayor and Portfolio Holders. These measures include:

- A recruitment freeze with an exception process in place for critical posts or where recruitment reduces cost of interim staff;
- Minimising use of agency staff, interim contractors, consultancy and overtime;
- Any procurements should be delivered within existing budgets or make savings on existing budgets
- Identifying opportunities to stop or pause activities and initiatives to reduce spend on non-essential matters in year.

1.3 Ongoing pressures will be addressed through the Council's budget planning process for 2024/25 onwards.

1.4 Revenue Summary

1.4.1 The following table sets out the original budget of £14.962m which was agreed at Council on 31 January 2023. The latest budget includes approved changes as agreed at Council on 17/10/2023 is £16.499m. The year end forecast at quarter 2 is £17.809m which is an overspend of £1.310m compared to the latest budget.

1.4.2 The projected year end forecast has reduced by £0.179m since the end of Quarter 1. The detailed revenue position, including changes to the forecast, is set out in Section 4 below with further detail at service level provided in appendices 1 to 4.

1.4.3 It is expected that the forecast overspend of £1.310m will be met from the Economic Impact Reserve and the General Fund.

Revenue Account 2023/24				
Service Area	Original Budget £'000	Latest Budget £'000	Forecast £'000	Variance to Latest Budget £'000
Corporate, Housing & Wellbeing	5,735	6,078	6,616	538
Place	188	782	2,836	2,054
Democracy, Strategy and Initiatives	3,925	3,925	3,907	(17)
Strategic Finance	5,114	5,714	4,449	(1,265)
Net Cost of Service	14,962	16,499	17,808	1,310
Funded By:				
Planned use of Reserves	(632)	(2,168)	(2,168)	0
Use of Economic Impact Reserve	0	0	(990)	(990)
Gap funded from General Reserves	(70)	(70)	(390)	(320)
Taxation & Non Specific Grants	(14,260)	(14,260)	(14,260)	0
Total Funding	(14,962)	(16,499)	(17,809)	(1,310)

1.5 Capital Summary

1.5.1 The original Capital Investment Programme for 2022/23 was agreed by Council on 31 January 2023. The latest agreed budget is £46.369m. The latest agreed budget was approved at Council on 17 October 2023.

1.5.2

Budget Responsibility	Latest Budget 2023/24 £000's	Forecast Outturn 2023/24 £000's	Actual to Date £000's
Executive Director of Corporate, Housing & Wellbeing Services	17,715	12,136	1,698
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)	65	65	0
Executive Director of Place	22,519	22,064	10,058
Director of Finance - Strategic Finance	6,535	1,510	491
TOTAL CURRENT CAPITAL PROGRAMME	46,834	35,775	12,247

1.5.3 Following a review of the profile of expenditure for 2023/24, the forecast year end position is £35.775m with the majority of the underspend of £11.059m required in future years.

1.5.4 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 2023/24 – Quarter 2 and note both the revenue and capital forecasts for 2023/24.

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

Further information:

Pritesh Shah

Pritesh.Shah@threerivers.gov.uk

Report approved by:

Hannah Doney, Chief Finance Officer

Hannah.Doney@watford.gov.uk

4.0 Detailed proposal

4.1 Revenue Budget 2023/24

4.1.1 The latest net revenue budget is £16.499m. The year end forecast of £17.808m and resulting variation to budget of £1.310m is set out by service area in the following table. The main pressures driving the variation are unchanged from Quarter 1 and are as a result of external economic environment.

Directorate	Service Area	Latest Budget	Year end Forecast	Actuals to date	Forecast Variance to Budget
		£'000	£'000	£'000	£'000
Corporate, Housing and Wellbeing	Customer and Corporate Services	1,739	1,719	995	(20)
	Housing and Wellbeing	3,196	3,720	1,115	524
	ICT and Shared Services	1,143	1,177	950	34
Place	Environment	7,954	9,868	4,070	1,914
	Planning, Infrastructure and Economic Development	1,521	1,543	910	22
	Property and Asset Management	(8,694)	(8,575)	(3,102)	120
Democracy, Strategy and Initiatives	Corporate Strategy and Communications	1,348	1,348	690	0
	Democracy and Governance	2,026	2,008	738	(18)
	Human Resources	551	551	312	0
Strategic Finance		5,714	4,449	13,372	(1,265)
Total		16,499	17,808	20,050	1,310

- 4.1.2 Within Housing and Wellbeing, there is a forecast pressure of £0.524m of which £0.500m relates to temporary accommodation due to an increase in the number of people being supported. There are a range of contributing factors including rising rents, no fault evictions as private landlords exit the rental market, and a shortage of available accommodation. These factors are all linked to the cost of living crisis including rising interest rates driving up mortgage costs.
- 4.1.3 The cost of the Veolia contract is linked to inflation and the pay award meaning that the contract increases annually. The total forecast pressure in relation to the contract is £1.390m of which £1.1m is brought forward from 2022/23. An allowance was made for a 7% increase in the budget for 2023/24 as a result of indexation. It is now expected that this will be 8.7%, contributing to the increased cost pressure. The forecast has increased by £0.040m from Quarter 1.
- 4.1.4 In addition, a forecast overspend of £0.115m is reported for income from recycling. This is unchanged from the cost pressure reported in Quarter 1. The Council has a contract for the disposal of recycling. The cost of the contract is variable and is linked to the global commodities market. The price can fluctuate significantly and when demand for recyclable materials is high the Council receives income for the recycling. Currently, the Council faces a cost to dispose of recycling as demand for materials has reduced. Recent economic performance data released from China, where the economy appears to have entered a recession, suggests that demand for recyclable materials could remain low for longer, increasing the cost to the Council.
- 4.1.5 Within the underspend of £1.065m reported for Strategic Finance is a forecast pressure of £0.400m in relation to the pay award for 2023/24. This forecast is based

on the employer offer of the higher of £1,925 or 3.88% which was agreed on 1 November 2023. The offer was initially rejected by the three main unions (Unison, Unite and GMB) in the spring and unions balloted members on potential strike action. The offer has now been accepted by Unison and GMB. Although Unite have not accepted the offer it can be implemented with the agreement with two of the three major unions. Staff will receive the backdated pay award to from April 2023 in December payroll. This was the earliest opportunity to implement the pay award due to the timing of payroll which is run in the middle of the month.

