



FINANCE DIGEST

2016/17

BUDGET MONITORING

Quarter 1 (1 April – 30 June)



**WATFORD
BOROUGH
COUNCIL**

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Executive Summary

This Finance Digest shows the expected financial position (forecast outturn) for the current financial year based on the Council's actual financial performance at the end of Quarter 1 (April-June) 2016. It also includes trend analysis for comparisons with previous years.

The 2016/17 revenue forecast of expected outturn shows an unfavourable variance of **£0.367 million** when compared to the latest budget. The variance is mainly due to an additional pressure on housing and temporary accommodation of £0.469 million while other budgets are showing a positive variance of £0.102 million. The variance of £0.367 million will be met from the Programme Management Board reserve (£0.105 million) and the balance from earmarked Economic Impact reserve.

The table below shows a summary of the Council's Medium Term Financial Strategy (MTFS), highlighting how the variances increase the funding gap to **£2.676 million** by 2018/19. Some of the variances reported this quarter are 'one off' in 2016/17 and do not reoccur in future years.

Medium Term Financial Strategy	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Latest Budget	17,225,060	14,006,810	15,197,210
Variances this Period	366,715	331,100	328,525
Forecast Outturn	17,591,775	14,337,910	15,525,735
Funding (income from business rates, grants and council tax)	(15,293,070)	(13,171,904)	(12,860,923)
Budgeted use of reserves	(761,500)	(50,000)	11,500
Brought forward budget 2015/16	(1,190,000)		
	347,205	1,116,006	2,676,312
Use of/(Contribution to) reserves as per original MTFS	(19,510)	784,906	2,347,787
Additional Funding Gap	366,715	331,100	328,525
Revised use of/(contribution) to reserves	347,205	1,116,006	2,676,312

The 2016/17 capital budget shows an increase of **£0.042 million** when compared to the latest budget. The variance is due to the purchase of plant & vehicles for the waste management contract. This is funded from the vehicle replacement reserve.

In April 2015, the Council set up its internal Property Investment Board (PIB) to review the Council's property portfolio, with the remit of disposing of uneconomical assets and reinvesting in property that creates regeneration and delivers a rate of return greater than 5%. PIB have purchased an investment property costing **£4.286 million** using its ring-fenced receipts from previous disposals.

The effect of both the revenue and capital variances upon on each reserve is shown in the table below. A full list of reserve balances is shown at **Appendix 9**.

Description	Balance at 1 April	Agreed use of Reserves	Previously reported Movement	Reported Movement this time	Total	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000
Capital Financing	(6,235)	509	0	42	551	(5,684)
Earmarked Reserves	(17,547)	2,050	0	248	2,298	(15,249)
General Fund	(1,350)	0	0	0	0	(1,350)
Total	(25,132)	2,559	0	290	2,849	(22,283)

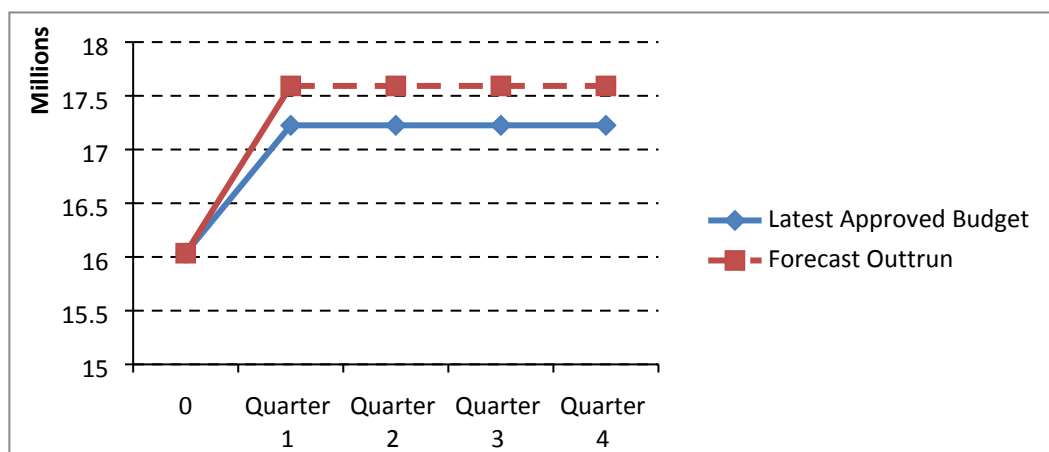
The financial balanced scorecard

<p><u>REVENUE</u></p> <ul style="list-style-type: none"> ➤ Services are forecasting an outturn pressure of £0.367 million. ➤ Additional cost of temporary accommodation placements is estimated at £0.450 million 	<p><u>CAPITAL</u></p> <ul style="list-style-type: none"> ➤ Services are forecasting an additional spend of £41,600. ➤ To date one-fifth of the planned budget has been spent.
<ul style="list-style-type: none"> ➤ Increase in rental income of £265,000 from the purchase of an investment property and new lettings ➤ Collection rates for business rates and council tax are on target <p><u>INCOME</u></p>	<ul style="list-style-type: none"> ➤ The annual funding gap at the end of the medium term (2018/19) is forecasted to be £2.68 million ➤ Total gap over medium-term has increased by £1 million ➤ Use of reserves to close the gap is not sustainable in the longer term <p><u>FUNDING GAP</u></p>

1.0 Revenue Budget

1.1 The latest budget is **£17.225 million** which includes the budget carry forwards from 2015/16 of **£1.190 million**. The forecast outturn is now estimated to be **£17.592 million** which results in an unfavourable variance of **£0.367 million**.

1.2 The latest budget and forecast outturn for the current financial year (2016/17) at Quarter 1 are plotted on the graph below;



1.3 The table below compares the latest budget to the forecast outturn and shows the variance against each service. The figures in the table relate to direct costs and incomes for each service. The 'Adjustment under Statute' figure in the table represents the accounting treatment of indirect service costs such as internal recharges and capital financing charges that do not impact on service provision.

Revenue Account 2016/17			
Service Area	Latest Budget £000	Forecast Outturn £000	Variance £000
Corporate Strategy & Client Services	7,511	7,511	0
Community & Customer Services	4,516	4,985	469
Democracy & Governance	3,414	3,414	0
Regeneration & Development	(4,742)	(4,844)	(102)
Managing Director	660	660	0
Human Resources	576	576	0
Strategic Finance	5,667	5,667	0
Adjustment Under Statute	(377)	(377)	0
Net Expenditure	17,225	17,592	367

1.4 The detail of comparing the forecast outturn to the latest budget, together with an explanation for the variance by service is shown at **Appendix 1**. Services with significant variances have provided the narratives below:

Community & Customer Services

- 1.4.1 To meet the Council's statutory duties relating to the provision of temporary accommodation a further £450,000 has been identified. In addition, further expenditure of £25,000 is required to complete the temporary accommodation project; this will be met from allocating funds from the Programme Management Board (PMB) reserve.

