



**WATFORD
BOROUGH
COUNCIL**

FINANCE SCRUTINY COMMITTEE

10 January 2024

7.00 pm

Annexe, Town Hall, Watford

Contact

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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 21 November 2023 to be submitted and signed.

4. **Financial Monitoring Report - Period 8** (Pages 3 - 34)

Report of the Chief Finance Officer

5. **Financial Planning 2024/25 to 2026/27** (Pages 35 - 150)

Report of the Chief Finance Officer

Appendix 10 to Attachment 1 to follow.

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Wednesday, 10 January 2024

Report author: Chief Finance Officer

Title: Financial Monitoring Report 2023/24 - Period 8

1.0 Introduction

1.1 This report sets out the financial monitoring position for 2023/24 as at Period 8 (1 April to 30 November). This is the third 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 Period 8 is £18.303m which is an overspend of £1.804m compared to the latest budget.

1.4.2 The projected year end forecast has increased by £0.494m since the end of Quarter 2. However, this is predominantly due to a change in the forecast for commercial income which is forecast to be met from the Riverwell Reserve subject to the approval of the virement in appendix 7. 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 £1.804m will be met from Earmarked Reserve (£0.598m), the Economic Impact Reserve (£0.990) and the General Fund (£0.216). The total forecast shortfall to be funded from the General Fund is £0.286m. This has reduced by £0.104m from the previous forecast of £0.390m.

Revenue Account 2023/24				
Service Area	Original Budget	Latest Budget	Forecast	Variance to Latest Budget
	£'000	£'000	£'000	£'000
Corporate, Housing & Wellbeing	5,735	6,078	6,626	548
Place	188	782	3,319	2,537
Democracy, Strategy and Initiatives	3,925	3,925	3,948	24
Strategic Finance	5,114	5,714	4,410	(1,305)
Net Cost of Service	14,962	16,499	18,303	1,804
Funded By:				
Planned use of Reserves	(632)	(2,168)	(2,766)	(598)
Use of Economic Impact Reserve	0	0	(990)	(990)
Gap funded from General Reserves	(70)	(70)	(286)	(216)
Taxation & Non Specific Grants	(14,260)	(14,260)	(14,260)	0
Total Funding	(14,962)	(16,499)	(18,303)	(1,804)

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.

Budget Responsibility	Latest Budget 2023/24	Forecast Outturn 2023/24	Actual to date
	£'000	£'000	£'000
Executive Director of Corporate, Housing & Wellbeing Services	17,762	10,762	2,491
Executive Head of Strategy & Initiatives (Communications, Partnerships & Community)	65	0	0
Executive Director of Place	22,472	20,956	11,741
Director of Finance - Strategic Finance	6,535	1,195	0
TOTAL CURRENT CAPITAL PROGRAMME	46,834	32,912	14,232

1.5.2 Following a review of the profile of expenditure for 2023/24, the forecast year end position is £32.9125m with the majority of the underspend of £13.922m required in future years. Further detail on the reprofiling of the capital investment programme is set out in the Financial Planning Report which sets out the proposed capital investment programme for the current year and three further years, 2023/24 to 2026/27.

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

2.0 Risks

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

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

3.0 Recommendations

3.1 To consider the Financial Monitoring Report 2023/24 – Period 8 and note both the revenue and capital forecasts for 2023/24.

3.2 To note the virement requests to Council set out in Appendix 7.

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

Further information:

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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 £18.303m and resulting variation to budget of £1.804m is set out by service area in the following table. Budget pressures continue to be driven by the external economic environment.

Directorate	Service Area	Latest Budget £'000	Year end Forecast £'000	Actuals to date £'000	Forecast Variance to Budget £'000
Corporate, Housing and Wellbeing	Customer and Corporate Services	1,739	1,719	1,198	(20)
	Housing and Wellbeing	3,196	3,730	1,856	534
	ICT and Shared Services	1,143	1,177	1,343	34
Place	Environment	7,954	9,672	6,860	1,718
	Planning, Infrastructure and Economic Development	1,521	1,584	1,141	63
	Property and Asset Management	(8,694)	(7,937)	(2,175)	757
Democracy, Strategy and Initiatives	Corporate Strategy and Communications	1,348	1,348	898	0
	Democracy and Governance	2,025	2,049	1,112	24
	Human Resources	551	551	378	0
Strategic Finance		5,714	4,409	5,599	(1,306)
Total		16,498	18,302	18,208	1,804

- 4.1.2 Within Housing and Wellbeing, there is a forecast pressure of £0.534m of which £0.511m 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 £1.333m of which £1.1m is brought forward from 2022/23.
- 4.1.4 An additional net pressure of £0.598m is reported within the Place in relation to commercial income. This reflects the impact of a tenant entering administration and a reduction in rent due to the Council as freeholder as a result of deductible capital expenditure. A virement request is included in Appendix 7 to offset this reduction in income with a contribution from the Riverwell Reserve.
- 4.1.5 Within the net underspend of £1.306m for strategic finance, an underspend of £0.877m continues to be reported 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.
- 4.1.6 Further detail on the revenue forecast and reported variations to budget are set out in Appendices 1 to 4.

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

- 4.1.7.1 Recruitment freeze (exceptions process in place for key posts)
- 4.1.7.2 Minimising use of agency staff, interim posts and consultancy
- 4.1.7.3 Minimising overtime
- 4.1.7.4 Contract procurements should be delivered within existing budgets
- 4.1.7.5 Identify opportunities to stop or pause activities and initiatives to reduce spend on non-essential matters

4.1.8 It is expected that these measures will continue to have an impact on managing the in year pressures. 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		Latest Budget 2023/24	Forecast Outturn 2023/24	Actual to date	Latest Budget 2024/25	Latest Budget 2025/26
		£'000	£'000	£'000	£'000	£'000
Corporate, Housing & Wellbeing Services	ICT & Shared Services	635	535	229	922	922
	Customer & Corporate Services	16,760	9,848	2,151	4,138	-
	Housing & Wellbeing	367	379	111	250	250
Corporate Strategy and	Communications	65	-	-	-	-
Place	Planning, Infrastructure & Economy	1,861	748	103	930	400
	Property & Asset Management	15,603	17,204	10,476	4,903	12,299
	Environment	5,009	3,004	1,162	8,411	406
Strategic Finance		6,535	1,195	-	377	677
TOTAL CURRENT CAPITAL PROGRAMME		46,834	32,912	14,232	19,932	14,954

4.2.2 The forecast year end position of £32.912m is £13.992m lower than the latest budget. This compares to a forecast of £35.775m at the 30 September 2023. The variation of £2.862m includes reprofiling of the Town Hall Quarter of £1.313m based on the latest delivery plan and a reduced forecast for expenditure in 2023/24 for Woodside Sports Village of £0.950m. 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 Financial Planning Report elsewhere on the agenda sets out the proposed capital investment programme for the current year and three further years, 2023/24 to 2026/27 including, where applicable, the requests for rephrasing of budget from 2023/24.
- 4.2.6 The Capital Investment Programme is funded by capital receipts (generated by the sale of assets), revenue contributions (including earmarked reserves), capital grants and contributions, and borrowing under the prudential borrowing framework. Detail of the proposed funding for the 2023/24 forecast capital investment is set out in appendix 5.
- 4.2.7 The revenue implications of borrowing are incorporated into the Council's MTFS and are reported within the Strategic Finance budgets. This includes interest payable on external borrowing, fees associated with arranging borrowing, and the Minimum Revenue Provision for the repayment of debt (MRP). 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 Virements

- 4.3.1 Appendix 7 sets out virements in relation to the 2023/24 revenue budget that Council will be asked to approve to January 2024.
- 4.3.2 The 2023/24 pay award was agreed in November. The budget to meet the cost of the pay award is held in Strategic Finance. A virement request is included to allocate the budget across service pay budgets where the cost will be incurred. The ongoing impact of the pay award is included the draft budget as set out in the Financial Planning Report elsewhere on the agenda.
- 4.3.3 It is proposed to use £0.598m from the Riverwell reserve to offset the shortfall in commercial income as set out in paragraph 4.1.4.

4.3.4 The Council has budgeted for net income from the investment in Croxley Business Park finance lease of £1.715m. As per the initial acquisition model, the Council draws on funds received upon completion of the lease and held in the Croxley Park Earmarked Reserve to smooth the timing of cashflows. A virement request is included to budget for the expected movement on the reserve.

4.3.5 The virement request in relation to this is reflected in the use of Earmarked Reserves in the table at paragraph 4.4.1 and in the detailed table at appendix 6.

4.4 General Fund and Earmarked Reserves

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

Reserve Type	Balance at 1 April 2023 £000	Budgeted use of reserves £000	Movement in Year £000	Croxley Park £000	Balance at 31 March 2024 £000
Earmarked Reserves	(35,065)	2,168	598	3,507	(28,792)
Economic Impact Reserve	(990)	0	990		0
General Fund	(2,000)	69	216		(1,715)
Total	(38,055)	2,237	1,804	3,507	(30,507)

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

4.4.3 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.

4.4.4 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 £1.715m 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.

4.5 Strategic Finance

- 4.5.1 Strategic Finance includes budgets in relation to the Council's Treasury activities and Capital Financing, incorporating borrowing costs and investment income.
- 4.5.2 The Council has managed its cash flows and adhered to its Treasury Management policy since the last report. The interest earned on the investments made by the Council supports the funding of the services it provides.
- 4.5.3 The Bank of England base interest rate was 0.75% on 1 April 2023, and was subsequently increased by 0.25% in May, June and August 2023 to 5.25%. The Monetary Policy Committee has subsequently maintained base rate at 5.25%. 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.
- 4.5.4 The monitoring position includes a forecast for additional net income of £0.668m 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.
- 4.5.5 Further detail is provided in appendix 4.

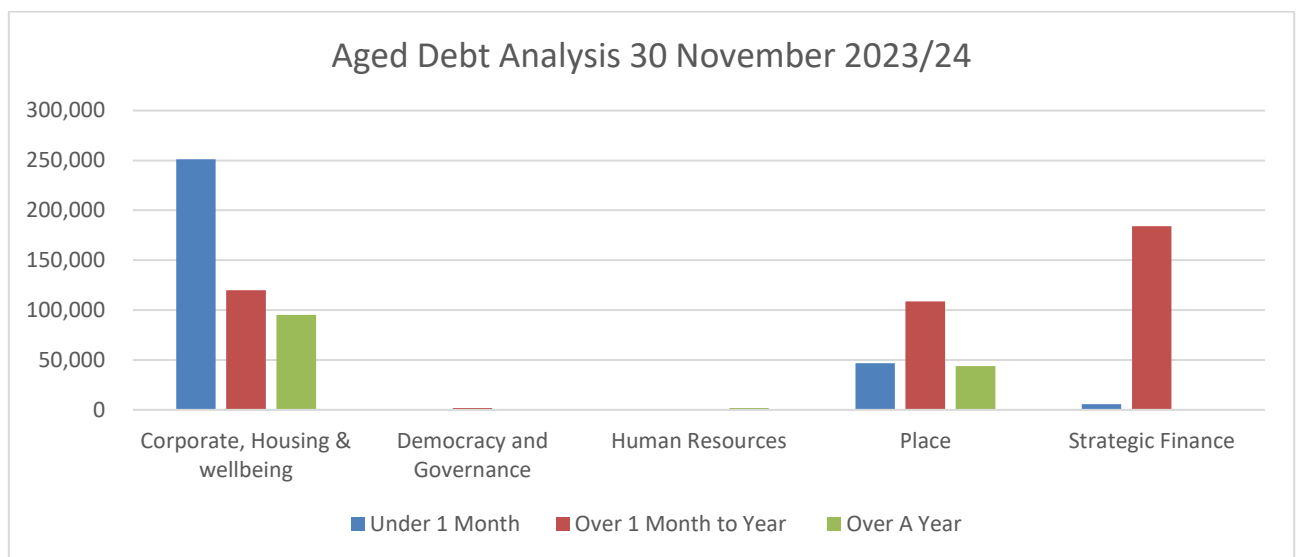
4.6 Savings Monitoring

- 4.6.1 The MTFs agreed by Council in January 2023 included planned savings of £1.060m in 2023/24. As at 30 November, £0.587m (55.4%) had been delivered and a further £0.313m (29.5%) are reported as being on track to be delivered (rated green). Savings totalling £0.025m (2.4%) are at risk of not being delivered or not delivered in full (rated amber). One 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.
- 4.6.2 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.

4.7 Aged Debt

4.7.1 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.

4.7.2 The graph below sets out the aged debt by service area as at 30 November 2023. The total outstanding debt was £0.860m. This compares to a total outstanding debt of £1.277m at 30 September 2023.



4.7.3 Of the outstanding debt, 35% is under one month past due, while 48% is between one month and 12 months. The remaining 16% is over 12 months old. The Council's debt recovery team will continue to chase these debts and initiate payment plans (instalments) wherever possible.

4.7.4 The total outstanding amount for Strategic Finance over a month is £0.284m of which £0.184m and primarily related to a Section 106 contribution.

5.0 Implications

5.1 Financial

5.1.1 The Chief Finance Officer 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 General Balances and Earmarked Reserves
- Appendix 7 Virements
- Appendix 8 Key Budgetary Risks
- Appendix 9 Savings Monitoring

Background Papers

Financial Monitoring Report to 30 September 2023 – Finance Scrutiny Committee
November

Corporate, Housing and Wellbeing Services Directorate

1. Revenue Summary

Service	Latest Budget £000	Year End			Year End Forecast at Quarter 2 £000	Change in Forecast £000
		Forecast at Period 8 £000	Actuals £000	Forecast Variance £000		
ICT & Shared Services	1,143	1,177	1,343	34	1,177	0
Customer & Corporate Services	1,739	1,719	1,198	(20)	1,719	0
Housing & Wellbeing	3,196	3,730	1,856	534	3,720	10
Total	6,078	6,626	4,396	548	6,616	10

At the end of Period 8 an overspend of £0.548m is forecast for the Corporate, Housing and Wellbeing Services Directorate.

The forecast spend at year end is £6.626m. This has increased by £0.010m from the forecast reported in Quarter 2.

2. Revenue Variances

Reported variances are itemised in the table below:

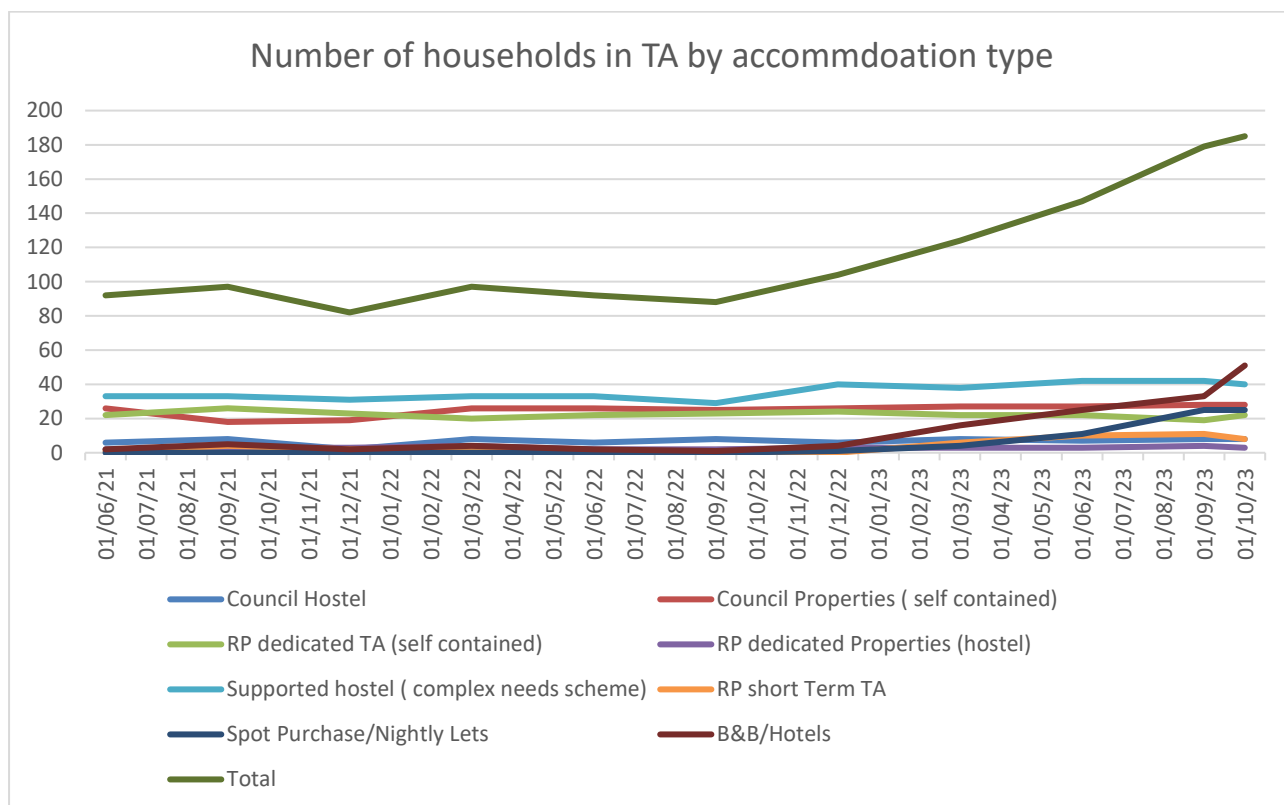
Service Area	Description	Details of Variances	£'000
Corporate Housing & Wellbeing	Housing	Net additional pressure on cost and volume of temporary accommodation	511
		Net Addition grant for the refugee scheme	(20)
	Pest Control Contract	Loss of income due to a lower demand for the service	10
		Other Variances	47
		TOTAL	548

The main variation to budget continues to be a forecast pressure of £0.511m 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. Since the start of the financial year, there has been a 68% increase in the number of people needing single person accommodation compared to an increase of 107% in the demand for family accommodation.

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.

The following graph shows the number of households in temporary accommodation by accommodation type and illustrates the sharp increase in households supported over the last 14 months from Autumn 2022 compared to a stable period of demand over the previous 14 months in 2021/22. This increase in demand is over and above the core accommodation that is commissioned for temporary accommodation and demand has been met through an increase in the use of bed and breakfast and hotel accommodation and the spot purchase of nightly lets. The typical cost of accommodating a household in through nightly lets is between £200 and £300 per week. This cost increases to a typical cost of between £400 and £500 when households are accommodated in bed and breakfast.



Actions are being taken to manage the cost pressures. These actions broadly fall into three categories:

- Targeted prevention to reduce demand
- Procurement of additional core temporary accommodation to meet demand at a lower cost, including reviewing opportunities to redeploy Council owned properties

- Increasing through-put by working with partners to maximise opportunities to deliver affordable housing and enable households to move on into stable accommodation

3. Significant Income Streams

Income generating items can fluctuate depending on the economic climate. Licencing income has been identified as a significant income stream for this directorate. It is currently forecast to achieve a small favourable variance at year end.

Service Area	Income Stream	Latest Budget 2023/24 £000	Forecast 2023/24 £000	Forecast Variance £000	Comments
Corporate, Housing & Wellbeing	Licensing	(246)	(261)	(15)	Minor Variation

4. Capital Investment Programme

Budget Area	Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actuals to date £'000	Latest Budget 2024/25 £'000	Latest Budget 2025/26 £'000
ICT and Shared Services	ICT Shared Services	68	68	187	68	68
	ICT Client Services	568	468	42	855	855
Customer and Corporate Services	Customer Services	46	46	0	0	0
	Town Hall Quarter	16,714	9,801	2,151	4,138	0
Housing and Wellbeing	Environmental Health	300	300	101	200	200
	Housing	67	79	10	50	50

The Capital Investment Programme includes the Town Hall Quarter Programme. A number of key milestones have been achieved during the year, including achieving practical completion of decarbonisation works to the Town Hall and Colosseum and commencing work on the Colosseum refurbishment following the appointment of Morgan Sindall as the contractor.

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	Actual 2023/24	Scheme Update
	£	£	£	£	
ED-CORPORATE, HOUSING & WELLBEING					
ICT Shared Services					
ShS-ICT Modernisation	0	0	0	(450)	
ShS-Migration To The Cloud	22,534	22,534	0	0	
ShS-Hardware Replacement Programme	45,000	45,000	0	187,397	
ICT Client Services					
ICT-Hardware Replacement Programme	200,929	100,929	(100,000)	41,897	In year underspend forecast by service including savings for 2024/25.
ICT-Business Application Upgrade	206,756	206,756	0	0	
ICT-Project Management Provision	160,000	160,000	0	0	
ShS-Scheme 1 REFCUS	0	0	0	0	
Customer Services					
Building Investment Programme	46,411	46,411	0	0	Budget growth identified for future financial years.
Town Hall Quarter (Concept)					
Town Hall & Colosseum Projects	0	0	0	17,519	
Decarbonisation Project Salix	0	0	0	774,644	
Town Hall Quarter (Delivery)					
Town Hall Refurbishment	6,600,795	1,800,000	(4,800,795)	178,536	Service request for budget rephasing into 2024/25.
Colosseum Refurbishment	8,611,734	6,500,000	(2,111,734)	464,917	
Annexe Refurbishment	0	38,848	38,848	38,848	
Thq Programme Delivery	500,000	500,000	0	117,116	
Decarbonisation Project Salix	646,436	646,436	0	255,904	
Town Hall / Colosseum Fabric Works	354,655	315,807	(38,848)	303,306	
Environmental Health					
Decent Homes Assistance	100,000	100,000	0	0	
Private Sector Housing Renewal	200,000	200,000	0	101,233	
Housing					
Private Sector Stock Condition	16,534	16,534	0	3,000	
Retained Housing Stock	50,000	62,372	12,372	7,262	Additional works needed in order to let for temporary accommodation.
Total	17,761,784	10,761,627	(7,000,157)	2,491,128	

Place Directorate

1. Revenue Summary

Service	Latest Budget £000	Year End		Forecast Variance £000	Year End	
		Forecast at Period 8 £000	Actuals £000		Forecast at Quarter 2 £000	Change in Forecast £000
Planning, Infrastructure & Eco	1,521	1,584	1,141	63	1,543	41
Property & Asset Management	(8,694)	(7,937)	(2,175)	757	(8,575)	638
Environment	7,954	9,672	6,860	1,718	9,868	(196)
Total	781	3,319	5,826	2,538	2,836	483

At the end of Period 8 an overspend of £2.538m is forecast for the Place Directorate. The forecast year end spend has increased by £0.483m from £2.836m to £3.319m.

2. Revenue Variances

The change in forecast is primarily due to a change in the forecast for commercial income of £0.589m. There are two main reasons for this. The first is a part year loss of rent as a result of a tenant entering administration (£0.330m). The second is a reduction in rent due to the Council as freeholder as a result of deductible capital expenditure (£0.267m). A virement request is included in Appendix 7 to offset this net reduction in income with a contribution from the Riverwell Reserve. If this is approved, the latest budget will be updated to reflect the income achievable in year.

The financial impact of the tenant entering administration will continue over the Medium Term Financial Strategy (MTFS) as the property is relet. As the tenant has entered administration, the Council will be unable to recover dilapidations which would usually be due when a lease ends. There is also a risk that there may be a void period while a new tenant is secured. This has been taken into account when preparing the draft budget for 2024/25 and MTFS to 2026/27.