4.1.6 An underspend of £0.877m continues to be reported within Strategic Finance due to a reduction to the annual pension fund deficit payment to the pension fund following the pension fund triannual valuation which set employer contribution rates for 2023/24 to 2025/26.

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

4.1.8 In order to address the in year overspend a number of corporate spending controls have been put in place:

4.1.8.1 Recruitment freeze (exceptions process in place for key posts)

4.1.8.2 Minimising use of agency staff, interim posts and consultancy

4.1.8.3 Minimising overtime

4.1.8.4 Contract procurements should be delivered within existing budgets

4.1.8.5 Identify opportunities to stop or pause activities and initiatives to reduce spend on non-essential matters

4.1.9 It is expected that the impact of these measures will have an impact on the forecast at Quarter 3. Where in year pressures are expected to be ongoing, the impact is being taken into account in the budget planning process.

4.2 Capital Investment Programme 2023/24 to 2025/26

4.2.1 The Capital Investment Programme was agreed by Council in January 2023. The original budget for 2023/24 was £46.369m. The latest budget has been updated to include the virements and rephasing of budgets as agreed at Council on 17 October 2023.

Budget Responsibility		Latest Budget 2023/24 £	Forecast Outturn £	Actual to date £	Latest Budget 2024/25 £	Latest Budget 2025/26 £
Executive Director of Corporate, Housing & Wellbeing Services	Associate Director of ICT & Shared Services	635	635	73	922	922
	Associate Director of Customer & Corporate Services	16,714	11,114	1,571	9,738	0
	Associate Director of Housing & Wellbeing	367	387	54	250	250
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)		65	65	0	0	0
Executive Director of Place	Associate Director of Planning, Infrastructure & Economy	1,861	859	13	1,626	400
	Associate Director of Property & Asset Management	15,649	17,010	9,292	4,142	12,299
	Associate Director of Environment	5,009	4,196	753	8,392	822
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	6,535	1,510	491	3,507	677
TOTAL CURRENT CAPITAL PROGRAMME		46,834	35,775	12,247	28,577	15,370

- 4.2.2 The forecast year end position of £35.775m is £11.059m lower than the latest budget. This reflects the anticipated reprofiling of schemes across the Capital Investment Programme notably the Town Hall Quarter programme totalling circa £10.0m. A detailed scheme breakdown is provided in appendices 1 to 4.
- 4.2.3 As has been noted over the last year, high inflation poses a significant risk to the affordability of the Capital Investment Programme and there continues to be a risk of contractor failure in light of the low economic growth and risk of recession. Mitigation measures continue to be in place to protect the Council through the tender and contracting process, including assessment of the financial sustainability of contractors.
- 4.2.4 All schemes within the capital programme are kept under review to ensure that they continue to deliver value for money.
- 4.2.5 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 2023/24 forecast capital investment is set out in appendix 5.
- 4.2.6 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). Rising interest rates mean that the charge to revenue for borrowing will be higher over the medium term than previously forecast. Where schemes are financed by borrowing, in addition to

considering value for money, the affordability of capital schemes is kept under review to ensure that sufficient revenue budget is available.

4.3 General Fund and Earmarked Reserves

4.3.1 The following table sets out the latest forecast for the General Fund and Earmarked Reserves:

Reserve Type	Balances at 1 April 2023	Budgeted use of reserves	Movement in Year	Balance at 31 March 2024
Specific Earmarked Reserves	(35,065)	2,168	0	(32,897)
Economic Impact Reserve	(990)	0	990	0
General Fund	(2,000)	69	320	(1,611)
Total	(38,055)	2,237	1,310	(34,508)

4.3.2 Earmarked Reserves are used to support service expenditure and projects. A detailed breakdown of the forecast for Earmarked Reserves is provided at Appendix 6.

4.3.3 The Economic Impact Reserve is held to smooth the impact of a surplus or deficit against the budget. The forecast assumes that the balance of this reserve, £0.990m, is utilised in full to manage the forecast in year overspend and reduce the impact on the general fund.

4.3.4 The Council's risk assessed level for the General Fund is £2.000m. Based on the latest forecast, the General Fund will fall below this level to £1.611m at year end after meeting the funding gap of £0.069m in the original budget for 2023/24 and the balance of the reported in year overspend. Mitigation measures are being implemented to reduce the forecast overspend in year and reduce the drawdown on the General Fund. If this is not achieved, action will need to be taken over the MTFS to enable a contribution to the General Fund to return it to the minimum risk assessed level.

4.4 Strategic Finance

4.4.1 Strategic Finance includes budgets in relation to the Council's Treasury activities and Capital Financing, incorporating borrowing costs and investment income.

4.4.2 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.

- 4.4.3 The Bank of England base interest rate was 0.75% on 1 April 2023, and was subsequently increased by 0.25% in May, June and August 2023. The base rate was therefore 5.25% at the end of the period. 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 Council plans to utilise internal borrowing during the remainder of 2023/24 rather than refinancing maturing loans and taking additional borrowing over the remainder of the year.
- 4.4.4 The quarter 2 monitoring position includes a forecast for additional net income of £0.427m from treasury management activities. This reflects the change in approach to the Council's investment in externally managed funds which will deliver additional short term investment interest income and reduce borrowing costs incurred in year.
- 4.4.5 Further detail is provided in appendix 4.

