



FINANCE DIGEST

2016/17

BUDGET MONITORING



Period 8 (30 November)



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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 Period 8 (November) 2016. It also includes trend analysis for comparisons with previous years. The 2016/17 revenue forecast outturn shows an unfavourable variance of **£0.657 million** when compared to the latest budget. The variance is mainly due to:

<u>Variance</u>	<u>£'000</u>
Extra demand for Temporary Accommodation	450
Loss of planning application income	150
Delay in Health Campus dividend	217
Reserve funding income adjustment (Veolia)	97
Major projects works for property review	100
Garage works	39
Watford 2020	55
Investment property rental income	(260)
Parking income from suspension of parking bays	(178)
Other smaller variances	80
Total service variance	750
Funding variance – Transition Grant	(93)
Period 8 variance	657

Also shown above is additional government funding relating to a transition grant for Council tax of £0.93 million which is a favourable funding variance. The net position is **£0.657 million** unfavourable.

The variance of £0.657million affects the following reserves:

<u>Reserve</u>	<u>£'000</u>
Programme Management Board reserve	326
LA Business Growth Incentive reserve	54
High Street Innovation reserve	90
contribution to Car Parking Zone reserve	130
Economic Impact reserve	57

In addition, it is likely that the £0.700 million budget allocated from the pension reserve to contribute to funding past service deficits will be deferred to 2017/18. This was included in the budget in anticipation of the results of the tri-ennial valuation by the scheme actuary of the Hertfordshire Pension Fund. The results of this valuation have only just been issued, and the funds are not required immediately so additional time is required to assess the best use of this resource.

The table below shows a summary of the Council's revised use / contributions to reserve for 2016/17. This report purely concentrates on setting the revised budget for 2016/17. The impact of how these variances affect the funding gap to 2019/20 are included in the separate 'financial planning' report, which is included on this agenda. Some of the variances reported are 'one off' in 2016/17 and do not reoccur in future years.

Medium Term Financial Strategy	2016/17
Latest Budget	17,225,400
Variances previously reported	806,758
Variances this period (Appendix 1A)	(57,145)
Forecast Outturn	17,975,013
Funding (income from business rates, grants and council tax)	(15,293,070)
Additional Funding Variance	(92,587)
Budgeted use of reserves	(761,500)
Brought forward budget 2015/16	(1,190,340)
Total	637,516
Use/(Contribution) to reserves as per original MTFS	(19,510)
Additional Funding Gap	657,026
Revised use/(contribution) to reserves	637,516

The 2016/17 capital budget shows a decrease of **£1.999 million** when compared to the latest budget. The variance is primarily due to the rephasing of the Watford Business Park project to 2018/19 of £2.416 million, increase of £1.159 million on the Health Campus and a rephasing of £0.600 million to 2017/18 for the Colosseum roof.

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 **£10.044 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	(6,275)	549	(1)	21	569	(5,706)
Earmarked Reserves	(17,547)	1,933	805	(150)	2,588	(14,959)
General Fund	(1,350)	0	0	0	0	(1,350)
Total	(25,172)	2,482	804	(129)	3,157	(22,015)

The financial balanced scorecard

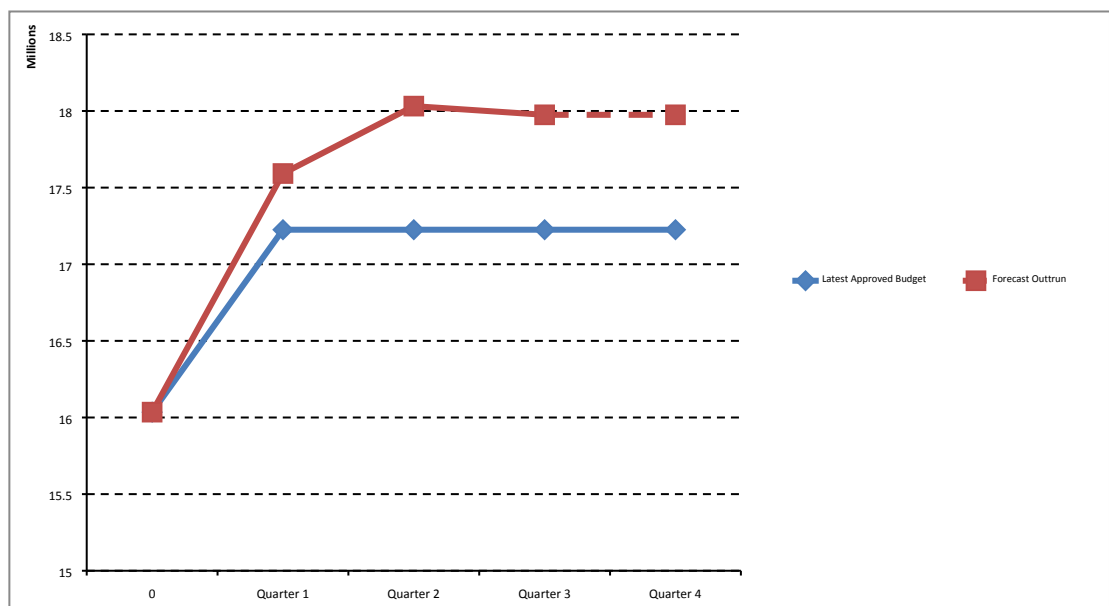
<p><u>REVENUE</u></p> <ul style="list-style-type: none">➤ Services are forecasting an unfavourable outturn variance of £0.657 million.➤ Additional cost of temporary accommodation is estimated at £0.550 million➤ Reduction in planning fees of £0.150 million	<p><u>CAPITAL</u></p> <ul style="list-style-type: none">➤ There is a rephasing of £2.417 million to later years for the Watford Business Park scheme.➤ To date just over half of the planned budget has been spent.
<p><u>INCOME</u></p> <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>FUNDING GAP</u></p> <ul style="list-style-type: none">➤ The annual funding gap at the end of the year (2016/17) is forecasted to be £0.638 million

1.0 Revenue Budget

1.1 Budget monitoring report is a key tool in scrutinising the Council's financial performance and is designed to provide an overview to all relevant stakeholders. It is essential that the council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives within its resource limits and, where necessary, corrective action is taken. A key principle of budgetary control is to align the budget holders' financial responsibilities and their management responsibilities.

1.2 The latest budget is **£17.225 million**. The forecast outturn is now estimated to be **£17.975 million** which results in an unfavourable service variance of **£0.750 million** which excludes the additional transition grant funding. When the additional government funding relating to a transition grant for Council tax of £0.93 million is included the total forecast variance is **£0.657 million**.