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	153
	Allotments	Increase in Rates, the council is reviewing with Valuation Office Agency	23
	Development Control	Lower than expected income from planning application fees, mitigated by reduction in salaries, increase in pre-app charges and grant.	242
		Reduction in staffing costs , as highlighted above	(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 £83k.	(48)
	Investment Properties	Loss of rental income from 29/31 High Street and intu Watford	598
	Facilities	Interim costs to support vacancy and long term leave	144
	Council Offices	Net pressure from loss of rental income from the Annex offset by savings on town hall running costs.	10
		Increase in Rates	58
	Leisure	Income expected from service provider £113k and lower costs of £35k on developmnet work	(148)
	Cassiobury Park (inc Hub)	Significant increase in electricity costs for the year following a change to billing allocation.	180
		Cost of pools management	35
		Increase in cleaning /maintenance costs and loss of income from parking	70
	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
	Cemetaries	Increase in expected income from sale of grave spaces, burial and memeorial fees	(178)
Parks & Open Spaces (Various)	Support costs for conservation project	30	
Environment	Cost pressure on Veolia contract	1,333	
	Other Variances	(72)	
	TOTAL	2,538	

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)	(8,933)	587	Minor Variation
	Development Control Fees	(792)	(550)	242	Reduction in demand for services
	Building Control Fees	(278)	(195)	83	
	Car Parking Charges	(1,740)	(1,740)	0	

4. Capital Investment Programme

Budget Area	Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actuals to date £'000	Latest Budget 2024/25 £'000	Latest Budget 2025/26 £'000
Planning, Infrastructure and Economy	Transport & Infrastructure	1,833	719	97	810	400
	Development Control	29	29	6	120	0
Property and Asset Management	Corporate Asset Management	140	85	26	250	500
	Watford Business Park	10,933	10,933	9,601	300	0
	Watford Riverwell	1,829	4,286	182	4,353	11,799
	Property Management	2,547	1,747	607	0	0
	Town Hall Quarter	153	153	60	0	0
Environment	Waste & Recycling	905	849	149	551	11
	Parks & Open Spaces	1,566	1,318	522	680	320
	Cemeteries	76	16	26	0	0
	Leisure & Play	1,642	467	336	5,474	75
	Culture & Heritage	0	15	0	100	0
	Community Projects	71	5	4	0	0
	Commissioning	516	100	39	500	0
Town Hall Quarter	233	233	85	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	Actual 2023/24	Scheme Update
	£	£	£	£	
Transport & Infrastructure					
Public Realm (Clarendon Rd Phase III)	80,636	10,636	(70,000)	8,778	Service request for budget rephasing into 2024/25 due to design delays.
CCTV Site Equipment	10,000	10,000	0	(15,000)	Budget growth identified for future financial years.
Public Realm - Market St South	11,823	11,823	0	(31,476)	
Public Realm - Queens Rd, The Broadway	0	0	0	(38)	
TTIW Delivery Programme	286,452	0	(286,452)	(32,797)	In year underspend forecast by service including savings for 2024/25.
St Albans Rd Imp Works (Ph 2)	10,777	0	(10,777)	0	In year underspend and budget growth for future years identified by service.
Wayfinding & Public Art Strategy	230,655	62,000	(168,655)	25,713	Service request for budget rephasing into 2026/27.
EV Rapid Charging Points Programme	99,597	99,597	0	46,793	Future years savings identified by service.
CCTV Control Room Strategy	416,906	416,906	0	64,813	
Public Realm (Bridle Path Improvements)	0	54,035	54,035	0	Additional budget request funded by approved use of Section 106 receipts.
Watford 3D Planning Model	0	0	0	16,815	
High St Phase 2 (St Mary's)	485,940	29,166	(456,774)	13,304	Service request for budget rephasing into 2026/27.
Parades Improvements	200,000	25,000	(175,000)	107	In year underspend forecast by service including savings for future years.
Development Control					
CIL Review	0	0	0	70	
CIL Grant Funded Projects	8,087	8,087	0	5,778	
Supporting Local Business	20,490	20,490	0	0	
Corporate Asset Management					
Community Asset Review	140,021	85,132	(54,889)	26,466	In year underspend forecast by service including savings for future years.
Watford Business Park					
Watford Business Park Phase 2	10,933,468	10,933,468	0	9,601,418	
Watford Riverwell	1,828,576	4,286,000	2,457,424	181,852	Review by service of all cost centres within Riverwell scheme requiring budget rephasings, budget adjustments and identifiable future savings.
Property Investment Board					
PIB Investment Board	0	0	0	0	
Property Management					
Charter Place	0	0	0	6,479	
Temp Housing Accommodation	0	0	0	24,166	
Surplus Sites	400,000	400,000	0	292,635	Budget growth identified for future financial years.
Croxley Park Asset	0	0	0	114,237	Funded by PPM contribution that formed part of the original Croxley Business Park transaction.
Lower High Street	406,577	306,577	(100,000)	169,349	In year underspend forecast by service.
Infill Sites (LEP Funded)	840,675	0	(840,675)	0	Projects recently re-appraised with one scheme discontinued.
Surplus Site - Land Acquisition (Site A)	900,000	1,040,000	140,000	0	
Waste & Recycling (inc Veolia)					
Veolia Contract Fleet Requirements	763,748	763,748	0	105,864	Budgets reflect ongoing review of vehicle replacement programme.
Flats - Extension Of Recycling Provision	70,000	4,485	(65,515)	4,485	Scheme underspend due to review by service.
Veolia Capital Improvements	71,000	80,560	9,560	38,452	Budget reflecting increases in contract indexation.
Parks & Open Spaces					
Green Spaces Strategy	159,722	159,722	0	42,759	Future year savings identified by service.
Oxhey Park North	40,798	0	(40,798)	0	In year underspend forecast by service.
Tree Planting Programme	28,140	50,000	21,860	3,990	Current and future year's review carried out by service.
River Colne Restoration	343,609	343,609	0	17,391	
Parks Litter Bin Replacements	18,183	18,183	0	0	Budget growth identified for future financial years.
Meriden Park Improvements	51,132	51,132	0	12,847	
Cassiobury Park Wetlands	293,992	312,972	18,980	237,418	Additional budget request funded by approved use of Section 106 receipts.
Cassiobury Park Ad Hoc Works	25,000	17,500	(7,500)	9,453	In year underspend forecast by service.
Footpaths - Cassiobury Park Nature Reserve	197,494	101,000	(96,494)	34,047	In year and future year underspends forecast by service.
Footpaths - Cassiobury Park	114,022	70,000	(44,022)	4,375	
Allotment Provision	50,000	0	(50,000)	0	Service request for budget rephasing into 2024/25.
Shrub Replacement (Open Space)	45,027	25,027	(20,000)	5,194	In year underspends forecast by service.
Parks - Building Investment	153,519	149,119	(4,400)	147,259	
Water Fountains in Green Flag Parks	45,000	20,000	(25,000)	7,694	In year underspend forecast by service including savings for future years.
Cemeteries					
North Watford Cemetery Improvements	2,021	2,021	0	26,157	2024/25 budget growth identified by service.
New Cemetery Provision	14,363	14,363	0	0	
Vicarage Rd - WFC Memorial Area	60,000	0	(60,000)	0	In year underspend forecast by service.
Leisure & Play					
Watford Tennis Partnership	25,000	0	(25,000)	0	In year underspend forecast by service.
Oxhey Grange-Bowling Gr'N Imps	89,206	40,095	(49,111)	15,040	
Cassiobury Park Tennis Courts	40,000	0	(40,000)	0	In year underspends forecast by service.
Orchard Park & Callowland Cricket Improvements	13,522	0	(13,522)	0	
Leavesden Green Rec Ground Improvements	50,000	50,000	0	45,602	
Woodside Sports Village	1,237,000	287,000	(950,000)	265,645	Savings identified due to project review carried out by service.
Play Area Improvements	175,000	90,000	(85,000)	10,065	In year underspend forecast by service including savings for future years.
Lea Farm Recreation Improvements	12,000	0	(12,000)	0	In year saving declared by service.
Orchard Park Ballproof Fence & AstroTurf Wick	0	0	0	0	2024/25 budget underspend forecast by service.
Culture & Heritage					
Heritage Trail	0	0	0	0	This scheme will merge with 'Wayfinding & Public Art Strategy' in 2024/25.
Watford Market	0	15,000	15,000	0	Budget growth identified for current and future financial years.
Community Projects					
Paddock Road Depot Enhancements	70,862	5,009	(65,853)	4,251	In year underspend forecast by service.
Commissioning					
Cycle & Road Infrastructure Improvements	515,959	100,000	(415,959)	39,104	Aggregate scheme savings identified post project review.
Town Hall Quarter (Concept)					
Regeneration Project	153,246	153,246	0	59,827	
Town Hall Quarter (Delivery)					
Museum & Heritage	200,000	200,000	0	57,059	
Colosseum Retender	33,227	33,227	0	27,885	
Total	22,472,472	20,955,935	(1,516,537)	11,741,324	

Democracy, Strategy and Initiatives

1. Revenue Summary

Corporate Strategy & Comms						
	Latest Budget £000	Year End Forecast at Period 8 £000	Actuals £000	Forecast Variance £000	Year End Forecast at Quarter 2 £000	Change in Forecast £000
Service						
Partnerships & Performance	935	935	548	0	935	0
Corporate Management	413	413	350	0	413	0
Total	1,348	1,348	898	0	1,348	0
Democracy & Governance						
	Latest Budget £000	Year End Forecast at Period 8 £000	Actuals £000	Forecast Variance £000	Year End Forecast at Quarter 2 £000	Change in Forecast £000
Service						
Legal And Democratic	2,025	2,049	1,112	24	2,008	41
Total	2,025	2,049	1,112	24	2,008	41
Human Resources						
	Latest Budget £000	Year End Forecast at Period 8 £000	Actuals £000	Forecast Variance £000	Year End Forecast at Quarter 2 £000	Change in Forecast £000
Service						
Human Resources Client	54	54	(10)	0	54	0
HR Shared Service	497	497	388	0	497	0
Total	551	551	378	0	551	0

At the end of Period 8 an overspend of £0.024m is forecast for Democracy and Governance Service. There is no variation to budget forecast for the Corporate Strategy and Communications and Human Resources services.

2. Revenue Variances

Reported variances are itemised in the table below. The reported position includes a forecast overspend for the Legal Shared Service with St Albans due to implementation costs and the use of agency staff prior to permanent recruitment of staff to the new service.

Service Area	Description	Details of Variances	£'000
Democracy & Governance	Legal Services	Savings on employee costs in relation to a vacant post	(14)
		increased costs of the Legal shared service	40
		Other Variances	(2)
		TOTAL	24

3. Capital Investment Programme

There is one small capital budget within this service area relating to town boundary signage. It has been agreed to delay the implementation of this project. A request to rephase the budget is included within the Budget Planning Report which will be considered by Finance Scrutiny Committee on 10 January, Cabinet on 15 January and Council on 30 January 2024.

Budget Area	Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actuals to date £'000	Latest Budget 2024/25 £'000	Latest Budget 2025/26 £'000
Corporate Strategy and Comms	Corporate Communications	65	0	0	0	0

There are currently no capital investment budgets for this service area for 2024/25 and 2025/26.

Strategic Finance

1. Revenue Summary

Service	Year End				Year End	
	Latest Budget £000	Forecast at Period 8 £000	Actuals £000	Forecast Variance £000	Forecast at Quarter 2 £000	Change in Forecast £000
Corporate Costs	3,331	1,685	(246)	(1,646)	1,725	(40)
Finance & Resources	223	431	300	208	431	0
Finance Services Client	1,024	1,187	855	164	1,187	0
Revenues And Benefits Client	1,078	1,078	4,710	0	1,078	0
Service Transformation	59	28	(20)	(31)	28	0
Total	5,714	4,409	5,599	(1,306)	4,449	(40)

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 £1.306m 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	(668)
		Reduction in employers Pension Deficit costs as per pension fund triannual valuation / use of pension reserve	(877)
		Other Variances	18
		TOTAL	(1,306)

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

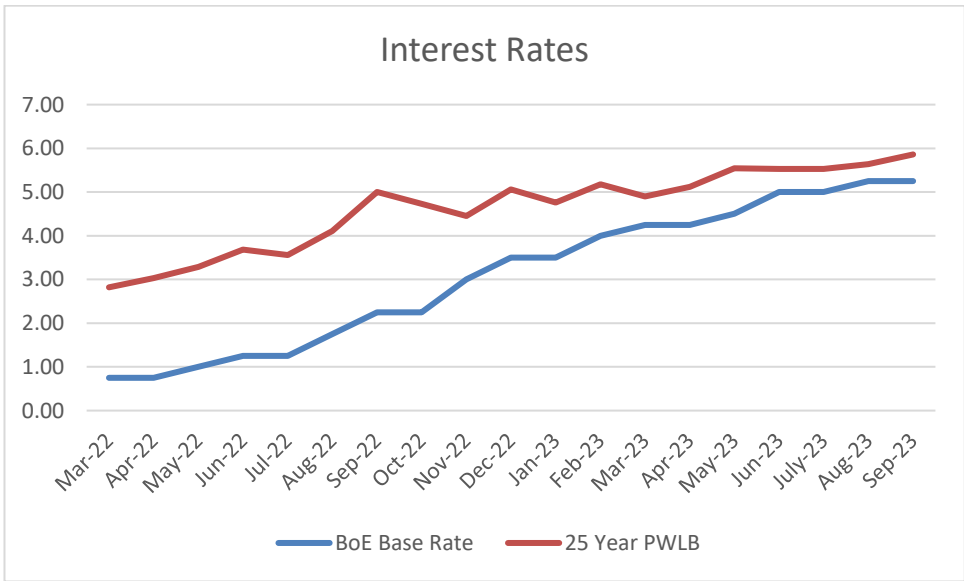
PSAA have agreed a variation of £0.119m taking the total fee to £0.159m. A total pressure of £0.148m is reported across both audits.

At 30 November 2023 the Council had external borrowing of £64.500m (£64.500m at 30 September 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

Services	Latest Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Actuals to date £'000	Latest Budget 2024/25 £'000	Latest Budget 2025/26 £'000
Capital Support Services	677	677	0	677	677
Hart Homes JV	5,025	0	0	0	0
Capital Budget Contingency	833	518	0	(300)	0

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	Actual 2023/24	Scheme Update
	£	£	£	£	
Capitalised Support Services					
Support Services	552,470	552,470	0	0	
Major Projects - FBP and QS	124,390	124,390	0	0	
Hart Homes JV					
Land Transfer - Croxley View Phase 3	3,130,000	0	(3,130,000)	0	Service request for budget rephasing into 2024/25.
Land Transfer - Rear Of High St	760,000	0	(760,000)	0	In year saving declared by service.
Land Transfer - Scheme A	605,000	0	(605,000)	0	
Land Transfer - Scheme B	530,000	0	(530,000)	0	
Capital Budget Contingency					
Capital Contingency	832,931	517,931	(315,000)	0	Budget rephasing and savings identified by service.
Total	6,534,791	1,194,791	(5,340,000)	0	

Capital Financing 2023/24

	£m
Latest Budget (including carry forwards)	46.834
Variiances previously reported	(11.059)
Variiances this period (Appendix 3)	(2.862)
Year End Forecast	32.912
Funded By:	
Grants & Contributions, S106 & CIL	(3.701)
Reserves	(0.113)
Capital Receipts	(7.602)
Land Transfer	(3.830)
Borrowing (Internal & External)	(17.666)
Total Capital Financing	(32.912)

Revenue Reserves Forecast 2023/24

Description	Balance at 1 April 2023 £000	Agreed use of Reserves £000	Variations £000	Balance at 31 March 2024 £000	Purpose
Earmarked 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	598	(5,696)	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	3,507	(11,357)	cover any shortfall from Croxley Park
Renewal Recovery Fund	(568)	500	0	(68)	Budgeted to be used over the MTFs to offset the reduction in income due to COVID-19
Total Earmarked Reserves	(36,055)	2,168	5,095	(28,792)	
General Fund Working Balance	(2,000)	69	216	(1,715)	Risk assessed prudent balance is £2.000m
Total Revenue Reserves	(38,055)	2,237	5,311	(30,507)	

Revenue Budget Virements for approval by Council

Reference	Budget	Income / Expenditure	In year or permanent?	Amount £	Virement Description
009-2023/24	Place General Funding	Expenditure Income	In Year	598,000 (598,000)	Utilization of the Riverwell Reserve to support short term shortfall in commercial income on a one-off basis.
010-2023/24	Place General Funding	Income Expenditure Income	In Year	(9,714,829) 13,220,364 (3,505,535)	Creation of Budgets for Croxley Business Park
011-2023/24	Strategic Finance			(779,973)	
	Place			303,663	
	Corporate, Housing and Wellbeing Democracy and Governance	Expenditure	In Year	274,803 110,981	Allocation of Budgets for 2023/24 Pay Award
	Corporate Strategy and Comms			48,056	
	Human Resources			42,470	
Total Virement				0	

In year virements apply only to the current financial year.
Permanent virements create an ongoing budget change.

Key Budgetary Risks

Ref.	Type of Consequence	Comment	Likelihood	Impact	Overall Score
Corp 7	Council budget is not sufficient to undertake all services and projects desired / required	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.7 on the Council's corporate risk register.	3	4	12
15	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. The economic climate has increased risk as evidenced by tenants going into administration. The Council's management of the commercial investment portfolio is supported by LSH and closely monitored by the Property Investment Board (PIB).	4	3	12
7	Revenue balances insufficient to meet estimate pay award increases	The Council's 3 year Medium Term Financial Strategy (MTFS) includes forecast pay awards for the next three years linked to inflation forecasts. The final award for 23/24 has now been confirmed and the pressure has been managed in year through use of reserves.	3	3	9
9	Revenue balances insufficient to meet other inflationary increases	The budget planning process for 2024/25 onwards will address the ongoing impact of high inflation on contract costs during 2022/23 and 2023/24. .	3	3	9
10	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	2	6
Page 11 11	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
Page 32 32	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
13	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances.	1	2	2
14	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.	2	2	4
18	The amount of government grant is adversely affected	The provisional grant settlement has been factored into the MTFS. A prudent forecast is made for future years in the absence of a multi year local government finance settlement.	2	3	6
19	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
16	The Council is faced with potential litigation and other employment related risks	One off pressures are managed by use of reserves.	3	1	3
21	Loss of Key Personnel	Following a revision of job descriptions, minor amendments to the structure, and a successful recruitment campaign during 2022/23, the Finance team is currently fully staffed. All staff have an annual Personal Development Review which contains smart objectives including objectives related to career development and identification of training needs and opportunities.	1	3	3
		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	Implemented but high underperformance, partially offset by operating savings
	Fees and Charges	Additional income from Garden Waste Collection	(208,820)	Delivered	
	Income generation	Donations for use of paddling pools	(25,000)	Amber	
	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)	Delivered	
	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)	Green	
	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)		

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Wednesday, 10 January 2024

Report author: Chief Finance Officer

Title: Financial Planning 2024/25 to 2026/27

1.0 Summary

1.1 This report sets out the draft Budget for 2024/25 and Medium Term Financial Strategy to 2026/27 which will be considered by Cabinet on 15 January 2024 before the budget is recommended to Council on 31 January 2024.

1.2 It includes:

- the draft revenue budgets for the period 2024/25 to 2026/27
- the draft capital programme for the period 2023/24 to 2026/27
- the draft Capital Strategy 2024/25 including the Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Policy

1.3 The report also includes advice from the Chief Finance Officer and Section 151 Officer on the adequacy of general reserves and balances in the context of the three-year planning horizon 2024/25 to 2026/27.

2.0 Risks

2.1 The Finance and Budgetary Risk Register is included within Attachment 1 – Budget Planning Report at appendix 11.

3.0 Recommendations

Finance Scrutiny Committee is recommended to:

3.1 Consider the draft budget as set out in Attachment 1 – Budget Setting Report and Attachment 3 – Directorate Budget Book 2024/25 to 2026/27.

3.2 Consider the Capital Strategy for 2024/25, including the Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Policy as set out in Attachment 2 – Capital Investment Strategy.

3.3 Note the advice provided by the Chief Finance Officer on the robustness of estimates and the adequacy of reserves as set out in Appendix 10 to Attachment 1 – Budget Setting Report.

3.4 Make any recommendations to Cabinet.

Cabinet will be recommended to:

3.5 Approve an allocation of £1.500m Strategic CIL to pump prime operation and maintenance costs of the Colosseum between 2024/25 and 2029/30

3.6 Delegate to the Chief Finance Officer in consultation with the Portfolio Holder for Property, Resources and Customer Services the ability to amend the budget figures in accordance with decisions taken at the Cabinet meeting on 15 January 2024 and any minor variations that may occur before the Council meeting on 30 January 2024.

Cabinet will be asked to recommend to Council that:

3.7 Council resolves in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2024/25 is 35,532.1 as outlined in the report.

3.8 Council approves the budget (Attachment 1) as laid out in the report, including:

- the revenue budget for 2024/25
- the Capital Investment Programme 2023/24 to 2026/27

3.9 Council approves the Capital Strategy for 2024/25, and delegates to the Chief Finance Officer in consultation with the Portfolio Holder for Property, Resources and Customer Services responsibility for agreeing and maintaining the Treasury Management Strategy Statement. (Attachment 2)

3.10 Council agrees to increase the annual Council Tax for a Band D property 2024/25 by 2.99%. This will apply to all other bands.

3.11 Council agrees to the creation of a Redundancy Reserve and to rename the Riverwell Project Reserve to Commercial Risk Reserve.

3.12 Council notes the key risks identified and approves their proposed mitigations as set out in Appendix 11 to Attachment 1 – Budget Setting Report.

3.13 Council notes the advice provided by the Chief Finance Officer on the robustness of estimates and the adequacy of reserves as set out in Appendix 10 to Attachment 1 – Budget Setting Report.

3.10 Council notes the indicative budgets for 2025/26 and 2026/27 as set out in Attachment 1 and Attachment 3.

Further information:

Hannah Doney
hannah.doney@watford.gov.uk

Report approved by:

Hannah Doney, Chief Finance Officer and Section 151 Officer

4.0 Detailed proposal

4.1 The detailed proposal is set out in Attachment 1 – Budget Setting Report, Attachment 2 – Capital Investment Strategy, and Attachment 3 – Directorate Budget Book 2024/25 to 2026/27.

5.0 Implications

5.1 Financial

5.1.1 The Chief Finance Officer comments that the financial implications are set out in Attachment 1 - Budget Setting Report, Attachment 2 - Capital Investment Strategy and Attachment 3 – Directorate Budget Book 2024/25 to 2026/27.

5.2 Legal Issues (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that the council’s budget must be approved by full Council and all decisions taken regarding the budget must be by a named recorded vote.

5.2.2 The Local Government Act 1992 requires billing authorities to complete and approve their budgets and set a council tax before 11 March each year, prior to the start of the financial year on 1 April. The budget and Council Tax Requirement for 2024/25 must therefore be agreed by Council by 11 March 2023.

5.2.3 It is a statutory requirement that the Capital Strategy is reviewed annually. The report meets the requirement of CIPFA’s Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

5.2.4 It is a statutory requirement that the Chief Financial Officers provides a report under Section 25 of the Local Government Act 2003 on the robustness of estimates used in the budget and the sufficiency of the Council’s reserves. This is included as Appendix 10 in Attachment 1 – Budget Setting 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 This report provides an overview of Budget proposals and equalities issues will be specifically considered for all changes to services as a result of the budget proposals.
- 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 Where budget proposals impact on teams or individuals there will be appropriate engagement or consultation in line with best practice. During 2023/24 there have been a series of staff briefings to ensure that staff are aware of the council’s budget position.

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 implications arising from this report.

5.7 **Sustainability**

- 5.7.1 Sustainability implications are considered within the individual business cases for capital schemes and service changes.

Appendices

- Attachment 1 – Budget Setting Report
- Attachment 2 – Capital Investment Strategy
- Attachment 3 – Directorate Budget Book 2024/25 to 2026/27

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.

- Budget Report 2023/24 to 2025/26 to Council 31 January 2023
- Treasury Management Mid Term Review to Audit Committee 23 November 2023
- Financial Monitoring Report – Period 8 to Finance Scrutiny Committee 10 January 2024

BUDGET SETTING

2024/25 to 2026/27

**Medium Term
Financial Strategy**



1. Executive Summary

- 1.1. The Medium Term Financial Strategy (MTFS) provides Members with information on the overall financial position of the council over the next three years, and brings together the previous budget set by Council in January 2022, the budget monitoring activities carried out during the current year and the latest developments in funding, legislation and cost of service delivery.
- 1.2. Regular budget monitoring reports are presented to Cabinet, Finance Scrutiny Committee and the Corporate Management Board throughout the year. The latest budget monitoring report is available as at the end of November (Period 8).
- 1.3. Each year the council is required to set a realistic, achievable and balanced budget for the forthcoming year and indicative budgets for the medium term. The council defines medium term as the three-year period from the end of the current financial year (1 April 2024 to 31 March 2027).
- 1.4. The reductions in central government funding over the last decade, against a backdrop of increasing demand for services and high inflation, has created a challenging financial environment for local authorities. The Local Government Association (LGA) has stated that councils in England face a £4 billion funding gap over the next two years.
- 1.5. The [LGA statement on the Provisional Local Government Finance Settlement](#) for 2024/25 set out that that the settlement was not sufficient to meet the cost and demand pressures faced by councils and that, 'No council is now immune to the growing risk to their financial sustainability.'
- 1.6. The council has a good track record of delivering services to budget, achieving efficiency savings, generating additional income and minimising service growth in order to continue to provide value for money services to the public and set a balanced budget. This approach has been continued in preparation of the proposed MTFS, which has been guided by an agreed set of principles that help to ensure that budget proposals prioritise Council Plan commitments.
- 1.7. The proposed MTFS for 2024/25 to 2026/27 is set out below and in detail at Appendix 1.

	2024/25	2025/26	2026/27
	£m	£m	£m
Net Expenditure	14.626	14.704	15.209
Funded by:			
Planned Contribution to / (from) General Fund	0.285	0.000	0.000
Business Rates	(3.002)	(3.002)	(3.002)
Government Unringfenced Grant Funding	(1.363)	(0.575)	(0.575)
Deficit on Collection Fund	0.099	0.000	0.000
Council Tax Requirement	10.644	11.127	11.632
Council Tax Calculation:			
Council Tax Base	35,532.10	36,420.00	37,330.50
Council Tax Charge for Band D	£299.55	£305.51	£311.59

- 1.8. The proposed MTFS has been updated to include the latest information on government funding as set out in the Provisional Local Government Settlement, published by the Department for

Levelling Up, Housing and Communities (DLUHC) on 18 December 2023. It also incorporates proposals for investment in services, service efficiencies and income generation and sets aside funding to meet anticipated pay awards over the MTFS period.

- 1.9. Table 1 (on the next page) summarises the changes from the indicative budgets within the current MTFS set in January 2023. Explanations of the changes are set out in the main body of the report and in the detailed appendices.

2. Revenue

- 2.1. The table below sets out the changes between the MTFS agreed in January 2023 and the proposed MTFS at Appendix 1. Explanations of the changes are set out in the paragraphs below.

Table 1 MTFS Changes

MTFS Changes Summary	2024/25	2025/26	2026/27
	£m	£m	£m
Gap in MTFS at 1 April (approved in January 2023)	0.081	0.510	0.510
Changes to Net Expenditure:			
Growth, Savings & Efficiencies	4.894	2.072	0.871
Changes to Use of Earmarked Reserves	(4.996)	(2.772)	(1.066)
Net changes	(0.103)	(0.700)	(0.194)
Revised gap	(0.022)	(0.190)	0.316
Funding Changes:			
Council tax	0.341	0.104	(0.401)
Business Rates	0.000	0.000	0.000
Collection Fund	0.099	0.000	0.000
Additional Government Funding	(0.703)	0.086	0.086
Total Funding Changes	(0.263)	0.190	(0.315)
Contribution to General Fund	0.285	0.000	0.000
Final gap	0.000	0.000	0.000

- 2.2. The detailed MTFS is provided at Appendix 1. The proposed Net Expenditure budget for the council in 2024/25 is **£14.626m**.
- 2.3. The proposed MTFS is fully balanced, with forecast funding equal to net expenditure after planned use of earmarked reserves. However, as set out below, this is dependent on delivering savings across the MTFS, including some savings which are yet to be identified.

Growth, Savings and Efficiencies

- 2.4. The Year End Financial Monitoring Report 2022/23 and Financial Monitoring Report 2023/24 Quarter 1 identified that there were significant financial pressures facing the council that would continue to impact across the MTFS. These pressures were primarily driven by external factors, including inflationary pressures on pay and contracts and demand for services, including temporary accommodation. These pressures increased the budget gap in the MTFS from £0.081m to £2.000m in 2024/25, rising further to £3.000m by 2026/27 from the original gap of

£0.510m. As a result, an immediate savings target of £2.000m was set for 2024/25 with an expectation that further savings would be required over the MTFs.

- 2.5. A set of budget principles was agreed by Portfolio Holders to help guide the identification of savings to meet this target and was included in the Budget Planning Framework Report to Finance Scrutiny Committee in September 2023.
- 2.6. The budget principles set out that in managing the budget the council will:
- Prioritise our Council Plan commitments when we make financial and budget decisions;
 - Make sure we're doing all we can to cut our costs, reduce expenditure and generate income;
 - Balance the needs of our residents as council taxpayers, with providing the services our communities value most;
 - Ensure charged-for services keep pace with the cost of providing them and that Watford residents always come first when we review charges;
 - Make sure all our contracts are delivering good-value, quality services;
 - Explore different ways of delivering our services that would save money;
 - Minimise the impact of any changes in our services as far as possible;
 - Keep residents informed about our finances and seek views on which services they value, including through our People's Panel, before we make budget decisions;
 - Be open and clear when making budget and service decisions;
 - Keep up to date with any national changes that might impact our finances and be ready to respond if we need to review our budget;
 - Continue to be bold and ambitious for Watford.
- 2.7. The draft budget includes efficiency savings and savings from service changes of £2.238m in 2024/25, rising to £3.080m in 2026/27. Of these, £0.616m is expected to come from Service Redesigns in 2024/25 with the total saving increasing to £1.346m in 2026/27. Service Redesign savings are yet to be fully identified, although a significant portion of the savings for 2024/25 is expected to be achieved through voluntary redundancy. Staff were invited to apply for voluntary redundancy in December and arrangements will be confirmed in early 2024. Services impacted by voluntary redundancy and removal of vacant posts from the establishment will be prioritised in phase 1 of service redesign with remaining services following on.
- 2.8. The growth items included within the revenue budget address the ongoing impact of in year budget pressures in 2023/24.
- 2.9. The Directorate Budget Book at **Attachment 3** sets out the detail of the growth items, savings and efficiencies by service area.
- 2.10. Within the growth items is additional budget of £1.960m across the MTFs to pump prime and maintain the operation of the refurbished Colosseum, which is expected to be completed in Autumn 2024 subject to confirmation of the refurbishment timeline. The total budget required for the initial part year and over the following five full financial years of the contract is £2.499m, after which period the operation is expected to become self-financing, with the potential of delivering income to the council through a profit share mechanism between the council and the appointed operator. The following table sets out the budget profile to 2029/30 which is in line with the operator's business plan for the period:

Table 2 Colosseum Funding

2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
£m	£m	£m	£m	£m	£m	£m
0.816	0.694	0.450	0.197	0.172	0.170	2.499

2.11. The refurbished Colosseum will provide cultural infrastructure and it is, therefore, intended to use Strategic Community Infrastructure Levy (CIL) funding to support the pump priming and ongoing maintenance during the early years of its operation. Of this, £1.184m was already agreed to be funded from CIL by Cabinet on 13 March 2023. Cabinet is recommended to agree a further allocation of £1.500m from Strategic CIL to enable the signing of the contract with the operator. This will provide sufficient funding to meet the budget requirement up to 2029/30 and provide a contingency of £0.185m for additional costs.