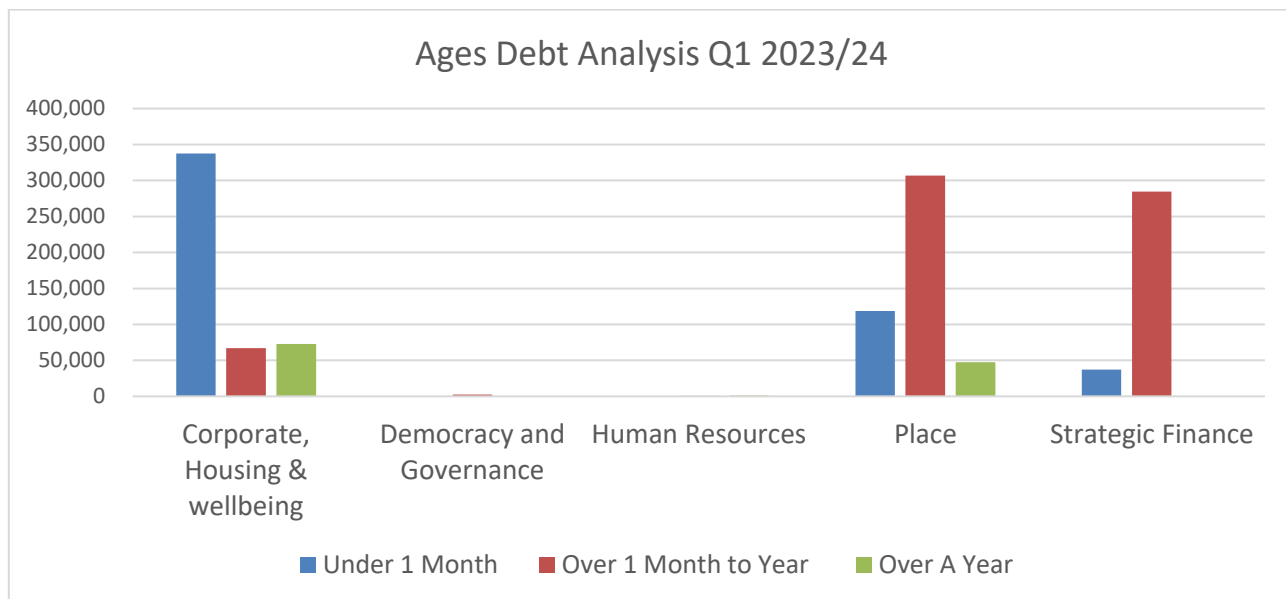
4.5 Savings Monitoring

- 4.5.1 The MTFS agreed by Council in January 2023 included planned savings of £1.060m in 2023/24. As at 30 September, £0.270m (25.5%) had been delivered and a further £0.263m (24.8%) are reported as being on track to be delivered (rated green). Savings totalling £0.367m (34.6%) are at risk of not being delivered or not delivered in full (rated amber). One saving of £0.025m (2.4%) is likely to not be delivered (rated red) and a saving of £0.135m (12.7%) has been identified as not deliverable in 2023/24. This saving relates to additional income from the investment property portfolio which is not achievable in the current year due to the impact of lease events across the portfolio.
- 4.5.2 Where savings are not expected to be met or will only be part met in year, the impact has been taken into account in the reported forecast variation to budget. The detailed breakdown and commentary is provided in Appendix 8.

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 2023. The total outstanding debt at this date was £1.277m. This compares to a total outstanding debt of £0.713 at 30 June 2023.



4.6.3 Of the outstanding debt, 39% is under one month. The total debt over one year is £0.121m. The Council’s debt recovery team will continue to chase these debts and initiate payment plans (instalments) wherever possible.

4.6.4 The total outstanding amount for Strategic Finance over a month is £0.284m of which £0.243m which relates to one invoice for a Section 106 contribution raised in June 2023.

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
- Appendix 8 Savings Monitoring

Corporate, Housing and Wellbeing Services Directorate

1. Revenue Summary

Service	Year End Forecast				Year End Forecast	
	Latest Budget £000	at Quarter 2 £000	Actuals £000	Forecast Variance £000	at Quarter 1 £000	Change in Forecast £000
ICT & Shared Services	1,143	1,177	950	34	1,143	34
Customer & Corporate Services	1,739	1,719	995	(20)	1,741	(22)
Housing & Wellbeing	3,196	3,720	1,115	524	3,696	24
Total	6,078	6,616	3,059	538	6,580	36

At the end of Quarter 2 an overspend of £0.538m is forecast for the Corporate, Housing and Wellbeing Services Directorate.

The forecast spend at year end is £6.616m. This has increased by £0.036m from the forecast reported in Quarter 1.

2. Revenue Variances

Reported variances are itemised in the table below:

Service Area	Description	Details of Variances	£000
Corporate Housing & Wellbeing	Housing	Net additional pressure on cost and volume of temporary accommodation	500
		Other Variances	38
		TOTAL	538

The main variation to budget continues to be a forecast pressure of £0.500m in relation to the costs of temporary accommodation. The pressure is due to an increase in demand which has increased significantly since the end of the last financial year. The trend has continued to see an increase in the number of families being supported compared to demand from single individuals requiring support.

There are a range of contributing factors driving the increase in demand. These include rising rents, no fault evictions as private landlords exit the rental market, and a shortage of available accommodation. These factors are all linked to the cost of living crisis including rising interest rates driving up mortgage costs for both families and landlords.