1.3 The latest budget and forecast outturn for the current financial year (2016/17) at the end of November are plotted on the graph below;



1.4 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. The additional funding (transition grant) of £93,000 is not reported as part of net service expenditure and therefore not included in the table below.

Revenue Account 2016/17			
Service Area	Latest Budget	Forecast Outturn	Variance
	£000	£000	£000
Corporate Strategy & Client Services	7,578	7,417	(161)
Community & Customer Services	4,500	5,020	520
Democracy & Governance	3,418	3,405	(13)
Regeneration & Development	(4,769)	(4,786)	(17)
Managing Director	660	660	0
Human Resources	576	576	0
Strategic Finance	5,639	6,060	421
Adjustment Under Statute	(377)	(377)	0
Net Expenditure (services)	17,225	17,975	750
Additional grant funding	0	(93)	(93)
Totals	17,225	17,882	657

1.5 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:

Corporate Strategy & Client Services

1.5.1 There is a saving of £25,000 in Clinical Waste service due to the rationalisation of the service. A £40,000 saving on leased vehicles as the Council has ceased this arrangement having completed a successful procurement exercise. There is also additional income from the HCC contract of £55,480 and saving on employee costs of £63,000.

Community & Customer Services

1.5.2 A £450,000 pressure remains on temporary accommodation as previously reported. Similarly, expenditure of £25,000 is still required to complete the temporary accommodation project; this will be met from allocating funds from the Programme Management Board (PMB) reserve. There is a reduction in income from the printing service of £35,000. There is an additional cost of £100,000 for obtaining private sector properties and a saving of £75,000 on employee costs.

Regeneration & Development

1.5.3 There is an increase in rental income of £370,000 from the purchase of an investment property and rent reviews during the year. 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.

- 1.5.4 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.
- 1.5.5 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.
- 1.5.6 There is a positive variance in the building control inspection fee of £72,000; however there is an unfavourable variance in planning fee income of £174,000. There is also a predicted reduction in pre-application advice income of £20,000.
- 1.5.7 Additional contributions of £45,000 and £9,000 are to be made to the Chamber of Commerce and to Skillmakers respectively from the LABGI reserve.
- 1.5.8 There is the use of £90,000 from the High Street Innovation Fund reserve to fund the monitoring of the town centres' footfall and agreed payment to BID for town centre projects.
- 1.5.9 There is a predicted reduction in the land charges search fee of £20,000 due to the slowdown in the housing market.
- 1.5.10 Additional expenditure of £48,000 was approved by Cabinet on 12 September 2016 for implementation of new parking bays, which will be funded from the CPZ reserve.
- 1.5.11 Additional one off income of £178,000 from the suspension of parking bays to allow works to be carried out by an external contractor will be credited to the CPZ reserve.
- 1.5.12 Staffing costs have increase by £70,000 due to agency staff.

Strategic Finance

- 1.5.13. There is an unfavourable variance of £0.217 million relating to the timing of the dividend payable to the Council for the Health Campus project. This will be paid in 2017/18.
- 1.5.14 Additional interest of £30,000 due to an improved cashflow position, brought about by increased receipts and lower spending on capital projects than anticipated at this time of year.
- 1.5.15 Additional cost of £31,000 on postage, printing and stationery relating to Council tax billing.
- 1.5.16 Revised salary projections for 2016/17 have now been accounted for and the £95,000 vacancy provision has been removed.

1.5.17 Funded from the Programme Management Board Reserve is a revenue contribution of £39,000 towards garage works and £54,000 for the additional resource on the Watford 2020 project.

Spend to Date and Profiles

1.6 To enable further scrutiny of the Council's financial position, budgets are profiled to allow comparisons to be made between the actual spend/income against expected spend/income to date. This helps to inform if the Council's spending plans are on track. Budget profiling spreads the latest budget across the months of the year where income/expenditure is anticipated.

1.7 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 Period 8.

Service Area	Profiled Budget £000	Actual £000	Variance £000
Corporate Strategy & Client Services	4,638	4,546	(92)
Community & Customer Services	2,938	2,996	57
Democracy & Governance	2,319	2,072	(247)
Regeneration & Development	(2,873)	(2,633)	240
Managing Director	266	245	(21)
Human Resources	496	467	(29)
Strategic Finance	3,997	4,224	227
Net Expenditure	11,782	11,916	135

1.8 The significant reasons for the variance are shown below.

Corporate Strategy & Client Services

1.8.1 There is lower spend on projects of £40,000 at this stage, however it is anticipated that this will be spent by the year end. Payments of grants are under by £20,000. Income in advance from Hertfordshire Police and Crime Commissioner's office equals £25,000.

Community & Customer Services

1.8.2 Additional cost of £257,000 for temporary accommodation. Grant monies of £30,000 received from Herts County Council in advance of spending on public health. There is also income received in advance for licensing totalling approx. £30,000 which relates to 2017/18. There is an underspend on staffing of £84,000 due to a long term sickness and vacancies and additional Income from pest control contract of £32,000.

Democracy & Governance

1.8.3 Government grant of £102,000 received for EU referendum still awaiting supplier's invoices to spend against this income, the majority of this is expected to be cleared in October. Underspend on the Neighbourhood forums of £30,000. Underspend of £85,000 on property maintenance. This is expected to be spent by the end of the year.

Regeneration & Development

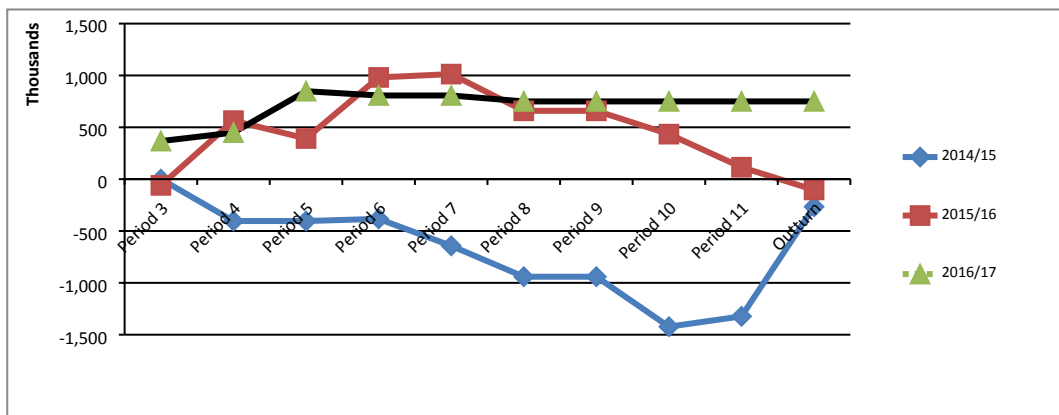
1.8.4 Lower planning application fees of £140,000. Increase in building control fees of £42,000. Increase rent of £65,000 primarily from new lettings at Watford Business Park and a receipt of back rent.