Regeneration & Development

- 1.4.2 There is an increase in rental income of £197,000 from the purchase of an investment property. It should be noted that £129,000 of investment income was removed from the original 2016/17 budget due to the disposal of piecemeal properties as part of the Property Investment Board's agreed rationalisation of the Council's property portfolio. The increased revenue stream from the new purchase more than offsets this reduction.
- 1.4.3 A net additional cost of £39,340 has been identified for the Watford Business Park project as a result of the outsourcing of the property management services (£92,000) offset by increased rental income of £52,660.
- 1.4.4 Further expenditure of £80,000 is required to complete the project relating to the review of the Council's property services. This will be met from allocating funds from Programme Management Board (PMB) reserve.

Spend to Date and Profiles

- 1.5 The table below compares the profiled budget to date to the actual net expenditure to date and the variance between the two for each service for Quarter 1.

Service Area	Profiled Budget £000	Actual £000	Variance £000
Corporate Strategy & Client Services	1,235	1,531	296
Community & Customer Services	1,055	1,067	12
Democracy & Governance	1,021	801	(220)
Regeneration & Development	(1,306)	(1,121)	185
Managing Director	61	59	(2)
Human Resources	208	221	13
Strategic Finance	3,500	3,591	91
Net Expenditure	5,774	6,149	375

- 1.6 As the table above shows, the Council overspent against its profiled budget by **£0.375 million** at Quarter 1. The significant reasons for the variance are shown below.

Corporate Strategy & Client Services

- 1.6.1 Outstanding invoice to be raised for £236,000 to the leisure facilities contractor.
Lower fees and charges received than expected for time of year £43,000; however this is expected to be on budget at year end.

Community & Customer Services

- 1.6.2 Additional cost of £125,000 for temporary accommodation.
Grant monies of £67,000 received from Herts County Council in advance of spending on public health.
Underspend on salaries of £30,000 due to vacancies; this is likely to be offset by recruiting additional agency staff to cover the workload in the short term.

Democracy & Governance

- 1.6.3 Government grant of £102,000 received for EU referendum awaiting supplier's invoices to spend against this income.
Underspend of £67,000 on property maintenance. This is expected to be spent later in the year.

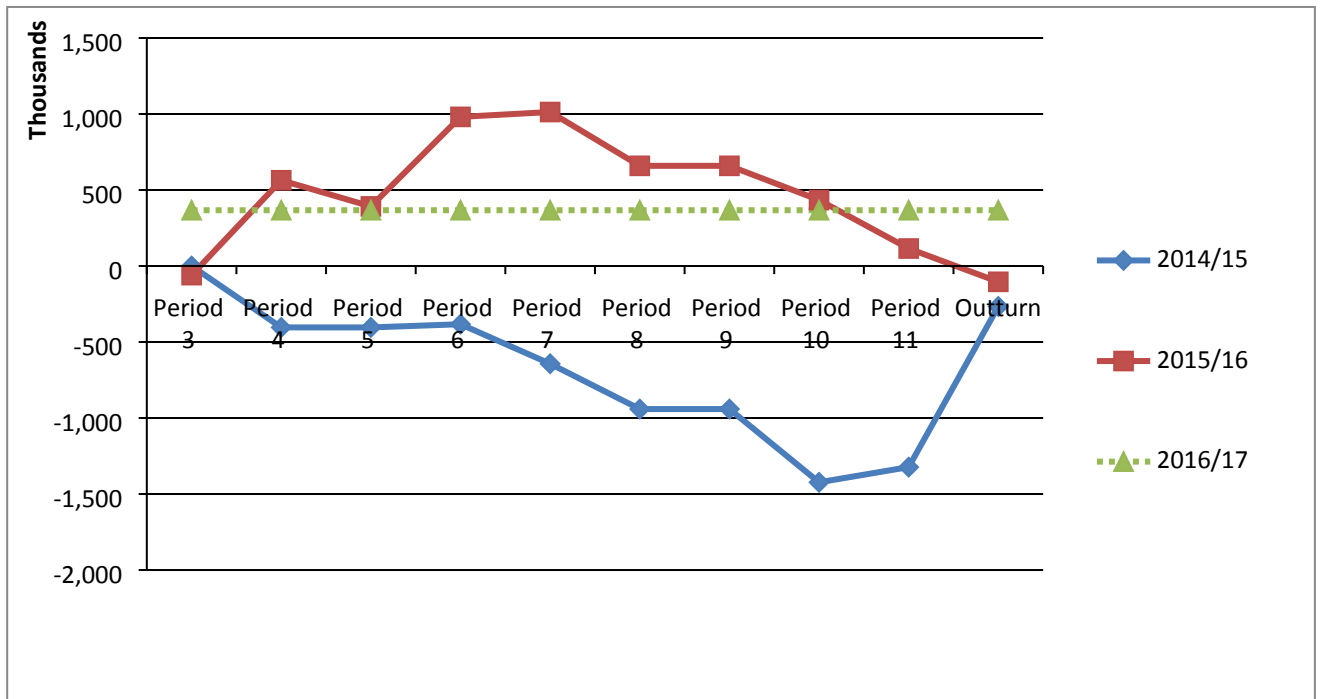
Regeneration & Development

- 1.6.4 Lower planning application fees of £115,000 received for the first quarter; at this point in time it is expected that the budget will be achieved at the year end, however this will be monitored closely throughout the financial year.
Increase in building control fees of £36,000.
Increase rent of £65,000 primarily from new lettings at Watford Business Park and a receipt of back rent.
Invoice of £112,000 to be raised to the Business Improvement District Company.

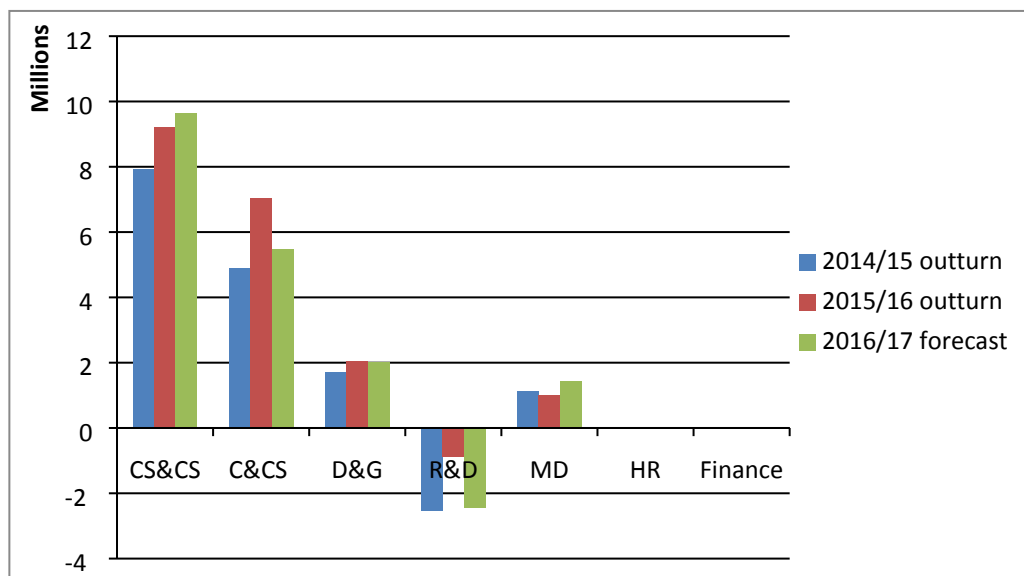
Strategic Finance

- 1.6.5 Higher ICT costs incurred earlier in the year.