Use of Earmarked Reserves

2.12. The budget includes the use of reserves to manage the timings of cashflows in relation to commercial income and income from the council's joint ventures. Further detail is provided section 4 below and **Appendix 9**.

Contribution to General Fund

2.13. The MTFS includes a contribution of £0.285m in 2024/25 to restore the General Fund to the risk assessed level of £2.000m. Further detail is provided in section 4 below and **Appendix 9**.

Impact of funding changes and Future Assumptions

2.14. The council receives its income from various sources to fund revenue expenditure on the services it provides. These are subject to fluctuation. The table below shows the adjustments to the budgets for the funding streams over the MTFS. These adjustments amount to a total increase in resources of (£0.389m) over the MTFS.

Table 3 Changes in Funding Against Budget

Funding Changes	2024/25 £m	2025/26 £m	2025/26 £m	Over MTFS £m
Business rates	0.000	0.000	0.000	0.000
Council tax	0.341	0.104	(0.401)	0.044
Collection Fund (Surplus) / Deficit	0.099	0.000	0.000	0.099
New Homes Bonus	(0.788)	0.000	0.000	(0.788)
Revenue Support Grant	(0.007)	(0.007)	(0.007)	(0.020)
Services Grant	0.092	0.092	0.092	0.277
Total	(0.263)	0.190	(0.315)	(0.389)

2.15. On 5 December 2023, the Department for Levelling Up, Housing and Communities (DLUHC) issued the 'Local government finance policy statement 2024/25'. This statement built on the policy statement issued in 2023/24 which covered both 2023/24 and 2024/25.

2.16. The policy statement confirmed that the increased flexibility for Council Tax outlined in the Chancellor's Autumn Statement on 17 November 2022, which increased the referenda limit by 1% to 3% or more than £5 (whichever is the greater) for 2023/24, was extended for 2024/25.

- 2.17. It was also confirmed that there would be a new round of New Homes Bonus (NHB) payments in 2024/25 but that this is a one-off allocation and will not attract legacy payments for future years.
- 2.18. The Provisional Local Government Finance Settlement 2024/24 was published on 18 December 2023. This confirmed the approach outlined in the policy statement and provided detailed grant allocations for 2024/25:
- Revenue Support Grant £0.107m
 - Services Grant £0.018m
- 2.19. The Provisional Settlement also includes an allocation for New Homes Bonus. However, this figure is subject to change as it based on Council Tax Base figures that have subsequently been revised. The estimated grant, calculated on the revised data, is £1.238m. The budget has been prepared based on this revised calculation.
- 2.20. The Provisional Settlement is subject to consultation, which closes on 15 January 2024 with the final settlement expected in February 2023. Any changes to the grant awarded to the council will be reported through the Year End Monitoring Report which will be presented to Council in July 2024.
- 2.21. The number of properties (known as the Council Tax Base) is calculated by adjusting for banding (so that a total number of Band D properties are known) and the effects of the Local Council Tax Reduction Scheme. The analysis of dwellings in **Appendix 2** for the 2024/25 Council Tax Base results in a figure of **35,532.1** after allowing for the Council Tax Reduction Scheme and a collection rate of 97%. Growth during 2023/24 has been lower than forecast and growth of 3.0% is still required to reach the tax base set for 2023/24. Therefore, there is no change proposed to the Tax Base for 2024/25 from 2023/24. It is currently assumed that the tax base will grow in both 2025/26 and 2026/27 by 2.5%.
- 2.22. The average Band D Council Tax charge for 2024/25 is proposed to be **£299.55**, a 2.99% increase from 2023/24. The MTFS includes an assumption that Council Tax will increase by 1.99% in 2025/26 and 2026/27, although this is indicative and subject to review through the budget setting process for 2025/26.
- 2.23. This Council's Council Tax Requirement for 2024/25 is **£10.644m**.
- 2.24. Further detail on the assumptions within the MTFS is set out the Financial Strategy for 2024/25 at **Appendix 3**.

3. Capital Investment Programme

- 3.1. The Capital Investment Strategy is set out in **Attachment 2**. The purpose of the capital strategy is to set out how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. The Capital Investment Programme details the schemes that will be delivered to deliver against the capital investment priorities.
- 3.2. The Capital Investment Programme includes three different types of scheme – business as usual (regular improvements and replacement of key council assets such as buildings, vehicles and ICT), major projects, and loans to subsidiaries and joint ventures. Much of the capital

expenditure which relates to major projects and loans will be returned to the council in future years as capital receipts.

- 3.3. The table below reconciles the Capital Investment Programme agreed by Council in January 2023 to the latest proposed capital programme. The proposed capital programme is set out in **Attachment 3 – Directorate Budget Book** at scheme level.

Table 4 MTFS - Capital Investment Programme

MTFS - Capital	Forecast	Draft Budget	Draft Budget	Draft Budget	MTFS
	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
Original Capital Programme as Approved at Council (January 2023)	46.369	14.990	7.662	0.000	69.021
Approved rephasing and budget changes	0.465	4.942	7.292	0.227	12.926
Latest Budget	46.834	19.932	14.954	0.227	81.947
Virements and reprofiling	(10.618)	8.002	0.396	2.221	(0.000)
Savings and delays beyond MTFS period	(3.311)	(5.492)	(5.385)	0.000	(14.188)
Forecast	32.905	22.442	9.965	2.448	67.760
Growth Items					
Corporate, Housing & Wellbeing Place	0.980	1.143	0.030	0.610	2.763
Strategic Finance	0.000	0.000	0.000	0.677	0.677
Total Growth	0.980	10.474	0.545	2.081	14.079
Total Proposed Capital Programme	33.885	32.916	10.510	4.528	81.839

Funding the Capital Investment Programme

- 3.4. The council funds its capital programme from its reserves, capital receipts, and capital grants and contributions. Subject to prudential and affordable limits, the council may also borrow to support capital investment. This is subject to the affordability and prudential limits set out at a high level by the Government and in detail by the council in its Capital Strategy (Attachment 3). This borrowing requirement may be raised from external providers, or temporarily met internally from cash the council holds day to day.

Table 5 Funding the Capital Programme

Funding Type	2023/24	2024/25	2025/26	2026/27
	Year End Forecast	Proposed Budget	Proposed Budget	Proposed Budget
	£m	£m	£m	£m
Grants & Contributions	1.919	8.613	0.055	0.057
Reserves	0.113	0.194	0.054	-
Capital Receipts	7.602	1.085	-	-
Section 106 & CIL Contributions	2.762	0.600	0.466	0.500
Land Transfer	3.830	5.626	6.900	0.227
Borrowing (Internal and External)	17.659	16.799	3.035	3.744
Total Funding Applied	33.885	32.916	10.510	4.528

- 3.5. The cost of borrowing associated with the delivery of the capital investment programme is included within the revenue budget and is dependent on interest rates and the period over which the borrowing is repaid.

- 3.6. The council’s proposed Prudential Indicators for Capital Finance are set out in **Attachment 2**. The Prudential Indicators provide a framework to ensure that the council’s capital investment plans are prudent and affordable.
- 3.7. When the current capital programme was agreed in January 2023, the Bank of England (BoE) base rate was forecast to peak at 4.5% in May 2023 and then fall to 2.5% by September 2025. As inflation proved more stubborn during the first six months of 2023, the BoE raised base rate higher than forecast to 5.25% in August 2023 and have subsequently maintained that rate. The governor of the BoE has indicated that interest rates will stay higher for longer. The latest forecast from the council’s Treasury Management Advisors expects base rate to fall gradually to 3.0% over the next 24 months to December 2025. The forecast for Public Works Loans Board (PWLB) borrowing is that rates for loans of between five and 10 years will reduce to 3.8% over the same period.
- 3.8. As interest rates have peaked higher and will remain higher for longer than previously forecast, the cost of undertaking capital projects funded by borrowing has increased over the MTFS. Delivery of the Capital Investment Programme as agreed by Council in January 2023 would create significant revenue pressures which would result in needing to identify further revenue savings across the MTFS.
- 3.9. A detailed review of the Capital Programme has been undertaken to ensure that the projections for capital spend are robust, realistic and affordable. This has included looking for opportunities to delay schemes, in some cases beyond the current MTFS period, that are funded by borrowing to a point when interest rates are expected to be lower, resulting in lower costs charged to the revenue budget and reducing the overall project costs. The changes to the capital programme are set out by scheme in **Appendices 4 to 7**.
- 3.10. This approach has protected the revenue budget whilst continuing to deliver significant capital investment over the next three years.

Levelling Up Funding

- 3.11. On 20 November 2023, the council received notification that it has been provisionally awarded £16.022m of grant funding from Levelling Up Round 3 (LUF3). The announcement set out that, for each project, DLUHC will support local authorities to complete a validation and onboarding process and that until that process is completed all funding announced will remain provisional.
- 3.12. The Council expects the validation and onboarding process to be completed before 31 March 2024, but not before the budget for 2024/25 is set by Council on 30 January 2024.
- 3.13. The council’s bid is formed of two projects: refurbishment of the Colosseum, and creation of an Innovation Hub and accompanying Small Business Grants scheme. For both projects, the council’s bid had a commitment to provide match funding:

Table 6 LUF Bid Summary

Project	LUF3 Grant £m	Match Funding £m	Total Project Cost £m
Colosseum	7.787	4.380	12.167
Innovation Hub and Small Business Grants	8.235	4.465	13.100
Total	16.022	8.845	24.867

3.14. The full budget for delivery of Colosseum is already included within the council’s Capital Investment Programme as part of the Town Hall Quarter Programme. It is funded by £2.4m of CIL (agreed in January 2023) and borrowing. However, there is currently no budget for the Innovation Hub and Small Business Grants. Funding for the innovation hub will require a business case, and the council will seek to work with DLUHC to reduce the level of match funding required given the council’s financial position. At present for the MTFS it is proposed that the receipt of £7.787m of grant funding towards the Colosseum will release an equivalent amount of borrowing which will be redeployed to provide the match funding for the Innovation Hub and Small Business Grants and provide an additional contingency across the wider Town Hall Quarter Programme.

3.15. **Appendix 8** sets out the additional budgets required to deliver the projects based on the initial bid. The budgets cannot be incorporated into the Capital Investment Programme until the funding is confirmed. Therefore, Council will be asked to agree a delegation to the Chief Finance Officer in consultation with the Elected Mayor to incorporate the necessary budget changes, as per **Appendix 8**, amended for any changes agreed through the validation and onboarding process, upon confirmation of funding enabling momentum to be maintained on the schemes.

4. General Balances and Earmarked Reserves

4.1. The Council has set aside specific amounts as reserves for future policy purposes and to provide contingency to manage financial risks. The General Balances and Earmarked Reserves Policy Statement 2024/25 is at **Appendix 9** and includes the forecast for the use of reserves over the MTFS.

4.2. The council has two reserves to manage general financial risks. These are the General Fund and the Economic Impact Reserve. It is forecast that the Economic Impact Reserve will be utilised in full in 2023/24 and the General Fund will fall below the risk assessed level of £2.000m. The MTFS includes allocation of £0.285m to return balances to the risk assessed level in 2024/25. This will be achieved by an additional drawdown from the Commercial Risk Reserve in 2024/25.

4.3. The following table sets out the expected movement over the MTFS:

Table 7 General Fund and Economic Impact Reserve Forecast

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
General Fund Opening Balance	(2.000)	(1.715)	(2.000)	(2.000)
Planned Contributions (to) / from reserves	0.285	(0.285)		
General Fund	(1.715)	(2.000)	(2.000)	(2.000)
Economic Impact Reserve Opening Balance	-0.990	0.000	0.000	0.000
Planned Contributions (to) / from reserves	0.990			
Economic Impact Reserve Closing Balance	0.000	0.000	0.000	0.000
Closing Balances	(1.715)	(2.000)	(2.000)	(2.000)

4.4. The council also holds Earmarked Reserves, which are designated to manage specific risks, future one off expenditure or timing differences between grant funding and expenditure. The table below provides a summary of Earmarked Reserve movements over the MTFS.

Table 8 Earmarked Reserves Summary

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Opening Balances	(35.065)	(28.792)	(22.791)	(19.961)
Planned Contributions (to) / from reserves	6.273	6.039	2.830	1.254
Closing Balances	(28.792)	(22.752)	(19.923)	(18.669)

- 4.5. It is proposed to create a £1.000m redundancy reserve from the Pension Funding Reserve in 2023/24 to support Service Redesign across the MTFs. The reserve will be used to meet the cost of redundancy, including pension strain costs, which are payable when employees are 55 years of age and over at the point of redundancy.
- 4.6. The Riverwell Project Reserve will be renamed the Commercial Risk Reserve to reflect the purpose of the reserve which is to smooth the impact on the general fund from fluctuations in income from commercial activities and joint ventures. The reserve was originally created from profit distributions from the Riverwell joint venture (Watford Health Campus Partnership LLP).

5. Key Risk Areas

- 5.1. The council's budget is exposed to risks that can potentially impact on service level provision and financial stability. Officers have identified some key risks pertinent to the information and forecasts in this paper.

5.2. Macroeconomic risks:

- **Inflation**

While inflation fell during the end of 2023 to 3.9% as at November 2023, the impact of two year's sustained high inflation continues to present a risk. A slowing in inflation will reduce future price rises but will not return prices to previous levels meaning that higher prices are baked into expenditure in future years.

- **Interest rates**

The Bank of England (BoE) base rate was raised to 5.25% in August 2023 and has been maintained at that rate. It is expected to decrease over the next 24 months to 3.0% with a corresponding fall in PWLB rates to around 3.8% for durations of five to 10 years. If interest rates do not fall as forecast this will create additional pressure on the council's capital financing revenue budget making new capital investment funded by borrowing unaffordable.

- **Cost of Living and risk of recession**

Economic growth has continued to be slow during 2023. Gross domestic product (GDP), used to measure the health of the economy, contracted by 0.1% between July and September 2023 and was 0% in the previous quarter between April and June 2023. There is a risk that the economy will have entered a technical recession if the economy is found to have contracted between October and December 2023 when data is released in February 2024.

The poor growth during 2023 has contributed to the UK having the sixth weakest growth rate in the G7 when comparing growth from the quarter October to December 2019 to the quarter July to September 2023. UK GDP has growth by 1.4% compared to growth in the US of 7.4%. UK economic growth is expected to remain subdued throughout 2024.

5.3. Local Risks:

- **Croxley Park**

The report to council on the purchase of Croxley Business Park outlined the risks the council was taking on as part of the lease arrangement. There is a substantial cash pot that the council has received to mitigate risks around rental shortfalls and planned programmed maintenance. The retention of this pot against these risks was taken into account in the council decision. The council holds two reserves in relation to Croxley Park. The first is the revenue earmarked reserve to manage fluctuations in rental income as a result of voids, which is forecast to be £11.357m at 31 March 2024. The second is the capital reserve to support ongoing capital improvements to the park. This is forecast to be £64.251m at 31 March 2024.

- **Commercial Income**

With all rental properties, there is risk of the property becoming empty and a void period occurring, either when a lease event occurs (such as a break clause or end of lease) or if a tenant defaults or enters administration. The commercial income budget includes additional income from commercial lettings at Inspire at Watford Business Park. A delay to achieving new lettings or unexpected lease events will create a budget pressure.

- **Development risk (changes in the market)**

If the market changes, then some of the development projects planned may not materialise and offer the benefits envisaged and would also impact adversely on some of the council's joint venture partnerships. The council holds the Commercial Risk reserve to mitigate against the risk of reduced income to the council's revenue budget.

- **Housing**

The housing service is demand led. It is likely to see high demand as residents seek support from the council as the cost of living crisis persists into 2024/25. Homelessness Prevention Grant allocations have been confirmed for 2024/25 (£0.656m). The grant allocation methodology includes enhanced transition arrangements to ensure that no authority has a reduction from their core allocation in 2022/23. DLUHC remains committed to a further review of the allocation methodology and there is a risk that funding will reduce from 2025/26 when current transition arrangements end. In addition, the council is dependent on the delivery of social housing through housing developments to enable residents to move on from temporary accommodation. A delay in delivery of new housing stock will create further demand pressures.

- **Service Redesign**

- **s and savings delivery**

The budget includes a savings target to be achieved through service redesign. These savings will have an impact on workforce capacity. This target is £1.346m at the end of the MTFS. Although some of this target will be achieved through voluntary redundancy, there will remain a significant balance that is still to be identified and there is a risk that this saving cannot be achieved or that there is a significant impact on services as a result of delivering the saving.

5.4. The detailed risk matrix is at **Appendix 11**. The council has a risk management framework and strong governance arrangements in place, including the Property Investment Board, Shareholder Board, Audit Committee and Finance Scrutiny Committee which monitor these risks.

6. Chief Finance Officer's Statutory Report

- 6.1. Under Section 25 of the Local Government Act 2003, the council's Chief Finance Officer (designated officer under section 151 of the Local Government Act 1972) must report to council on the following matters:
- a. the robustness of the estimates made for the purposes of the calculations, and
 - b. the adequacy of the proposed financial reserves
- 6.2. The Chief Finance Officer's Statutory Report is at **Appendix 10**.


REPORT PREPARED BY: Pritesh Shah - Finance Business Partner
Hannah Doney – Chief Finance Officer and Section 151 Officer

BACKGROUND PAPERS:
2023/24 Financial Monitoring Reports
2023-26 Financial Planning Report

APPENDICES:

Appendix 1	Medium Term Financial Strategy 2024/25 to 2026/27
Appendix 2	Council Tax base and calculation 2024/25
Appendix 3	Financial Strategy 2024/25
Appendix 4	New Capital Schemes
Appendix 5	Capital Virements and Reprofileing
Appendix 6	Capital Programme Reductions
Appendix 7	Capital Programme Schemes delayed beyond MTFS Period
Appendix 8	LUF Capital Budgets
Appendix 9	General Balances and Earmarked Reserves Policy Statement 2024/25
Appendix 10	Chief Finance Officer's Statutory Report
Appendix 11	Risk Matrix

Medium Term Financial Strategy (MTFS) 2024/25 to 2026/2027

 WATFORD BOROUGH COUNCIL BE BOLD	Medium Term Financial Strategy		
	2024/25	2025/26	2026/27
	Draft £m	Draft £m	Draft £m
Current MTFS			
Corporate, Housing & Wellbeing Place	6.030 (0.322)	5.985 (0.514)	
Corporate Strategy & Comms	1.363	1.344	
Democracy & Governance	2.078	2.089	
Human Resources	0.596	0.597	
Strategic Finance	4.984	5.903	
Net cost of services	14.728	15.404	0.000
Financial Planning			
Additional Year			15.404
Salary Changes	0.338	0.301	0.343
Pressures, Growth and Other Variances	2.442	1.814	1.745
Timing of income from Joint Ventures and Croxley Park	4.392	2.755	1.779
Changes to use of Earmarked Reserves	(4.996)	(2.772)	(1.066)
Efficiency Savings and Service Changes	(2.238)	(2.691)	(3.080)
Fees & Charges	(0.294)	(0.358)	(0.358)
Contingency for Pay and Other Inflation	0.253	0.251	0.442
Sub-Total	(0.103)	(0.700)	15.209
Total Net Cost of Services	14.626	14.704	15.209
Proposed MTFS			
Corporate, Housing & Wellbeing Place	7.147 0.235	6.747 (0.214)	6.802 0.112
Corporate Strategy & Comms	1.458	1.425	1.449
Democracy & Governance	2.168	2.162	2.167
Human Resources	0.591	0.556	0.557
Strategic Finance	3.027	4.029	4.122
Net cost of services	14.626	14.704	15.209
Use of Corporate Reserves			
Contribution to General Fund	0.285		
Sub-Total	0.285	0.000	0.000
Funding			
Council Tax	(10.644)	(11.127)	(11.632)
Collection Fund (surplus) / deficit	0.099	0.000	0.000
Business Rates	(3.002)	(3.002)	(3.002)
New Homes Bonus	(1.238)	(0.450)	(0.450)
Additional Government Funding	(0.125)	(0.125)	(0.125)
Sub-Total	(14.911)	(14.704)	(15.209)
Total Funding & Use of Reserves	(14.626)	(14.704)	(15.209)
Council Tax Rate Calculation			
<i>Council tax base</i>	35,532.1	36,420.4	37,330.9
<i>Council tax charge for band D</i>	£ 299.55	£ 305.51	£ 311.59
<i>Council Tax Requirement</i>	10,643,641	11,126,797	11,631,926

Council Tax Base and Calculation 2024/25

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WATFORD 2024/25	Properties by Band									
	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Dwellings	0.0	721.0	5,510.0	16,162.0	13,514.0	3,814.0	2,337.0	1,921.0	86.0	44,065.0
2. Demolished	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	1.0
3. Exemptions	0.0	40.0	133.0	235.0	161.0	56.0	28.0	18.0	1.0	672.0
4. Long Term Empty Premium	0.0	2.0	11.0	27.0	12.0	5.0	0.0	0.0	0.0	57.0
5. Disabled Relief	3.0	20.0	28.0	-17.0	-13.0	1.0	-16.0	-6.0	0.0	0.0
6. Chargeable Dwellings (H)	3.0	702.0	5,410.5	15,923.5	13,346.0	3,760.5	2,293.0	1,897.0	85.0	43,420.5
7. Discounts x 25% SPD	0.0	281.0	2,452.0	5,270.0	3,281.0	719.0	359.0	235.0	5.0	12,602.0
8. Discounts x 25%	0.0	3.0	41.0	166.0	106.0	23.0	17.0	10.0	0.0	366.0
9. Discounts x 50%	0.0	0.0	0.0	3.0	12.0	5.0	4.0	9.0	7.0	40.0
10. Discount Deduction (Q)	0.0	71.0	623.3	1,360.5	852.8	188.0	96.0	65.8	4.8	3,262.0
11. Additions/ Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Total Adjustments (J)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13. Sub-Total (H-Q+J)	3.0	631.0	4,787.3	14,563.0	12,493.3	3,572.5	2,197.0	1,831.3	80.3	40,158.5
14. Reduction Scheme (Z)	0.0	72.3	911.2	1,750.9	1,069.6	186.7	47.0	15.9	0.0	4,053.5
15. Net Dwellings ((H-Q+J)-Z)	3.0	558.7	3,876.1	12,812.1	11,423.6	3,385.8	2,150.0	1,815.4	80.3	36,105.0
16. Band Proportion (F)	5.0	6.0	7.0	8.0	9.0	11.0	13.0	15.0	18.0	
17. Band D Proportion (G)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	
18. Band D Equivalents	1.7	372.5	3,014.7	11,388.6	11,423.6	4,138.2	3,105.6	3,025.6	160.5	36,631.0

TAX BASE CALCULATION	
Total Band D Equivalents	36,631.0
Collection Rate	97.00%
Adjusted Band D	35,532.1

Financial Strategy 2024/25

Introduction

1. The Financial Strategy sets out the information and assumptions used in preparing the budget for 2024/25 and indicative budgets for 2025/26 and 2026/27:
 - Inflation
 - Tax base growth
 - Council Tax increases
 - Business rate growth
 - Government funding
 - Financial resilience

Inflation

2. High inflation during 2022 and 2023 has created significant budget pressures in 2023/24 and across the MTFs, primarily visible through pay inflation and contract inflation on the Veolia contract.
3. The latest Bank of England (BoE) [Monetary Policy Committee \(MPC\) Report](#), published on 2 November 2023, reiterated that interest rates would remain high for long enough to get inflation back to the BoE target of 2.0% as measured by 12 month Consumer Price Index (CPI).
4. The BoE forecast indicated that they expect CPI to fall gradually across the MTFs period to below the 2.0% target. The forecast for inflation at the end of quarter 4 for 2023 (December 2023) was 4.6%. CPI for November 2023 was already below this at 3.9%.
5. The Veolia contract is the most significant contract for the Council in terms of budget. The contract includes a provision for annual indexation based on a basket of indices, including the pay award and RPI. The indexation factor is heavily weighted to the pay award which is linked to the National Joint Council (NJC) pay award also paid to Council's staff. The pay award is therefore the biggest driver of inflationary increases across the Council's budgets.
6. Local Government pay is set independently of central government and councils do not receive additional funding from government to meet the cost of a pay award so increases must be found from within existing resources. The majority of councils are part of the NJC for Local Government Services which sets pay nationally. The NJC is comprised of employer and trade union representatives. In setting the pay award, the NJC will take account of the impact of inflation on the real term value of wages.
7. The table below sets out the BoE forecast and the estimates used to prepare the MTFs for pay inflation and contract inflation. It is assumed that pay inflation will fall over the MTFs period in line with the BoE forecast for CPI.

