

BUDGET SETTING

2017/18 to 2020/21

Medium Term Financial Strategy



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Executive Summary

The Medium Term Financial Strategy (MTFS) provides Members with information on the overall financial position of the Council over the next three years, and brings together the previous budget set by Council in January 2017, the budget monitoring activities carried out during the current year and the latest developments in funding, legislation and service delivery. The strategy sets the budget for financial year 2018/19 and indicative budgets for the following two years (2019/20 and 2020/21).

Regular budget monitoring reports are presented to both the Council's Leadership Team and Budget Panel throughout the year. The latest budget monitoring report (Finance Digest) is available as at the end of November.

The preparation of the MTFS has been completed against a backdrop of cuts in government funding, increasing pressure on services (for example, the new Homeless Reduction Act 2017) and continuing expectations from stakeholders.

Each year the Council is required to set a realistic, achievable in-year balanced budget and indicative budgets for the following two years. With the reduction in revenue support grant funding Heads of Service have been encouraged to remain within budgets, find efficiency savings, achieve additional income and to minimise any discretionary growth in order to continue to provide value for money services to the public.

Council tax (for a Band D property) was increased by £5 in 2017/18 for the first time since 2010/11. It is currently envisaged to increase it by a further 2.99% in 2018/19 which is in line with the government's assumption of the Council's spending power requirements.

The summary 2018-21 MTFS shown overleaf demonstrates that there is a funding gap over the period.

The 2018-21 MTFS report includes for information and approval:


- The revised budget for 2017/18 which shows a net service cost of **£14.482 million** and net expenditure of **£11.761 million**.
- The service budget proposal for 2018/19 of **£12.301 million** and net expenditure of **£13.520 million**. Further details are shown in the MTFS summary below.
- The fees and charges for services in 2018/19. The schedule of fees and charges, including the charging policy is circulated as a separate document which accompanies this report.
- Corporate budgets which provide for central costs and income such as financing and investment, corporate pension costs, and contingency for unexpected changes in price or unfunded legislative change. The details of these figures can be seen on the MTFS summary, below.
- Unavoidable growth across the period of the MTFS amounts to **£2.420 million**.
- Discretionary growth across the period of the MTFS amounts to **£0.317 million** and efficiency savings total **£0.069 million**.
- The application of reserve balances is shown in the MTFS summary (below)
- Funding in support of the Council's expenditure plans.
- The Council Tax Base and Council tax calculation.
- The capital investment programme for the medium term totals **£123.798 million**.

- The key risks relating to the Council's finances and the statutory report of the Director of Finance on the robustness of estimates and the adequacy of the Council's reserves.

The full MTFS is shown overleaf, with a summary position shown in the table below:

MTFS 2018-2021	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Gap in MTFS at 1 April (approved by Council in January 2017)	(253)	1,215	1,071	1,071	3,104
Base Budget Changes:					
A. In year changes identified through budget monitoring at period 8	197	46	374	369	986
B. Salary Changes		80	130	280	490
Other changes:					
Additional pay award proposal		94	197	300	591
Watford 2020 – Savings not yet achieved		1,000	1,000	0	2,000
Unavoidable Growth		795	700	925	2,420
Discretionary Growth		166	76	75	317
Efficiency Savings		(23)	(23)	(23)	(69)
Net Change in Provision of Temporary Accommodation	(535)	(535)	(535)	(535)	(2,140)
Increase in Management Fee from Leisure Operator		(182)	(456)	(772)	(1,410)
Impact of Fees & Charges		(347)	(418)	(394)	(1,159)
Impact of Property Portfolio (Rent)	(210)	(199)	0	(395)	(804)
Impact of Capital bids		(25)	(63)	(63)	(151)
Impact of funding changes	(40)	(594)	(124)	(95)	(853)
Income from Watford Riverwell	(3,157)	(960)	(2,625)	0	(6,742)
Interest from Hart Homes loans	0	(170)	(289)	(289)	(748)
Rental income from Town Hall Redevelopment	0	0	(143)	(573)	(716)
Contribution to Reserves (Riverwell)	3,157	960	2,625	0	6,742
Borrowing costs		33	112	0	145
Gap	(841)	1,358	1,612	(116)	2,013