1.7 The graph below shows a trend analysis of the forecast outturn variance by period including approved carry forwards for the last two years and the current financial year.



- 1.8 The chart below compares the actual outturn position by service area for 2014/15 and 2015/16 and the current forecast outturn.



2.0 Capital Investment Programme

2.1 The Council has an approved capital investment programme that is designed to support the core services. The original investment programme for 2016/17 (as approved by Council in January 2016) was **£13.280 million**. The latest budget is **£22.900 million** which includes re-phasing of **£9.125 million** from the 2015/16 programme and portfolio approval for an increase of **£0.495 million** to complete the refurbishment of the Gaelic football club facility.

2.2 The forecast outturn is estimated to be **£22.942 million** which is **£0.042 million** greater than the latest budget. There are no forecast changes to the later years' budgets.

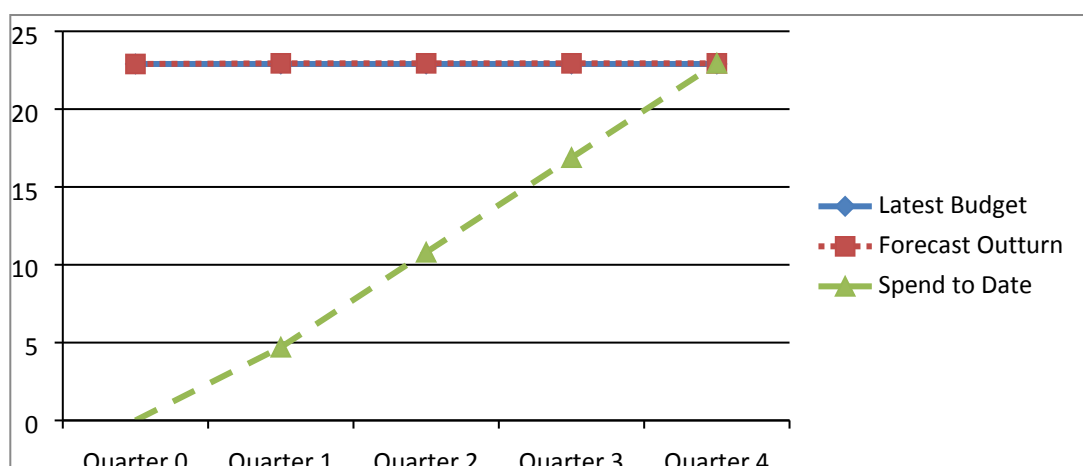
2.3 The table below summarises the change to the Council's approved capital programme over the medium term.

Approved Capital Programme	2016/17 £000	2017/18 £000	2018/19 £000
Latest Budget	22,900	6,661	5,155
Variances this period	42	0	0
Forecast Outturn	22,942	6,661	5,155

2.4 The Council's medium term capital investment programme for 2016-2019 is shown at summary level in **Appendix 2** and by each scheme at **Appendix 3**, together with an update on each scheme.

2.5 As at end of quarter 1 (30 June) services have spent **£4.691 million** against the latest budget of £22.900 million, which represents **20.5%** of the annual budget. Of the total spend to date, £3.100 million relates to the Health Campus project.

- 2.6 The graph below shows the Council's latest budget, forecast outturn and the actual spend to date for the current financial year (2016/17). The expenditure to date has been extrapolated (dashed line) to show it meeting the forecast position.



Funding the Approved Capital Programme

- 2.7 The approved capital programme is mainly supported by three income streams; capital receipts (derived from the sales of assets), grants and contributions, and the use of reserves. Services can also make a contribution to capital from surplus revenue funds if needed.
- 2.8 The largest source of funding is from the capital receipts reserve which has accumulated over the years by the disposal of the Council's surplus assets including the receipt received from the sale of ex-council dwellings to Watford Community Housing Trust under the stock transfer agreement.
- 2.9 The table below shows the forecasted position of the capital receipts reserve over the medium term as it supports the capital spending plans, details of each funding stream shown at **Appendix 4**.

Capital Receipts Reserve	2016/17 £000	2017/18 £000	2018/19 £000
Balance at 1 April 2016	(13,444)	(6)	(453)
In Year Receipts	(2,834)	(2,800)	(12,450)
Used to Finance Capital Spend	16,272	2,353	4,811
Balance at 31 March 2017	(6)	(453)	(8,092)

- 2.10 It should be noted that the large receipt in 2018/19 is primarily due to the estimated return on the sale of the Council's interest in Watford Business Park.

Property Investment Board (PIB)

- 2.11 In June, under its delegated authority the PIB approved the purchase of an investment property for a total of £4.286 million (including tax and costs). This acquisition was funded from receipts already achieved from the rationalisation of the investment portfolio and represents a net increase in rental income of £33,000 over that lost from the disposals.

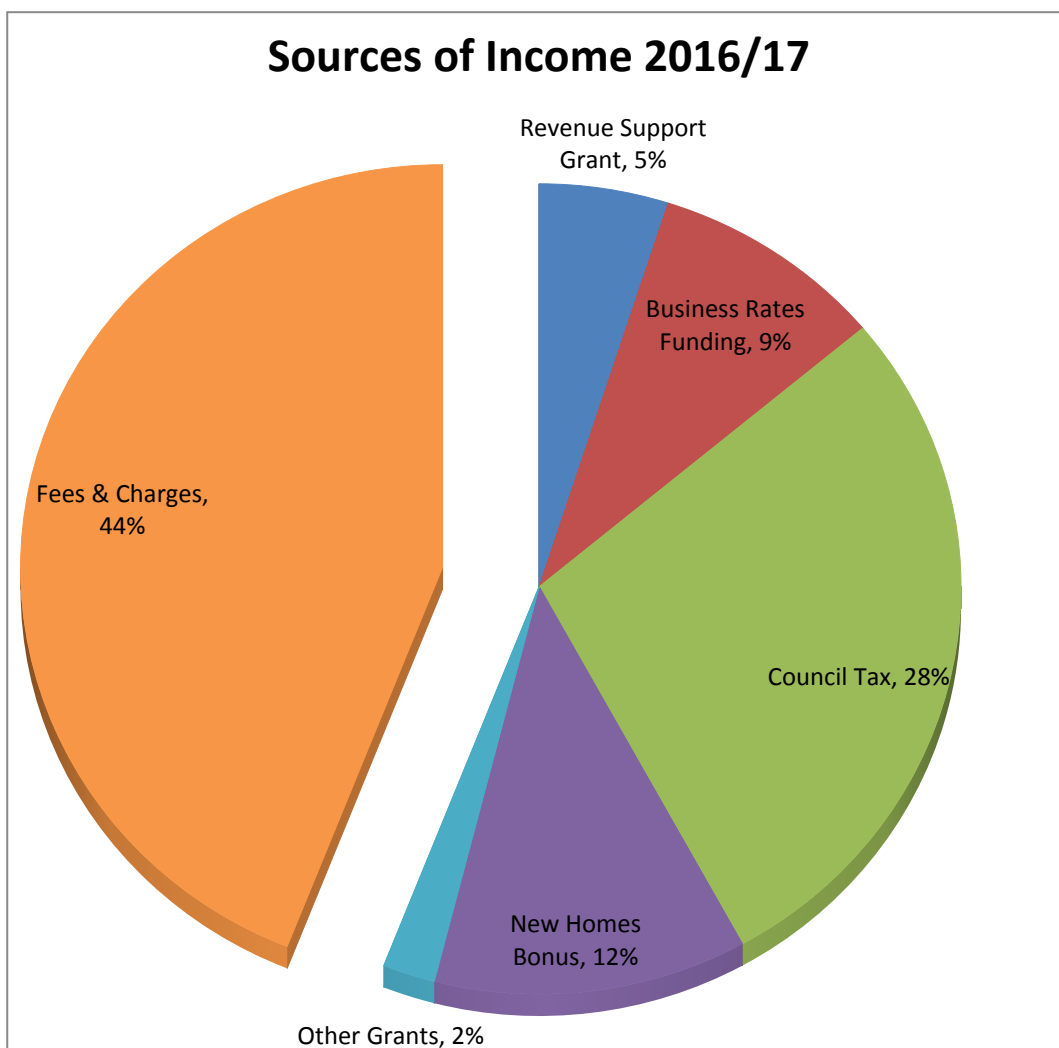
2.12 The table below summarises the ring-fenced funds available to the PIB portfolio for the current year.