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 reflect a minor favourable variance.

Service Area	Income Stream	Latest Budget 2023/24 £000	Forecast 2023/24 £000	Forecast Variance £000	Comments
Corporate, Housing & Wellbeing	Licensing	(246)	(261)	(14)	Minor Variation

4. Capital Investment Programme

Budget Responsibility		Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actual to date £'000	Latest Budget 2024/25 (Including current rephasings & savings) £'000	Latest Budget 2025/26 (Including current rephasings & savings) £'000
Executive Director of Corporate, Housing & Wellbeing Services	Associate Director of ICT & Shared Services	ICT Shared Services	68	68	31	68	68
		ICT Client Services	568	568	42	855	855
	Associate Director of Customer & Corporate Services	Town Hall Quarter	16,714	11,114	1,571	9,738	0
	Associate Director of Housing & Wellbeing	Environmental Health	300	300	44	200	200
		Housing	67	87	10	50	50

The scheme detail is provided at Annex A

Corporate, Housing and Wellbeing Services Directorate Capital Scheme Detail

Capital Scheme	Latest Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance	Scheme Update
	£	£	£	
ED-CORPORATE, HOUSING & WELLBEING				
ICT Shared Services				
ShS-ICT Modernisation	0	0	0	
ShS-Migration To The Cloud	22,534	22,534	0	
ShS-Hardware Replacement Programme	45,000	45,000	0	
ICT Client Services				
ICT-Hardware Replacement Programme	200,929	200,929	0	
ICT-Business Application Upgrade	206,756	206,756	0	
ICT-Project Management Provision	160,000	160,000	0	
Town Hall Quarter (Delivery)				
Town Hall Refurbishment	6,600,795	2,500,795	(4,100,000)	Service request for budget rephasing into 2024/25 across various THQ cost centres.
Colosseum Refurbishment	8,611,734	7,111,734	(1,500,000)	
Annexe Refurbishment	0	0	0	
Thq Programme Delivery	500,000	500,000	0	
Decarbonisation Project Salix	646,436	646,436	0	
Town Hall / Colosseum Fabric Works	354,655	354,655	0	
Environmental Health				
Decent Homes Assistance	100,000	100,000	0	
Private Sector Housing Renewal	200,000	200,000	0	
Housing				
Private Sector Stock Condition	16,534	16,534	0	
Retained Housing Stock	50,000	70,372	20,372	Additional works needed in order to let for temporary accommodation.
Total	17,715,373	12,135,745	(5,579,628)	

Place Directorate

1. Revenue Summary

Service	Year End Forecast				Year End Forecast at Quarter 1 £000	Change in Forecast £000
	Latest Budget £000	at Quarter 2 £000	Actuals £000	Forecast Variance £000		
Planning, Infrastructure & Eco	1,521	1,543	910	22	1,585	(42)
Property & Asset Management	(8,694)	(8,575)	(3,102)	119	(8,602)	27
Environment	7,954	9,868	4,070	1,914	9,650	218
Total	781	2,836	1,879	2,055	2,633	203

At the end of Quarter 2 an overspend of £2.055m is forecast for the Place Directorate. The forecast year end spend has increased by £0.203m from £2.636m to £2.836m.

2. Revenue Variances

Reported variances are itemised in the table below:

Service Area	Description	Details of Variances	£'000
PLACE	CCTV	Additional cost on security contract due to revision of contracted hours and maintenance	37
	Arts & Events	Grant Income reduced	40
	Watford Museum	Additional staffing costs as part of the museum transformation	124
	Allotments	Increase in Rates, the council is reviewing with Valuation Office Agency	23
	Development Control	Lower than expected income from planning application fees, partially mitigated by increase in pre-app charges.	195
		Reduction in staffing costs.	(33)
	Policy Team	Local development framework saving as there is no engagement in 2023/24 and additional savings on supplies and services budget	(105)
		Joint partnership working income	(40)
	Building control and Planning Enforcement	Net underspend within the Building Control shared service as a result of staffing vacancies. This is after accounting for a reduction in building control fee income of £73k.	(58)

Facilities	Interim costs to support vacancy and long term leave	104
Town Hall and Annex	Net pressure from loss of rental income from the Annex offset by savings on town hall running costs.	10
	Increase in Rates	58
Cassiobury Park (inc Hub)	Significant increase in electricity costs for the year.	200
	Cost of pools management	80
	Increase in cleaning and maintenance costs	35
Refuse - Trade	Decrease in gate fees for recycling due to economic climate	115
Recycling - Kerbside	Forecast income did not take into account timing of price increase for green bin charges	94
Cemeteries	Increase in expected income from sale of grave spaces	(200)
Parks & Open Spaces (Various)	Support costs for conservation project	30
Environment	Cost pressure on Veolia contract	1,390
	Other Variances	(44)
	TOTAL	2,055

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. 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 2023/24 £000	Forecast 2023/24 £000	Forecast Variance £000	Comments
Place	Commercial Rent	(9,520)	(9,531)	(11)	Minor Variation
	Development Control Fees	(792)	(597)	195	Reduction in demand for services
	Building Control Fees	(278)	(205)	73	
	Car Parking Charges	(1,740)	(1,740)	0	

4. Capital Investment Programme

Budget Responsibility		Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actual to date £'000	Latest Budget 2024/25 (Including current rephasings & savings) £'000	Latest Budget 2025/26 (Including current rephasings & savings) £'000
Executive Director of Place	Associate Director of Planning, Infrastructure & Economy	Transport & Infrastructure	1,833	830	11	1,505	400
		Development Control	29	29	3	120	0
	Associate Director of Property & Asset Management	Corporate Asset Management	186	186	3	250	500
		Watford Business Park	10,933	10,933	8,780	300	0
		Watford Riverwell	1,829	3,830	2	2,952	11,799
		Property Management	2,547	1,907	457	641	0
		Town Hall Quarter	153	153	49	0	0
	Associate Director of Environment	Waste & Recycling (inc Veolia)	905	891	125	551	11
		Parks & Open Spaces	1,566	1,438	280	605	320
		Cemeteries	76	16	18	60	0
		Leisure & Play	1,642	1,446	236	5,469	75
		Culture & Heritage	0	0	0	100	0
		Community Projects	71	71	0	0	0
		Commissioning	516	100	37	500	416
		Town Hall Quarter	233	233	56	1,106	0

The development of Watford Business Park, Aspire, is due to substantially complete during 2023/24. This is a significant regeneration scheme that will also deliver additional income for the Council in future years.