Payments of grant monies to organisations (Skill makers, Chamber of Commerce) of £54,000 which are being funded from earmarked reserves. There is the use of £32,400 from the High Street Innovation Fund reserve to fund the monitoring of the town centres’ footfall and £48,000 for implementing new parking bays, which is funded from the CPZ reserve. Additional spend of £51,000 on agency and interim staff.

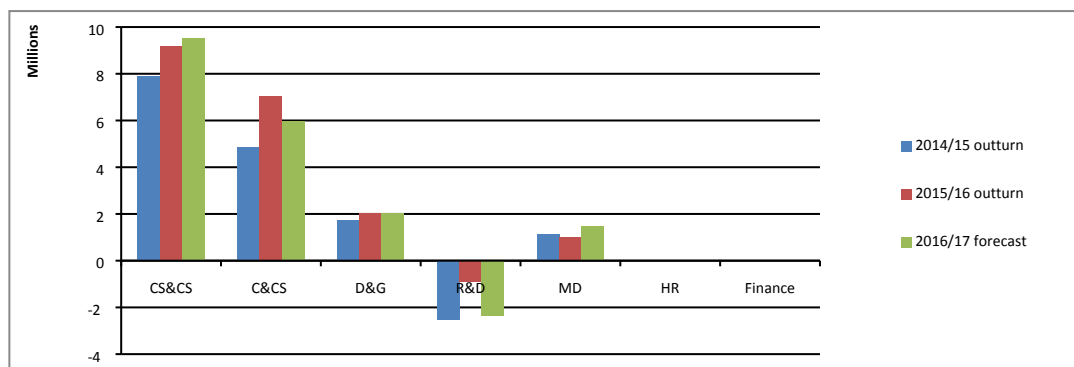
Strategic Finance

1.8.5 Higher ICT costs have been incurred in the two thirds of the year. A variance of £217,000 has occurred due to the timing of the dividend payable to the Council for the Health Campus project, which will now be paid in 2017/18. There is also a timing difference between the amount of housing benefit grant received from the government and payments made to claimants.

1.9 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.



1.10 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 **£23.049 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 **£21.050 million** which is **£1.999 million** lower than the latest budget. Variances previously reported total £2.009 million the main contributors to this variance are the rephasing of the Watford Business Park project to 2018/19 of £2.417 million, increase of £1.160 million on the Health Campus and a rephasing of £0.600 million to 2017/18 for the Colosseum roof.

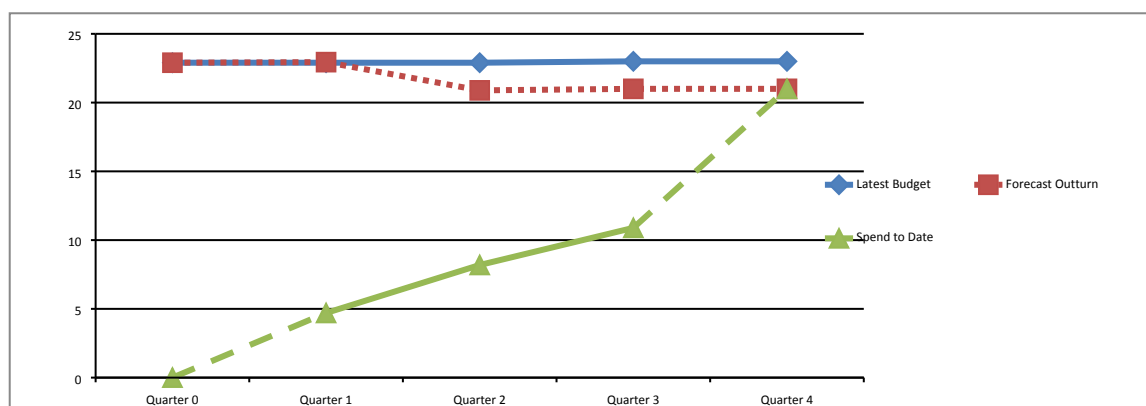
2.3 The table below summarises the change to the Council’s approved capital programme for 2016/17. The impact of how these variances affect the capital programme over the medium term (to 2019/20) are included in the separate ‘financial planning’ report, which is included elsewhere on this agenda. Some of the variances reported are ‘one off’ in 2016/17 and do not reoccur in future years.

Approved Capital Programme	2016/17 £000
Latest Budget	23,049
Variances previously reported	(2,009)
Variances this period	10
Forecast Outturn	21,050

2.4 The Council’s medium term capital investment programme for 2016-2017 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 period 8 (30 November) services have spent **£10.892 million** against the latest budget of £23.049 million, which represents 47% of the annual budget. Of the total spend to date, £4.057 million relates to the Health Campus project and £2.869 million relates to the Cassiobury Park restoration 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 as it supports the capital spending. The details of each funding stream are shown at **Appendix 4**.

Capital Receipts Reserve	2016/17 £000
Balance at 1 April 2016	(13,444)
In Year Receipts	(4,873)
Used to Finance Capital Spend	13,979
Balance at 31 March 2017	(4,338)