Property Investment Board	2016/17 £000
Balance Carried forward at 1 April	(4,042)
Receipt's received in year	(750)
Forecast Spend in year	4,303
Balance to spend	489

3.0 Council Income

3.1 The total of all these sources of income for 2016/17 is £28.269 million. The biggest source of income is fees and charges which includes commercial property rents, car parking charges and planning fees. It should be noted that although the Council will receive £1.310 million in Revenue Support Grant for 2016/17 although this will reduce to zero by 2019/20.

3.2 The chart below shows the percentage of the total amount of income for each source of income.



3.3 The table below shows the current figures for the significant sources of service income

Department	Income Stream	Latest Budget 2016/17	Actuals to date	Income Description
Regeneration & Development	Rent	£6,774,930	£1,842,301	Rents form commercial property including Intu as well as rental income from multi storey car parks
Regeneration & Development	Car Parking	£1,004,550	£308,270	Income largely from Avenue, Town Hall & Longspring car parks as well as the Parking Shop
Community & Customer Service	Environmental Health & Licensing	£338,620	£166,724	Income from all Licensing activities including Hackney Carriage (taxis), pest control and fly tipping.
Regeneration & Development	Development Section	£1,038,850	£209,491	Income from planning applications, building control and land charges

Debtors (invoicing)

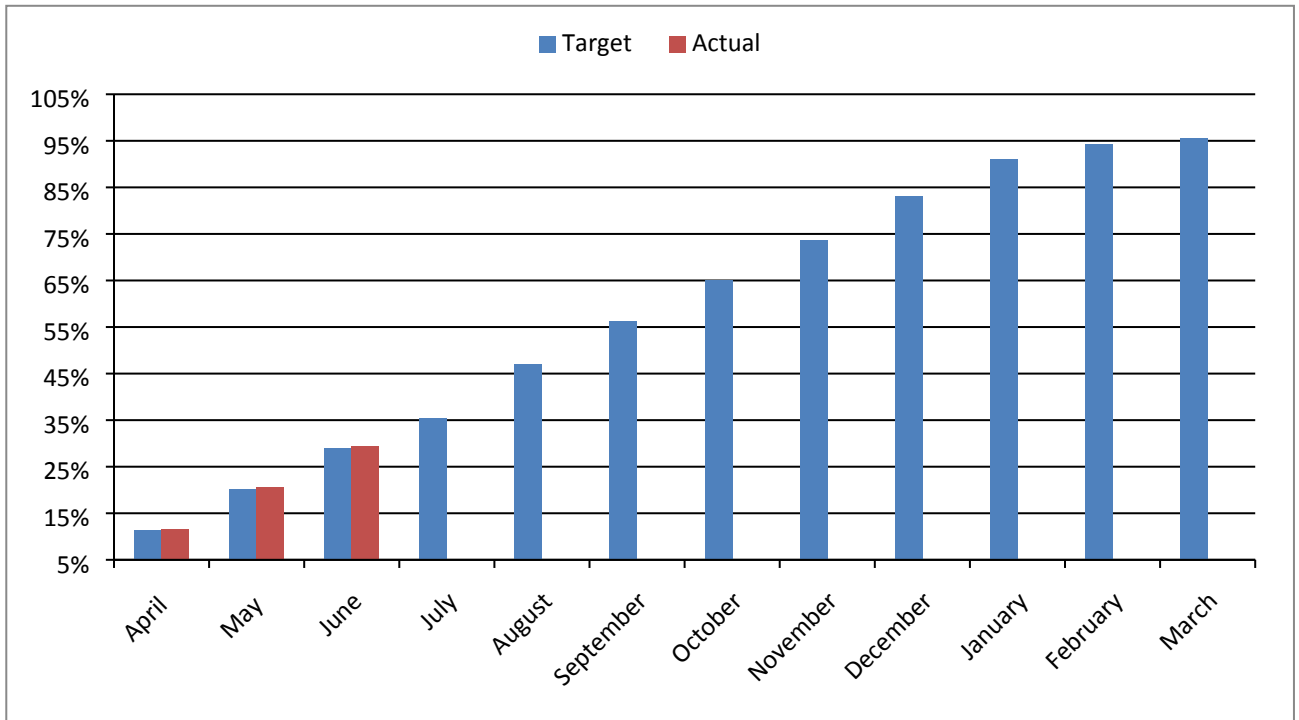
3.4 As at the 30 June 2016 the total outstanding value of debt was **£2.309 million** of which £1.831 million (four-fifths) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.171 million and equates to just over seven per cent of the total. The table below shows a summary of the outstanding debt by the three main aged categories and further detail can be found at **Appendix 5**.

Aged Debtors Summary at Quarter 1	Under 1 Month	Over 1 month to Year	Over a Year	Total
Service	£	£	£	£
Community & Customer Service	116,032	110,408	14,555	240,995
Democracy & Governance	0	550	3,176	3,726
Regeneration & Development	872,994	185,925	152,963	1,211,882
Managing Director	5,329	0	0	5,329
Human Resources	28,634	8,131	0	36,765
Finance	808,453	128	0	808,581
Recovery Charges	200	545	555	1,300
Total	1,831,642	305,687	171,249	2,308,578