Medium Term Financial Strategy 2018-2021

 WATFORD BOROUGH COUNCIL BE BOLD	2017/18	2017/18	2018/19	2019/20	2020/21
	Original	Revised	Original	Original	Original
	£000s	£000s	£000s	£000s	£000s
Corporate Strategy & Communications	823	1,057	841	853	865
Place Shaping & Performance	(4,521)	(4,319)	(4,594)	(4,673)	(4,626)
Strategic Finance	2,195	2,331	2,201	2,207	2,227
Service Transformation	1,852	2,480	861	878	897
Community & Environmental	8,950	9,108	8,913	9,072	9,093
Democracy & Governance	3,172	3,236	3,457	3,431	3,451
HR Shared Service	581	590	622	635	642
Net cost of services	13,051	14,482	12,301	12,404	12,549
Corporate Budgets					
Dividends & Interest earned	(1,550)	(1,585)	(282)	(282)	(282)
Vacancy provision	(95)	(95)	(95)	(95)	(95)
Apprentice Levy	30	30	30	30	30
Internal support to capital programme	(552)	(552)	(676)	(676)	(676)
Contingency	249	255	221	220	221
Interest payable	130	130	130	130	130
Pension Fund deficit payments	2,249	2,249	2,349	2,449	2,449
Major Projects (PMB/Commercialisation)	750	750	0	0	0
Sub-Total	1,211	1,181	1,678	1,777	1,778
Financial Planning					
Unavoidable Growth	0	0	795	700	925
Additional 1% pay award	0	0	94	197	300
Watford 2020 reversal from previous MTFs	0	0	1,000	1,000	0
Discretionary growth	0	0	166	76	75
Income & Efficiencies	0	0	(23)	(23)	(23)
Net changes to Temporary Accommodation	0	(535)	(535)	(535)	(535)
Increase in management fee from Leisure operator	0	0	(182)	(456)	(772)
Savings achieved from new Parking enforcement contract	0	0	(110)	(157)	(157)
Net effect of Fees & Charges	0	0	(344)	(415)	(391)
Impact of Capital Programme	0	0	(25)	(63)	(63)
Increase in commercial rent target		(210)	(199)	0	(395)
Additional income from Riverwell	0	(3,157)	(960)	(2,625)	0
Additional income from Hart Homes	0	0	(170)	(289)	(289)
Additional income from Town Hall	0	0	0	(143)	(573)
Borrowing costs	0	0	33	112	0
Sub-Total	0	(3,902)	(459)	(2,621)	(1,898)
Total Net Expenditure	14,262	11,761	13,520	11,560	12,428
Planned Use of Reserves					
Contributions to reserves	0	3,157	1,082	2,782	157
Contributions from reserves	(886)	(2,089)	(100)	(200)	(200)
Sub-Total	(886)	1,068	982	2,582	(43)
Funding					
Council Tax	(8,170)	(8,170)	(8,503)	(8,587)	(8,673)
Revenue Support Grant	(565)	(565)	(114)	0	0
Business Rates	(2,452)	(2,452)	(3,332)	(3,002)	(3,002)
New Homes Bonus	(2,098)	(2,098)	(1,015)	(691)	(577)
(Surplus)/Deficit on collection fund	(250)	(290)	(181)	(250)	(250)
Other smaller grants/contributions	(94)	(94)	0	0	0
Sub-Total	(13,629)	(13,669)	(13,144)	(12,530)	(12,501)
Total Funding & Use of Reserves	(14,515)	(12,601)	(12,162)	(9,948)	(12,544)
Gap	(253)	(841)	1,358	1,612	(116)
Reserves - opening balances	(19,467)	(11,086)	(13,478)	(16,978)	(17,948)
Planned use of reserves	886	(1,552)	(4,858)	(2,582)	44
Gap funded from reserves	(253)	(841)	1,358	1,612	(116)
Reserves - closing balances	(18,834)	(13,478)	(16,978)	(17,948)	(18,021)
Council Tax Rate Calculation					
Council tax base	32,062.1	32,062.1	32,393.9	32,717.8	33,045.0
Council tax at band D (income ÷ base)	£ 254.84	£ 254.84	£ 262.46	£ 262.46	£ 262.46

1.0 Net Cost of Services

- 1.1 The day to day costs of providing the Council's services (e.g. employees) and the income generated (e.g. fees and charges) are classified as revenue. The revenue budget is funded from council tax & business rates, government grants, commercial rents, fees & charges and reserves.

Service Budgets

- 1.2 The service budgets shown at the top of the MTFS are the base budgets for each year. These are rolled forward from the previous year, but also include a number of changes which are detailed in the Appendices. The changes included in base budgets are required to maintain the level of service currently provided. Where changes are proposed to services, a summary is shown in the growth and savings sections (below), with further detail in the Appendices. All items included have been scrutinised, challenged and agreed by Leadership Team.
- 1.3 **In-year Changes** occur as Services identify variances to the current year's budget (2017/18) by forecasting the outturn position at the year end and these changes are reported to budget panel at their meetings throughout the year. Services have confirmed that some of these will continue into future years. These changes for 2017/18 amount to £0.197 million and the total for future years (2018/19 to 2020/21) is £0.789 million, providing a total of **£0.986 million** over the period. Further details on future years are shown at **Appendix 1**.
- 1.4 **Changes to Salaries** relate to pay awards and rises due to increments, as well as the impact of changes to grades and restructures which have been agreed in the year. The changes already factored into base budgets are considered unavoidable because they relate to decisions already taken and are required to maintain the current level of service. The figures shown here also include the National Employers final pay offer of 2% for the period 1 April to 31 March 2020. It should be noted that the MTFS had already included a 1% increase in each of the years covered, so all that is shown is the effect of a further 1% increase. It should be noted that £0.124 million of the increase is charged each year to the capital investment programme as support to projects.
- 1.5 As a retention incentive, it is intended to create an enhanced band 11 pay band for some of the section head posts within the Council. Progression to the enhanced band will be agreed by a panel of senior managers from the Leadership team. For 2018/19 any increases in salaries as a result of applying the enhanced banding will be absorbed from existing budgets and for future years the increase will be included when the salaries are set during the budget setting process. The enhanced Section Head – Band 11 scheme is set out in **Attachment 4** to the cover report.