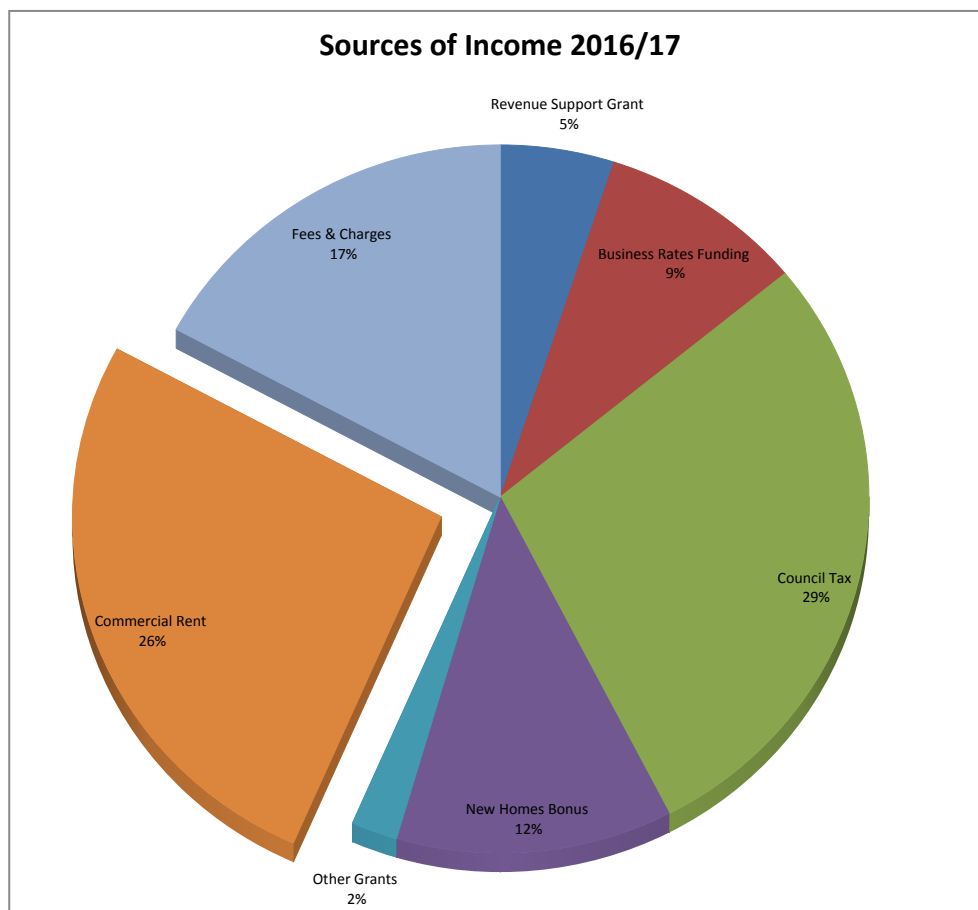
Property Investment Board (PIB)

- 2.10 Under its delegated authority the PIB approved the purchase of investment properties that total £10.061 million (including tax and costs). These have been funded from receipts achieved from the rationalisation of the investment portfolio and the Council's own internal borrowing. This has produced a net increase in rental income of £136,000 over that lost from the disposals.

3.0 Council Income

- 3.1 In providing its services to the public, the Council receives income from the Government, its Council tax payers and customers who pay a fee or charge for using a particular Council service.
- 3.2 The total of all these sources of income for 2016/17 is £28.270 million. The two biggest sources of income are council tax, and commercial property rents 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.

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



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

Department	Income Stream	Latest Budget 2016/17	Forecast 2016/17	Actuals to date	Income Description
Regeneration & Development	Rent	£6,774,930	£7,138,640	£4,118,036	Rents form commercial property including Intu as well as rental income from multi storey car parks.
	Car Parking	£1,008,950	£1,186,450	£970,236	Income largely from Avenue, Town Hall & Longspring car parks as well as the Parking Shop
	Development Section	£1,038,850	£916,850	£601,358	Income from planning applications, building control and land charges

Community & Customer Service	Environmental Health & Licensing	£338,620	£581,539	£557,184	Income from all Licensing activities including Hackney Carriage (taxis), pest control and fixed penalty notices for environmental crime. Includes income relating to 17/18 which will be moved at year end.
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Debtors (invoicing)

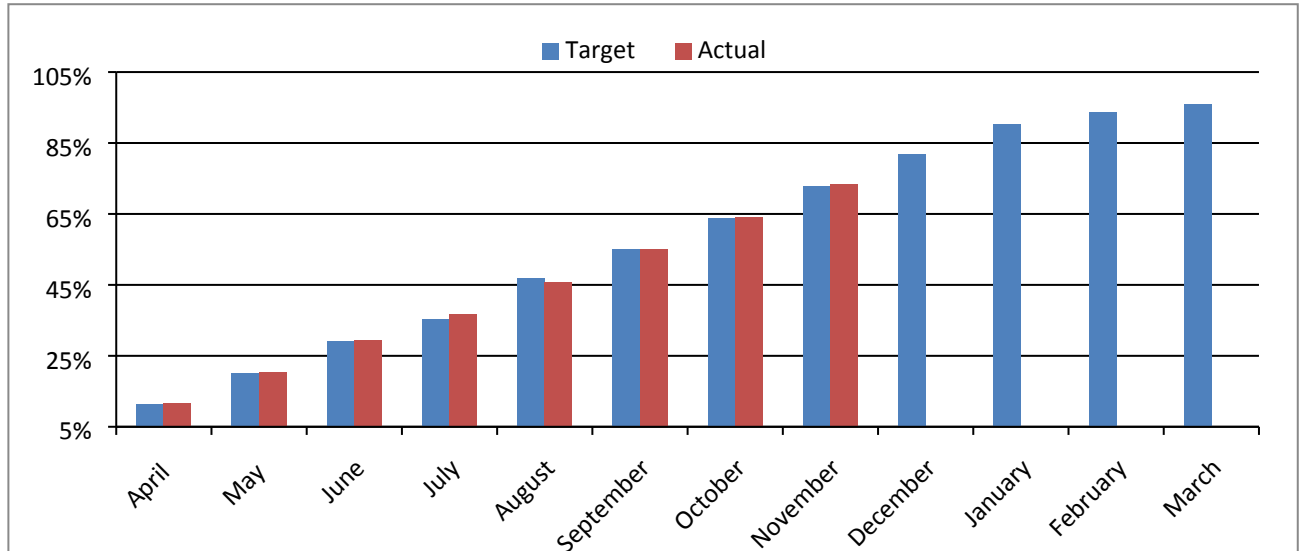
- 3.5 The Council charges its customers for various services by raising a debtor invoice. The customer is given 21 days to pay and unless there is a dispute, a reminder is issued. If the debt remains outstanding, then a variety of recovery methods are employed including: rearranging the payment terms; stopping the provision of the service or pursuing the debt through legal recovery processes.
- 3.6 As at the 30 November 2016 the total outstanding value of debt was **£1.239 million** of which £0.722 million (58%) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.223 million and equates to eighteen 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 At the end of November	Under 1 Month	Over 1 month to Year	Over a Year	Total
Service	£	£	£	£
Community & Customer Service	183,588	93,688	31,633	308,909
Democracy & Governance	660	1,000	3,176	4,836
Regeneration & Development	255,857	181,532	188,240	625,629
Managing Director	11,281	1,598	0	12,879
Human Resources	10,237	4,603	0	14,840
Finance	260,642	9,868	0	270,510
Recovery Charges	240	975	480	1,695
Total	722,505	293,264	223,529	1,239,298