Council Tax and Business Rates Collection

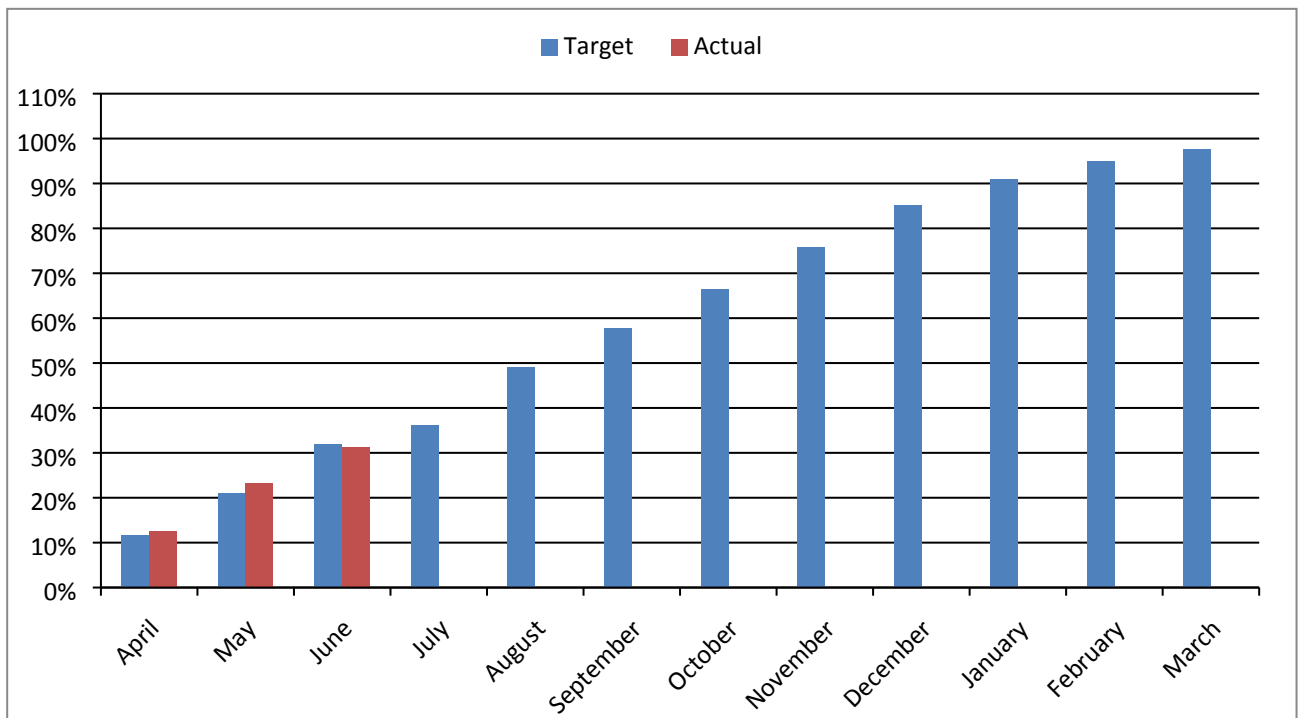
3.5 The Council's performance in the collection of **Council Tax** can be seen in the following chart. It shows the collection % to date along with the target for the year. The actual income collected as at 30 June 2016 is 29.3 % of the annual target which is just above the profiled target of 29.0%. Further information can be found at **Appendix 6**.

Council Tax Collection



Business Rates Collection

3.6 The Council’s performance for **business rates** collection is shown in the following chart. The actual income collected as at 30 June 2016 is 31.3% of the annual target which is just below the profiled target of 31.9%. Further information can also be found at **Appendix 6**.



4.0 Treasury Management

- 4.1 The Treasury Management Strategy is an important part of the overall financial management of the Council's affairs. The purpose is monitor its cash flows and to earn interest on its surplus cash by investing it over the short term (3-12 months).
- 4.2 The impact of the referendum held on 23 June, whereby the majority vote was in favour of the UK leaving the EU has reverberated across the world and although the impacts are likely to be long-lasting they are currently difficult to predict long term.
- 4.3 Watford Borough Council does potentially have indirect exposure to funding from the EU structural fund through the Local Enterprise Partnership (LEP), although EU funds only form a part of the LEP funding streams. The LEP has loaned £7.5 million to the Council.
- 4.4 The interest earned on the investments made by the Council supports the funding of the services it provides. The TMS has a target of earning an interest rate of 0.62% on the investments the Council makes. For Quarter 1, the average annualised interest rate earned on investments was 0.77%.
- 4.5 The Council set a budget of **£220,000** on investment interest. The amount earned during Quarter 1 was **£96,600**. The amount received is high due to the Council having high cash balances at the beginning of the year; however this is unlikely to continue as large sums will be released to support capital expenditure. Furthermore, interest rates have fallen since the EU referendum and there is much speculation that interest rates may fall even further. This means that some of the investments that matured in the early part of the year at higher rates will now be reinvested at the new lower rates; it is therefore considered prudent not to revise the forecast at this stage.
- 4.6 The effect of the Brexit vote could mean that although the Council has little borrowing, the availability of funds from financial institutions to fund areas such as capital programmes could impact negatively on the Council in future periods. Whilst the Council remains in a strong position with sufficient capital funding resources available without the need for borrowing, the possible implication that capital programmes could be delayed or even cancelled cannot be ruled out.

5.0 Key Risk Areas

- 5.1 Resources are allocated in the revenue and capital budgets to support the achievement of the Council's corporate plan. The Council's budget is exposed to risks that can potentially impact on service level provision. The key financial risks are shown at **Appendix 7** together with a risk matrix that shows the likelihood and impact of each risk if they were to materialise.
- 5.2 Particular service areas of risk are monitored monthly; these are predominantly income generating budgets where demand for a particular service can fluctuate depending on the economic climate, popularity and affordability i.e. planning fees.
- 5.3 The main 3 risks that are considered the most critical are shown in the table below. It compares the latest budget to the forecast outturn and explains the variance. The latest position of all the key service budget risks are shown in **Appendix 8**.

Risk Area	Latest Budget	Forecast Outturn	Variance	Comment
	£000	£000	£000	
Temporary Accommodation	410	860	450	Increased demand has resulted in an additional budget pressure
Development Control Fees	(708)	(708)	0	Income is expected to meet the latest budget
Commercial Rent	(6,836)	(7,101)	(265)	Increase from acquisition of investment property and new lettings at WBP

Report prepared by: Nigel Pollard – Section Head (Accountancy)