The scheme detail is provided at Annex A.

Place Directorate Capital Scheme Detail

Capital Scheme	Latest Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance	Scheme Update
	£	£	£	
Transport & Infrastructure				
Public Realm (Clarendon Rd Phase III)	80,636	10,636	(70,000)	Service request for budget rephasing into 2024/25 due to design delays.
CCTV Site Equipment	10,000	10,000	0	
Public Realm - Market St South	11,823	11,823	0	
Public Realm - Queens Rd, The Broadway	0	0	0	
TTIW Delivery Programme	286,452	100,000	(186,452)	Service request for budget rephasing into 2024/25.
St Albans Rd Imp Works (Ph 2)	10,777	10,777	0	
Wayfinding & Public Art Strategy	230,655	62,000	(168,655)	Service request for budget rephasing into 2024/25. This scheme along with 'Heritage Trail' will merge in 2024/25.
EV Rapid Charging Points Programme	99,597	99,597	0	
CCTV Control Room Strategy	416,906	416,906	0	
Public Realm (Bridle Path Improvements)	0	54,035	54,035	Additional budget request funded by approved use of Section 106 receipts.
Watford 3D Planning Model	0	0	0	
High St Phase 2 (St Mary's)	485,940	29,166	(456,774)	Service request for budget rephasing into 2024/25.
Parades Improvements	200,000	25,000	(175,000)	In year saving declared by service.
Development Control				
CIL Review	0	0	0	
CIL Grant Funded Projects	8,087	8,087	0	
Supporting Local Business	20,490	20,490	0	
Corporate Asset Management				
Community Asset Review	140,021	140,021	0	
Building Investment Programme	46,411	46,411	0	
Watford Business Park				
Watford Business Park Phase 2	10,933,468	10,933,468	0	
Watford Riverwell	1,828,576	3,830,000	2,001,424	Review by service of all cost centres within Riverwell scheme requiring budget rephasings, budget adjustments and identifiable savings.
Property Investment Board				
PIB Investment Board	0	0	0	
Property Management				
Charter Place	0	0	0	
Temp Housing Accommodation	0	0	0	
Surplus Sites	400,000	400,000	0	
Croxley Park Asset	0	0	0	Funded by PPM contribution that formed part of the original Croxley Business Park transaction.
Lower High Street	406,577	306,577	(100,000)	Service request for budget rephasing into 2024/25.
Infill Sites (LEP funded)	840,675	300,000	(540,675)	Service request for budget rephasing into 2024/25.
Surplus Site - Land Acquisition (Site A)	900,000	900,000	0	
Waste & Recycling (inc Veolia)				
Veolia Contract Fleet Requirements	763,748	763,748	0	
Flats - Extension Of Recycling Provision	70,000	56,600	(13,400)	Scheme underspend due to review by service in relation to likely capital spend.
Veolia Capital Improvements	71,000	71,000	0	

Capital Scheme	Latest Budget 2023/24 £	Forecast Outturn 2023/24 £	Forecast Variance £	Scheme Update
Parks & Open Spaces				
Green Spaces Strategy	159,722	150,000	(9,722)	In year saving declared by service (£100k saving offered for 2024/25).
Oxhey Park North	40,798	40,798	0	
Tree Planting Programme	28,140	28,140	0	
River Colne Restoration	343,609	343,609	0	
Parks Litter Bin Replacements	18,183	18,183	0	
Meriden Park Improvements	51,132	51,132	0	
Cassiobury Park Wetlands	293,992	312,972	18,980	Additional budget request funded by approved use of Section 106 receipts.
Cassiobury Park Ad Hoc Works	25,000	25,000	0	
Footpaths - Cassiobury Park Nature Reserve	197,494	100,000	(97,494)	In year savings declared by service.
Footpaths - Cassiobury Park	114,022	100,000	(14,022)	
Allotment Provision	50,000	25,000	(25,000)	Service request for budget rephasing into 2024/25.
Shrub Replacement (Open Space)	45,027	45,027	0	
Parks - Building Investment	153,519	153,519	0	
Water Fountains in Green Flag Parks	45,000	45,000	0	
Cemeteries				
North Watford Cemetery Improvements	2,021	2,021	0	
New Cemetery Provision	14,363	14,363	0	
Vicarage Rd - WFC Memorial Area	60,000	0	(60,000)	Service request for budget rephasing into 2024/25.
Leisure & Play				
Watford Tennis Partnership	25,000	25,000	0	
Oxhey Grange-Bowling Gr'N Imps	89,206	40,095	(49,111)	In year saving declared by service of £39,111 and request for £10k budget rephasing into 2024/25.
Cassiobury Park Tennis Courts	40,000	0	(40,000)	Service request for budget rephasing into 2024/25.
Orchard Park & Callowland Cricket Improvements	13,522	3,500	(10,022)	In year saving declared by service.
Leavesden Green Rec Ground Improvements	50,000	50,000	0	
Woodside Sports Village	1,237,000	1,237,000	0	
Play Area Improvements	175,000	90,000	(85,000)	In year saving declared by service (circa £55k saving offered for 2024/25).
Lea Farm Recreation Improvements	12,000	0	(12,000)	In year saving declared by service.
Orchard Park Ballproof Fence & AstroTurf Wicket	0	0	0	
Community Projects				
Paddock Road Depot Enhancements	70,862	70,862	0	
Commissioning				
Cycle & Road Infrastructure Improvements	515,959	100,000	(415,959)	Service request for budget rephasing into 2025/26.
Town Hall Quarter (Concept)				
Regeneration Project	153,246	153,246	0	
Town Hall Quarter (Delivery)				
Museum & Heritage	200,000	200,000	0	
Colosseum Retender	33,227	33,227	0	
Total	22,518,883	22,064,036	(454,847)	