Council Tax and Business Rates Collection

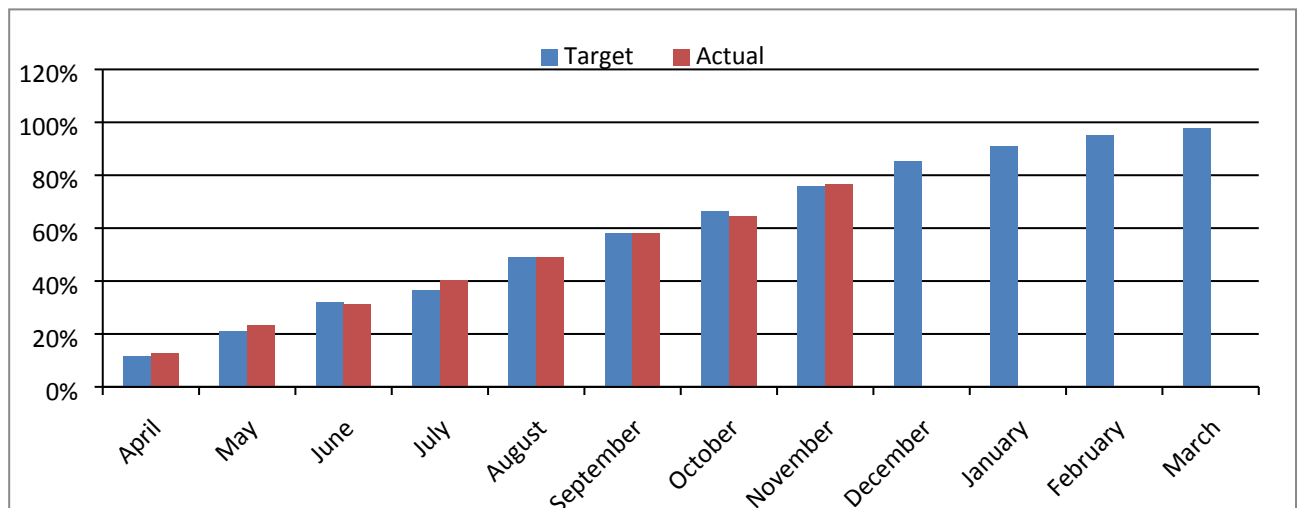
Council Tax Collection

3.8 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 November 2016 is 73.25 % of the annual target which is above the profiled target of 72.85%. Further information can be found at **Appendix 6**.



Business Rates Collection

3.9 The Council's performance for **business rates** collection is shown in the following chart. The actual income collected as at 30 November 2016 is 76.52% of the annual target which is just above the profiled target of 75.80%. Further information can also be found at **Appendix 6**.



4.0 Treasury Management

- 4.1 The interest earned on the investments made by the Council supports the funding of the services it provides. The target rate of earning interest rate was previously 0.62%, however since the reduction in the bank base rate in August to 0.25% the target has been revised to 0.37%. Up to the end of Period 8 (30 November), the average annualised interest rate earned on investments was 0.72%.
- 4.2 The Council set a budget of **£220,000** on investment interest for 2016/.17. The amount earned up to Period 8 was **£218,000**, which now gives a forecast position of **£250,000**. The increase is due to the Council having higher cash balances than estimated at this stage of the year; however this is unlikely to continue as large sums will be released to support the Councils major capital projects. Furthermore with the bank base rate falling it will mean that any sums invested now will be at the lower rates; it is therefore an increase in the forecast position of £30,000 is considered prudent at this stage.

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 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 and their financial position are shown in the table below. The latest position of all the key risks is 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)	(534)	174	Reduction in planning fees due to uncertainty in the housing market
Commercial Rent	(6,775)	(7,139)	(364)	Increase from acquisition of investment property and new lettings at WBP

Report prepared by: Nigel Pollard – Section Head (Accountancy)
Pritesh Shah – Finance Manager

Background Papers

2015/16 Outturn report
Budget returns from Heads of Service
Quarter 2 Finance Digest
Quarter 1 Finance Digest
Period 4 & 5 budget monitoring reports

APPENDICES

Appendix 1 Revenue Summary – By Service and explanations
Appendix 1A Variances Reported – Period 8 (November) 2016
Appendix 2 Capital Programme (2016/17) Summary
Appendix 3 Capital Programme (2016/17) 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 PERIOD 8

Service Area	Budgets & Forecast at 30 November P8			Actuals compared to profiled budget at 30 November P8		
	Latest Approved	Forecast Outturn	Variance	Latest budget profiled	Actual	Variance
	£	£	£	£	£	£
Corp Strategy & Client Service						
Management & Support	112,890	112,890	0	75,260	66,592	-8,668
Contract Monitoring	263,020	346,530	83,510	190,127	233,430	43,303
Parks And Open Spaces	1,362,220	1,266,740	-95,480	762,443	728,938	-33,505
Leisure	544,310	534,310	-10,000	434,274	383,634	-50,640
Grants	750,870	750,870	0	527,223	502,932	-24,291
Street Cleansing	1,794,480	1,794,480	0	1,046,798	1,048,217	1,419
Waste And Recycling	2,080,990	1,987,500	-93,490	1,218,454	1,265,764	47,310
Partnerships & Performance	669,900	623,900	-46,000	383,600	316,713	-66,887
Totals - Corp Strategy & Client Service	7,578,680	7,417,220	-161,460	4,638,179	4,546,219	-91,960
Community & Customer Service						
Customer Services	900,120	842,120	-58,000	600,080	480,151	-119,929
Housing	1,196,030	1,780,800	584,770	828,731	1,089,090	260,359
Environmental Hlth & Licensing	1,325,460	1,318,783	-6,677	772,978	611,512	-161,466
Culture & Play	1,078,010	1,078,010	0	736,049	813,638	77,589
Totals - Community & Customer Service	4,499,620	5,019,713	520,093	2,937,838	2,994,391	56,553
Democracy & Governance						
Legal And Democratic	1,880,410	1,867,060	-13,350	1,256,408	1,110,231	-146,177
Buildings And Projects	1,511,070	1,511,070	0	1,064,737	949,747	-114,990
Procurement	26,990	26,990	0	-2,007	12,672	14,679
Totals - Democracy & Governance	3,418,470	3,405,120	-13,350	2,319,138	2,072,650	-246,488