Background Papers

2015/16 Outturn report

Q1 Budget returns from Heads of Service

APPENDICES

Appendix 1 Revenue Summary – By Service and explanations

Appendix 2 Capital Programme (2016 - 2019) Summary

Appendix 3 Capital Programme (2016 - 2019) Detail

Appendix 4 Capital Funding

Appendix 5 Aged Debtor Analysis

Appendix 6 Collection Rates for Council Tax & Business Rates

Appendix 7 Key Financial & Budgetary Risks

Appendix 8 Key Service Budget Risks

Appendix 9 Reserves

REVENUE SERVICES – FINANCIAL POSITION AT QUARTER 1

Service Areas	Budgets and Forecast Quarter 1			Actual Compared to Profiled Budget at		
	Latest Approved	Forecast Outturn	Variance	Latest Budget Profiled	Actual	Variance
	£	£	£	£	£	£
Corp Strategy & Client Service						
Management & Support	117,320	117,320	0	29,330	25,529	-3,801
Contract Monitoring	318,160	318,160	0	77,412	76,417	-995
Parks And Open Spaces	1,181,050	1,181,050	0	94,167	178,606	84,439
Leisure	445,890	445,890	0	83,295	371,140	287,845
Grants	750,870	750,870	0	185,027	174,627	-10,400
Street Cleansing	1,866,850	1,866,850	0	157,213	147,642	-9,571
Waste And Recycling	2,165,670	2,165,670	0	442,205	473,236	31,031
Partnerships & Performance	665,470	665,470	0	166,369	84,194	-82,175
Totals	7,511,280	7,511,280	0	1,235,018	1,531,391	296,373
Community & Customer Service						
Customer Services	900,120	900,120	0	225,030	198,127	-26,903
Housing	1,196,030	1,670,800	474,770	312,148	437,581	125,433
Environmental Hlth & Licensing	1,339,560	1,333,760	-5,800	231,699	132,334	-99,365
Culture & Play	1,079,980	1,079,980	0	286,484	299,445	12,961
Totals	4,515,690	4,984,660	468,970	1,055,361	1,067,487	12,126
Democracy & Governance						
Legal And Democratic	1,880,050	1,880,050	0	467,871	314,737	-153,134
Buildings And Projects	1,507,470	1,507,470	0	545,926	473,236	-72,690
Procurement	26,990	26,990	0	6,748	12,578	5,830
Totals	3,414,510	3,414,510	0	1,020,545	800,552	-219,993

Service Areas	Budgets and Forecast Quarter 1			Actual Compared to Profiled Budget at		
	Latest Approved	Forecast Outturn	Variance	Latest Budget Profiled	Actual	Variance
	£	£	£	£	£	£
Regeneration & Development						
Commercial Projects	-5,818,055	-5,897,485	-79,430	-1,557,586	-1,578,877	-21,291
Development Section	141,050	121,050	-20,000	-394,987	-355,823	39,164
Transport And Infrastructure	299,815	296,990	-2,825	491,535	517,888	26,353
Policy Team	509,990	509,990	0	123,733	98,770	-24,963
Economic Development	125,300	125,300	0	31,325	196,839	165,514
Totals	-4,741,900	-4,844,155	-102,255	-1,305,980	-1,121,203	184,777
Managing Director						
Corporate Management	659,800	659,800	0	61,200	59,150	-2,050
Totals	659,800	659,800	0	61,200	59,150	-2,050
Human Resources						
Human Resources Client	149,360	149,360	0	37,340	22,195	-15,145
HR Shared Service	426,290	426,290	0	170,753	198,646	27,893
Totals	575,650	575,650	0	208,093	220,841	12,748
Strategic Finance						
Finance & Resources	225,390	225,390	0	25,105	17,278	-7,827
Finance Services Client	879,750	879,750	0	274,110	271,899	-2,211
Revenues And Benefits Client	1,083,820	1,083,820	0	266,697	290,234	23,537
ICT Service	870,190	870,190	0	531,582	589,486	57,904
Corporate Costs	2,608,170	2,608,170	0	2,402,810	2,422,278	19,468
Totals	5,667,320	5,667,320	0	3,500,304	3,591,174	90,870
Adjustments Under Statute	-376,950	-376,950	0	0	0	0
GRAND TOTALS	17,225,400	17,592,115	366,715	5,774,541	6,149,393	374,852

Explanation of Revenue Variance At Quarter 1 (April- June) 2016/17

Service Area	Description	Details of Outturn Variance to Latest Forecast Budget	£
Community & Customer Service	Environmental Health Team	New post for 2016/17 as part of new contract for pest services with TRDC from April'16 and increase in agency costs to cover vacant posts in the current structure. See below for income from TRDC	55,000
	Health & Safety at Work	Legal advice regarding accident at work	7,000
		Additional income from Primary Authority Partnership	(4,000)
	Pest Control	Additional income from the pest control contract with TRDC	(61,800)
	Housing Standards	Recovery of court costs from successful prosecutions	(4,000)
	Taxi Licensing	Legal advice costs	2,000
	Housing Supply	Additional cost of temporary accommodation	450,000
Temporary Accommodation	Further expenditure required to complete temporary accommodation project. This is funded from the PMB reserve	24,770	
		TOTAL	468,970
Service Area	Description	Details of Outturn Variance to Latest Forecast Budget	£
Regeneration and Development	Watford Business Park	Increased rental income mainly due to two new lettings at 28-30 Greenhill Crescent & 40 Caxton Way	(52,660)
		Additional cost of outsourcing property management services	92,000
	Marriott House	Rental income for 9 months following the purchase as approved by PIB	(197,800)
	The Parade (No 38/46)	Increase due to rent review	(15,550)
	Timberlake	Introduction of car park charges	(8,500)
	Green Travel Plan	Reduction from staff parking income as spaces allocated to NHS	11,000
	Building Control	Increase in application fees	(20,000)
	Property Services	Further expenditure required to complete the review of property investment services. This is funded from the PMB reserve	30,000
Further expenditure required to complete the corporate property review project. This is funded from the PMB reserve		50,000	
Other		9,255	
		TOTAL	(102,255)
		TOTAL	366,715

CAPITAL INVESTMENT PROGRAMME - SUMMARY

Capital Scheme	Latest Approved 2016/17	Forecast Outturn	Variance	Actual	Latest Budget 2017/18	Latest Budget 2018/19
	£	£	£	£	£	£
Key Projects	4,665,160	4,665,160	0	3,306,155	250,000	250,000
Environmental Services	408,950	450,550	41,600	64,759	110,000	325,000
Community & Leisure Services	9,712,759	9,712,759	0	927,827	0	600,000
Housing Services	816,370	816,370	0	113,132	450,000	450,000
Parking Services	19,507	19,507	0	0	0	0
Asset Management	5,317,344	5,317,344	0	33,443	4,768,550	2,343,010
ICT	404,496	404,496	0	56,094	320,000	320,000
ICT Shared Services	924,000	924,000	0	128,608	210,000	210,000
Section 106 Funded Schemes	78,759	78,759	0	61,659	0	105,000
Corp Serv / Project Mgt	552,470	552,470	0	0	552,470	552,470
TOTAL CAPITAL PROGRAMME	22,899,815	22,941,415	41,600	4,691,677	6,661,020	5,155,480

CAPITAL INVESTMENT PROGRAMME – DETAIL

Capital Scheme	Latest Approved 2016/17 £	Forecast Outturn £	Forecast Variance £	Actual £	Scheme Update
Key Projects					
New Market	122,573	122,573	0	71,837	
CSI Project	247,500	247,500	0	0	
Health Campus	449,847	449,847	0	56,302	On track
Health Campus-Contribution to LABV	3,600,000	3,600,000	0	3,100,000	On track
Green Spaces Strategy	74,000	74,000	0	62,294	
Website Enhancement	3,400	3,400	0	732	
Cultural Quarter Phase 1	167,840	167,840	0	14,991	
Environmental Services					
Replacement Domestic Bins	42,185	42,185	0	0	
Introduction of Electric Vehicle Rapid Charging Units	27,265	27,265	0	6,083	
Veolia Contract Fleet Requirement	0	0	0	0	
Transit Vans x 2	48,000	48,000	0	33,706	
Pest Control Van	13,560	13,560	0	0	
Wood Chipper / Shredder	0	15,500	15,500	0	Replacing two old shredders and funded by vehicle replacement reserve
Cricket Pitch Roller	0	11,100	11,100	0	Replacement required as current one in poor condition. Funded by vehicle replacement reserve
Caged Vehicle / Bulky Lorry	0	15,000	15,000	0	Lease vehicle purchase providing better value than buying new funded by vehicle replacement reserve
Recycling Boxes	36,940	36,940	0	0	
Additional Green Waste Bins	36,000	36,000	0	0	
Decent Homes Assistance	205,000	205,000	0	24,970	
Environmental Services Schemes	0	0	0	0	