Democracy, Strategy and Initiatives

1. Revenue Summary

Corporate Strategy & Comms

Service	Latest Budget £000	Year End Forecast at Quarter 2 £000	Actuals £000	Forecast Variance £000	Year End Forecast	Change in
					at Quarter 1 £000	Forecast £000
Partnerships & Performance	935	935	424	0	935	0
Corporate Management	413	413	266	0	413	0
Total	1,348	1,348	690	0	1,348	0

Democracy & Governance

Service	Latest Budget £000	Year End Forecast at Quarter 2 £000	Actuals £000	Forecast Variance £000	Year End Forecast	Change in
					at Quarter 1 £000	Forecast £000
Legal And Democratic	2,025	2,008	738	(17)	2,009	(1)
Total	2,025	2,008	738	(17)	2,009	(1)

Human Resources

Service	Latest Budget £000	Year End Forecast at Quarter 2 £000	Actuals £000	Forecast Variance £000	Year End Forecast	Change in
					at Quarter 1 £000	Forecast £000
Human Resources Client	54	54	(14)	0	54	0
HR Shared Service	497	497	326	0	497	0
Total	551	551	312	0	551	0

At the end of Quarter 2 a small underspend of £0.017m 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 following table. There are no changes to the variances reported in Quarter 1.

Service Area	Description	Details of Variances	£'000
Democracy & Governance	Legal Services	Savings on employee costs in relation to a vacant post	(14)
		Other Variances	(3)
		Total Variance	(17)

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 2023/24.

EH-COMMUNICATIONS, PARTNERSHIPS & COMMUNITY					
Capital Scheme	Latest Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance	Actual 2023/24	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 2024/25 and 2025/26.

Strategic Finance

1. Revenue Summary

Service	Year End Forecast at				Year End Forecast at	Change in Forecast
	Latest Budget £000	Quarter 2 £000	Actuals £000	Forecast Variance £000	Quarter 1 £000	Change in Forecast £000
Corporate Costs	3,331	1,725	(93)	(1,606)	2,410	(685)
Finance & Resources	223	431	91	208	297	134
Finance Services Client	1,024	1,187	803	164	1,024	163
Revenues And Benefits Client	1,078	1,078	12,590	0	1,078	0
Service Transformation	59	28	(20)	(31)	59	(31)
Total	5,714	4,449	13,372	(1,265)	4,868	(419)

Corporate Costs includes the budgets relating to treasury management activity and capital financing costs and the contingency budget for pay and other inflation.

2. Revenue Variances

At the end of Quarter 2 a net underspend of £1.265m is forecast across Strategic Finance. A breakdown of the reported variances is set out in the following table. Further detail is provided in the paragraphs below.

Service Area	Description	Details of Variances	£'000
Strategic Finance	Insurance	Increase in premises insurance costs due to inflation	73
	Finance	Additional cost of external audit fees	148
		Net Additional change in interest income due to change in investment activity	(627)
		Reduction in employers Pension Deficit costs as per pension fund triannual valuation / use of pension reserve	(877)
		Other Variances	18
		TOTAL	(1,265)

Insurance premiums are set annually. Insurance costs have increased in 2023/24 due to the rising costs of construction which have fed through to higher premiums for premises insurance, reflecting the increased costs of repairs or reconstruction.

The Council has now received the final invoice from the external auditors for the 2019/20 audits of the main statement of accounts and housing benefits audits. The fee for the main audit is set by Public Sector Audit Appointments Ltd (PSAA) who also oversee requests for additional fees. The schedule fee due to the external auditors for 2019/20 was £0.040m. A fee variation proposal was submitted to the PSAA by the external auditors for an additional £0.168m. After consideration of the proposal, the PSAA have agreed a variation of £0.119m taking the total fee to £0.159m. A total pressure of £0.148m is reported across both audits.