Service Area	Budgets & Forecast at 30 November P8			Actuals compared to profiled budget at 30 November P8		
	Latest Approved	Forecast Outturn	Variance	Latest budget profiled	Actual	Variance
	£	£	£	£	£	£
Regeneration & Development						
Property Management	711,070	818,390	107,320	439,545	415,538	-24,007
Investment Assets Outsourced	-6,324,225	-6,581,755	-257,530	-4,304,203	-3,868,010	436,193
Operational Assets - Owner Occupied	-210,850	-218,560	-7,710	-137,188	-130,898	6,290
Community Assets	-18,300	-18,300	0	-13,726	-13,843	-117
Development Section	139,550	305,550	166,000	93,033	14,288	-78,745
Transport And Infrastructure	299,815	203,990	-95,825	518,101	456,746	-61,355
Policy Team	508,710	467,710	-41,000	337,338	286,683	-50,655
Economic Development	125,300	237,416	112,116	194,533	206,637	12,104
Totals - Regeneration & Development	-4,768,930	-4,785,559	-16,629	-2,872,567	-2,632,859	239,708
Managing Director						
Corporate Management	659,800	659,800	0	266,533	244,727	-21,806
Totals - Managing Director	659,800	659,800	0	266,533	244,727	-21,806
Human Resources						
Human Resources Client	149,360	149,360	0	123,573	99,185	-24,388
HR Shared Service	426,290	426,290	0	372,147	367,909	-4,238
Totals - Human Resources	575,650	575,650	0	495,720	467,094	-28,626
Strategic Finance						
Finance & Resources	225,390	225,390	0	90,148	85,399	-4,749
Finance Services Client	879,750	894,750	15,000	432,771	698,478	265,707
Revenues And Benefits Client	1,083,820	1,114,320	30,500	614,709	470,039	-144,670
ICT Service	870,190	870,190	0	809,220	875,587	66,367
Corporate Costs	2,579,910	2,955,370	375,460	2,050,494	2,094,905	44,411
Totals - Strategic Finance	5,639,060	6,060,020	420,960	3,997,342	4,224,409	227,067
Adjustments Under Statute	-376,950	-376,950	0	0	0	0
GRAND TOTALS	17,225,400	17,975,014	749,614	11,782,183	11,916,631	134,448

Explanation of Revenue Variance at Period 8 (November) 2016/17

Service Area	Description	Details of Outturn Variance to Latest Budget	£
Corporate Strategy & Client Service	Parks & Open Spaces	Vehicle leasing no longer required, vehicles have been procured	(40,000)
	Clinical Waste	Savings made due to rationalisation of service	(25,000)
	Recycling - Kerbside	Savings made due to rationalisation of service	(50,000)
	Highways	Increased income from HCC - maintenance contract	(55,480)
	Partnership & Performance	Funds allocated for staffing, no longer required	(63,000)
		Removal of Reserve Funding allocated to Veolia contract	97,790
		Other minor variances	(25,310)
		TOTAL	(161,000)
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 (contract cost plus call outs)	(76,800)
	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
	Homelessness	Additional costs in obtaining private sector properties	100,000
	Printing Section	Expected income from print work will not be achieved	35,000
	Temporary Accommodation	Further expenditure required to complete temporary accommodation project. This is funded from the PMB reserve	24,770
	Employee Costs	Salary Underspend due to staff sickness, vacancy & maternity	(75,000)
Other minor variances		6,123	
		TOTAL	520,093
Democracy & Governance	Committee Services	Employee costs - Savings based on revised salaries 2016/17	(13,000)
		Other minor variances	(350)
			TOTAL

Explanation of Revenue Variance at Period 8 (November) 2016/17

Service Area	Description	Details of Outturn Variance to Latest 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 (Nos 38/46)	Increase due to rent review	(15,550)
	Timberlake	Introduction of car park charges	(8,500)
	Cardiff Road	Accrued income for Cardiff Road 15/16 has been revised downwards	50,000
	29/31 High St.	1st Floor & 29 Charter Place rental income	(43,110)
	Green Travel Plan	Reduction from staff parking income as spaces allocated to NHS	11,000
	Parking Service	Cabinet approved scheme (12/09/16) to implement new parking bays funded from CPZ reserve	48,000
	Land Charges	Reduction in the number of searches mainly due to Brexit	20,000
	Business Improvement District	Funding agreed for BID, funded from High Street Innovation Reserve	57,715
	Parkhouse Interchange	Additional rental income for the year	(102,000)
	Parking Service	Income from suspension of parking bays for access works by Thames Water	(178,000)
	Policy Team	Underspend on Local Plan MP12	(55,000)
	Building Control	Increase in application fees	(72,000)
	Implementation Team	Cost of Traffic Engineer 2 days a week from Hertsmere	16,000
		Loss of project work income	10,000
	Economic Development	Contribution to the Chamber of Commerce and Skill Makers - funded from LABGI reserve	54,000
		Use of High Street Innovation reserve to fund the monitoring of the town centre footfall.	32,400
	Development Control	Reduction in planning application fees	159,000
		Increase in CIL monitoring income	(7,500)
		Increase in fees for unilateral undertaking drafting fees	(4,000)
		Income target on planning application fees unlikely to be achieved	20,000
	Increase in cost of staff pool cars	8,000	
	Employee Costs	Additional staff costs due to employing agency staff	54,000
	Valuation & Estates	Expenditure funded as part of agreed PMB project	80,000
		Other minor variances	7,375
		TOTAL	(16,630)
Strategic Finance	Dividend Received	Dividend for Health Campus will now be received in 2017/18	217,000
	Employee Costs	Vacancy provision reversed as part of the revised salary exercise at period 8	95,180
		Watford 2020 - Projects funded as part of PMB	94,000
		Other Minnor Variances	14,320
		TOTAL	420,500
		GRAND TOTAL	749,613

Explanation of Revenue Variance Reported for Period 8 (November) 2016/17

Service Area	Description	Details of Changes Reported	£
Corporate Strategy & Client Service	Partnership & Performance	Staff allocation not required	(63,000)
	Recycling - Kerbside	Savings identified in year as part of budget realignment	(50,000)
	Leavesden Green Community cen	Reduction of management fee to WCHT	(10,000)
	Communications	Interim staff costs	15,000
	Highways	Increased income from HCC	(55,480)
		Removal of Reserve funding allocated to Veolia contract	97,790
	Other Variances	2,000	
		TOTAL	(63,690)
Community & Customer Service	Customer Service Centre	Salary underspend due to vacancy, staff sickness & Maternity	(75,000)
	Homelessness	Homelessness project - additional cost in obtaining private sector properties	100,000
	Homelessness	Hart Homes - Part of PMB funded project	10,000
		TOTAL	35,000
Democracy & Governance	Committee Services	Savings based on revised salary expenditure 2016/17	(13,000)
		Other Variances	(350)
		TOTAL	(13,350)
Regeneration and Development	Business Improvement District	Funding agreed from High St Innovation fund	57,715
	Development Control	Reduced income from pre-application fees	9,000
	Parkhouse Interchange	New rental Income Dec - Mar 2016/17	-102,000.00
	Parking Service	Parking bay suspension one off Income - Thames Water	-178,000.00
	Policy Team	Underspend on Local Plan MP12	-55,000.00
	Employee Costs	Overspend on salaries based on revised salary expenditure 2016/17	67,000
	Other Variances	-3,500.00	
		TOTAL	(204,785)
Strategic Finance	Interest Income	Additional interest due to lower expected fund of funds and additional receipts in year	(30,000)
	Supplies & Services	Additional cost of postage / stationery costs as part of Shared Service charges	30,500
	Employee Costs	Vacancy provision reversed as part of the revised salary exercise at period 8	95,180
		Watford 2020 - Part of PMB funded project	94,000
		TOTAL	189,680
		GRAND TOTAL	(57,145)