	2024/25	2025/26	2026/27
Bank of England Forecast for Q4	3.4%	2.2%	1.9%
MTFS Pay inflation	4.0%	3.0%	2.0%
MTFS Contract inflation	4.0%	3.0%	2.0%

Tax base growth

8. The Local Government Finance Act 1992 Section 31B (1) - (the Act), requires a billing authority to calculate a base which it, and the major precepting authorities (Police and County council), can use in the formula for setting their respective council tax charges.
9. Dwellings are banded for the purposes of Council tax with a proportion assigned to each banding relative to the value for band D. The council tax base must be set at the number of band D equivalents. The calculation to arrive at this figure is prescribed within The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, Statutory Instrument No 2914/2012.
10. The number of dwellings is also discounted for the expected collection rate. The collection rate was set at 97% for 2023/24. During 2023/24, the collection rate is slightly behind this target at 96.3%. However, additional resource is being put into collection over the remainder of the financial year and is expected to bring this back to target. It is therefore assumed that the collection rate will remain at 97% across the MTFS.
11. The MTFS agreed by Council in January 2023 set a tax base for 2023/24 of 35,532.1. This assumed growth of 4.2% from the 2022/23 tax base. The increase was based on the number of developments under construction or shortly to be in development and were expected to complete by 31 March 2024 which would deliver a 9.1% increase. Further growth of 3.8% was therefore forecast for 2024/25.
12. During 2023/24, completions of new dwellings has been slower than expected. As of September 2023, the actual tax base, adjusted for the collection rate, was 34,490.6. This is 3.0% behind the tax base set for 2023/24. The tax base for 2024/25 will be set at the same level as 2023/24 (35,532.1), recognising that underlying growth of 3.0% is required from September 2023 to achieve this.
13. Growth assumptions for 2025/26 and 2026/27 will be set at 2.5%, effectively reprofiling growth originally forecast for 2024/25 into future years as developments still come forward but at a slower pace as a result of the challenging economic environment and housing market.
14. The lower tax base growth during 2023/24 has also resulted in a forecast deficit on the Council Tax Collection Fund for 2023/24 of which £0.099m is attributable to the Council and will be recovered in 2024/25. Taking a prudent approach to the tax base for 2024/25 will reduce the risk of a further deficit needing to be recovered in 2025/26.
15. The resulting council tax base, after taking accounting of the collection rate is set out in the following table:

	2024/25	2025/26	2026/27
Increase (%)	0.0%	2.5%	2.5%
Increase (number)	0	888.3	910.5
Council Tax Base – Band D equivalents (number)	35,532.1	36,402.4	37,330.9

Council Tax Increases

16. The [‘Local Government Finance Policy Statement 2024/25’](#), issued by the Department of Levelling Up, Housing and Communities (DLUHC), confirmed that that the increased flexibility for Council Tax outlined in the Chancellor’s Autumn Statement on 17 November 2022, which increased the referenda limit by 1% to 3% or more than £5 (whichever is the greater) for 2023/24, was extended for 2024/25. However, no indication has been given to additional flexibility in future years.
17. It has been assumed that the referenda limit will return to the previous limit of 2% of £5, whichever is the greater, for the remainder of the MTFs period. This is on the basis that inflation is also forecast to reduce and the referenda limit is in place to ‘protect local taxpayers from excessive increases in council tax.’
18. The increase and resulting band D council tax charge is as follows:

	2024/25	2025/26	2026/27
Increase (%)	2.99%	1.99%	1.99%
Increase (£)	£8.70	£5.96	£6.08
Band D Council Tax (£)	£299.55	£305.51	£311.59

Business rate growth

19. The Autumn Statement on 22 November 2023 confirmed that the small business rating multiplier will be frozen at 49.9p and the standard business rate multiplier will be increased by 6.7% to 54.6p in line with inflation as measured by 12 month CPI in September 2023. Local authorities receive grant income to compensate for the freeze in small business multiplier equivalent to 6.7%.
20. There are no changes to the projected business rate income in the MTFs which already included growth from 2023/24 of £0.278m. If additional business rate income is achieved it is transferred to the business rate collection fund earmarked reserve to manage shortfalls and timing differences in future years.

Government funding

21. The government has a longstanding commitment to reform local government funding. The Local Government Finance Policy Statement 2024/25 confirmed that the government remains committed to improving the local government finance landscape in the next Parliament. However, the statement also confirmed that the approach to the 2024/25 local government finance settlement would not be fundamentally different to previous years:

“At the 2023 to 2024 Settlement, we heard calls from the sector for stability. Now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth. This continues to be the government’s position.”

22. The 2023/24 Local Government Finance Settlement introduced the principle that all councils would achieve a minimum increase in Core Spending Power of 3.0% before local decisions about levels of council tax increases. This principle was carried forward into the 2024/25 Provisional Settlement. The calculation assesses the value of the estimated growth in the council tax base (using a

compounded average of the growth over the previous four years) and the value of changes in government grant. Where this is less than a 3% increase on the previous year's core spending power a Funding Guarantee Grant is allocated to bridge the gap.

23. The Council has not been allocated any Funding Guarantee Grant as the Council has already achieved a 3.0% increase in core funding as a result of the draft New Homes Bonus allocation and estimated growth in tax base.
24. The Local Government Finance Policy Statement 2024/25 confirmed that there would be a further round of New Homes Bonus for 2024/25. The calculation methodology has remained the same as in previous years. Councils are rewarded for growth in the tax base, after allowing for the change in the number of properties empty for over six months, and the number of new affordable houses. The estimate for 2024/25 is £1.238m.
25. An estimate of £0.450m is included for future years. There is a risk that New Homes Bonus will not continue to in future years as government has previously consulted on removing the funding stream. However, it is expected that if this grant was removed, it would be replaced by alternative funding or transition arrangements that would protect councils from reductions in Core Spending Power.
26. Revenue Support Grant allocations for 2024/25 are based on 2023/24 allocations uplifted by 6.7%, being the CPI rate in September 2023. The Council's allocation has increased by £0.007m from £0.100m to £0.107m. It is assumed that the Revenue Support Grant will remain at the same level across the MTFS.
27. The total Services grant is derived from the resources available to DLUHC after decisions on all other grants. The overall grant has reduced from £783m in 2023/24 to £77m for 2034/25. As a result, the Council's allocation has significantly reduced from £0.110m to £0.018m. It is assumed that the Services Grant will remain at the same level across the MTFS.
28. During 2023/24 it was confirmed that a new funding stream relating to Extended Producer Responsibility for packaging (pEPR) will not be introduced until October 2025. At this stage it is not clear what the value of this funding will be, although Majesty's Treasury (HMT) and Department for Environment, Food and Rural Affairs (DEFRA) had previously committed to assessing the impact of the income of the relative needs and resources of local authorities in the coming year to factor into the local government finance settlement. The funding will replace recycling credits currently received by lower tier authorities from upper tier authorities which are accounted for within the Environment service. With limited information, it has been assumed that this will be neutral to the Council's overall funding position from 2025/26 onwards.

Financial Resilience

29. The Chartered Institute of Public Finance and Accountancy (CIPFA) briefing on the importance of financial resilience defines financial resilience as follows:

In simple terms, this is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. This means having the agility and flexibility to forecast and manage both expenditure and income to meet requirements as they change while delivering a balanced budget.

30. The briefing identifies the following pillars to support the development of strong financial resilience:
- Strong Governance
 - A robust medium term financial plan
 - Integrated and aligned strategies and plans
 - Effective performance monitoring and reporting
 - Effective ownership and accountability
31. Accompanying the briefing, CIPFA launched the Financial Resilience Index in December 2019. It is a comparative tool intended for use by Chief Financial Officers to support good financial management by showing a Council's position on a range of measures associated with financial risk.
32. The index is updated annually and is compiled using publicly available data, primarily drawn from the 'Revenue Outturn' statutory return submitted annually to the Department for Levelling Up, Housing and Communities (DLUHC) following the end of the financial year. The latest version of the index, due to be released in January 2023, is based on data from the 2022/23 financial year.
33. The index has two headline indicators for financial stress that are relevant to lower tier authorities:
- Reserves
 - Debt and interest payable
34. The index can provide a helpful context for an authority's financial position relative to statistical nearest neighbours and the wider sector. However, local context is extremely important when interpreting the data.
35. The draft index shows that at 31 March 2023, the Council had unallocated reserves equivalent to 13.57% of net revenue expenditure for 2022/23 and earmarked reserves equivalent to 104.57%. The change in earmarked reserves was a reduction of 37.32%. As this is deemed to be higher risk when compared to statistical nearest neighbours. However, 2022/23 included significant adjustments in relation to business rate income through the Business Rate Collection Fund Reserve as a result of COVID-19.
36. The reserve sustainability measure provides a measure of how long in years it will take for a council to run out of their reserves if they continue to use them as they have and is represented as a year figure. The figure for Watford is 5.69 years. This is based on past activity and not on future projections.
37. Gross external debt was £303.069m. This includes external debt in relation to the Croxley Park Finance Lease. The ratio of interest payable to net revenue expenditure was 5.46%.

New Capital Projects and extensions to Annual Programmes

Project Proposal	Capital Growth			
	Proposed Budget 2023/24 £m	Proposed Budget 2024/25 £m	Proposed Budget 2025/26 £m	Proposed Budget 2026/27 £m
Place				
Environment				
Waste Collection Service Redesign				
One off capital investment is required to achieve ongoing annual revenue savings of £0.115m from the redesign of the waste collection service managed by Veolia.		0.250		
Veolia Vehicle Replacement Programme				
Update to forecast vehicle replacement costs and profile		0.047		0.194
Watford Market				
Creation of annual budget for minor capital works		0.015	0.015	0.015
Litter Bin Replacements				
Creation of annual budget for litter bin replacements		0.005	0.015	0.015
Shrub Replacements				
Additional year added to annual programme				0.005
Property and Asset Management				
Croxley Park Asset				
Capital works required at Croxley Business Park funded from the capital contribution received on acquisition of the asset through a finance lease.		7.399		
Core Investment Portfolio				
To provide capital expenditure for the council's core portfolio of investment properties including refurbishment of vacant premises and upgrade to ensure compliance with Minimum Energy Efficiency regulations.		1.300	0.160	0.200

Project Proposal	Capital Growth			
	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Planning, Infrastructure and Economy				
CCTV Equipment				
Budget for replacement equipment		0.015	0.025	0.025
EV Charging Points				
Additional year added to annual programme				0.040
Neighbourhood CIL				
Small community grants		0.300	0.300	0.300
Total Growth Place	-	9.330	0.515	0.794
Corporate, Housing and Wellbeing				
Housing and Wellbeing				
Local Authority Housing Fund				
Grant funding to deliver homes for refugees	0.980	1.029		
Temporary Accommodation				
Renovations to existing property to increase capacity		0.085		
Environmental Health				
Decent Homes Assistance - Additional year added		-		0.100
Private Sector Housing Renewal - Additional year added				0.100
Housing				
Retained Housing Stock - Additional year added				0.050
ICT Annual Programmes				
Additional year added to annual programme				0.330

Project Proposal	Capital Growth			
	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Corporate and Customer				
Building Investment Programme				
To provide capital expenditure for the council's core portfolio of properties		0.030	0.030	0.030
Total Growth Corporate, Housing and Wellbeing	0.980	1.143	0.030	0.610
Strategic Finance				
Capitalised Support Services				
Additional year added to annual programme				0.677
Total Strategic Finance	-	-	-	0.677
Total Growth	0.980	10.474	0.545	2.081

Capital Virements and Reprofileing

Directorate	Service Area	Budget	Virement / Reprofileing	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m	Virement / Reprofileing Description
Corporate Strategy and Comms		Town Boundary Signage	Reprofileing	(0.065)	0.000		0.065	0.000	Delay to scheme implementation
Corporate, Housing and Wellbeing	ICT and Shared Services	ICT-Hardware Replacement Programme	Reprofileing		(0.200)		0.200	0.000	Reprofileing of budget into final year of MTFS
	Customer Experience	Town Hall Refurbishment	Reprofileing	(4.801)	4.801			0.000	Reprofileing based on current delivery programme
		Colosseum Refurbishment	Reprofileing	(2.112)	2.112			0.000	Reprofileing based on current delivery programme
		Annexe Refurbishment		0.039	0.000			0.039	Budget realignment
		Town Hall / Colosseum Fabric Works	Virement	(0.039)	0.000			(0.039)	
	Housing and Wellbeing	Retained Housing Stock	Reprofileing	0.012	(0.012)			0.000	Reprofileing based on current delivery programme

Directorate	Service Area	Budget	Virement / Reprofiting	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m	Virement / Reprofiting Description
Place	Planning, Infrastructure and Economy	Wayfinding & Public Art Strategy	Virement	(0.169)			0.269	0.100	Delay to scheme implementation and merger of budgets
		Heritage Trail			(0.100)			(0.100)	
		EV Rapid Charging Points Programme	Reprofiting		(0.020)	(0.020)	0.040	0.000	Reprofiting based on current delivery programme
		High St Phase 2 (St Mary's)	Reprofiting	(0.457)			0.457	0.000	Delay to scheme implementation
		Parades Improvements	Reprofiting		(0.100)		0.100	0.000	Reprofiting based on current delivery programme
		Parades Improvements Public Realm (Bridle Path Improvements)	Virement	(0.054) 0.054				(0.054) 0.054	Budget realignment
		Lower High Street	Reprofiting	(0.100)			0.100	0.000	Delay to scheme implementation
		Green Spaces Strategy			(0.200)			(0.200)	Budget realignment
		St Albans Rd Imp Works (Ph 2)	Virement		0.100	0.100		0.200	
		Public Realm (Clarendon Rd Phase III)	Reprofiting	(0.070)	0.070			0.000	Reprofiting based on current delivery programme
		Cycle & Road Infrastructure Improvements	Reprofiting	(0.416)	(0.200)	0.416	0.200	0.000	Reprofiting based on current delivery programme
		TTIW Delivery Programme	Reprofiting		(0.100)		0.100	0.000	Reprofiting based on current delivery programme

Directorate	Service Area	Budget	Virement / Reprofiting	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m	Virement / Reprofiting Description	
Page 24 Page cont.	Property and Asset Management	Community Asset Review	Reprofiting		(0.100)		0.100	0.000	Reprofiting based on current delivery programme	
		Watford Riverwell	Reprofiting	2.457	(1.857)	(0.600)		0.000	Reprofiting based on latest draft Business Plan	
		Surplus Site - Land Acquisition (Site A)		0.140				0.140	Budget realignment	
		Surplus Sites Infill Sites (LEP funded)	Virement		0.300	0.100		0.400		
	Environment				(0.540)				(0.540)	
		Flats - Extension Of Recycling Provision			(0.021)				(0.021)	Budget realignment
		Veolia Capital Improvements	Virement	0.010	0.011				0.021	
		Allotment Provision	Reprofiting	(0.050)	0.050				0.000	Reprofiting based on current delivery programme
		Vicarage Rd - WFC Memorial Area		(0.060)					(0.060)	Budget realignment
		North Watford Cemetery Improvements	Virement		0.060				0.060	
		Watford Market Tree Planting Programme		0.015					0.015	Budget realignment (balance from Capital contingency below)
		Cassiobury Park Wetlands		0.019					0.019	
		Cassiobury Park Ad Hoc Works	Virement	(0.008)					(0.008)	
		Parks - Building Investment		(0.004)					(0.004)	
Tree Planting Programme	Reprofiting	0.022	(0.022)				0.000	Reprofiting based on current delivery programme		
Shrub Replacement (Open Space)	Reprofiting	(0.020)				0.020	0.000	Reprofiting based on current delivery programme		

Directorate	Service Area	Budget	Virement / Reprofiting	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m	Virement / Reprofiting Description
Place cont.	Environment cont.	Water Fountains in Green Flag Parks	Reprofiting		(0.020)		0.020	0.000	Reprofiting based on current delivery programme
		Woodside Sports Village	Reprofiting	(0.950)		0.400	0.550	0.000	Reprofiting based on current delivery programme
Strategic Finance		Capital Contingency	Reprofiting	(0.300)	0.300			0.000	Reprofiting based on in year forecast
		Capital Contingency	Virement	(0.022)				(0.022)	Budget realignment
		Land Transfer - Croxley View Phase 3	Reprofiting	(3.130)	3.130			0.000	Reprofiting based on latest draft Business Plan
Total Virements and Reprofiting				(10.618)	8.002	0.396	2.221	0.000	

Capital Programme Reductions

Budget	2023/24 £m	2024/25 £m	2025/26 £m	Explanation
Watford Riverwell			(4.299)	As per Watford Health Campus Partnership LLP Business Plan
Veolia Contract Fleet Requirements			(0.011)	As per current fleet replacement programme
Flats - Extension Of Recycling Provision	(0.045)			In year saving on capital budget with additional implementation costs met from the revenue budget
Infill Sites (LEP funded)	(0.301)			Rationalisation of budget with Surplus sites
St Albans Rd Imp Works (Ph 2)	(0.011)			In year saving
Paddock Road Depot Enhancements	(0.066)			In year saving
Oxhey Grange-Bowling Gr'N Imps	(0.049)			In year saving
Cassiobury Park Tennis Courts	(0.040)			In year saving
Watford Tennis Partnership	(0.025)			Scheme removed from programme pending full business case
Lea Farm Recreation Improvements	(0.012)			In year saving
Oxhey Park North	(0.041)			In year saving
Footpaths - Cassiobury Park Nature Reserve	(0.096)		(0.100)	Capital budget removed - maintenance funded through revenue
Footpaths - Cassiobury Park	(0.044)		(0.100)	Capital budget removed - maintenance funded through revenue
Water Fountains in Green Flag Parks	(0.025)	(0.005)	(0.025)	Programme reduced from two drinking fountains per year to one drinking fountain per year
Orchard Park Ballproof Fence & Astroturf Wicket		(0.060)		Planned scheme is not viable
Orchard Park & Callowland Cricket Improvements	(0.014)			In year saving
Land Transfer - Rear Of High St	(0.760)			As per Hart Homes Development LLP Business Plan
Land Transfer - Scheme A	(0.605)			As per Hart Homes Development LLP Business Plan
Land Transfer - Scheme B	(0.530)			As per Hart Homes Development LLP Business Plan
	(2.663)	(0.065)	(4.535)	

Capital Programme Schemes delayed beyond MTFS Period

Budget	2023/24 £m	2024/25 £m	2025/26 £m	Explanation
ICT-Hardware Replacement Programme	(0.100)			Right sizing of budget across MTFS period
Play Area Improvements	(0.085)	(0.055)	(0.075)	Right sizing of budget across MTFS period
Tree Planting Programme		(0.003)	(0.025)	Right sizing of budget across MTFS period
Community Asset Review	(0.055)	(0.050)	(0.400)	Right sizing of budget across MTFS period
Cycle & Road Infrastructure Improvements			(0.250)	Programme will be delivered over an extended period beyond the current MTFS
TTIW Delivery Programme	(0.286)	(0.050)		Right sizing of budget across MTFS period
Parades Improvements	(0.225)		(0.100)	Programme reduced from two parades per year to one parade per year
Woodside Sports Village		(5.269)		Work on the Pavilion delayed to 2026/27 and 2027/28 resulting in some budget moving outside the current MTFS period
	(0.751)	(5.427)	(0.850)	

Levelling Up Funding – Capital Programme Changes

Budget	2024/25 £m	2025/26 £m	2026/27 £m	Explanation
Innovation Hub	7.735	4.365		Creation of £12.1m budget for delivery of Innovation Hub
Small Business Grants	0.500	0.500		Creation of £1.0m budget for capital grants to small businesses
Additional THQ Programme Contingency	2.922			Programme wide contingency to manage construction price inflation
Total	11.157	4.865	0.000	

General Balances and Earmarked Reserves Policy Statement 2024/25

Summary

1. As set out in Part 4 Section 7 of the council's Constitution (paragraph B.15), it is the responsibility of the Chief Finance Officer to advise the Executive and/or the council on the prudent levels of reserves for the council. This policy sets out the council's approach to determining and maintaining the appropriate level of general balances and earmarked reserves held on the Council's balance sheet, as recommended by the Chief Finance Officer.
2. In making these recommendations the Chief Finance Officer is cognisant of their obligations under Section 25 of the Local Government Act 2003 to report to Council on the adequacy of proposed financial reserves when setting the budget.
3. The policy is prepared with reference to the CIPFA Financial Resilience Index and associated guidance 'The importance of financial resilience'.
4. The governance arrangements for the use of earmarked reserves are set out within the Budget and Policy Procedure Rules which form Part 4 Section 4 of the council's Constitution.

Statutory Position

5. The provisions of the Local Government Finance Act 1992, Section 31, have the effect of obliging a local authority to set a balanced budget, by providing that its forecast expenditure must align with its forecast income. The forecast income may include transfers from the authority's reserves, but this must be specified in the calculations. Similarly, reserves can be used to carry money forward into future years.

Level of General Balances

6. General Balances are held by the council to mitigate budgetary risk. There is no statutory guidance on the level of balances that should be held by an authority. However, it is considered prudent to maintain a level of balances that is commensurate with financial risk.
7. An annual risk assessment is undertaken by the Chief Finance Officer to establish the appropriate minimum level. For 2024/25 this is recommended to remain at £2.000m. This equates to 13.7% of the council's Net Expenditure budget for 2024/25 and is deemed to be sufficient to manage unexpected financial pressures in 2024/25.
8. In addition, and as set out below, the council holds reserves for specific financial risks which would be drawn upon before General Balances are utilised. The adequacy of these reserves is also considered when the risk assessment is undertaken.
9. Based on the latest financial monitoring position to the end of November 2023, the level of General Balances at 31 March 2024 are forecast to be below the risk assessed level. As the risk assessment provides a minimum level for balances, it is prudent to return balances to this level as quickly as possible in order to ensure that the council remains financially resilient. Therefore, the MTFS includes allocation of £0.285m to return balances to the risk assessed level in 2024/25. This will be achieved by an additional drawdown from the Commercial Risk Reserve in 2024/25.

Earmarked Reserves

10. The Department for Levelling Up Housing and Communities (DLUHC) prescribe the following five options for the categorisation of earmarked reserves:

- Budget Stabilisation
- Planned future revenue and capital spending
- Specific risks
- Contractual Commitments
- Other

11. The following paragraphs set out the categorisation of the Earmarked Reserves established by the council and their purpose. The net reduction in Earmarked Reserves across the MTFS is £9.838m. A breakdown of the forecast movement on Earmarked Reserves is set out at the end of this Policy Statement.

12. Budget Stabilisation

- **Economic Impact Reserve**

The economic impact reserve was created to manage the impact of economic downturn. It is forecast to be zero at the end of 2023/24, with the balance utilised in full to manage the impact of inflationary pressures in year. There are no planned contributions to the reserve over the MTFS period.

- **Collection Fund**

This reserve is held to manage fluctuations in Business Rate income that the council receives and the timing of the receipt of government grant which is sometimes paid a year in advance.

13. Planned future revenue and capital spending

- **Grants and Contribution Reserve**

This reserve is used to carry forward ring fenced government grant funding for use in future years. Ring fenced grants should be used for a specified purpose as set out in the grant conditions. Unringfenced grants form part of general balances.

- **Car Parking Zones**

Under Section 55 of the Road Traffic Regulation Act 1984, local authorities are required to keep a separate account of their income from on-street charges and on and off street parking enforcement. If there is a deficit in year this must be met from the general fund, however, surpluses can be carried forward through a reserve. The Car Parking Zones reserve must be used in accordance with the provisions in the Act. Permitted expenditure includes the provisions and maintenance of off street parking, the provision / operation of public passenger transport services, highways or road improvement projects.

- **Sustainability Reserve**

This reserve is being utilised over the MTFS to support within the approved Watford's Environmental Strategy: Addressing the Climate and Ecological Emergency to create a better and more sustainable environment.

- **Renewal Recovery Fund**

The Renewal Recovery Fund was created during 2020/21 to help manage the impact of the COVID-19 pandemic. As agreed in the budget for 2023/24, the balance of this reserve is being used across the MTFS to offset the reduction in income from the leisure management contract.

- **Crematorium**
This reserve is held to fund repairs and maintenance for the crematorium or to manage the impact of reductions to the annual dividend payable by the Joint Committee. The council budgets for a £0.050m annual dividend.
- **Leisure Structured Maintenance**
This reserve is held to manage unforeseen maintenance that is not covered by the leisure management contract.
- **Local Development Framework**
This reserve was created to support the development and inspection of the council's Local Plan.
- **Multi-Storey Car Park Repair**
This reserve is set aside to fund major structural repairs in relation to multi storey car parks.
- **Housing Planning Delivery Grant**
This reserve is used to hold funding provided to improve planning outcomes and the delivery of housing.
- **Rent Deposit Guarantee Scheme**
This reserve is set aside to assist in providing homelessness accommodation. The reserve is forecast to be fully utilised in 2023/24.
- **Pension Funding**
This reserve is used to support the payment of the pension fund deficit. An annual drawdown of £0.200m is budgeted to part fund the past service cost lump sum payment to the pension fund. It is proposed to create a new Redundancy Reserve to support Service Redesign by transferring £1.000m from this reserve in 2023/24.

14. Specific risks

- **Commercial Risk Reserve (formerly Riverwell Project)**
This reserve is used to smooth the impact on the general fund of fluctuations in income from commercial activities and joint ventures.
- **Croxley Park Reserve (Revenue)**
On acquisition of the Croxley Business Park, through a finance lease arrangement, the council received a sinking fund of £24.000m to manage the timing of the recognition of rental receipts and smooth the impact on the council's General Fund. The forecast balance at 31 March 2024 is £11.357m. In addition, the council holds a capital contribution of £64.251m (forecast balance at 31 March 2024) to meet the costs of Planned Preventive Maintenance (PPM) and capital improvements which will be utilised over the life of the lease. The adequacy of these reserves is kept under review and reported to the council's Property Investment Board.
- **Housing Benefit Subsidy**
This reserve is held in the event that the Department for Work and Pensions claw back funds following the annual reconciliation process.
- **Redundancy Reserve (New Reserve)**
It is proposed to create a £1.000m redundancy reserve from the Pension Funding Reserve in 2023/24 to support Service Redesign across the MTFs. The reserve will be used to meet the cost of redundancy including pension strain costs, which are payable when employees are 55 years of age and over at the point of redundancy. Redundancy costs must be recognised in the financial period when the decision is made and not when an individual leaves the organisation. This means that redundancy costs are incurred before savings are achieved.