Capital Scheme	Latest Approved 2016/17 £	Forecast Outturn £	Forecast Variance £	Actual £	Scheme Update
Community & Leisure Services					
Town Hall Subway CCTV	17,300	17,300	0	980	
Clarendon Road Street Improvements-Relocation of CCTV	18,000	18,000	0	0	
Watford Museum HLF Matchfunding	125,000	125,000	0	0	
Meriden Community Centre Redevelopments	444,000	444,000	0	85,401	
Play Review	1,250,000	1,250,000	0	17,523	
Allotments Upgrades	416,990	416,990	0	26,193	
Farm Terrace Allotments	552,874	552,874	0	0	
Town Centre CCTV Camera Replacement	22,711	22,711	0	0	
Gaelic Football Relocation	865,886	865,886	0	396	
Improvements Community Centres	159,160	159,160	0	100,000	
Cassiobury Park HLF Project	5,640,838	5,640,838	0	697,334	
Cassiobury Dev't (Fullerians)	200,000	200,000	0	0	
Cemetery Improvements	0	0	0	0	
Housing Services					
Retained Housing Stock	163,800	163,800	0	13,079	
Mand Disabled Facilities Grant	652,570	652,570	0	100,053	

Capital Scheme	Latest Budget 2016/17	Forecast Outturn	Forecast Variance	Actual	Scheme Update
	£	£	£	£	
Parking Services					
Upgrading/Resurfacing CarParks	19,507	19,507	0	0	
Asset Management					
Watford Business Park Redevelopment	3,964,216	3,964,216	0	26,710	On track
Private Sector Stock Condition Survey	150,000	150,000	0	0	
Atrium / GIS	16,988	16,988	0	0	
Pop Up Toilets Refurbishment	35,000	35,000	0	0	
Non PIB - Strategy & Prog Disposal	16,796	16,796	0	0	
Charter Place	0	0	0	(10,563)	
Match Funding Capital Projects	67,378	67,378	0	0	
Veolia Capital Improvements	93,170	93,170	0	7,620	
Building Investment Programme	957,000	957,000	0	1,487	Additional £300k strain added to 2016 programme in May 2016 to account for Museum HLF contingency bid. Project programme will be reported & reviewed by Asset Management Group
ICT					
ICT-Hardware Replacement Programme	160,000	160,000	0	847	
ICT - Document Management Process	4,036	4,036	0	0	
ICT-Env Health	13,460	13,460	0	3,968	
ICT-Project Management Provision	227,000	227,000	0	51,279	

Capital Scheme	Latest Budget 2016/17	Forecast Outturn	Forecast Variance	Actual	Scheme Update
	£	£	£	£	
ICT Shared Services			0		
ShS-Business Application Upgrade	243,000	243,000	0	5,200	
ShS-IT Modernisation	603,000	603,000	0	121,959	
ShS-Hardware Replace Programme	78,000	78,000	0	1,449	
Section 106 Funded Schemes					
Himalayan Way Play Area	7,100	7,100	0	50,000	
Berry Avenue Play Area	6,025	6,025	0	3,035	
Southwold Road Play Area	0	0	0	0	
Ridgehurst Avenue Play Area	4,266	4,266	0	0	
Riverside Recreation Ground	0	0	0	1,340	
Colne River Project	11,450	11,450	0	7,284	
Local Park Improvements	0	0	0	0	
Local Nature Reserves	6,350	6,350	0	0	
Lower High St Cycle Scheme	15,393	15,393	0	0	
Abbey Way Cycle Scheme	28,175	28,175	0	0	
Garston Park Cycle Scheme	0	0	0	0	
Corporate Services / Project Management					
Support Services	552,470	552,470	0	0	
TOTAL CAPITAL PROGRAMME	22,883,019	22,924,619	41,600	4,683,487	

CAPITAL INVESTMENT PROGRAMME – FUNDING

FUNDING THE APPROVED CAPITAL PROGRAMME			
FUNDING TYPE	Forecast Outturn £	Latest Budget 2017/18 £	Latest Budget 2018/19 £
Grants & Contributions	4,676,126	239,000	239,000
Reserves	390,500	4,069,150	0
Capital Receipts	16,271,928	2,352,870	4,811,480
Section 106 Contributions	1,425,929	0	105,000
Local Enterprise Partnership Loan	160,136	0	0
TOTAL CAPITAL FUNDING APPLIED	22,924,619	6,661,020	5,155,480

CAPITAL BALANCES AFTER FUNDING THE APPROVED CAPITAL PROGRAMME			
FUNDING TYPE	Forecast Outturn £	Latest Budget 2017/18 £	Latest Budget 2018/19 £
Grants & Contributions	311,286	311,286	311,286
Reserves	5,685,711	1,616,561	1,616,561
Capital Receipts	5,378	452,508	8,091,028
Section 106 Contributions	1,052,502	1,057,502	957,502
Local Enterprise Partnership Loan	0	0	0
TOTAL CAPITAL FUNDING AVAILABLE	7,054,878	3,437,858	10,976,378

AGED DEBT ANALYSIS




Invoices Outstanding from 1st Jul 2015 to 30th June 2016								
Service Area	Description	Invoices outstanding by age of debt						Grand Total
		0 - 1	2 - 3	4 - 6	7 - 9	10 - 12	Over 12	
Community & Customer Service	Community Standard	111,659	42,125	29,038	15,281	16,616	9,663	224,382
	Community and Customer Service	1,688						1,688
	Env Services-Premises Licence	2,390	725	365	1,195		4,892	9,567
	Community Services - Pitch Hire				150			150
	Environmental Health	295	4,635		278			5,208
Democracy and Governance	Democracy and Governance		550				3,176	3,726
Regeneration & Development	Legal and Property-Standard	70,802						70,802
	Legal and Property-Commercial Rents	688,532	41,520	26,897	16,705	16,680	152,654	942,988
	Legal and Property-Service Chg		28,620	28,620	3,695			60,935
	Legal and Property - Garages	293	49			46	306	694
	Legal and Property-Wayleaves	100	52				3	155
	Legal and Property-Parking Spaces		216					216
	Planning - Standard	36,671	15,964	6,162				58,797
	Planning - Inspection Fee	9,799		700				10,499
Regeneration & Development	66,797						66,797	
Managing Director	Corporate Service - Standard	5,329						5,329
Human Resources	Human Resources - Standard	28,634		8,131				36,765
Finance	Finance - Standard	808,453						808,453
	Finance - Insurance				128			128
Other	Recovery Charges	200	225	245	50	25	555	1,300
Grand Total		1,831,642	134,681	100,157	37,482	33,367	171,249	2,308,578
Percentage of Amount Outstanding		79.34%	5.83%	4.34%	1.62%	1.45%	7.42%	100.00%

COLLECTION RATES FOR COUNCIL TAX AND BUSINESS RATES

Council Tax Collection - Percentage of current year council tax collected by period													
	Annual	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Target	95.5	11.3	20.2	29.0	35.3	47.0	56.2	65.0	73.7	83.0	91.0	94.2	95.5
2016/17 Actual		11.5	20.5	29.3									
On Target													

Business Rates - Percentage of current year business rates collected by period													
	Annual	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Target	97.7	11.7	21.0	31.9	36.3	49.1	57.9	66.5	75.8	85.1	90.9	94.9	97.7
2016/17 Actual		12.5	23.3	31.3									
On Target													

'On target' has a RAG rating whereby the underachievement of the target is based on the following thresholds.