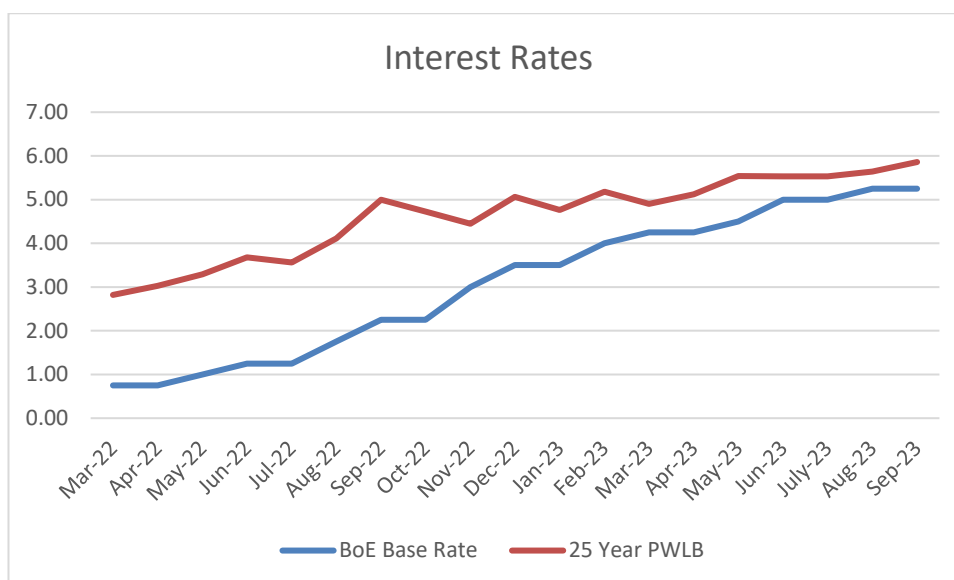
The Council holds a contingency budget for the annual pay award for 2023/24. The forecast includes an estimated additional cost of £0.400m against the Contingency budget in relation to the employers' pay offer. As the pay offer has now been finalised, a virement will be requested in Period 8 to transfer the contingency budget to individual cost centres. This additional cost will be funded on a one off basis from the pension reserve with the ongoing pressure managed through the budget setting process for 2024/25 onwards.

At 30 September 2023 the Council had external borrowing of £64.500m (£79.000m at 30 June 2023). As per the Treasury Management Strategy, the Treasury Management team continue to minimise the cost of carry (the difference between interest earned on deposits and the interest paid on borrowing) by utilising cash balances to reduce external borrowing.

As set out in the Treasury Management Mid Term Review, the Council will utilise funds currently invested in pooled investment funds to increase internal borrowing. This will reduce interest payable charges and increase interest received in the short term. A change in net interest is reported of £0.627m

The graph below shows the Bank Of England Base rate and Public Works Loans Board (PWLB) rate for new 25 year loans from March 2022 to September 2023. PWLB rates are based on gilt yields (UK Government Bonds) plus a margin specified by HM Treasury, currently 100 basis points. As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

PWLB borrowing rates increased significantly in September 2022 following the mini budget announced by Kwasi Kwarteng, then Chancellor of the Exchequer. It was initially expected that gilt yields would fall to around 3% following the resignation of both the Chancellor and the Prime Minister. Although there was an initial drop, the inflation forecast and the Bank of England's decision to raise base rate has pushed PWLB rates above the levels recorded following the mini budget during the first quarter of 2023/24. Rates have remained at these levels during the second quarter of 2023/24.



An actuarial valuation of the pension fund assets and liabilities is undertaken every three years to set the employer contribution rates to the pension fund. The latest triannual valuation was completed as at 31 March 2022 and has set the employer contribution rates for three years from 1 April 2023 to 31 March 2026. The triannual valuation has resulted in an increase to the employer’s contribution rate for the Council from 18.2% to 19.1%. However, it has also decreased the annual lump sum paid in relation to past service cost deficit reflecting an increase in pension fund assets. The net saving in 2023/24, after taking into account the increase in contribution rate, is £0.877m.

3. Capital Investment Programme

Budget Responsibility		Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actual to date £'000	Latest Budget 2024/25 (Including current rephasings & savings) £'000	Latest Budget 2025/26 (Including current rephasings & savings) £'000
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	Capital Support Services	677	677	36	677	677
		West Herts Crematorium	0	0	455	0	0
		Hart Homes JV	5,025	0	0	3,130	0
		Capital Budget Contingency	833	833	0	(300)	0

Expenditure for the West Herts Crematorium will be recovered in full in quarter three from the West Herts Crematorium as this project has now completed.

The scheme detail is provided at Annex A.

Capital Investment Programme – Scheme Detail

Capital Scheme	Latest Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance	Scheme Update
	£	£	£	
Capitalised Support Services				
Support Services	552,470	552,470	0	
Major Projects - FBP and QS	124,390	124,390	0	
West Herts Crematorium				
West Herts Crem Bedmond Road	0	0	0	Recharged to West Herts Crematorium in October 2023.
Hart Homes JV				
Land Transfer - Croxley View Phase 3	3,130,000	0	(3,130,000)	Service request for budget rephasing into 2024/25.
Land Transfer - Rear Of High St	760,000	0	(760,000)	
Land Transfer - Scheme A	605,000	0	(605,000)	
Land Transfer - Scheme B	530,000	0	(530,000)	Removed from Capital Programme in line with Hart Homes Development (Watford) LLP business plan.
Capital Budget Contingency				
Capital Contingency	832,931	832,931	0	
Total	6,534,791	1,509,791	(5,025,000)	

Capital Financing 2023/24

Medium Term Financial Strategy	2023/24 £000
Latest Budget (including carry forwards)	46,834
Variances previously reported	587
Variances this period (Appendix 3)	(11,646)
Forecast Year End Position	35,775
Funded By:	
Grants & Contributions, S106 & CIL	(3,161)
Reserves	(25)
Capital Receipts (PIB, Non PIB & THQ)	(7,602)
Land Transfer	(3,830)
Borrowing (Internal & External)	(21,915)
Total Funding Applied in Year	(35,775)