Revenue Earmarked Reserves and Corporate Reserves Forecast

Description	2023/24			2024/25		2025/26		2026/27		
	Balance at 1 April £m	Agreed Use of Reserves £m	Forecast Variations £m	Balance at 31 March £m	Planned Use of Reserves £m	Balance at 31 March £m	Planned Use of Reserves £m	Balance at 31 March £m	Planned Use of Reserves £m	Balance at 31 March £m
Earmarked Reserves										
Car Parking Zones	(0.331)	0.119		(0.212)	0.121	(0.091)	0.091	(0.000)	(0.009)	(0.009)
Collection Fund	(6.317)			(6.317)		(6.317)		(6.317)		(6.317)
Crematorium	(0.150)			(0.150)		(0.150)		(0.150)		(0.150)
Housing Benefit Subsidy	(1.606)			(1.606)		(1.606)		(1.606)		(1.606)
Housing Planning Delivery Grant	(0.266)			(0.266)		(0.266)		(0.266)		(0.266)
Leisure Structured Maintenance	(0.057)			(0.057)		(0.057)		(0.057)		(0.057)
Local Development Framework	(0.178)			(0.178)		(0.178)		(0.178)		(0.178)
Multi-Storey Car Park Repair	(0.181)			(0.181)		(0.181)		(0.181)		(0.181)
Pension Funding	(2.248)	0.600	1.000	(0.648)	0.200	(0.448)	0.200	(0.248)	0.200	(0.048)
Grants and Contribution Reserve	(1.177)	0.478		(0.699)		(0.699)		(0.699)		(0.699)
Rent Deposit Guarantee Scheme	(0.100)	0.100		0.000		0.000		0.000		0.000
Riverwell Project	(6.522)	0.228	0.598	(5.696)	0.355	(5.341)	0.236	(5.105)	1.170	(3.935)
Sustainability Reserve	(0.500)	0.143		(0.357)	0.038	(0.319)		(0.319)		(0.319)
Croxley Park General Reserve	(14.864)	0.000	3.507	(11.357)	5.257	(6.100)	2.303	(3.797)	(0.107)	(3.904)
Renewal Recovery Fund	(0.568)	0.500		(0.068)	0.068	0.000		0.000		0.000
Redundancy Reserve	0.000		(1.000)	(1.000)	0.000	(1.000)		(1.000)		(1.000)
Total Earmarked Reserves	(35.065)	2.168	4.105	(28.792)	6.039	(22.752)	2.830	(19.923)	1.254	(18.669)
Corporate Reserves										
Economic Impact Reserve	(0.990)		0.990	0.000		0.000		0.000		0.000
General Fund Working Balance	(2.000)	0.069	0.216	(1.715)	(0.285)	(2.000)		(2.000)		(2.000)
Total Corporate Reserves	(2.990)	0.069	1.206	(1.715)	(0.285)	(2.000)	0.000	(2.000)	0.000	(2.000)
Total Revenue Reserves	(38.055)	2.237	5.311	(30.507)	5.754	(24.752)	2.830	(21.923)	1.254	(20.669)

Finance and Budgetary Risk Register

Ref	Risk Categories	Risk description	Cause	Consequence	Response	ORIGINAL RISK ASSESSMENT			Action agreed to respond / mitigate / control	Status	Date raised	Raised by	Risk Owner	CURRENT RISK ASSESSMENT			Action Taken
						Likelihood 1-4	Severity 1-4	Risk Score						Likelihood 1-4	Severity 1-4	Risk Score	
Corp 7		Council budget is not sufficient to undertake all services and projects desired / required	Inflation, inaccurate calculation of fees and changes, ambition for projects outstrips budget, business cases fail to adequately capture financial risks, reduced funding	Council general balances fall below the risk assessed level and the Council is unable to deliver commitments set out in the Corporate Delivery Plan.	Treat	3	4	12	Action taken to mitigate overspend in the current year and a robust budget planning process that captures pressures, savings and prioritisation of resources including within the capital programme.	Open	05/07/21	Hannah Doney, Chief Finance Officer	Hannah Doney, Chief Finance Officer	3	4	12	The budget and MTFS proposed to Council on 30 January sets a balanced budget for 2024/25 and a clear strategy for bringing the budget into balance across the MTFS.
7		Revenue balances insufficient to meet estimate pay award increases	Negotiated pay award is higher than budgeted	In year and MTFS budget pressure	Treat	3	4	12	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	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	3	3	9	The Council's 3 year Medium Term Financial Strategy (MTFS) includes forecast pay awards for the next three years linked to inflation forecasts. The final award for 23/24 has now been confirmed and the pressure has been managed in year through use of reserves.
9		Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	In year and MTFS budget pressure	Treat	3	4	12	Other than contractual agreements, budgets have been cash limited where possible.	Open		Chief Finance Officer	Hannah Doney	3	3	9	The budget planning process for 2024/25 onwards will address the ongoing impact of high inflation on contract costs during 2022/23 and 2023/24.
10		Interest rates resulting in significant variations in estimated interest income and interest payable.	The volatility of the global economy	In year and MTFS budget pressure	Treat	3	3	9	The Council's Treasury Management Strategy Statement enables officers to take prudent investment and borrowing decisions that reduce the cost of carry and minimise	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	3	2	6	The Council has divested from investment in Strategic Pooled Funds (accumulating asset class) in order to maximise the cash available for internal borrowing. In the short term this will also increase investment returns as the cash will generate interest income from short term investments.
11		Inaccurate estimate of fees and charges income	Additional or reduction in demand	Increasing income or reduction in income causing an in year budget pressure	Treat	3	3	9	Key income streams monitored and reported in the Financial Monitoring Reports	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	3	3	9	Economic environment continues to create pressure on income from discretionary services such as planning and building control. This is reported in the financial monitoring report and being addressed through the budget planning process.
12		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 taxable expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs.	In year and MTFS budget pressure	Treat	3	2	6	The partial exemption calculation is completed annually. The council review its PE when projects involve exempt tax and may need to opt to tax to avoid unnecessary budget implications. The Council has a contract with specialist IA	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	1	4	4	The Council continues to monitor the partial exemption calculation and opts to tax where necessary, particularly on significant land transactions.
13		Major emergency	Major emergency requires funds beyond Bellwin scheme and causes serious drain on balances	In year budget pressure	Treat	1	4	4	Reserves could be utilised to manage one off costs.	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	1	2	2	
14		The estimated cost reductions and additional income gains are not achieved	Delay in project, demand changes and increase in resources	In year and MTFS budget pressure	Treat	3	2	6	Reserves could be utilised to manage impact on the budget on a short term basis whilst alternative cost reductions are delivered.	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	2	2	4	The delivery of savings and income generation is monitored and report to Corporate Management Board and to members through the Financial Monitoring Report.
15		The income received from commercial rents decreases	Property becomes void or is disposed of	In year and MTFS budget pressure	Treat	4	4	16	The rental income received from the Council's property portfolio is a significant proportion of the total income the Council receives. This is regularly monitored. The Council holds the Riverwell Reserve to manage the risk around commercial income.	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	4	3	12	The wider economic environment and changes to working practices post COVID 19 mean that commercial income remains a key risk area, as evidenced by tenants recently entering administration. The Council's management of the commercial investment portfolio is supported by LSH and closely monitored by the Property Investment Board (PIB).
16		The Council is faced with potential litigation and other employment related risks	Various	increase costs	Treat	3	2	6	Increase use of reserves	Open		Chief Finance Officer	Hannah Doney	3	1	3	This is an inherent risk.
18		The amount of government grant is adversely affected	Lower allocation within Local Government Finance Settlement	MTFS budget pressure	Treat	4	3	12	The MTFS includes a prudent forecast for grant funding.	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	2	3	6	A prudent forecast is made for future years in the absence of a multi year local government finance settlement.

Ref	Risk Categories	Risk description	Cause	Consequence	Response	ORIGINAL RISK ASSESSMENT			Action agreed to respond / mitigate / control	Status	Date raised	Raised by	Risk Owner	CURRENT RISK ASSESSMENT			Action Taken
						Likelihood 1-4	Severity 1-4	Risk Score						Likelihood 1-4	Severity 1-4	Risk Score	
19		Fluctuations in Business Rates Retention	Changes to legislation	Increasing income or reduction in income causing an in year budget pressure	Treat	2	2	4	The Council is legally obliged to cover the first 7.5% loss on its predetermined baseline level. From April 2020 the system was due to be subject to reset and increase to 75% retention.	Open	05-Jul-21	Chief Finance Officer	Hannah Doney	2	2	4	Reset is now postponed until at least 2025/26.
21		Loss of Key Personnel	Staff leave for promotion/retire	As the Council becomes more complex in its financial arrangements, key skills become more important.	Treat	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	open	05-Jul-21	Chief Finance Officer	Hannah Doney	1	3	3	Following a revision of job descriptions, minor amendments to the structure, and a successful recruitment campaign during 2022/23, the Finance team is currently fully staffed. All staff have an annual Personal Development Review which contains smart objectives including objectives related to career development and identification of training needs.

Watford Borough Council

Capital Strategy

2024/25



1. Introduction

- 1.1 The purpose of the capital strategy (the Strategy) is to set out a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:
- affordable, prudent and sustainable;
 - that treasury management decisions are taken in accordance with good professional practice; and
 - that local strategic planning, asset management planning and proper option appraisal are supported.
- 1.3 This capital strategy sets out how Watford Borough Council will achieve the objectives set out above. It is supported by the following policies which are included as appendices to the strategy:

Appendix 1: Treasury Management Strategy Statement

Appendix 2: Property Investment Strategy

Appendix 3: Minimum Revenue Provision Policy

2. Capital Investment Programme

Capital Investment Programme - Expenditure

- 2.1 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure on:
- property, plant and equipment,
 - intangible assets,
 - heritage assets,
 - investment properties, and
 - loans to subsidiaries and joint ventures.
- 2.2 Property plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.

- 2.3 Intangible assets are assets that are not physical in nature but still deliver value to the organisation over a period of time such as ICT software.
- 2.4 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.
- 2.5 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.
- 2.6 The Council does not capitalise borrowing costs for assets under construction with the exception of development undertaken by joint ventures. The council has a number of joint ventures for development where borrowing costs in relation to assets under construction are routinely capitalised and repaid from the proceeds of sale.
- 2.7 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.
- 2.8 A summary of the proposed capital programme is set in the table below. New major schemes will be subject to individual business cases, including identification of resources and an assessment of affordability. A detailed breakdown of the Capital Programme is set out in Attachment 3 Directorate Budget Book 2024/25 to 2026/27. The monitoring of the capital investment programme is reported to the Budget Report and reported on a quarterly basis to Finance Scrutiny Committee and Cabinet.

Capital Investment Programme	Actual Investment 2022/23	Forecast Year End 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26	Proposed Budget 2026/27
	£m	£m	£m	£m	£m
Corporate, Housing & Wellbeing Place	10.615	10.762	12.041	1.202	0.810
Corporate Strategy & Comms	12.610	21.936	17.068	8.631	2.977
Strategic Finance	-	-	-	-	0.065
Total Capital Investment	10.132	1.188	3.807	0.677	0.677
	33.356	33.885	32.916	10.510	4.528

Capital Investment Programme - Funding

- 2.9 The Capital Investment Programme can be funded from the following sources:
- 2.10 Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise

Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.

- 2.11 Section 106 Contributions and Community Infrastructure Levy: These are contributions from developers secured through the planning process to the public services, amenities and infrastructure required for the development.
- 2.12 Capital Receipts: Capital receipts are derived when selling assets such as land.
- 2.13 Revenue Contributions: Revenue balances from the General Fund may be used to directly fund capital expenditure.
- 2.14 Capital Expenditure Reserves: The Council has reserves which it has put aside for capital expenditure.
- 2.15 Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable.
- 2.16 The capital programme includes an assessment of likely available resources to finance capital expenditure. The funding for the latest capital programme is set out in the table below:

Funding Type	2022/23 Actual Funding £m	2023/24 Year End Forecast £m	2024/25 Proposed Budget £m	2025/26 Proposed Budget £m	2026/27 Proposed Budget £m
Grants & Contributions	8.305	1.919	8.613	0.055	0.057
Reserves	0.008	0.113	0.194	0.054	-
Capital Receipts	2.487	7.602	1.085	-	-
Section 106 & CIL Contributions	0.464	2.762	0.600	0.466	0.500
Land Transfer	-	3.830	5.626	6.900	0.227
Borrowing (Internal and External)	22.094	17.659	16.799	3.035	3.744
Total Funding Applied	33.356	33.885	32.916	10.510	4.528

Property investment

- 2.17 Lambert Smith Hampton (LSH) were commissioned by the Council in 2014 to undertake a strategic property review. The outcome of this process was reported to the March 2015 Cabinet which resulted in a number of decisions on the general aims of the Council, including establishing a Property Investment Board.
- 2.18 The overarching Property Investment Strategy is included at Appendix 2. The strategy objectives have been updated to reflect the latest PWLB lending terms and conditions (revised November 2020) and PWLB Guidance (issued August 2021). The primary aim of the revision to the terms and conditions was to prevent the use of PWLB borrowing to finance investments made on a debt for yield basis; specifically the purchase of investment assets. Access to the PWLB will be restricted for authorities planning to acquire investment assets in the current or following three years, including active portfolio management where the acquisition of a new asset is funded by the sale of an existing asset. However, the Prudential

Code for Capital Finance confirms that authorities with commercial property may continue to invest in the repair, renewal and updating of their existing commercial properties. Authorities can also continue to invest in regeneration projects within their local area.

- 2.19 The Portfolio Holder for Property Resources and Customer Service has delegated powers to agree to acquisitions and disposals up to £10,000,000 and the Executive Director of Place and Associate Director for Property and Asset Management and Property Team Manager (investment assets) have delegated powers to agree to acquisitions and disposals up to £3,000,000. Both of these subject to a full written business case being prepared and signed off by Finance and Legal and the acquisition/disposal being in line with the Property Investment Board Investment Strategy.

Other investments

- 2.20 Watford Borough Council has established a commercial trading company, Watford Commercial Services Ltd, of which it has 100% ownership. At present the only activity carried out through the company is Watford's investment in Hart Homes Development LLP, of which it has a 50% share. This is a joint venture with Watford Community Housing, set up to deliver housing development within the area. In addition, Watford Borough Council has a direct 50% share in Hart Homes (Watford) Ltd which was set up for the ongoing management of rental properties developed by Hart Homes Development LLP.
- 2.21 Watford Borough Council has set up a Local Asset Backed Vehicle (LABV) (the Watford Health Campus Partnership LLP) with Kier to develop Watford Health Campus, known as Watford Riverwell. Under the LABV model, the public sector transfers land and funding when required into the partnership and the private sector matches the value of the public sector assets to deliver the joint venture's objectives, empowering the joint venture (by way of land and money) to deliver the regeneration and transformation activities agreed between the parties.
- 2.22 In July 2019, the Council acquired Croxley Park (a local business park) through a finance lease. Under proper accounting practice for finance lease arrangements, both the asset and lease liability are recognised on the Council's balance sheet. The finance lease is a debt instrument and forms part of the Council's total external debt. The external debt in relation to the finance lease is disclosed separately within the Council's authorised limit and operational boundary for borrowing to distinguish this from external borrowing in the form of loans.
- 2.23 All investment activity in relation to other investments is managed through the capital programme and revenue budget process. The activity of the joint ventures, investments in partnerships and companies is included within the Group Accounts which are prepared as part of the Annual Statement of Accounts.

Future Investment

- 2.24 Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:
- Schemes through the joint ventures that generate a surplus and increase the supply of housing locally.

- Schemes that generate revenue budget savings or income.
- Schemes that allow the council to benefit from future economic regeneration potential within the local area.

2.25 The Council will continue to seek opportunities to work in partnership with others to promote economic development and the provision of housing within Watford’s wider economic area. This will include continuing to work with current partners including Kier for the Riverwell project and Watford Community Housing as the main local registered social provider.

2.26 Where appropriate, the Council will utilise Watford Commercial Services Ltd to allow it to work more closely with providers and exploit future commercial opportunities.

3. Treasury Management

3.1 The Council is required to operate a balanced budget over the medium term which, after allowing for contributions to and from reserves, broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing the requisite liquidity before considering investment return.

3.2 The Treasury Management Strategy Statement (Appendix 1), details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council’s investment strategy’s primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The strategy allows the Chief Finance Officer, in consultation with the Portfolio Holder for Property, Resources and Customer Service, the delegated authority to approve any variation to the Treasury Management Strategy during the year with the objective of maximising the Council’s returns without significantly increasing risk. This could include use of other investment instruments such as Government bonds or Gilts.

3.3 The Council’s Treasury Management advisors, Link Group have provided the following interest rate forecast for the medium term:

Link Group Interest Rate View 07.11.23		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE		5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings		5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings		5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings		5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB		5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB		5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB		5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB		5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

4. Prudential Indicators

- 4.1 All local authorities are required to set prudential indicators for the forthcoming year and following years before the beginning of the forthcoming year. The indicators must be set by full Council.
- 4.2 The prudential indicators fall into two main categories of 'Prudence' and 'Affordability'. The indicators for Prudence are further separated between those relating to the Council's capital expenditure plans and those relating to levels of external debt.

Prudence – Capital Expenditure

- 4.3 The table below sets out the Council's estimates of capital expenditure over the medium term financial planning period and the estimated impact on the Council's Capital Financing Requirement (CFR). The table also includes the actual capital expenditure for 2022/23 and the actual CFR as at 31 March 2023.

	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Forecast	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR relating to Capital programme					
Opening CFR		85.033	97.145	111.197	109.376
Proposed Capital Expenditure		33.885	32.916	10.510	4.528
Capital Financing:					
Grants		(1.919)	(8.613)	(0.055)	(0.057)
Reserves		(0.113)	(0.194)	(0.054)	0.000
Capital Receipts		(7.602)	(1.085)	0.000	0.000
Section 106 and CIL		(2.762)	(0.600)	(0.466)	(0.500)
Land Transfer		(3.830)	(5.626)	(6.900)	(0.227)
Total Financing		(16.226)	(16.117)	(7.475)	(0.784)
MRP		(2.068)	(2.666)	(3.472)	(3.662)
Repayment of loans from JVs		(3.478)	(0.081)	(1.384)	(1.088)
Closing CFR relating to Capital programme*	85.033	97.145	111.197	109.376	108.370
CFR relating to Croxley Park Finance Lease					
Opening CFR		225.046	221.098	217.150	213.202
MRP on Finance Lease		(3.948)	(3.948)	(3.948)	(3.948)
Closing CFR relating to Finance Lease	225.046	221.098	217.150	213.202	209.254
Total Opening CFR		310.079	318.243	328.347	322.578
Total Closing CFR	310.079	318.243	328.347	322.578	317.624
Movement in the CFR		8.164	10.104	(5.769)	(4.954)

*Note the CFR is subject to restatement following the conclusion of the external audits 2020/21 to 2022/23

- 4.4 The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid

for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash (generated by holding reserves and through timing differences between income and expenditure).

Prudence – External Debt

- 4.5 There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 4.6 These prudential indicators ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 4.7 The Operational Boundary is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority’s plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise.

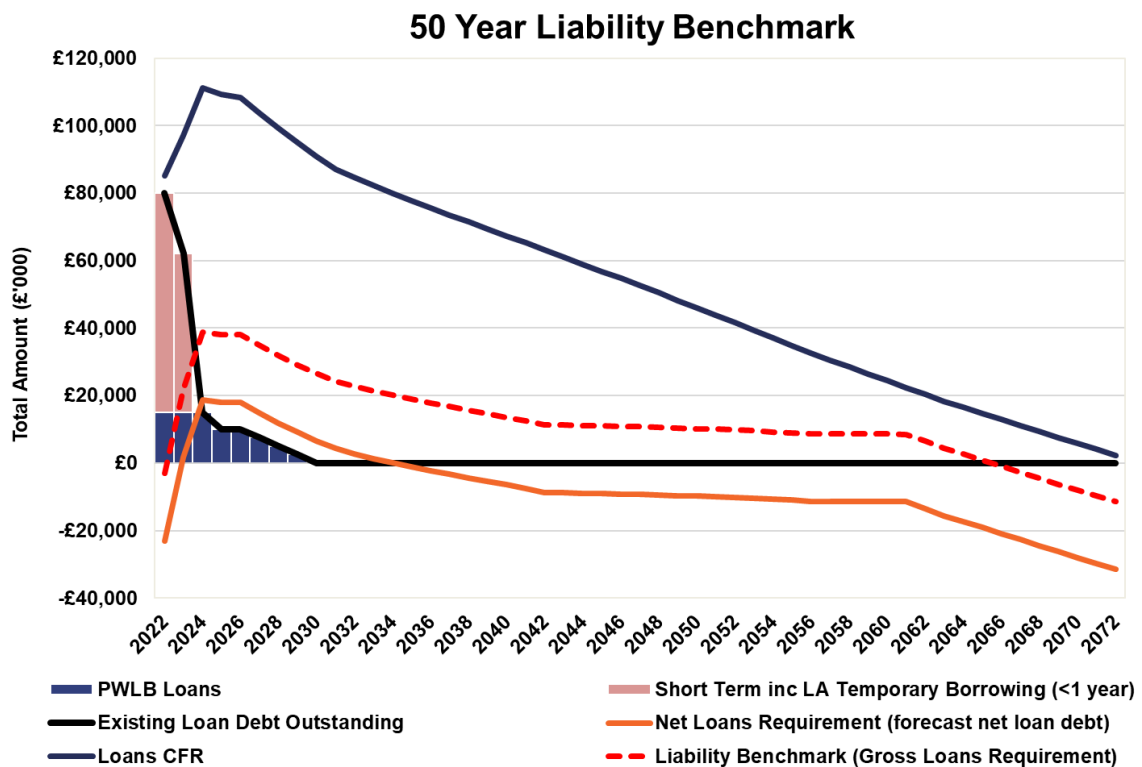
Operational Boundary	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing - Capital Programme	50.000	30.000	40.000	40.000
Finance Lease – Croxley Park	222.000	218.000	214.000	210.000
Total	272.000	248.000	254.000	250.000

- 4.8 The Authorised Limit for External Borrowing controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003.

Authorised Limit	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	64.500	105.000	115.000	115.000
Finance Lease – Croxley Park	227.000	223.000	218.000	213.000
Total	291.500	328.000	333.000	328.000

Treasury Management Indicator – The Liability Benchmark

4.9 The Treasury Management Code of Practice requires local authorities to calculate their Liability Benchmark. The benchmark includes a projection of external debt required over the long term to fund the organisation’s approved budgets and plans compared to the Forecast of total borrowing outstanding. The benchmark should be used to evaluate the amount, timing and maturities needed for new borrowing in relation to the organisation’s planned borrowing needs in order to avoid borrowing too much, too little, too long or too short.



Affordability

4.10 The fundamental objective in the consideration of the affordability of the authority’s capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits.

4.11 In considering the affordability of its capital plans, the authority is required to consider its forecast financial position, including all of the resources currently available to it and estimated for the future, together with the totality of its capital, borrowing and investment plans, income and expenditure forecasts and risks.

4.12 The following indicators provide an indication of the impact of the capital investment plans on the Council’s overall finances.

Financing costs to net revenue stream

4.13 This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream. The net revenue stream is the Council’s core funding of Council Tax, Business rates, and unringfenced central government grants. Investment income includes interest from Treasury Management activities and interest from loans to joint ventures and subsidiaries. The calculation for cost of capital excludes the financing costs in relation to Croxley Business

Park Finance Lease which are reflected in the net income from the Business Park in paragraph 4.15.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Cost of Capital	(0.026)	1.731	2.810	3.490	3.707
Net Revenue Stream	13.685	14.260	14.911	14.704	15.209
Ratio %	-0.19%	12.14%	18.84%	23.74%	24.37%

Net income from commercial investment to net revenue stream

4.14 This indicator is intended to show the financial exposure of the authority to the loss of income.

4.15 Net income from commercial investments comprises net income from financial investments (other than treasury management investments), together with net income from other assets held primarily for financial return, such as commercial property.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Commercial Investment	10.057	11.220	12.877	12.736	11.447
Net Revenue Stream	13.685	14.260	14.911	14.704	15.209
Ratio %	73.49%	78.68%	86.36%	86.62%	75.26%

5. Minimum Revenue Provision (MRP) Strategy and Policy Statement

5.1 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

5.2 The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

5.3 Government Regulations require the Council to approve a MRP Statement in advance of each year. The MRP policy statement for 2024/25 is at Appendix 3.

5.4 Where the Council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget. All business cases for capital investment must set out the level of MRP proposed to ensure that the repayment of any debt can be made in a period commensurate with the period the expenditure provides benefit or makes returns. The business case must also set out the forecast cost of interest payments so that the full cost of delivering and financing the scheme is considered when assessing the value for money of the scheme.

6. Skills, Knowledge and Professional Advice

- 6.1 The Council has a shared service with Three Rivers District Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team.
- 6.2 Watford Borough Council uses Lambert Smith Hampton Investment Management (LSHIM) to provide advice on and management of its investment property portfolio. LSHIM also provide ad-hoc advice where required on other projects. The council procures external advisers on all major projects.
- 6.3 The Council contracts with Link Asset Services for the provision of Treasury Management advice. Link Asset Services provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Councils VAT advisers are PSTax.

7. Risk

- 7.1 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework.
- 7.2 The Council's risk appetite continues to evolve to respond to the wider economic and regulatory environment. Delivery of an ambitious capital programme and management of a commercial investment portfolio have inherent risks linked to external factors such as interest rates, inflation and the economy. These risks are understood and managed.
- 7.3 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved. The ongoing management of risk is a key function of the Council's Property Investment Board which routinely takes advice from LSHIM.
- 7.4 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk. The Council holds two reserves specifically to manage the risk on commercial and investment income. These are the Croxley Business Park Reserve and the Commercial Risk Reserve (formally Riverwell Reserve). These reserves can be used to protect the general fund from fluctuations in income.
- 7.5 In assessing the risk of its commercial investments, the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise, and the level of income received from commercial investments compared to the total income of the council.

Treasury Management Strategy Statement 2023/24



1. Overview

- 1.1. This document sets out the Council's Treasury Management Strategy Statement. The Strategy has been developed with reference to and is compliant with the Code of Practice for Treasury Management in the public services (2021 edition) published by The Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.2. This Council defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3. The Treasury Management Strategy Statement supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 1.4. The Treasury Management Strategy Statement details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives of the Treasury Management Strategy Statement are:
 - Security - Safeguard the repayment of the principal and interest of its investments on time
 - Liquidity - Ensure adequate liquidity to meet obligations as they fall due
 - Yield - Investment return is the final objective and is considered after the security and liquidity requirements have been satisfied.
- 1.5. This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Strategy (MTFS) and Capital Strategy.
- 1.6. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.
- 1.7. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.
- 1.8. The Chief Finance Officer in consultation with the Portfolio Holder for Property, Resources and Customer Service has delegated authority to approve any variation to the Treasury Management Strategy Statement during the year with the objective of maximising the Council's returns without significantly increasing risk.

2. Risks

2.1 The key Treasury Management risks are set out in the CIPFA Treasury Management Code of Practice (the "TM Code"). The following paragraphs set out these risks and how they are managed:

Credit and Counterparty Risk - The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, derivative instrument, or capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited.

Liquidity Risk - The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, compromising the organisation's business/service objectives.

This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

Interest Rate Risk - The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances against which the organisation has failed to adequately protect itself.

This risk is managed through the placing of different types and maturities of investments, within limits set for the amount of borrowing which may mature in a given time-period, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

Exchange Rate Risk - The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances against which the organisation has failed to adequately protect itself.

The Council does not engage in any significant non-sterling transactions.

Inflation – also called purchasing power risk, is the chance that the cash flows from treasury instruments (such as investments) won't be worth as much in the future because of changes in purchasing power due to inflation.

The Council prioritises security and liquidity over yield but where possible investment returns will aim to match inflation to preserve the capital value.

Refinancing Risk - The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

Legal and Regulatory Risk - The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly.

This risk is managed through the Council’s training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council’s Treasury advisors.

Operational Risk, including Fraud, Error and Corruption - The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk of fraud, error, corruption or other eventualities in treasury management dealings.

This is managed through the controls in the Council’s financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds.

Price / Market Risk - The risk that through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to adequately protect itself.

The majority of the Council’s investments are not traded, but where they are (e.g. Property investment portfolio) the main investments’ value comes from the income they generate which is generally long term and secure.