CAPITAL INVESTMENT PROGRAMME - SUMMARY

Capital Scheme	Latest Approved 2016/17	Forecast Outturn	Variance	Actual
	£	£	£	£
Key Projects	4,665,160	5,774,160	1,109,000	4,299,012
Environmental Services	408,950	362,850	(46,100)	260,581
Community & Leisure Services	9,862,759	9,743,664	(119,095)	4,511,220
Housing Services	816,370	888,370	72,000	349,870
Parking Services	19,507	19,507	0	0
Asset Management	5,300,548	2,205,398	(3,095,150)	310,325
ICT	404,496	404,496	0	76,911
ICT Shared Services	924,000	924,000	0	952,609
Section 106 Funded Schemes	94,389	174,841	80,452	131,635
Corp Serv / Project Mgt	552,470	552,470	0	0
TOTAL CAPITAL PROGRAMME	23,048,649	21,049,756	(1,998,893)	10,892,163

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	105,552	
CSI Project	247,500	182,500	(65,000)	15,200	Rephasing review due to project update
Campus-Client Side & Land Assy	449,847	484,847	35,000	107,693	Forecast reviewed due to expected amendments to legal agreements
Campus-Equity	3,600,000	4,724,000	1,124,000	3,950,000	Additional costs for completion of infrastructure and master planning work. Road now operational
Green Spaces Strategy	74,000	89,000	15,000	101,177	Rephasing from 2017/18 based on project needs E.G. Garston Park
Website Enhancement	3,400	3,400	0	732	
Cultural Quarter Phase 1	167,840	167,840	0	18,659	
Environmental Services					
Replacement Domestic Bins	42,185	0	(42,185)	0	Rephasing request due to future service changes
Electric Vehicle Charging Units	27,265	11,884	(15,381)	6,083	Rephasing into 2017/18 requested by service
Transit Vans x 2	48,000	33,706	(14,294)	33,706	Capital cost implication lower than expected
Pest Control Van	13,560	13,560	0	13,578	
Wood Chipper / Shredder	0	15,500	15,500	15,300	Replacing old with new. Funded by vehicle replacement reserve
Cricket Pitch Roller	0	11,100	11,100	10,700	Replacement required due condition issues. Funded by vehicle replacement reserve
Caged Vehicle / Bulky Lorry	0	15,000	15,000	15,000	Lease vehicle purchase providing better value than buying new. Funded by vehicle replacement reserve
Pedestrian Aerator	0	7,650	7,650	8,983	Replacement required due condition issues. Funded by vehicle replacement reserve
Mounted Aerator	0	24,450	24,450	24,450	Replacement required due condition issues. Funded by vehicle replacement reserve
Electric Van	0	25,000	25,000	0	Acquisition funded by vehicle replacement reserve
Recycling Boxes	36,940	0	(36,940)	0	Rephasing request due to future service changes
Additional Green Waste Bins	36,000	0	(36,000)	0	Rephasing request due to future service changes
Decent Homes Assistance	205,000	205,000	0	132,781	

Capital Scheme	Latest Approved 2016/17 £	Forecast Outturn £	Forecast Variance £	Actual £	Scheme Update
Community & Leisure Services					
Town Hall Subway CCTV	17,300	12,300	(5,000)	7,867	Capital cost implication lower than expected
Clarendon Road Street Improvements-Relocation of CCTV	18,000	0	(18,000)	0	Rephasing request due to Herts County Council scheme being delayed
Watford Museum HLF Matchfunding	125,000	25,000	(100,000)	0	Rephasing request due to review of project completion date
Meriden Community Centre Redevelopments	444,000	444,000	0	444,033	
Play Review	1,400,000	1,400,000	0	200,118	
Allotments & Parks Upgrades	416,990	416,990	0	317,083	
Farm Terrace Allotments	552,874	552,874	0	54,475	
Town Centre CCTV Camera Replacement	22,711	26,616	3,905	24,766	Camera failure not in original capital programme
Gaelic Football Relocation	865,886	865,886	0	494,230	
Improvements Community Centres	159,160	159,160	0	100,000	
Cassiobury Park HLF Project	5,640,838	5,640,838	0	2,868,649	Project to complete this financial year
Cassiobury Dev't (Fullerians)	200,000	200,000	0	0	
Housing Services					
Garages Project (incl Parking)	0	72,000	72,000	0	Parking works to be carried out at Water Lane, Prince Street and Sutton Road. Part funded by Watford FC
Retained Housing Stock	163,800	163,800	0	13,079	
Mand Disabled Facilities Grant	652,570	652,570	0	336,791	Demand led and subject to application criteria

Capital Scheme	Latest Approved 2016/17 £	Forecast Outturn £	Forecast Variance £	Actual £	Scheme Update
Parking Services					
Upgrading/Resurfacing Car Parks	19,507	19,507	0	0	
Asset Management					
Watford Business Park Redevelopment	3,964,216	1,547,400	(2,416,816)	170,162	Although on schedule and out to tender for construction, the development at Caxton Way will not commence until March. Expected purchases of leasehold interests in Zone A have been delayed.
Private Sector Stock Condition Survey	150,000	150,000	0	0	
Atrium / GIS	16,988	16,988	0	16,847	
Pop Up Toilets Refurbishment	35,000	5,000	(30,000)	0	Rephasing request due to implications of future service delivery expected in 2017/18
Non PIB - Strategy & Prog Disposal	16,796	16,796	0	0	
Match Funding Capital Projects	67,378	19,044	(48,334)	7,118	Rephasing request due to bulk of work expected to be undertaken in 2017/18
Veolia Capital Improvements	93,170	93,170	0	53,343	
Building Investment Programme	957,000	357,000	(600,000)	62,855	Major project to Colosseum likely to occur in 2017/18 as well as delays with the Museum HLF bid
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	7,936	
ICT-Project Management Provision	227,000	227,000	0	68,128	