Revenue Reserves Forecast 2023/24

Description	Balance at 1 April £000	Agreed use of Reserves 2023/24	2023/24 Variations	Balance	Purpose
Revenue Reserves					
Car Parking Zones	(331)	119		(212)	Ring fenced for parking projects
Collection Fund	(6,317)			(6,317)	Equalisation fund to smooth impact of surplus / deficit, allocation end of 2022/23
Crematorium	(150)			(150)	Funding repairs and maintenance
Economic Impact Reserve	(990)		990	0	Provide resources to offset economic downturn
Housing Benefit Subsidy	(1,606)			(1,606)	Provision if Dept for Work & Pensions claw back funds
Housing Planning Delivery Grant	(266)			(266)	Improve planning outcomes and delivery of housing
Leisure Structured Maintenance	(57)			(57)	Funding unforeseen maintenance not covered in contract
Local Development Framework	(178)			(178)	Support local plan production and inspection
Multi-Storey Car Park Repair	(181)			(181)	Funding major structural works
Pension Funding	(2,248)	600	0	(1,648)	Reduction of pension deficit
Grants and Contribution Reserve	(1,177)	478	0	(699)	Funding identified projects in future years
Rent Deposit Guarantee Scheme	(100)	100	0	0	Assist in providing homelessness accommodation
Riverwell Project	(6,522)	228	0	(6,294)	To cover any guarantees, repayments of outstanding loans and fund future investment.
Sustainability Reserve	(500)	143	0	(357)	Funding sustainable projects for a better environment
Croxley Park General Reserve	(14,864)	0	0	(14,864)	cover any shortfall from Croxley Park
Renewal Recovery Fund	(568)	500	0	(68)	Budgeted to be used over the MTF5 to offset the reduction in income due to COVID-19
	(36,055)	2,168	990	(32,897)	
General Fund Working Balance	(2,000)	69	320	(1,611)	Risk assessed prudent balance is £2.000m
Total Revenue Reserves	(38,055)	2,237	1,310	(34,508)	

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.	3	4	12
2	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
3	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. Final award for 23/24 yet to be confirmed, which could put additional pressure on the budgets.	3	3	9
4	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	3	3	9
5	Inaccurate estimates of fees and charges income	The current financial climate impacts key income streams as residents reduce use of discretionary services such as planning and building control.	3	3	9
6	Interest rates resulting in significant variations in estimated interest income and borrowing costs	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market and the cost of borrowing to fund capital expenditure.	3	3	9
7	Interest rates resulting in significant variations in estimated interest income and borrowing costs	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market and the cost of borrowing to fund capital expenditure.	3	3	9
8	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances.	3	3	9
9	The estimated cost reductions and additional income gains are not achieved	Savings identified are monitored as part of the monthly budget monitoring process and reported to CMB, Portfolio Holders and Finance Scrutiny Committee.	3	2	6
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. 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= LOW RISK 4 = HIGH RISK

Savings Monitoring

Corporate, Housing and Wellbeing Services	Category	Proposal Description	2023/24 £	RAG	Commentary
	Efficiency Saving	Service efficiencies in the former Community Protection service budgets	(35,000)	Delivered	
	Efficiency Saving	Licensing services efficiencies	(7,000)	Green	Restructure project commenced
	Efficiency Saving	Utilities and rates savings on surplus sites.	(3,000)	Delivered	
Housing and Wellbeing	Fees and Charges	Increase in income from pest control services	(23,000)	Green	Promotion of the service is underway, shortfall in income can be met from offsetting salary savings due to vacancy.
	Efficiency Saving	Efficiencies in animal control	(8,000)	Delivered	
	Efficiency Saving	Deletion of vacant 0.5FTE post	(17,000)	Delivered	
	Efficiency Saving	Alternative funding for particulate monitoring	(7,000)	Delivered	
	Efficiency Saving		(4,000)	Delivered	
	Efficiency Saving	Reduce the number of staff mobile phones.	(3,000)	Delivered	
	Efficiency Saving	Reduce consultancy support to the corporate mapping system.	(20,000)	Delivered	
Customer and Corporate Services	Efficiency Saving	Reduce consultancy support to the corporate reporting platform.	(9,070)	Delivered	
	Efficiency Saving	Reduce consultancy support to the Customer Service Centre systems.	(8,750)	Delivered	
	Efficiency Saving	Service efficiencies and increased digitalisation of the Customer Service Centre.	(8,750)	Delivered	
	Efficiency Saving	Service efficiencies in print.	(8,000)	Delivered	
	Efficiency Saving	Increase use of outsourced hybrid mail contracts.	(35,000)	Delivered	
	Income generation	Additional income from the street naming and numbering.	(7,500)	Delivered	
Total Corporate, Housing and Wellbeing Services			(195,320)		

Place	Category	Proposal Description	2023/24 £		
Environment	Fees and Charges	Additional income from Bulky Waste Collection	(8,870)	Delivered	
	Fees and Charges	Additional income from Garden Waste Collection	(208,820)	Amber	Implemented but 50% of saving only deliverable this year due to calendar for garden waste renewals
	Income generation	Donations for use of paddling pools	(25,000)	Red	Implemented but high underperformance
	Income generation	Additional income from allotments.	(5,000)	Delivered	
	Income generation	Additional income from the parking reserve.	(200,000)	Green	
	Service Change	Veolia: Staffing Changes	(108,000)	Amber	50% of saving to be delivered in year due to timing of implementation
	Service Change	Veolia: High Speed Road	(16,000)	Delivered	
Planning, Infrastructure and Economic Development	Fees and Charges	Additional income from Pre-Application planning fees.	(12,000)	Delivered	
	Income generation	Recover costs associated with CIL administration.	(32,798)	Green	
	Service Change	Delete part of vacant post.	(17,000)	Delivered	
Property and Asset Management	Efficiency Saving	Service efficiency from MSCI.	(13,000)	Delivered	
	Income generation	Additional income from the MSCP at Riverwell.	(50,000)	Amber	
	Income generation	Additional income from commercial lettings	(135,000)	Not deliverable	
	Service Change	Delete part of vacant post.	(33,000)	Delivered	
Total Place			(864,488)		
Total Savings			(1,059,808)		