3. Treasury Indicators: Limits to Borrowing Activity

3.1 There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. These indicators are set out in the Capital Strategy.

3.2 The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

3.3 In addition to the limits controlling the total amount of borrowing, further limits are in place to control the Council’s exposure to interest rate risk on refinancing. These limits are set out in the following table:

Maturity Structure of Borrowing		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 20 years	0%	50%
20 years to 30 years	0%	50%
30 years to 40 years	0%	50%
40 years to 50 years	0%	50%

3.4 These limits range between 0% and 100% for loans out to 5 years where there is some degree of accuracy with the forecasts for interest rates. Then for the longer term, loans are limited to 50% of the overall borrowing portfolio maturing in each of the given timeframes. The 50% maximum limit protects the Council from being exposed to high levels of refinancing when interest rates may be substantially higher than they are now.

4. Borrowing Strategy

4.1 The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.

4.2 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated (i.e. the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

4.3 The Council's level of external borrowing is expected to fall in the first year of the MTF5 and then increase across the remaining period of the MTF5. The Council will divest from investment in three pooled investment funds. This cash will be utilised as internal borrowing to remove the need to refinance maturing short term debt or take additional external borrowing for the Capital Investment Programme in 2024/25. This will reduce the Council's exposure to high interest rates in the short term.

4.4 In the longer-term it will be necessary to refinance internal borrowing with external debt as the Council utilises its revenue and capital earmarked reserves for their intended purposes.

4.5 Officers will monitor interest rate forecasts, and in conjunction with Treasury Management advisors determine the optimum timing and amount of future borrowing.

5. Annual Investment Strategy

5.1 The Council's investment strategy has regard to the Statutory Guidance on Local Government Investments and the TM Code. The Council's investment priorities are security first, liquidity second, then yield.

5.2 Investment instruments identified for use in the financial year and counter-party limits are listed in Annex A under the 'Specified' and 'Non-Specified' Investments categories.

5.3 As part of its diversification of investments, the Council has invested some of its core funds (i.e. funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the

council. All property investments are controlled through the Property Investment Board (PIB).

- 5.4 As the Council has an ongoing Capital Financing Requirement, consideration will be given to the sale of investment property as an alternative to external borrowing. The Council will take advice from the Council's appointed property advisors, Lambert Smith Hampton Investment Management (LSHIM). Decisions to divest will take into account property portfolio management best practices and the long term benefits and risks of holding the assets.
- 5.5 Although the Council has no current investments or plans to invest in pooled property funds, these are permitted under the policy and are an option that could be considered in the future if the Council had a long term cash surplus or an alternative to direct property holdings.
- 5.6 The Council will divest from the Royal London Asset Management Pooled Funds by 31 March 2025 to reduce the Council's exposure to Price risk, Refinancing Risk and high interest rates on external borrowing by utilising the cash for internal borrowing.
- 5.7 The 31 March 2025 target coincides with the end of the statutory override which protects authorities from having to recognise change in the fair value of investments (movements in market price) in the Council's budget. From 1 April 2025, gains and losses will need to be recognised in the Council's general fund. Although in the long term funds are expected to grow in value, the volatile nature of the bond and equity markets mean that there can be significant movements in value from year to year.

6. Creditworthiness policy

- 6.1 The Council will ensure:
- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment schedule at Annex A.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 6.2 The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria in section 7. The criteria will be reviewed regularly and proposed changes will be submitted to Council for approval as necessary in order to provide an overall pool of counterparties considered high quality.
- 6.3 Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

7. Counterparty Categories

7.1 The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**

The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council’s Own Banker**

For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations**

The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

The Council will use all Societies which meet the ratings for banks outlined above.

- **Specific Public Bodies**

The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

A limit of £5m per authority will be applied.

- **Debt Management Deposit Account Facility**

A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-specified)**

The Council will lend to its subsidiaries subject to approval of a business case by the Chief Finance Officer in consultation with the Portfolio Holder for Property, Resources and Customer Services. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Chief Finance Officer.

7.2 The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven. Further details of counterparty categories and limits are set out Annex A Schedule of Specified and Non-Specified Investments.

8. The Monitoring of Investment Counterparties

8.1 The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody’s and Standard & Poor’s) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term

Ratings, where given, must be met for all categories. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

- 8.2 For non-specified investments the progress of the entity against the approved, independently verified business case will be monitored by the Chief Finance Officer.

9. Use of Additional Information Other Than Credit Ratings

- 9.1 Additional requirements under the TM Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

10. Time and Monetary Limits Applying to Investments

- 10.1 The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below at paragraph 11.2, are driven by the criteria set out in sections 7 and 8. These limits will cover both Specified and Non-Specified Investments.

11. Exceptional Circumstances

- 11.1 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Chief Finance Officer may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.
- 11.2 Examples of these restrictions would be the greater use of the Debt Management Office Account Deposit Facility (DMADF) – a government body which accepts local authority deposits - money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

12. Investment Strategy

- 12.1 In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 12.2 Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The table below provides details of these limits.

Treasury Indicator & Limit	2023/24	2024/25	2025/26	2026/27
Maximum amount invested for periods over one year (Property investment and loans to Council subsidiaries).	£5m	£20m	£20m	£20m

13. Investment Risk & Security Benchmarking

13.1 The Council sets benchmarks for security, liquidity and yield. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. The benchmarks are as follows:

Security:

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

Liquidity:

The Council sets the following liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £1.0m available with a week's notice.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield:

The Council benchmarks the yield on its operational cash against SONIA (the Sterling Overnight Index Average). This is a measure of market rates for actual returns on overnight cash deposits. Performance against this indicator is monitored throughout the year.

14. Policy on Environment, Social and Governance (ESG) considerations

14.1 This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

“We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers’ cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer’s creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

With this in mind, we share a common vision to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.”

14.2 The assessment of creditworthiness undertaken by Fitch, Moody’s and Standard & Poor’s includes analysis of the following ESG factors when assigning ratings:

- **Environmental:** Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- **Social:** Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- **Governance:** Management structure, governance structure, group structure, financial transparency.

14.3 The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

14.4 The Council does not invest directly in company bonds or equity. However, the Council is exposed to these investment instruments through the use of externally managed pooled investment funds.

- 14.5 This Council will not invest in pooled funds that invest in companies whose core activities pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values e.g.:
- a. Human rights abuse (e.g., slave or child labour, political oppression)
 - b. Activities that damage the environment by extraction of fossil fuels, destruction of habitat, or creation of pollutants
 - c. Socially harmful activities (e.g., tobacco, gambling)
 - d. Manufacture of weapons

15. Reporting Requirements

- 15.1 The Audit Committee has the responsibility for the scrutiny of Treasury Management policies and practices and receives the Treasury Management Strategy Statement for review prior to approval by Council.
- 15.2 An annual report on the performance of the Treasury Management function, including the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management Strategy Statement is considered by Council following the end of the financial year.
- 15.3 Council also receives a Mid-Year Treasury Management Report setting out activity to 30 September.

16. Policy on the Use of External Service Providers

- 16.1 The contract for external treasury management advisors is carried out by Link Asset Services. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 16.2 The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal contract procedure rules.

17. Member and Officer Training

- 17.1 In order to ensure that Members and Officers are sufficiently trained and qualified to monitor and manage the Council's Treasury Management activity, the following measures are in place:
- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date.
 - Keeping up to date with CIPFA publications on Treasury Management.
 - Regular briefings both by email and face to face with the Council's Treasury advisors.
 - Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

Schedule of Specified and Non-Specified Investments

Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- A local authority, parish council or community council.
- A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
- Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the TM Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at Schedule 1.

Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out on the following page.

Non Specified Investment Category	Limit (£ or %)
<p>Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£5m
<p>The Council's own banker if it fails to meet the basic credit criteria.</p>	In this instance balances will be minimised as much as possible
<p>Building Societies not meeting the basic security requirements under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p>	£2m
<p>Specific Public Bodies</p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>	£10m
<p>Loans to Council Subsidiaries</p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Chief Finance Officer in consultation with the Portfolio Holder (Property, Resources and Customer Services). Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Chief Finance Officer.</p>	£10m limit for any single loan
<p>Money Market Funds</p> <p>Appointed through competitive process for the investment of the Croxley Park Reserve</p>	£100m
<p>Other unspecified investments</p> <p>The strategy allows the Chief Finance Officer, in consultation with the Portfolio Holder (Property, Resources and Customer Services), the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p>	£10m

	Minimum Short Term Ratings			Schedule 1 (A) – UK BANKS			
Institution	Fitch	Moody's	S&P				
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.			
Wholly Owned Subsidiaries of UK Clearing Banks Parent Ratings	F1	P-1	A-1	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (All agencies)	Long Term Crediting Rating: Lower than A (All Agencies)	Long Term Crediting Rating: Lower than A
Partially Owned Subsidiaries of UK Clearing Banks Parent Ratings	F1	P-1	A-1	Long Term credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Crediting Rating: Single A (All agencies)	Long Term Credit Rating: Lower than A (All Agencies)	Long Term Credit Rating: Lower than A
	Max Amount / Length:			£10m 364 Days	£10m 6 Months	£10m 3 Months	£10m 1 Month

				Schedule 1 (B) – Building Societies			
				Minimum Short Term Ratings			
Institution	Fitch	Moody's	S&P				
Building Societies – By Credit Rating	F1	P-1	A-1	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (all agencies)	Long Term CreditRating: Lower than A (All Agencies)	Long Term Crediting Rating: Lower than A
Building Societies – by Total Assets				Assets over £15bn	Assets over £5bn	Assets of £2.5bn	Assets of £1bn
				£10m 364 Days	£10m 6 Months	£10m 3 Months	£10m 1 Month
				Max Amount / Length:			

Schedule 1 (C) – Other Entities

1. Specific Public Bodies	As approved by Members – up to £10m for up to 10 years
2. Debt Management Deposit Facility (UK Government)	Unlimited – this is the Council’s Safe-Haven Deposit facility with the UK Government
3. Money Market Funds (Fixed NAV) (AAA Rated)	£5m per fund
4. Municipal Bond Agency	As approved by Members
5. UK Local Authorities	<p>A Maximum of £5m Applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice <i>without member approval</i>.</p>

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).

PROPERTY INVESTMENT STRATEGY

Property Investment Policy

The council's Commercial Property Portfolio was established prior to the changes to the PWLB lending terms (November 2020) and revisions to the Prudential Code of Practice (November 2021) which restrict the ability of local authorities to invest in assets purely for yield. This strategy has been updated to reflect the move from an acquisition strategy to a strategy for maintaining the existing portfolio and income levels.

Objectives

- Maintain income levels within the core portfolio, enhancing where possible without impacting on future income potential.
- Preserve, and where possible increase, the capital value of the portfolio but not at the expense of losing income
- Maintain, and where possible improve the net rental position for Croxley Park as detailed in line with the original purchase objectives
- Rebalance the portfolio by reducing the historic weighting towards Retail and Indirect investments
- Implement a capital expenditure programme and work with tenants to ensure that all assets meet the new Minimum Energy Efficiency Standards (MEES) regulations.
- Target and identify opportunities that meet the Councils sustainability and regeneration objectives
- Consider investment in the residential / PRS sectors through existing land holdings using an appropriate vehicle

How much is invested?

Approximately £145m is currently held in the property portfolio as at the latest valuation date of 31 March 2023.

What type of property?

There are different types of property investment as follows:

- Retail
- Office
- Industrial
- Residential
- Alternatives including Leisure

For risk management purposes it is recommended that no single asset should comprise more than 10% of the whole portfolio and locations should be diverse as should property

types. The mix helps to protect the fund against movements that might adversely affect one specific sector which would otherwise have a disproportionate impact.

The current target mix* for the portfolio is as follows:

- | | |
|---|----------|
| • Retail | 15 - 25% |
| • Office | 15 - 25% |
| • Industrial | 35 - 45% |
| • Alternatives including hotels, car parks, leisure | 10 - 20% |

*These allocations are expressed as a % of capital value

What level of financial return?

In general, property can be categorised as prime, secondary or tertiary in terms of its desirability. Yield derives from both capital and rent. Lower yields can indicate that the investment attracts a lower degree of risk due to the ratio of rent to capital and other factors such as location, security and regularity of income.

Property investment returns will differ depending upon the market and the nature of the asset.

Risks:

- There are management costs, risk of rent default and failure to honour maintenance agreements.
- Poor asset management strategy or poor execution of an asset management strategy leads to a fall in asset values (generally property tends to appreciate in value over time, although this will vary by length of lease, covenant status, type and area; however, in most cases, without active asset management the values will go down).
- Property can become functionally obsolete necessitating major refurbishment.
- Without regular repair and maintenance the condition will deteriorate and the responsibility for repairs/maintenance may not always rest with the tenant leading to additional revenue and capital expenditure.
- Certain types of property may become less desirable as time goes by; this can make re-letting difficult or attract a lower calibre of tenant.
- Regulatory risks eg. impact of Minimum Energy Efficiency Standards (MEES) imposing additional cost burden on landlords.

Minimum revenue provision (MRP) policy statement for 2024/25

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP statement:

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

No MRP provision is made in respect of investments or payments into the Council's wholly owned subsidiary, Watford Commercial Services Ltd, or the Council's joint ventures as these investments are intended to be time-limited and arrangements allow for the repayment of debt at the end of the investment period.

For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.

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Council Summary

Revenue 2024/25

Directorate	Starting Budget £m	Salary Build £m	2024/25 Budget Changes			Revised Budget £m
			Savings £m	Fees and Charges £m	Variations £m	
Corporate, Housing & Wellbeing						
Customer & Corporate Services	1.727	0.092	(0.140)	0.000	0.614	2.293
Housing & Wellbeing	2.938	0.248	(0.340)	0.000	0.813	3.659
ICT Services	1.046	0.110	0.000	0.000	0.000	1.156
Net Expenditure Budget	5.711	0.450	(0.479)	0.000	1.427	7.108
Place						
Environment	7.198	0.256	(0.395)	(0.295)	1.884	8.648
Planning, Infrastructure & Economy	1.529	0.146	(0.337)	0.001	0.086	1.424
Property & Asset Management	(9.275)	0.058	(0.021)	0.000	(0.599)	(9.837)
Net Expenditure Budget	(0.548)	0.459	(0.754)	(0.294)	1.372	0.235
Corporate Strategy & Comms						
Corporate Management	0.413	0.144	0.000	0.000	0.000	0.557
Partnerships & Performance	0.897	0.038	(0.034)	0.000	0.000	0.901
Net Expenditure Budget	1.310	0.182	(0.034)	0.000	0.000	1.458
Democracy & Governance						
	0.000					
Net Expenditure Budget	2.042	0.132	(0.035)	0.000	0.029	2.168
Human Resources						
HR Shared Service	0.500	0.067	(0.030)	0.000	0.000	0.536
Human Resources Client	0.054	0.000	0.000	0.000	0.000	0.054
Net Expenditure Budget	0.554	0.067	(0.030)	0.000	0.000	0.591
Strategic Finance						
Corporate Costs	3.275	(0.990)	(0.646)	0.000	(0.858)	0.780
Finance & Resources	0.223	0.000	0.000	0.000	0.000	0.223
Finance and Audit Services Client	1.024	0.000	(0.079)	0.000	0.160	1.105
Revenues And Benefits Client	1.078	0.000	(0.180)	0.000	0.000	0.898
Service Transformation	0.059	0.000	0.000	0.000	0.000	0.059
Net Expenditure Budget	5.659	(0.990)	(0.905)	0.000	(0.698)	3.065
Net Cost of Services	14.728	0.300	(2.238)	(0.294)	2.129	14.626

Council Summary

Revenue 2025/26

Directorate	Starting Budget £m	Salary Build £m	2025/26 Budget Changes			Revised Budget £m
			Savings £m	Fees and Charges £m	Variations £m	
Corporate, Housing & Wellbeing						
Customer & Corporate Services	1.732	0.122	(0.165)	0.000	0.609	2.298
Housing & Wellbeing	2.888	0.250	(0.340)	0.000	0.513	3.312
ICT Services	1.047	0.090	0.000	0.000	0.000	1.137
Net Expenditure Budget	5.667	0.463	(0.504)	0.000	1.122	6.747
Place						
Environment	7.150	0.238	(0.467)	(0.334)	1.959	8.546
Planning, Infrastructure & Economy	1.535	0.157	(0.320)	(0.024)	(0.007)	1.341
Property & Asset Management	(9.425)	0.067	0.000	0.000	(0.744)	(10.102)
Net Expenditure Budget	(0.740)	0.462	(0.786)	(0.358)	1.208	(0.214)
Corporate Strategy & Comms						
Corporate Management	0.413	0.147	0.000	0.000	0.000	0.560
Partnerships & Performance	0.878	0.041	(0.055)	0.000	0.000	0.864
Net Expenditure Budget	1.291	0.188	(0.055)	0.000	0.000	1.425
Democracy & Governance						
Net Expenditure Budget	2.053	0.142	(0.035)	0.000	0.003	2.162
Human Resources						
HR Shared Service	0.500	0.041	(0.040)	0.000	0.000	0.502
Human Resources Client	0.054	0.000	0.000	0.000	0.000	0.054
Net Expenditure Budget	0.554	0.041	(0.040)	0.000	0.000	0.556
Strategic Finance						
Corporate Costs	4.195	(0.995)	(0.993)	0.000	(0.445)	1.763
Finance & Resources	0.223	0.000	0.000	0.000	0.000	0.223
Finance and Audit Services Client	1.024	0.000	(0.098)	0.000	0.160	1.086
Revenues And Benefits Client	1.078	0.000	(0.180)	0.000	0.000	0.898
Service Transformation	0.059	0.000	0.000	0.000	0.000	0.059
Net Expenditure Budget	6.579	(0.995)	(1.271)	0.000	(0.285)	4.029
Net Cost of Services	15.404	0.301	(2.691)	(0.358)	2.048	14.704

Council Summary

Revenue 2026/27

Directorate	Starting Budget £m	Salary Build £m	2026/27 Budget Changes			Revised Budget £m
			Savings £m	Fees and Charges £m	Variations £m	
Corporate, Housing & Wellbeing						
Customer & Corporate Services	1.732	0.129	(0.165)	0.000	0.609	2.305
Housing & Wellbeing	2.888	0.256	(0.300)	0.000	0.513	3.357
ICT Services	1.047	0.093	0.000	0.000	0.000	1.140
Net Expenditure Budget	5.667	0.478	(0.464)	0.000	1.122	6.802
Place						
Environment	7.150	0.243	(0.539)	(0.334)	1.912	8.432
Planning, Infrastructure & Economy	1.535	0.168	(0.300)	(0.024)	0.000	1.378
Property & Asset Management	(9.425)	0.070	0.000	0.000	(0.344)	(9.698)
Net Expenditure Budget	(0.740)	0.481	(0.838)	(0.358)	1.568	0.112
Corporate Strategy & Comms						
Corporate Management	0.413	0.150	0.000	0.000	0.000	0.564
Partnerships & Performance	0.878	0.042	(0.034)	0.000	0.000	0.886
Net Expenditure Budget	1.291	0.192	(0.034)	0.000	0.000	1.449
Democracy & Governance						
Net Expenditure Budget	2.053	0.147	(0.035)	0.000	0.003	2.167
Human Resources						
HR Shared Service	0.500	0.042	(0.040)	0.000	0.000	0.503
Human Resources Client	0.054	0.000	0.000	0.000	0.000	0.054
Net Expenditure Budget	0.554	0.042	(0.040)	0.000	0.000	0.557
Strategic Finance						
Corporate Costs	4.195	(0.996)	(1.376)	0.000	0.047	1.870
Finance & Resources	0.223	0.000	0.000	0.000	0.000	0.223
Finance and Audit Services Client	1.024	0.000	(0.112)	0.000	0.160	1.072
Revenues And Benefits Client	1.078	0.000	(0.180)	0.000	0.000	0.898
Service Transformation	0.059	0.000	0.000	0.000	0.000	0.059
Net Expenditure Budget	6.579	(0.996)	(1.667)	0.000	0.207	4.122
Net Cost of Services	15.404	0.343	(3.080)	(0.358)	2.900	15.209

Council Summary

Capital Investment Programme

Capital Investment Programme		Forecast Year End 2023/24 £m	Proposed Budget 2024/25 £m	Proposed Budget 2025/26 £m	Proposed Budget 2026/27 £m
Corporate, Housing and Wellbeing	ICT	0.535	0.722	0.922	0.530
	Customer Experience	9.848	11.081	0.030	0.030
	Housing	0.379	0.238	0.250	0.250
		0.762	12.041	1.202	0.810
Place	Planning, Infrastructure and Economy	0.748	1.145	0.705	1.230
	Property and Asset Management	18.031	13.008	7.260	0.627
	Environment	3.157	2.915	0.666	1.119
		21.936	17.068	8.631	2.977
Corporate Strategy and Comms		-	-	-	0.065
Strategic Finance		1.188	3.807	0.677	0.677
Total		33.885	32.916	10.510	4.528

Corporate, Housing and Wellbeing

Revenue 2024/25

Customer & Corporate Services		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Customer Experience	Expenditure	1.209	0.079	(0.110)	0.000	0.614	1.792
Customer Experience	Income	(0.020)	0.000	0.000	0.000	0.000	(0.020)
EPMO	Expenditure	0.292	0.220	0.000	0.000	0.000	0.512
EPMO	Income	(0.055)	(0.214)	0.000	0.000	0.000	(0.269)
Mail Room	Expenditure	0.302	0.007	(0.030)	0.000	0.000	0.279
Mail Room	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
Net Expenditure		1.727	0.092	(0.140)	0.000	0.614	2.293

Housing & Wellbeing		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Growth and Pressures £m	£m
Community Safety	Expenditure	0.012	0.000	0.000	0.000	0.000	0.012
Support Team	Expenditure	1.959	0.000	0.000	0.000	0.000	1.959
Support Team	Income	(0.003)	0.000	0.000	0.000	0.000	(0.003)
Housing Supply	Expenditure	0.841	0.000	0.000	0.000	0.000	0.841
Housing Supply	Income	(0.327)	0.000	0.000	0.000	0.000	(0.327)
Environmental Health Section	Expenditure	0.156	0.219	(0.179)	0.000	0.000	0.196
Environmental Health Section	Income	(0.456)	(0.049)	0.000	0.000	0.000	(0.505)
Housing Demand	Expenditure	0.937	0.564	(0.086)	0.000	0.800	2.215
Housing Demand	Income	0.000	(0.496)	(0.075)	0.000	0.000	(0.571)
Licensing Section	Expenditure	0.014	0.000	0.000	0.000	0.000	0.014
Licensing Section	Income	(0.249)	0.000	0.000	0.000	0.013	(0.236)
Sustainability	Expenditure	0.052	0.048	0.000	0.000	0.000	0.101
Sustainability	Earmarked Reserves	0.000	(0.038)	0.000	0.000	0.000	(0.038)
Net Expenditure		2.938	0.248	(0.340)	0.000	0.813	3.659

ICT Services		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
ICT Services	Expenditure	1.090	0.166	0.000	0.000	0.000	1.256
ICT Services	Income	(0.043)	(0.056)	0.000	0.000	0.000	(0.100)
Net Expenditure		1.046	0.110	0.000	0.000	0.000	1.156

Corporate Housing and Wellbeing Total Net Expenditure		5.711	0.450	(0.479)	0.000	1.427	7.108
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Corporate, Housing and Wellbeing

Revenue 2025/26

Customer & Corporate Services		2025/26 Budget Changes					Revised Budget
		Starting Budget	Salary Build	Savings	Fees and Charges	Variances	
Service	Income/Expenditure	£m	£m	£m	£m	£m	£m
Customer Experience	Expenditure	1.212	0.084	(0.135)	0.000	0.609	1.771
Customer Experience	Income	(0.020)	0.000	0.000	0.000	0.000	(0.020)
EPMO	Expenditure	0.294	(0.008)	0.000	0.000	0.000	0.286
EPMO	Income	(0.055)	0.039	0.000	0.000	0.000	(0.016)
Mail Room	Expenditure	0.302	0.007	(0.030)	0.000	0.000	0.279
Mail Room	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
Net Expenditure		1.732	0.122	(0.165)	0.000	0.609	2.298

Housing & Wellbeing		2025/26 Budget Changes					Revised Budget
		Starting Budget	Salary Build	Savings	Fees and Charges	Variances	
Service	Income/Expenditure	£m	£m	£m	£m	£m	£m
Community Safety	Expenditure	0.012	0.000	0.000	0.000	0.000	0.012
Support Team	Expenditure	1.958	0.000	0.000	0.000	0.000	1.958
Support Team	Income	(0.003)	0.000	0.000	0.000	0.000	(0.003)
Housing Supply	Expenditure	0.791	0.000	0.000	0.000	0.000	0.791
Housing Supply	Income	(0.327)	0.000	0.000	0.000	0.000	(0.327)
Environmental Health Section	Expenditure	0.156	0.221	(0.179)	0.000	0.000	0.198
Environmental Health Section	Income	(0.456)	(0.049)	0.000	0.000	0.000	(0.505)
Housing Demand	Expenditure	0.937	0.434	(0.086)	0.000	0.500	1.785
Housing Demand	Income	0.000	(0.366)	(0.075)	0.000	0.000	(0.441)
Licensing Section	Expenditure	0.014	0.000	0.000	0.000	0.000	0.014
Licensing Section	Income	(0.249)	0.000	0.000	0.000	0.013	(0.236)
Sustainability	Expenditure	0.053	0.010	0.000	0.000	0.000	0.063
Net Expenditure		2.888	0.250	(0.340)	0.000	0.513	3.312

ICT Services		2025/26 Budget Changes					Revised Budget
		Starting Budget	Salary Build	Savings	Fees and Charges	Variances	
Service	Income/Expenditure	£m	£m	£m	£m	£m	£m
ICT Services	Expenditure	1.090	0.148	0.000	0.000	0.000	1.239
ICT Services	Income	(0.043)	(0.058)	0.000	0.000	0.000	(0.101)
Net Expenditure		1.047	0.090	0.000	0.000	0.000	1.137

Corporate Housing and Wellbeing Total Net Expenditure		5.667	0.463	(0.504)	0.000	1.122	6.747
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Corporate, Housing and Wellbeing

Revenue 2026/27

Customer & Corporate Services		2026/27 Budget Changes					Revised Budget
		Starting Budget	Salary Build	Savings	Fees and Charges	Variations	
Service	Income/Expenditure	£m	£m	£m	£m	£m	£m
Customer Experience	Expenditure	1.212	0.084	(0.135)	0.000	0.609	1.770
Customer Experience	Income	(0.020)	0.000	0.000	0.000	0.000	(0.020)
EPMO	Expenditure	0.294	0.001	0.000	0.000	0.000	0.295
EPMO	Income	(0.055)	0.037	0.000	0.000	0.000	(0.017)
Mail Room	Expenditure	0.302	0.007	(0.030)	0.000	0.000	0.279
Mail Room	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
Net Expenditure		1.732	0.129	(0.165)	0.000	0.609	2.305