RAG	<u>% below target</u>	
Red	More than 5%	
Amber	2% to 5%	
Green	Less than 2%	

KEY FINANCIAL & BUDGETARY RISKS

No.	Type of Risk	Comment	Likelihood	Impact	Overall Score
1	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account the pay increases for the period 2016/17 - 2018/19	2	2	4
2	Revenue balances insufficient to meet estimate of Employers' pension contributions	Pension Contributions have been budgeted at 15.9% for the period 2016/17 - 2018/19	2	2	4
3	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	2	2	4
4	Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy following the EU referendum continues to place uncertainty on the investment strategy.	3	3	9
5	Inaccurate estimates of fees and charges income	See Key Income Streams are shown in the latest Finance Digest	2	3	6
6	Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs.	2	3	6
7	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances	1	1	1
8	The estimated cost reductions and additional income gains are not achieved	Savings identified in 2016/17 will be monitored as part of the monthly budget monitoring process.	2	3	6
9	The income received from Commercial rents decreases	The rental income received from the Councils property portfolio is a significant proportion of the total income the Council receives.	2	4	8
10	The Council is faced with potential litigation and other employment related risks	The Council has one outstanding litigation case.	2	3	6
11	The amount of government grant is adversely affected	The provisional grant settlement for 2017/18 & 2018/19 have been factored into the MTFS .	3	4	12
12	The amount of New Homes Bonus grant is adversely affected	The grant for 2016/17 has been factored into the MTFS . The Government are carrying out a review on the allocation process in 2016/17. Until the review is concluded, it has been assumed that the Council will receive £2M pa in future years.	3	4	12
13	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	2	2	4
14	Right to Buy Receipts & VAT Shelter Receipts	Under the Housing stock transfer with Watford Community Housing Trust (WCHT) the Council is entitled to use its share of the proceeds to fund the capital programme. The level of activity on both these income streams are outside the Council's control.	2	3	6
		1= VERY LOW RISK 4 = VERY HIGH RISK			

KEY SERVICE BUDGET RISKS

The Council is exposed to risks in certain key areas. These risks include economic conditions, demographics and dependency on demand. The table below shows those risks that are closely monitored each month and the variances between the latest budget and the forecast outturn at Quarter 1.

Service Area	Latest Budget	Forecast Outturn	Forecast Variance Quarter 1	Profiled Forecast to Quarter 1	Actuals to Date	Comments
	£000's	£000's	£000's	£000's	£000's	
Parks, Street & Waste Services	5,875	5,875	0	490	482	Actuals include the Veolia invoice for April. Invoices relating to May & June were received in Quarter 2 (July'16) .
Kerbside Recycling Expenditure and Income	(211)	(211)	0	275	315	Actuals - The Herts CC (Alternative Financial Model) income for Kerbside Recycling across the County is not received until the end of the year. Income relating to last year has not yet been received hence the actual reflecting the accrued.
Temporary Accommodation (net)	410	860	450	215	111	There is a budget pressure in Temporary accommodation due to increased demand
Development Control Fee Income	(708)	(708)	0	(177)	(86)	Income is expected to meet forecast outturn.
Building Control Fee Income	(198)	(218)	(20)	(54)	(92)	Forecast variance - Increase in Building Control application fees.
Land Charges Fee Income	(120)	(120)	0	(30)	(26)	Income is expected to meet current forecast.
Commercial rent income	(6,836)	(7,101)	(265)	(1,847)	(1,858)	Increase in rental income as follows: 28-30 Greenhill Crescent & 40 Caxton Way (£52k), 38/46 The Parade (£15.5k) and Marriott House (£197k)

RESERVE BALANCES

Description	Balance at 1 April 2016	Agreed Use	Movement Previously Reported	Movement this period	Total Movement	Balance
	£000	£000	£000	£000	£000	£000
<u>CAPITAL RESERVES</u>						
Capital Fund	(810)	160	0	0	160	(650)
Development Sites Decontamination	(446)	0	0	0	0	(446)
New Homes Bonus	(4,069)	0	0	0	0	(4,069)
Performance Reward Grant (Capital)	(191)	50	0		50	(141)
Project and Programme Management (Capital)	(251)	251	0	0	251	0
Vehicle Replacement	(310)	48	0	42	90	(220)
Weekly Collection Support Grant (Capital)	(158)	0	0	0	0	(158)
Total Capital Reserves	(6,235)	509	0	42	551	(5,684)
<u>REVENUE RESERVES</u>						
<u>Earmarked</u>						
Budget Carry Forward	(1,190)	1,190	0	(118)	1,072	(118)
Business Rates	(4,661)	0	0	0	0	(4,661)
Car Parking Zones	(775)	0	0	0	0	(775)
Charter Place Tenants	(160)	0	0	0	0	(160)
Climate Change	(57)	0	0	0	0	(57)
Homelessness Prevention	(113)	0	0	0	0	(113)
Leisure Structured Maintenance	(423)	0	0	0	0	(423)
Le Marie Centre Repairs	(12)	0	0	0	0	(12)
Multi-Storey Car Park Repair	(181)	0	0	0	0	(181)
Parks, Waste & Street Strategy	(60)	0	0	0	0	(60)
Rent Deposit Guarantee Scheme	(100)	0	0	0	0	(100)
Area Based Grant	(85)	0	0	0	0	(85)
Crematorium	(50)	0	0	0	0	(50)
Economic Impact	(4,029)	(20)	0	261	241	(3,788)
High Street Innovation	(90)	0	0	0	0	(90)
Housing Benefit Subsidy	(996)	0	0	0	0	(996)
Housing Planning Delivery Grant	(266)	0	0	0	0	(266)
Invest to Save	(839)	0	0	0	0	(839)
LA Business Growth Incentive (LABGI)	(570)	12	0	0	12	(558)
Local Development Framework	(178)	50	0	0	50	(128)
Pension Funding	(2,249)	700	0	0	700	(1,549)
Performance Reward Grant (Revenue)	(29)	0	0	0	0	(29)
Project and Programme Management (Revenue)	(404)	118	0	105	223	(181)
Weekly Collection Support Grant (Revenue)	(30)	0	0	0	0	(30)
Total Earmarked Reserves	(17,547)	2,050	0	248	2,298	(15,249)
General Fund Working Balance	(1,350)	0	0	0	0	(1,350)
Total Revenue Reserves	(18,897)	2,050	0	248	2,298	(16,599)