Capital Scheme	Latest Approved 2016/17 £	Forecast Outturn £	Forecast Variance £	Actual £	Scheme Update
ICT Shared Services			0		
ShS-Business Application Upgrade	243,000	243,000	0	0	
ShS-IT Modernisation	603,000	603,000	0	948,960	
ShS-Hardware Replace Programme	78,000	78,000	0	3,649	
Section 106 Funded Schemes					
Himalayan Way Play Area	7,100	67,100	60,000	72,740	S106 funding rephased from 2018/19 due to worsening conditions of play area
Berry Avenue Play Area	6,025	6,025	0	8,957	
Ridgehurst Avenue Play Area	4,266	29,266	25,000	18,767	S106 funding rephased from 2018/19 due to worsening conditions of play area
Colne River Project	11,450	11,450	0	7,284	
Local Nature Reserves	6,350	6,350	0	260	
Lower High St Cycle Scheme	15,393	15,393	0	0	
Abbey Way Cycle Scheme	28,175	23,627	(4,548)	23,627	Project underspend
Garston Park Cycle Scheme	15,630	15,630	0	0	
Corporate Services / Project Management					
Support Services	552,470	552,470	0	0	Allocated at year end as part of the internal recharge process
TOTAL CAPITAL PROGRAMME	23,048,649	21,049,756	(1,998,893)	10,892,163	

CAPITAL INVESTMENT PROGRAMME – FUNDING

FUNDING THE APPROVED CAPITAL PROGRAMME	
FUNDING TYPE	Forecast Outturn £
Grants & Contributions	4,981,250
Reserves	408,306
Capital Receipts	13,978,053
Section 106 & CIL Contributions	1,522,011
Local Enterprise Partnership Loan	160,136
TOTAL CAPITAL FUNDING APPLIED	21,049,756

CAPITAL BALANCES AFTER FUNDING THE APPROVED CAPITAL PROGRAMME

FUNDING TYPE	Forecast Outturn £		
Grants & Contributions	51,362		
Reserves	5,707,900		
Capital Receipts	4,338,328		
Section 106 & CIL Contributions	986,792		
Local Enterprise Partnership Loan	0		
TOTAL CAPITAL FUNDING AVAILABLE	11,084,383		

AGED DEBT ANALYSIS




Invoices Outstanding from 1st December 2015 to 30th November 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	155,622	10,131	26,570	30,934	10,807	28,038	262,102
	Community and Customer Service	150						150
	Env Services-Premises Licence	26,863	940	5,570	790	970	3,445	38,578
	Community Services - Pitch Hire						150	150
	Environmental Health	953	6,677	100	200			7,929
Democracy and Governance	Democracy and Governance	660		1,000			3,176	4,836
Regeneration & Development	Property - Standard	98,913		240				99,153
	Property - Commercial Rents	40,820		76,607	16,680	17,758	178,862	330,727
	Property - Service Charges				28,620	28,620	9,378	66,618
	Property - Garages	572	3					575
	Property - Parking Spaces	129		233				362
	Planning - Standard	108,072	8,029		4,743			120,843
	Planning - Inspection Fees	7,352						7,352
Managing Director	Corporate Service	11,281	330	1,268				12,879
Human Resources		10,237	4,603					14,840
Finance		260,642	9,868					270,511
Other	Recovery Charges	240	600	175	175	25	480	1,695
Grand Total		722,505	41,181	111,763	82,142	58,179	223,529	1,239,298
Percentage of Amount Outstanding		58.30%	3.32%	9.02%	6.63%	4.69%	18.04%	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	96.0	11.3	20.2	29.0	35.3	47.0	54.9	63.8	72.8	81.9	90.2	93.7	96.0
2016/17 Actual		11.5	20.5	29.3	36.7	45.8	54.9	64.1	73.3				
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	40.2	49.0	58.0	64.6	76.5				
On Target													

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

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

KEY FINANCIAL & BUDGETARY RISKS

APPENDIX 7

KEY FINANCIAL 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	Employee revenue contributions have been included in the budgets.	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 are 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 . The council decided to accept the government offer of a 4 year settlement. This risk has now bben downgraded.	2	3	6
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 Period 8 - November 2016					
Service Area	Latest Budget	Forecast Outturn	Forecast Variance Period 8	Actuals to Date	Comments
	£000's	£000's	£000's	£000's	
Parks, Street & Waste Services	5,875	5,875	0	3,335	Expenditure is expected to be on target.
Kerbside Recycling Expenditure and Income	(211)	(175)	36	0	The Herts CC (Alternative Financial Model) income for Kerbside Recycling across the County is not received until the end of the year.
Temporary Accommodation (net)	410	860	450	438	There is a budget pressure in Temporary accommodation due to increased demand
Development Control Fee Income	(708)	(534)	174	(319)	Forecasted income from planning application fees has been reduced by £150,000
Building Control Fee Income	(197)	(269)	(72)	(211)	Increase in Building Control application fees.
Land Charges Fee Income	(120)	(100)	20	(66)	Income is expected to be lower than budgeted.
Commercial rent income	(6,836)	(7,200)	(364)	(4,164)	Due to the outsourcing of the property management contract there is a timing difference in the receipt of rental income. Income relating to November will be received in December .

RESERVE BALANCES

Description	Balance at 1 April 2016 £000	Agreed Use £000	Movement Previously Reported £000	Movement this period £000	Total Movement £000	Balance £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	(191)	50	0		50	(141)
Project and Programme Management	(291)	291	(75)	10	226	(65)
Vehicle Replacement	(310)	48	74	11	133	(177)
Weekly Collection Support Grant	(158)	0	0	0	0	(158)
Total Capital Reserves	(6,275)	549	(1)	21	569	(5,706)
<u>REVENUE RESERVES</u>						
<u>Earmarked</u>						
Budget Carry Forward	(1,190)	1,009	0	180	1,190	0
Business Rates	(4,661)	0	0	0	0	(4,661)
Car Parking Zones	(775)	0	48	(178)	(130)	(905)
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)	568	(196)	352	(3,677)
High Street Innovation	(90)	0	32	58	90	0
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	54	0	66	(504)
Local Development Framework	(178)	50	0	(55)	(5)	(183)
Pension Funding	(2,249)	700	0	0	700	(1,549)
Performance Reward Grant	(29)	0	0	0	0	(29)
Project and Programme Management	(404)	182	103	41	326	(78)
Weekly Collection Support Grant	(30)	0	0	0	0	(30)
Total Earmarked Reserves	(17,547)	1,933	805	(150)	2,589	(14,958)
General Fund Working Balance	(1,350)	0	0	0	0	(1,350)
Total Revenue Reserves	(18,897)	1,933	805	(150)	2,589	(16,308)
Total	(25,172)	2,482	804	(129)	3,158	(22,014)