Housing & Wellbeing		2026/27 Budget Changes					Revised Budget
		Starting Budget	Salary Build	Savings	Fees and Charges	Variations	
Service	Income/Expenditure	£m	£m	£m	£m	£m	£m
Community Safety	Expenditure	0.012	0.000	0.000	0.000	0.000	0.012
Support Team	Expenditure	1.958	0.000	0.000	0.000	0.000	1.958
Support Team	Income	(0.003)	0.000	0.000	0.000	0.000	(0.003)
Housing Supply	Expenditure	0.791	0.000	0.000	0.000	0.000	0.791
Housing Supply	Income	(0.327)	0.000	0.000	0.000	0.000	(0.327)
Environmental Health Section	Expenditure	0.156	0.225	(0.179)	0.000	0.000	0.203
Environmental Health Section	Income	(0.456)	(0.049)	0.000	0.000	0.000	(0.505)
Housing Demand	Expenditure	0.937	0.460	(0.071)	0.000	0.500	1.826
Housing Demand	Income	0.000	(0.392)	(0.050)	0.000	0.000	(0.442)
Licensing Section	Expenditure	0.014	0.000	0.000	0.000	0.000	0.014
Licensing Section	Income	(0.249)	0.000	0.000	0.000	0.013	(0.236)
Sustainability	Expenditure	0.053	0.011	0.000	0.000	0.000	0.065
Net Expenditure		2.888	0.256	(0.300)	0.000	0.513	3.357

ICT Services		2026/27 Budget Changes					Revised Budget
		Starting Budget	Salary Build	Savings	Fees and Charges	Variations	
Service	Income/Expenditure	£m	£m	£m	£m	£m	£m
ICT Services	Expenditure	1.090	0.152	0.000	0.000	0.000	1.243
ICT Services	Income	(0.043)	(0.059)	0.000	0.000	0.000	(0.103)
Net Expenditure		1.047	0.093	0.000	0.000	0.000	1.140

Corporate Housing and Wellbeing Total Net Expenditure		5.667	0.478	(0.464)	0.000	1.122	6.802
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Corporate, Housing and Wellbeing

Service Efficiencies and Savings

Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
Customer and Corporate Services	Removal from the establishment of one vacant Customer Service Advisor post	(0.027)	(0.027)	(0.027)
Customer and Corporate Services	Net impact of Facilities Manager post deletion following departure of postholder and transfer of team to Customer Experience	(0.050)	(0.050)	(0.050)
Customer and Corporate Services	Digital Mailroom - reduction in print materials	(0.030)	(0.030)	(0.030)
Customer and Corporate Services	Reduce customer service staffing by 1 FTE through turnover and via the introduction of new technology (e.g. co-browsing, webchat, AI)	(0.004)	(0.024)	(0.024)
Customer and Corporate Services	Customer Services staffing – further reduction to establishment of 1 FTE through turnover.	(0.028)	(0.034)	(0.034)
Housing and Wellbeing	Reduction in contribution to right sizing work of Watford Community Housing (WCH) with resource provided by WCH	(0.015)	(0.015)	0.000
Housing and Wellbeing	Utilisation of Homeless Prevention Grant	(0.025)	(0.025)	0.000
Housing and Wellbeing	Reduction in rent in advance payments to Housing Associations	(0.010)	(0.010)	(0.010)
Housing and Wellbeing	Realignment of budgets following property rationalisation.	(0.049)	(0.049)	(0.049)
Housing and Wellbeing	Additional income from council owned Temporary Accommodation due to reduction in voids	(0.030)	(0.030)	(0.030)
Housing and Wellbeing	Income from Asylum and Refugee grant funding to support staff costs	(0.020)	(0.020)	(0.020)
Housing and Wellbeing	Equipment and services rationalisation due to efficiency within Community Protection	(0.012)	(0.012)	(0.012)
Housing and Wellbeing	Redesign Pest Control Services following loss of TRDC contract	(0.018)	(0.018)	(0.018)
Housing and Wellbeing	Cease Environmental Health out of hours service	(0.010)	(0.010)	(0.010)
Housing and Wellbeing	Cease out of hours stray dog service	(0.015)	(0.015)	(0.015)
Housing and Wellbeing	Reduction in use of specialist, contractors and deletion of vacant posts	(0.136)	(0.136)	(0.136)
Total Corporate, Housing and Wellbeing Service Efficiencies and Savings		(0.479)	(0.504)	(0.464)

Corporate, Housing and Wellbeing

Variances – Growth, Pressures, and contributions to and (from) Earmarked Reserves

Growth and Pressures		2024/25	2025/26	2026/27
Service	Description	£m	£m	£m
Customer and Corporate Services	Increase in contract costs for firmstep platform	0.015	0.008	0.008
Customer and Corporate Services	Transfer of Facilities Management budgets from Place	0.599	0.601	0.601
Housing and Wellbeing	Decrease in income for export certificates, business moved out of borough	0.013	0.013	0.013
Housing and Wellbeing	Temporary Accommodation - demand led pressure	0.800	0.500	0.500
Total Corporate, Housing and Wellbeing Growth and Pressures		1.427	1.122	1.122

Contributions to and (from) Earmarked Reserves		2024/25	2025/26	2026/27
Service	Description	£m	£m	£m
	None			
Total Corporate, Housing and Wellbeing Contributions to and (from) Earmarked Reserves		0.000	0.000	0.000

Total Corporate, Housing and Wellbeing Variances		1.427	1.122	1.122
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Corporate, Housing and Wellbeing

Detailed Capital Programme

Capital Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
ICT				
Migration To The Cloud	0.023	0.023	0.023	-
ICT Hardware Replacement Programme - Shared Service	0.045	0.045	0.045	0.045
ICT-Hardware Replacement Programme	0.101	0.201	0.401	0.200
ICT-Business Application Upgrade	0.207	0.294	0.294	0.165
ICT-Project Management Provision	0.160	0.160	0.160	0.120
Total ICT	0.535	0.722	0.922	0.530
Customer Experience				
Building Investment Programme	0.046	0.030	0.030	0.030
Town Hall Refurbishment (THQ Programme)	1.800	6.929	-	-
Colosseum Refurbishment (THQ Programme)	6.500	3.662	-	-
Annexe Refurbishment (THQ Programme)	0.039	-	-	-
Town Hall Quarter Programme Delivery (THQ Programme)	0.500	0.147	-	-
Decarbonisation Project Salix (THQ Programme)	0.646	-	-	-
Town Hall / Colosseum Fabric Works (THQ Programme)	0.316	0.314	-	-
Total Customer Experience	9.848	11.081	0.030	0.030

Corporate, Housing and Wellbeing

Capital Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Housing				
Decent Homes Assistance	0.100	0.100	0.100	0.100
Private Sector Housing Renewal	0.200	0.100	0.100	0.100
Private Sector Stock Condition	0.017	-	-	-
Retained Housing Stock	0.062	0.038	0.050	0.050
Total Housing	0.379	0.238	0.250	0.250
Total Proposed Corporate, Housing and Wellbeing	10.762	12.041	1.202	0.810

Place

Revenue 2024/25

Environment		2024/25						Revised Budget
		Budget Changes						
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m	
Contract Monitoring	Expenditure	1.227	0.185	(0.247)	0.000	1.732	2.897	
Leisure	Expenditure	0.646	0.000	(0.008)	0.000	0.816	1.455	
Leisure	Income	(0.765)	0.000	0.000	(0.020)	(0.972)	(1.757)	
Grants	Expenditure	0.714	0.013	0.000	0.000	0.000	0.728	
Grants	Income	(0.009)	0.000	0.000	0.000	0.000	(0.009)	
Culture & Play	Expenditure	0.447	0.150	0.000	0.000	0.065	0.662	
Culture & Play	Income	(0.052)	(0.109)	0.000	0.000	0.040	(0.121)	
Street Cleansing	Expenditure	2.036	0.000	0.000	0.000	0.000	2.036	
Street Cleansing	Income	(0.003)	0.000	0.000	0.000	0.000	(0.003)	
Sustainable Transport	Expenditure	0.049	0.003	0.000	0.000	0.100	0.153	
Sustainable Transport	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.100)	(0.100)	
Waste & Recycling	Expenditure	2.740	0.000	0.000	0.000	0.000	2.740	
Waste & Recycling	Income	(1.174)	0.000	0.000	(0.060)	0.000	(1.234)	
Parking Service	Expenditure	1.857	0.000	0.000	0.000	0.000	1.857	
Parking Service	Income	(2.002)	0.000	(0.140)	0.000	0.050	(2.092)	
Parking Service	Earmarked Reserves	(0.083)	0.000	0.000	0.000	0.090	0.007	
Parks & Open Spaces	Expenditure	2.371	0.013	0.000	0.000	0.113	2.497	
Parks & Open Spaces	Income	(0.802)	0.000	0.000	(0.216)	(0.050)	(1.068)	
Net Expenditure		7.198	0.256	(0.395)	(0.295)	1.884	8.648	

Planning, Infrastructure & Economy		2024/25						Revised Budget
		Budget Changes						
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m	
Economic Development	Expenditure	0.206	0.011	(0.047)	0.000	0.000	0.170	
Economic Development	Income	0.000	0.000	(0.026)	0.000	0.000	(0.026)	
Parking	Expenditure	(0.001)	0.036	0.000	0.000	0.000	0.035	
Parking	Income	(0.015)	0.000	0.000	(0.029)	0.000	(0.044)	
Transport & Infrastructure	Expenditure	0.651	0.009	(0.010)	0.000	0.014	0.664	
Transport & Infrastructure	Income	(0.098)	0.000	(0.038)	0.000	0.000	(0.137)	
Transport & Infrastructure	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.028)	(0.028)	
Planning & Development	Expenditure	2.079	0.466	(0.216)	0.000	0.000	2.329	
Planning & Development	Income	(1.292)	(0.377)	0.000	0.030	0.100	(1.540)	
Net Expenditure		1.529	0.146	(0.337)	0.001	0.086	1.424	

Place

Property & Asset Management		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Property Management	Expenditure	0.691	0.058	(0.021)	0.000	0.000	0.727
Property Management	Income	(0.617)	0.000	0.000	0.000	0.000	(0.617)
Other	Expenditure	(0.045)	0.000	0.000	0.000	0.000	(0.045)
Other	Income	0.004	0.000	0.000	0.000	0.000	0.004
Corporate Asset Management	Expenditure	1.160	0.000	0.000	0.000	(0.599)	0.562
Corporate Asset Management	Income	(0.577)	0.000	0.000	0.000	0.000	(0.577)
Investment - Core Portfolio	Expenditure	0.079	0.000	0.000	0.000	14.228	14.308
Investment - Core Portfolio	Income	(8.470)	0.000	0.000	0.000	(8.261)	(16.731)
Investment - Core Portfolio	Earmarked Reserves	0.000	0.000	0.000	0.000	(5.892)	(5.892)
Investment Watford Business Park	Expenditure	0.039	0.000	0.000	0.000	0.000	0.039
Investment Watford Business Park	Income	(1.434)	0.000	0.000	0.000	(0.075)	(1.509)
Watford Health Campus	Income	(0.081)	0.000	0.000	0.000	0.000	(0.081)
Investment Garage/Parking Bays	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
Operational Community Facility	Expenditure	0.004	0.000	0.000	0.000	0.000	0.004
Operational Community Facility	Income	(0.017)	0.000	0.000	0.000	0.000	(0.017)
Operational Housing Park, Playground, Recreation, Amenity Land	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
	Income	(0.009)	0.000	0.000	0.000	0.000	(0.009)
Net Expenditure		(9.275)	0.058	(0.021)	0.000	(0.599)	(9.837)
Place Total Net Expenditure		(0.548)	0.459	(0.754)	(0.294)	1.372	0.235

Place

Revenue 2025/26

Environment		2025/26					
		Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	
Contract Monitoring	Expenditure	1.228	0.190	(0.319)	0.000	1.978	3.077
Leisure	Expenditure	0.646	0.000	(0.008)	0.000	0.694	1.333
Leisure	Income	(0.765)	0.000	0.000	(0.020)	(0.946)	(1.731)
Grants	Expenditure	0.664	0.013	0.000	0.000	0.000	0.678
Grants	Income	(0.009)	0.000	0.000	0.000	0.000	(0.009)
Culture & Play	Expenditure	0.447	0.017	0.000	0.000	0.000	0.464
Culture & Play	Income	(0.052)	0.000	0.000	0.000	0.040	(0.012)
Street Cleansing	Expenditure	2.036	0.000	0.000	0.000	0.000	2.036
Street Cleansing	Income	(0.003)	0.000	0.000	0.000	0.000	(0.003)
Sustainable Transport	Expenditure	0.049	0.003	0.000	0.000	0.100	0.153
Sustainable Transport	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.100)	(0.100)
Waste & Recycling	Expenditure	2.740	0.000	0.000	0.000	0.000	2.740
Waste & Recycling	Income	(1.174)	0.000	0.000	(0.099)	0.000	(1.273)
Parking Service	Expenditure	1.866	0.000	0.000	0.000	0.000	1.866
Parking Service	Income	(2.042)	0.000	(0.140)	0.000	0.050	(2.132)
Parking Service	Earmarked Reserves	(0.053)	0.000	0.000	0.000	0.090	0.037
Parks & Open Spaces	Expenditure	2.372	0.014	0.000	0.000	0.053	2.440
Parks & Open Spaces	Income	(0.802)	0.000	0.000	(0.216)	0.000	(1.018)
Net Expenditure		7.150	0.238	(0.467)	(0.334)	1.959	8.546

Planning, Infrastructure & Economy		2025/26					
		Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	
Economic Development	Expenditure	0.207	0.011	(0.047)	0.000	0.000	0.172
Economic Development	Income	0.000	0.000	0.000	0.000	0.000	0.000
Parking	Expenditure	(0.001)	0.037	0.000	0.000	0.000	0.036
Parking	Income	(0.015)	0.000	0.000	(0.029)	0.000	(0.044)
Transport & Infrastructure	Expenditure	0.653	0.010	(0.010)	0.000	0.021	0.674
Transport & Infrastructure	Income	(0.098)	0.000	(0.077)	0.000	0.000	(0.175)
Transport & Infrastructure	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.028)	(0.028)
Planning & Development	Expenditure	2.081	0.484	(0.186)	0.000	0.000	2.380
Planning & Development	Income	(1.292)	(0.385)	0.000	0.005	0.000	(1.673)
Net Expenditure		1.535	0.157	(0.320)	(0.024)	(0.007)	1.341

Place

Property & Asset Management		2025/26					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Property Management	Expenditure	0.689	0.067	0.000	0.000	0.000	0.755
Property Management	Income	(0.767)	0.000	0.000	0.000	0.000	(0.767)
Other	Expenditure	(0.045)	0.000	0.000	0.000	0.000	(0.045)
Other	Income	0.004	0.000	0.000	0.000	0.000	0.004
Corporate Asset Management	Expenditure	1.162	0.000	0.000	0.000	(0.460)	0.702
Corporate Asset Management	Income	(0.577)	0.000	0.000	0.000	0.000	(0.577)
Investment - Core Portfolio	Expenditure	0.079	0.000	0.000	0.000	12.936	13.015
Investment - Core Portfolio	Income	(8.470)	0.000	0.000	0.000	(10.117)	(18.587)
Investment - Core Portfolio	Earmarked Reserves	0.000	0.000	0.000	0.000	(2.303)	(2.303)
Investment Watford Business Park	Expenditure	0.039	0.000	0.000	0.000	0.000	0.039
Investment Watford Business Park	Income	(1.434)	0.000	0.000	0.000	(0.800)	(2.234)
Watford Health Campus	Income	(0.081)	0.000	0.000	0.000	0.000	(0.081)
Investment Garage/Parking Bays	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
Operational Community Facility	Expenditure	0.004	0.000	0.000	0.000	0.000	0.004
Operational Community Facility	Income	(0.017)	0.000	0.000	0.000	0.000	(0.017)
Operational Housing Park, Playground, Recreation, Amenity Land	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
	Income	(0.009)	0.000	0.000	0.000	0.000	(0.009)
Net Expenditure		(9.425)	0.067	0.000	0.000	(0.744)	(10.102)
Place Total Net Expenditure		(0.740)	0.462	(0.786)	(0.358)	1.208	(0.214)

Place

Revenue 2026/27

Environment		2026/27					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Contract Monitoring	Expenditure	1.228	0.193	(0.319)	0.000	2.160	3.263
Leisure	Expenditure	0.646	0.000	(0.080)	0.000	0.450	1.017
Leisure	Income	(0.765)	0.000	0.000	(0.020)	(0.924)	(1.709)
Grants	Expenditure	0.664	0.013	0.000	0.000	0.000	0.678
Grants	Income	(0.009)	0.000	0.000	0.000	0.000	(0.009)
Culture & Play	Expenditure	0.447	0.017	0.000	0.000	0.000	0.464
Culture & Play	Income	(0.052)	0.000	0.000	0.000	0.040	(0.012)
Street Cleansing	Expenditure	2.036	0.000	0.000	0.000	0.000	2.036
Street Cleansing	Income	(0.003)	0.000	0.000	0.000	0.000	(0.003)
Sustainable Transport	Expenditure	0.049	0.003	0.000	0.000	0.000	0.053
Sustainable Transport	Earmarked Reserves	0.000	0.000	0.000	0.000	0.000	0.000
Waste & Recycling	Expenditure	2.740	0.000	0.000	0.000	0.000	2.740
Waste & Recycling	Income	(1.174)	0.000	0.000	(0.099)	0.000	(1.273)
Parking Service	Expenditure	1.866	0.000	0.000	0.000	0.000	1.866
Parking Service	Income	(2.042)	0.000	(0.140)	0.000	0.050	(2.132)
Parking Service	Earmarked Reserves	(0.053)	0.000	0.000	0.000	0.090	0.037
Parks & Open Spaces	Expenditure	2.372	0.016	0.000	0.000	0.046	2.434
Parks & Open Spaces	Income	(0.802)	0.000	0.000	(0.216)	0.000	(1.018)
Net Expenditure		7.150	0.243	(0.539)	(0.334)	1.912	8.432

Planning, Infrastructure & Economy		2026/27					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Economic Development	Expenditure	0.207	0.011	(0.047)	0.000	0.000	0.172
Economic Development	Income	0.000	0.000	0.000	0.000	0.000	0.000
Parking	Expenditure	(0.001)	0.038	0.000	0.000	0.000	0.037
Parking	Income	(0.015)	0.000	0.000	(0.029)	0.000	(0.044)
Transport & Infrastructure	Expenditure	0.653	0.011	(0.010)	0.000	0.028	0.682
Transport & Infrastructure	Income	(0.098)	0.000	(0.077)	0.000	0.000	(0.175)
Transport & Infrastructure	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.028)	(0.028)
Planning & Development	Expenditure	2.081	0.501	(0.166)	0.000	0.000	2.416
Planning & Development	Income	(1.292)	(0.394)	0.000	0.005	0.000	(1.681)
Net Expenditure		1.535	0.168	(0.300)	(0.024)	0.000	1.378

Place

Property & Asset Management		2026/27					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Property Management	Expenditure	0.689	0.070	0.000	0.000	0.000	0.759
Property Management	Income	(0.767)	0.000	0.000	0.000	0.000	(0.767)
Other	Expenditure	(0.045)	0.000	0.000	0.000	0.000	(0.045)
Other	Income	0.004	0.000	0.000	0.000	0.000	0.004
Corporate Asset Management	Expenditure	1.162	0.000	0.000	0.000	(0.460)	0.702
Corporate Asset Management	Income	(0.577)	0.000	0.000	0.000	0.000	(0.577)
Investment - Core Portfolio	Expenditure	0.079	0.000	0.000	0.000	12.603	12.682
Investment - Core Portfolio	Income	(8.470)	0.000	0.000	0.000	(11.794)	(20.264)
Investment - Core Portfolio	Earmarked Reserves	0.000	0.000	0.000	0.000	0.107	0.107
Investment Watford Business Park	Expenditure	0.039	0.000	0.000	0.000	0.000	0.039
Investment Watford Business Park	Income	(1.434)	0.000	0.000	0.000	(0.800)	(2.234)
Watford Health Campus	Income	(0.081)	0.000	0.000	0.000	0.000	(0.081)
Investment Garage/Parking Bays	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
Operational Community Facility	Expenditure	0.004	0.000	0.000	0.000	0.000	0.004
Operational Community Facility	Income	(0.017)	0.000	0.000	0.000	0.000	(0.017)
Operational Housing Park, Playground, Recreation, Amenity Land	Income	(0.001)	0.000	0.000	0.000	0.000	(0.001)
	Income	(0.009)	0.000	0.000	0.000	0.000	(0.009)
Net Expenditure		(9.425)	0.070	0.000	0.000	(0.344)	(9.698)
Place Total Net Expenditure		(0.740)	0.481	(0.838)	(0.358)	1.568	0.112

Place

Service Efficiencies and Savings

Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
Planning, Infrastructure and Economy	Grant Funding - UKSPF administration funding	(0.026)	0.000	0.000
Planning, Infrastructure and Economy	Remove out of hours standby payments for Building Control	(0.009)	(0.009)	(0.009)
Planning, Infrastructure and Economy	Deletion of vacant Urban Design Officer post	(0.036)	(0.036)	(0.036)
Planning, Infrastructure and Economy	Redesign conservation and heritage support	(0.050)	(0.050)	(0.050)
Planning, Infrastructure and Economy	Redesign CCTV monitoring	(0.010)	(0.010)	(0.010)
Planning, Infrastructure and Economy	Deletion of Economic Development Officer post (0.8 FTE)	(0.047)	(0.047)	(0.047)
Planning, Infrastructure and Economy	Deletion of vacant post within Technical Support team	(0.045)	(0.045)	(0.045)
Planning, Infrastructure and Economy	Deletion of vacant Principal Building Control Surveyor post (Shared with SADC)	(0.025)	(0.025)	(0.025)
Planning, Infrastructure and Economy	Temporary reduction to planning policy budget	(0.050)	(0.020)	0.000
Planning, Infrastructure and Economy	Income from bus shelter advertisements	(0.038)	(0.077)	(0.077)
Property	Temporary vacancy saving created by backfill arrangements for maternity cover	(0.021)	0.000	0.000
Environment	Relocation of staff from the Depot	(0.040)	(0.040)	(0.040)
Environment	Additional Parking Income	(0.140)	(0.140)	(0.140)
Environment	Reduce volume of Market Lates per year to three per year	(0.008)	(0.008)	(0.008)
Environment	Veolia - Change in sub-contractors	(0.022)	(0.022)	(0.022)
Environment	Veolia - Oxhey Activity Park - review full time role position and undertake permanent recruitment to reduce agency costs	(0.015)	(0.015)	(0.015)
Environment	Veolia - One off saving	(0.050)	0.000	0.000
Environment	Veolia Recycling Service redesign	0.012	(0.110)	(0.110)
Environment	Veolia - Green Flag Award Maintenance	(0.028)	(0.028)	(0.028)
Environment	Veolia – New approach to Streetscene and NI195 monitoring	(0.007)	(0.007)	(0.007)

Place

Environment	Veolia - Redesign education and outreach programme	(0.030))0.030)	(0.030)
Environment	Veolia - Reduce number of flower towers and hanging baskets	(0.009)	(0.009)	(0.009)
Environment	Veolia - Reduce seasonal bedding and implement different planting schemes using shrubs	(0.012)	(0.012)	(0.012)
Environment	Target saving from review of tree and verge maintenance contract with HCC'	(0.046)	(0.046)	(0.046)
Environment	Community space management.	0.000	0.000	(0.072)
Total Place Service Efficiencies and Savings		(0.754)	(0.786)	(0.838)

Place

Variances – Growth, Pressures, and contributions to and (from) Earmarked Reserves

Growth and Pressures					
Service	Description	2024/25	2025/26	2026/27	
		£m	£m	£m	
Environment	Continued subsidy of Beryl bike through extension	0.100	0.100		
Environment	Utilities costs – Cassiobury Park	0.020	0.020	0.020	
Environment	Loss of bus gate income due to HCC taking over operation	0.050	0.050	0.050	
Environment	Loss of Arts grant funding / undelivered savings in prior years	0.040	0.040	0.040	
Environment	Paddling Pool Running Costs - contract indexation	0.043	0.033	0.026	
Environment	Leisure Management Fee - contract indexation	(0.156)	(0.252)	(0.474)	
Environment	Museum transformation budget	0.065	0.000	0.000	
Environment	Veolia brought forward pressure Including gate fees excluding additional fees and charges	1.406	1.406	1.406	
Environment	Veolia contract inflation	0.326	0.572	0.754	
Environment	Creation of additional burial spaces through tree clearance	0.050			
Environment	Additional income from additional burial spaces	(0.050)			
Planning, Infrastructure and Economy	Planning Fee Income - reduced demand for service due to economic outlook	0.100	0.000	0.000	
Planning, Infrastructure and Economy	CCTV Contract (as agreed by Council October 2023)	0.014	0.021	0.028	
Property and Asset Management	Reduction in commercial rental income due to deductible capital expenditure	0.200	0.100	0.000	
Property and Asset Management	Loss of rental income due to tenant entering administration	0.510	0.200	0.200	
Property and Asset Management	Commercial income growth including Aspire at Watford Business Park	(0.075)	(0.800)	(0.800)	
Property and Asset Management	Remove net saving from THQ operating model	0.000	0.141	0.141	
Property and Asset Management	Croxley Business Park	5.257	2.519	0.609	
Property and Asset Management	Transfer to Facilities Management Budget to Corporate, Housing and Wellbeing	(0.599)	(0.601)	(0.601)	
Total Place Growth and Pressures		7.301	3.549	1.399	

Place

Contributions to and (from) Earmarked Reserves					
Service	Description	2024/25	2025/26	2026/27	
		£m	£m	£m	
Property and Asset Management	Commercial Risk Reserve - drawdown to support commercial income	(0.635)	0.000	0.000	
Environment	Parking Reserve for Beryl Bikes	(0.100)	(0.100)	0.000	
Environment	Additional Contribution to Parking Reserve	0.140	0.140	0.140	
Planning, Infrastructure and Economy	Funding for 50% Planning Strategy and Infrastructure Lead from Parking Reserve	(0.028)	(0.028)	(0.028)	
Environment	Reduce budgeted contribution to parking reserve for bus gate income	(0.050)	(0.050)	(0.050)	
Property and Asset Management	Croxley Park Reserve	(5.257)	(2.303)	0.107	
Total Place Contributions to and (from) Earmarked Reserves		(5.930)	(2.341)	0.169	
Total Place Variances		1.372	1.208	1.568	

Place

Detailed Capital Programme

Capital Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Planning, Infrastructure and Economy				
Public Realm (Clarendon Rd Phase III)	0.011	0.070	-	-
CCTV Site Equipment	0.010	0.025	0.025	0.025
Public Realm - Market St South	0.012	-	-	-
Public Realm (Bridle Path Improvements)	0.054	-	-	-
TTIW Delivery Programme	-	0.100	0.100	0.100
St Albans Rd Imp Works (Ph 2)	-	0.350	0.100	-
Wayfinding & Public Art Strategy	0.062	-	-	0.269
EV Rapid Charging Points Programme	0.100	0.080	0.080	0.080
CCTV Control Room Strategy	0.417	-	-	-
High St Phase 2 (St Mary's)	0.029	-	-	0.457
Parades Improvements	0.025	0.100	0.100	0.100
CIL Grant Funded Projects	0.008	0.300	0.300	0.300
Supporting Local Business	0.020	0.120	-	-
Total Planning, Infrastructure and Economy	0.748	1.145	0.705	1.330
Community Asset Review	0.085	0.100	0.100	0.100
Watford Business Park Phase 2	10.933	0.300	-	-
Riverwell (Watford Health Campus Partnership)	4.286	2.496	6.900	0.227

Place

Temp Housing Accommodation	-	0.085	-	-
Local Authority Housing Fund	0.980	1.029	-	-
Surplus Sites	0.400	0.300	0.100	-
Core Investment Portfolio		1.300	0.160	0.200
Croxley Park Asset	-	7.399	-	-
Lower High Street	0.307	-	-	0.100
Surplus Site - Land Acquisition (Site A)	1.040	-	-	-
Total Property and Asset Management	18.031	13.008	7.260	0.627

Capital Scheme cont.	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m

Environment

Replacement Recycling Bins	-	0.250	-	-
Veolia Contract Fleet Requirements	0.764	0.526	-	0.194
Flats - Extension of Recycling Provision	0.004	-	-	-
Veolia Capital Improvements	0.081	0.084	-	-
Green Spaces Strategy	0.160	0.050	-	-
Tree Planting Programme	0.050	0.025	0.025	-
River Colne Restoration	0.344	-	-	-
Litter Bin Replacements	0.018	0.015	0.015	0.015
Meriden Park Improvements	0.051	-	-	-
Cassiobury Park Wetlands	0.313	-	-	-
Cassiobury Park Ad Hoc Works	0.018	-	-	-
Footpaths - Cassiobury Park Nature Reserve	0.101	0.100	-	-

Place

Footpaths - Cassiobury Park	0.070	0.100	-	-
Allotment Provision	-	0.050	-	-
Shrub Replacement (Open Space)	0.025	0.025	0.025	0.025
Parks - Building Investment	0.149	0.100	-	-
Water Fountains in Green Flag Parks	0.020	0.020	0.020	0.020
North Watford Cemetery Improvements	0.002	0.060	-	-
New Cemetery Provision	0.014	-	-	-
Oxhey Grange-Bowling Gr'N Imps	0.040	-	-	-
Leavesden Green Rec Ground Improvements	0.050	-	-	-
Woodside Sports Village	0.287	-	0.400	0.550
Play Area Improvements	0.090	0.090	-	-
Watford Market	0.015	0.015	0.015	0.015
Paddock Road Depot Enhancements	0.005	-	-	-
Cycle & Road Infrastructure Improvements	0.100	0.300	0.166	0.200
Regeneration Project	0.153	-	-	-
Museum & Heritage	0.200	1.106	-	-
Colosseum Retender	0.033	-	-	-
Total Environment	3.157	2.915	0.666	1.019
Total Proposed Place	21.936	17.068	8.631	2.977

Corporate Strategy and Comms

Revenue 2024/25

Corporate Management		2024/25 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Corporate Strategy Team	Expenditure	0.413	0.144	0.000	0.000	0.000	0.557
Net Expenditure		0.413	0.144	0.000	0.000	0.000	0.557

Partnerships & Performance		2024/25 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Performance And Engagement	Expenditure	0.308	0.007	0.000	0.000	0.000	0.315
Communications	Expenditure	0.304	0.027	(0.037)	0.000	0.000	0.294
Play & Events	Expenditure	0.312	0.004	0.003	0.000	0.000	0.319
Play & Events	Income	(0.026)	0.000	0.000	0.000	0.000	(0.026)
Net Expenditure		0.897	0.038	(0.034)	0.000	0.000	0.901

Corporate Strategy & Comms Total Net Expenditure		1.310	0.182	(0.034)	0.000	0.000	1.458
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Revenue 2025/26

Corporate Management		2025/26 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Corporate Strategy Team	Expenditure	0.413	0.147	0.000	0.000	0.000	0.560
Net Expenditure		0.413	0.147	0.000	0.000	0.000	0.560

Partnerships & Performance		2025/26 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Performance And Engagement	Expenditure	0.308	0.007	0.000	0.000	0.000	0.315
Communications	Expenditure	0.304	0.030	(0.037)	0.000	0.000	0.297
Play & Events	Expenditure	0.292	0.004	(0.018)	0.000	0.000	0.279
Play & Events	Income	(0.026)	0.000	0.000	0.000	0.000	(0.026)
Net Expenditure		0.878	0.041	(0.055)	0.000	0.000	0.864

Corporate Strategy & Comms Total Net Expenditure		1.291	0.188	(0.055)	0.000	0.000	1.425
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Corporate Strategy and Comms

Revenue 2026/27

Corporate Management		2026/27 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Corporate Strategy Team	Expenditure	0.413	0.150	0.000	0.000	0.000	0.564
Net Expenditure		0.413	0.150	0.000	0.000	0.000	0.564

Partnerships & Performance		2026/27 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Performance And Engagement	Expenditure	0.308	0.007	0.000	0.000	0.000	0.315
Communications	Expenditure	0.304	0.031	(0.037)	0.000	0.000	0.298
Play & Events	Expenditure	0.292	0.004	0.003	0.000	0.000	0.299
Play & Events	Income	(0.026)	0.000	0.000	0.000	0.000	(0.026)
Net Expenditure		0.878	0.042	(0.034)	0.000	0.000	0.886

Corporate Strategy & Comms Total Net Expenditure		1.291	0.192	(0.034)	0.000	0.000	1.449
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Corporate Strategy and Comms

Service Efficiencies and Savings

Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
Play & Events	Review funding model for Audentior Awards (awards held once every two years)	0.003	(0.018)	0.003
Communications	Revise Activity on Place Brand	(0.025)	(0.025)	(0.025)
Communications	Reduce Corporate contingency fund	(0.005)	(0.005)	(0.005)
Communications	Reduce Town Centre footfall counter costs	(0.007)	(0.007)	(0.007)
Total Corporate Strategy and Comms Service Efficiencies and Savings		(0.034)	(0.055)	(0.034)

Variances – Growth, Pressures, and contributions to and (from) Earmarked Reserves

Growth and Pressures				
Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
	None			
Total Corporate Strategy and Comms Growth and Pressures		0.000	0.000	0.000

Contributions to and (from) Earmarked Reserves				
Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
	None			
Total Corporate Strategy and Comms Contributions to and (from) Earmarked Reserves		0.000	0.000	0.000

Total Corporate Strategy and Comms Variances		0.000	0.000	0.000
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Corporate Strategy and Comms

Detailed Capital Programme

Capital Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Town Boundary Signage	-	-	-	0.065
Total Proposed Corporate Strategy and Comms	-	-	-	0.065

Democracy and Governance

Revenue 2024/25

Legal And Democratic		2024/25					Revised Budget
		Budget Changes					
Service	Income/Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Legal Shared Services	Expenditure	0.577	0.000	0.000	0.000	0.000	0.577
Legal Services Client	Expenditure	0.164	0.015	(0.019)	0.000	0.000	0.160
Data Protection	Expenditure	0.027	0.000	(0.009)	0.000	0.000	0.018
Democratic Services	Expenditure	1.018	0.113	(0.007)	0.000	0.003	1.127
Elections	Expenditure	0.218	0.000	0.000	0.000	0.026	0.244
Elections	Income	(0.004)	0.000	0.000	0.000	0.000	(0.004)
Support Team (Inc Procurement)	Expenditure	0.066	0.004	0.000	0.000	0.000	0.070
Support Team (Inc Procurement)	Income	(0.024)	0.000	0.000	0.000	0.000	(0.024)
Democracy & Governance Total Net Expenditure		2.042	0.132	(0.035)	0.000	0.029	2.168

Revenue 2025/26

Legal And Democratic		2025/26					Revised Budget
		Budget Changes					
Service	Income/Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Legal Shared Services	Expenditure	0.587	0.000	0.000	0.000	0.000	0.587
Legal Services Client	Expenditure	0.164	0.020	(0.019)	0.000	0.000	0.164
Data Protection	Expenditure	0.027	0.000	(0.009)	0.000	0.000	0.018
Democratic Services	Expenditure	1.019	0.119	(0.007)	0.000	0.003	1.133
Elections	Expenditure	0.218	0.000	0.000	0.000	0.000	0.218
Elections	Income	(0.004)	0.000	0.000	0.000	0.000	(0.004)
Support Team (Inc Procurement)	Expenditure	0.066	0.004	0.000	0.000	0.000	0.070
Support Team (Inc Procurement)	Income	(0.024)	0.000	0.000	0.000	0.000	(0.024)
Democracy & Governance Total Net Expenditure		2.053	0.142	(0.035)	0.000	0.003	2.162

Democracy and Governance

Revenue 2026/27

Legal And Democratic		2026/27					Revised Budget
		Budget Changes					
Service	Income/Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Legal Shared Services	Expenditure	0.587	0.000	0.000	0.000	0.000	0.587
Legal Services Client	Expenditure	0.164	0.020	(0.019)	0.000	0.000	0.164
Data Protection	Expenditure	0.027	0.000	(0.009)	0.000	0.000	0.018
Democratic Services	Expenditure	1.019	0.123	(0.007)	0.000	0.003	1.138
Elections	Expenditure	0.218	0.000	0.000	0.000	0.000	0.218
Elections	Income	(0.004)	0.000	0.000	0.000	0.000	(0.004)
Support Team (Inc Procurement)	Expenditure	0.066	0.004	0.000	0.000	0.000	0.070
Support Team (Inc Procurement)	Income	(0.024)	0.000	0.000	0.000	0.000	(0.024)
Democracy & Governance Total Net Expenditure		2.053	0.147	(0.035)	0.000	0.003	2.167

Democracy and Governance

Service Efficiencies and Savings

Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
Legal Services Client	Deletion of the support services officer post from 1 July 2023 as postholder has retired and post is vacant.	(0.019)	(0.019)	(0.019)
Data Protection	Reduce budget for GDPR work undertaken by HCC	(0.009)	(0.009)	(0.009)
Democratic Services	Reduce miscellaneous Budgets. There are a number of small budgets where we have traditionally had an underspend.	(0.007)	(0.007)	(0.007)
Total Democracy and Governance Service Efficiencies and Savings		(0.035)	(0.035)	(0.035)

Variances – Growth, Pressures, and contributions to and (from) Earmarked Reserves

Growth and Pressures				
Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
Elections	Elections Pressure	0.026	0.000	0.000
Democratic Services	Independent Member of the Audit Committee	0.003	0.003	0.003
Total Democracy and Governance Growth and Pressures		0.029	0.003	0.003

Contributions to and (from) Earmarked Reserves				
Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
None				
Total Democracy and Governance Contributions to and (from) Earmarked Reserves		0.000	0.000	0.000

Total Democracy and Governance Variances		0.029	0.003	0.003
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Human Resources

Revenue 2024/25

HR Shared Service		2024/25 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
HR Shared Service	Expenditure	0.510	0.067	(0.030)	0.000	0.000	0.546
HR Shared Service	Income	(0.010)	0.000	0.000	0.000	0.000	(0.010)
Net Expenditure		0.500	0.067	(0.030)	0.000	0.000	0.536

Human Resources Client		2024/25 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Human Resources Client	Expenditure	0.014	0.000	0.000	0.000	0.000	0.014
Human Resources Client	Income	(0.058)	0.000	0.000	0.000	0.000	(0.058)
Corporate Employee Expenses	Expenditure	0.105	0.000	0.000	0.000	0.000	0.105
Corporate Employee Expenses	Income	(0.007)	0.000	0.000	0.000	0.000	(0.007)
Net Expenditure		0.054	0.000	0.000	0.000	0.000	0.054

Human Resources Total Net Expenditure		0.554	0.067	(0.030)	0.000	0.000	0.591
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Revenue 2025/26

HR Shared Service		2025/26 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
HR Shared Service	Expenditure	0.510	0.041	(0.040)	0.000	0.000	0.512
HR Shared Service	Income	(0.010)	0.000	0.000	0.000	0.000	(0.010)
Net Expenditure		0.500	0.041	(0.040)	0.000	0.000	0.502

Human Resources Client		2025/26 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Human Resources Client	Expenditure	0.014	0.000	0.000	0.000	0.000	0.014
Human Resources Client	Income	(0.058)	0.000	0.000	0.000	0.000	(0.058)
Corporate Employee Expenses	Expenditure	0.105	0.000	0.000	0.000	0.000	0.105
Corporate Employee Expenses	Income	(0.007)	0.000	0.000	0.000	0.000	(0.007)
Net Expenditure		0.054	0.000	0.000	0.000	0.000	0.054

Human Resources Total Net Expenditure		0.554	0.041	(0.040)	0.000	0.000	0.556
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Human Resources

Revenue 2026/27

HR Shared Service		2026/27 Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	Revised Budget £m
HR Shared Service	Expenditure	0.510	0.042	(0.040)	0.000	0.000	0.513
HR Shared Service	Income	(0.010)	0.000	0.000	0.000	0.000	(0.010)
Net Expenditure		0.500	0.042	(0.040)	0.000	0.000	0.503

Human Resources Client		2026/27 Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	Revised Budget £m
Human Resources Client	Expenditure	0.014	0.000	0.000	0.000	0.000	0.014
Human Resources Client	Income	(0.058)	0.000	0.000	0.000	0.000	(0.058)
Corporate Employee Expenses	Expenditure	0.105	0.000	0.000	0.000	0.000	0.105
Corporate Employee Expenses	Income	(0.007)	0.000	0.000	0.000	0.000	(0.007)
Net Expenditure		0.054	0.000	0.000	0.000	0.000	0.054

Human Resources Total Net Expenditure		0.554	0.042	(0.040)	0.000	0.000	0.557
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Human Resources

Service Efficiencies and Savings

Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
HR Shared Service	Saving to be delivered from the Shared Service expansion HR and OD project with three Local Authority partners	(0.030)	(0.040)	(0.040)
Total Human Resources Service Efficiencies and Savings		(0.030)	(0.040)	(0.040)

Variations – Growth, Pressures, and contributions to and (from) Earmarked Reserves

Growth and Pressures				
Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
	None			
Total Human Resources Growth and Pressures		0.000	0.000	0.000

Contributions to and (from) Earmarked Reserves				
Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
	None			
Total Human Resources Contributions to and (from) Earmarked Reserves		0.000	0.000	0.000

Total Human Resources Variations		0.000	0.000	0.000
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Strategic Finance

Revenue 2024/25

Corporate Costs		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Interest Earned	Expenditure	0.000	0.000	0.000	0.000	0.000	0.000
Interest Earned	Income	(3.537)	0.000	0.000	0.000	(1.065)	(4.602)
Interest Earned	Earmarked Reserves	0.000	0.000	0.000	0.000	0.865	0.865
Interest Paid	Expenditure	2.219	0.000	0.000	0.000	(0.268)	1.951
Interest Paid	Earmarked Reserves	0.000	0.000	0.000	0.000	0.260	0.260
Budget Strategy Items	Expenditure	2.610	(0.728)	(0.646)	0.000	0.252	1.488
Budget Strategy Items	Income	0.000	0.000	0.000	0.000	0.000	0.000
Budget Strategy Items	Earmarked Reserves	(0.500)	0.000	0.000	0.000	(0.153)	(0.653)
Pension Deficit Payment	Expenditure	2.683	(0.263)	0.000	0.000	(0.749)	1.671
Pension Deficit Payment	Earmarked Reserves	(0.200)	0.000	0.000	0.000	0.000	(0.200)
Net Expenditure		3.275	(0.990)	(0.646)	0.000	(0.858)	0.780

Finance & Resources		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Finance & Resources	Expenditure	0.223	0.000	0.000	0.000	0.000	0.223
Net Expenditure		0.223	0.000	0.000	0.000	0.000	0.223

Finance and Audit Services Client		2024/25					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Finance Services Client	Expenditure	0.920	0.000	(0.079)	0.000	0.160	1.002
Finance Services Client	Income	(0.099)	0.000	0.000	0.000	0.000	(0.099)
Audit and Fraud Client	Expenditure	0.203	0.000	0.000	0.000	0.000	0.203
Net Expenditure		1.024	0.000	(0.079)	0.000	0.160	1.105

Strategic Finance

		2024/25					
Revenues And Benefits Client		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	Revised Budget £m
Income Administration Client	Expenditure	0.060	0.000	0.000	0.000	0.000	0.060
Income Administration Client	Income	(0.018)	0.000	0.000	0.000	0.000	(0.018)
Taxation Client	Expenditure	0.500	0.000	0.000	0.000	0.000	0.500
Taxation Client	Income	(0.352)	0.000	0.000	0.000	0.000	(0.352)
Housing Benefit Client	Expenditure	39.320	0.000	(0.180)	0.000	0.000	39.140
Housing Benefit Client	Income	(38.716)	0.000	0.000	0.000	0.000	(38.716)
Debt Recovery	Expenditure	0.273	0.000	0.000	0.000	0.000	0.273
Revs and Bens Shared Service	Expenditure	0.012	0.000	0.000	0.000	0.000	0.012
Net Expenditure		1.078	0.000	(0.180)	0.000	0.000	0.898

		2024/25					
Service Transformation		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	Revised Budget £m
Service Transformation	Expenditure	0.031	0.000	0.000	0.000	0.000	0.031
Emergency Planning	Expenditure	0.028	0.000	0.000	0.000	0.000	0.028
Net Expenditure		0.059	0.000	0.000	0.000	0.000	0.059

Strategic Finance Total Net Expenditure		5.659	(0.990)	(0.905)	0.000	(0.698)	3.065
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Strategic Finance

Revenue 2025/26

Corporate Costs		2025/26 Budget Changes					Revised Budget
Service	Income/Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Interest Earned	Expenditure	0.000	0.000	0.000	0.000	0.000	0.000
Interest Earned	Income	(3.537)	0.000	0.000	0.000	0.236	(3.301)
Interest Earned	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.236)	(0.236)
Interest Paid	Expenditure	2.148	0.000	0.000	0.000	0.194	2.342
Interest Paid	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.195)	(0.195)
Budget Strategy Items	Expenditure	3.101	(0.732)	(0.993)	0.000	0.326	1.702
Budget Strategy Items	Income	0.000	0.000	0.000	0.000	(0.075)	(0.075)
Budget Strategy Items	Earmarked Reserves	0.000	0.000	0.000	0.000	0.000	0.000
Pension Deficit Payment	Expenditure	2.683	(0.263)	0.000	0.000	(0.695)	1.725
Pension Deficit Payment	Earmarked Reserves	(0.200)	0.000	0.000	0.000	0.000	(0.200)
Net Expenditure		4.195	(0.995)	(0.993)	0.000	(0.445)	1.763

Finance & Resources		2025/26 Budget Changes					Revised Budget
Service	Income/Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Finance & Resources	Expenditure	0.223	0.000	0.000	0.000	0.000	0.223
Net Expenditure		0.223	0.000	0.000	0.000	0.000	0.223

Finance and Audit Services Client		2025/26 Budget Changes					Revised Budget
Service	Income/Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Finance Services Client	Expenditure	0.920	0.000	(0.098)	0.000	0.160	0.983
Finance Services Client	Income	(0.099)	0.000	0.000	0.000	0.000	(0.099)
Audit and Fraud Client	Expenditure	0.203	0.000	0.000	0.000	0.000	0.203
Net Expenditure		1.024	0.000	(0.098)	0.000	0.160	1.086

Strategic Finance

Revenues And Benefits Client		2025/26					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Income Administration Client	Expenditure	0.060	0.000	0.000	0.000	0.000	0.060
Income Administration Client	Income	(0.018)	0.000	0.000	0.000	0.000	(0.018)
Taxation Client	Expenditure	0.500	0.000	0.000	0.000	0.000	0.500
Taxation Client	Income	(0.352)	0.000	0.000	0.000	0.000	(0.352)
Housing Benefit Client	Expenditure	39.320	0.000	(0.180)	0.000	0.000	39.140
Housing Benefit Client	Income	(38.716)	0.000	0.000	0.000	0.000	(38.716)
Debt Recovery	Expenditure	0.273	0.000	0.000	0.000	0.000	0.273
Revs and Bens Shared Service	Expenditure	0.012	0.000	0.000	0.000	0.000	0.012
Net Expenditure		1.078	0.000	(0.180)	0.000	0.000	0.898

Service Transformation		2025/26					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Service Transformation	Expenditure	0.031	0.000	0.000	0.000	0.000	0.031
Emergency Planning	Expenditure	0.028	0.000	0.000	0.000	0.000	0.028
Net Expenditure		0.059	0.000	0.000	0.000	0.000	0.059

Strategic Finance Total Net Expenditure		6.579	(0.995)	(1.271)	0.000	(0.285)	4.029
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Strategic Finance

Revenue 2026/27

Corporate Costs		2026/27 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Interest Earned	Expenditure	0.000	0.000	0.000	0.000	0.000	0.000
Interest Earned	Income	(3.537)	0.000	0.000	0.000	1.170	(2.367)
Interest Earned	Earmarked Reserves	0.000	0.000	0.000	0.000	(1.170)	(1.170)
Interest Paid	Expenditure	2.148	0.000	0.000	0.000	0.366	2.514
Interest Paid	Earmarked Reserves	0.000	0.000	0.000	0.000	(0.065)	(0.065)
Budget Strategy Items	Expenditure	3.101	(0.733)	(1.376)	0.000	0.566	1.557
Budget Strategy Items	Income	0.000	0.000	0.000	0.000	(0.125)	(0.125)
Budget Strategy Items	Earmarked Reserves	0.000	0.000	0.000	0.000	0.000	0.000
Pension Deficit Payment	Expenditure	2.683	(0.263)	0.000	0.000	(0.695)	1.725
Pension Deficit Payment	Earmarked Reserves	(0.200)	0.000	0.000	0.000	0.000	(0.200)
Net Expenditure		4.195	(0.996)	(1.376)	0.000	0.047	1.870

Finance & Resources		2026/27 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Finance & Resources	Expenditure	0.223	0.000	0.000	0.000	0.000	0.223
Net Expenditure		0.223	0.000	0.000	0.000	0.000	0.223

Finance and Audit Services Client		2026/27 Budget Changes					Revised Budget
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variations £m	£m
Finance Services Client	Expenditure	0.920	0.000	(0.112)	0.000	0.160	0.969
Finance Services Client	Income	(0.099)	0.000	0.000	0.000	0.000	(0.099)
Audit and Fraud Client	Expenditure	0.203	0.000	0.000	0.000	0.000	0.203
Net Expenditure		1.024	0.000	(0.112)	0.000	0.160	1.072

Strategic Finance

Revenues And Benefits Client		2026/27					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Income Administration Client	Expenditure	0.060	0.000	0.000	0.000	0.000	0.060
Income Administration Client	Income	(0.018)	0.000	0.000	0.000	0.000	(0.018)
Taxation Client	Expenditure	0.500	0.000	0.000	0.000	0.000	0.500
Taxation Client	Income	(0.352)	0.000	0.000	0.000	0.000	(0.352)
Housing Benefit Client	Expenditure	39.320	0.000	(0.180)	0.000	0.000	39.140
Housing Benefit Client	Income	(38.716)	0.000	0.000	0.000	0.000	(38.716)
Debt Recovery	Expenditure	0.273	0.000	0.000	0.000	0.000	0.273
Revs and Bens Shared Service	Expenditure	0.012	0.000	0.000	0.000	0.000	0.012
Net Expenditure		1.078	0.000	(0.180)	0.000	0.000	0.898

Service Transformation		2026/27					Revised Budget
		Budget Changes					
Service	Income/ Expenditure	Starting Budget £m	Salary Build £m	Savings £m	Fees and Charges £m	Variances £m	£m
Service Transformation	Expenditure	0.031	0.000	0.000	0.000	0.000	0.031
Emergency Planning	Expenditure	0.028	0.000	0.000	0.000	0.000	0.028
Net Expenditure		0.059	0.000	0.000	0.000	0.000	0.059

Strategic Finance Total Net Expenditure		6.579	(0.996)	(1.667)	0.000	0.207	4.122
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Strategic Finance

Service Efficiencies and Savings

Service	Description	2024/25 £m	2025/26 £m	2026/27 £m
Finance	Reduction in Finance Officer capacity following flexible retirements	(0.027)	(0.046)	(0.046)
Finance	Further reduction in Finance Officer Capacity in 2026/27 (0.5 FTE)	0.000	0.000	(0.014)
Finance	Redesign Shared Fraud Service	(0.032)	(0.032)	(0.032)
Finance	Reshape Director of Finance and Head of Finance roles	(0.020)	(0.020)	(0.020)
Revenues and Benefits	Reduction in agency budget following service changes as a result of the introduction of universal credit	(0.180)	(0.180)	(0.180)
Corporate Costs	Review of essential car users policy and allowances	(0.030)	(0.030)	(0.030)
Corporate Costs	Service Redesign Savings	(0.616)	(0.963)	(1.346)
Total Strategic Finance Service Efficiencies and Savings		(0.943)	(0.905)	(1.271)

Strategic Finance

Variations – Growth, Pressures, and contributions to and (from) Earmarked Reserves

Growth and Pressures					
Service	Description	2024/25	2025/26	2026/27	
		£m	£m	£m	
Corporate Costs	External Audit Fees	0.160	0.160	0.160	
Corporate Costs	Inflationary increases to fees and charges income in future years	0.000	(0.075)	(0.125)	
Corporate Costs	Future Pay Inflation	0.480	0.840	1.080	
Corporate Costs	Contingency for Inflation (including contract inflation and pay)	(0.227)	(0.514)	(0.513)	
Corporate Costs	Capital Financing Charges	(0.268)	0.194	0.366	
Corporate Costs	Additional investment interest income	(0.200)	0.000	0.000	
Corporate Costs	Net reduction in pension deficit payment	(0.749)	(0.695)	(0.695)	
Corporate Costs	Timing of Joint Venture Income	(0.865)	0.236	1.170	
Total Strategic Finance Growth and Pressures		(1.669)	0.146	1.443	

Contributions to and (from) Earmarked Reserves					
Service	Description	2024/25	2025/26	2026/27	
		£m	£m	£m	
Corporate Costs	Commercial Risk Reserve - timing of capital financing pressures	0.260	(0.195)	(0.065)	
Corporate Costs	Renewal Fund reserve draw down adjusted for drawdown in 2023/24	0.132	0.000	0.000	
Corporate Costs	Commercial Risk Reserve - timing of Joint Venture Income	0.000	(0.236)	(1.170)	
Corporate Costs	Commercial Risk Reserve - timing of Joint Venture Income	0.865	0.000	0.000	
Corporate Costs	Draw down from Commercial Risk Reserve to top up General Fund	(0.285)	0.000	0.000	
Total Strategic Finance Contributions to and (from) Earmarked Reserves		0.972	(0.431)	(1.235)	

Total Strategic Finance Variances		(0.698)	(0.285)	0.207	
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Strategic Finance

Detailed Capital Programme

Capital Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Support Services	0.552	0.552	0.552	0.552
Support Services - Major Projects	0.124	0.124	0.124	0.124
Land Transfer - Croxley View Phase 3	-	3.130	-	-
Capital Contingency	0.511	-	-	-
Total Proposed Strategic Finance	1.188	3.807	0.677	0.677