Corporate Budgets

- 1.6 The corporate budgets shown relate to items that are not directly linked to the delivery of services.
- **Dividends and Interest earned and paid** – the Council holds funds for the short and long term which are invested in line with the Council's Treasury Management Strategy. This generates income. In addition, the Council is a partner in the Watford Riverwell project and

has a number of other commercial initiatives from which it will receive dividend income. The Council also has a long term loan from the Local Enterprise Partnership and various other agreements which attract interest charges.

- **Vacancy provision and Apprenticeship levy** – The Council budget the cost of its staff on a full establishment (all posts are filled) however, it is recognised that during the year vacant posts will arise due to staff churn and that these posts are not always immediately recruited to. An allowance has been put in to the budget as a vacancy saving. The apprenticeship levy was introduced in April 2017 and is charged at a rate of 0.5% on an employer’s pay bill, with an allowance of £15,000 to offset against the levy.
- **Internal support to capital schemes** – Council officers will spend time on implementing and monitoring the Council’s capital schemes, which is charged to capital from the revenue account.
- **Contingency** - The Council holds a small contingency for any unexpected increases in inflation for items such as utilities and external contracts and unforeseen expenditure.
- **Pension Fund Deficit Payments** – this payment is set by the Hertfordshire Pension Fund’s actuary and relates to the estimated amount which needs to be set aside to fund future pension payments to which scheme members are entitled. The amount is set at the three yearly valuations, and has been included in the MTFs period.

2.0 Financial Planning:

- 2.1 **Unavoidable growth:** This is additional cost which is needed to maintain the current level of service provision and relates to decisions already taken and factors outside the Council’s control, such as contract inflation, legislative changes and demographic pressures. This totals **£2.420 million** over the medium term. Further detail is shown in **Appendix 2**.
- 2.2 **Watford 2020:** The current MTFs included a recurring saving of £1.000 million per annum. The service transformation team are progressing well with the review of services and identifying efficiencies and additional income, but it is unlikely that these will be fully achieved before 2020/21. Therefore it is considered prudent to reverse the target saving in 2018/19 and 2019/20 which was built into last year’s MTFs. Any savings achieved early will be reported through in-year budget monitoring.
- 2.3 **Discretionary Growth:** This relates to items that will improve and develop services, but require additional expenditure. Services are aware of the financial pressures faced by the Council and have kept these items to a minimum. Some are of a ‘one off’ nature, whilst others will continue in future years. The discretionary growth totals **£0.317 million** over the medium term. Further detail is provided in **Appendix 3**.
- 2.4 **Efficiency Savings:** These are reductions in expenditure which do not affect the level of service provision to the public, such as additional income generated from selling services, other changes to fees and charges (full details shown in that section of this report) or reductions in other items such as printing and stationery. Efficiency savings total **£0.069 million** over the medium term. Further detail is provided in **Appendix 4**. These efficiency items are not contained within the services’ base budget figures.
- 2.5 **Net Change in the Provision of Temporary Accommodation:** This relates to a decrease in temporary accommodation expenditure due to lower than projected demand and a reduced reliance on more expensive methods of provision. This will mean that the level of income also reduces giving a net saving of £2.140 million over the MTFs. The new Homeless Reduction Act (HRA) 2017 will result in a complete change in the method of service delivery

that will concentrate on homelessness prevention; this will mean increased annual costs of £0.188 million and these have been included in the unavoidable growth figure.

- 2.6 **Increase in Management Fee from Leisure Operator:** The current outsourced contract for operating the Council’s leisure venues expires on 30 June 2018. The contract has been through a tender process and at the Cabinet meeting on 4 December 2017 a preferred bidder was appointed. The new contract provides an enhanced management fee payable to the Council which totals an additional **£1.410 million** over the MTFS.
- 2.7 **Revenue Effects of the Capital Growth Bids:** This relates to an increase in expenditure or a realisation of savings that are brought about as a result of the capital investment programme. The revenue implications of the new capital bids are not yet included in base budgets as they are subject to approval. The only new capital bid with revenue implications for 2018/19 is for the Cassiobury Park car parking improvements which includes a full rebuild and extension to the car park, which will generate additional income of £0.075 million from car parking charges when fully operational. Further details are shown at **Appendix 5**.
- 2.8 **Funding changes:** The Council receives its funding from various sources to support its revenue expenditure on the services it provides. These are subject to fluctuation. The table below shows the adjustments to the budgets for the funding streams over the MTFS.

Change in Funding against Budget	2017/18	2018/19	2019/20	2020/21	Total
	£000	£000	£000	£000	£000
Revenue Support Grant	0	0	0	0	0
Change in Council Tax	0	(250)	(252)	(338)	(840)
Collection Fund Surplus/Deficit	(40)	69	0	0	29
New Homes Bonus	0	385	509	623	1,517
Business Rates	0	(798)	(381)	(380)	(1,559)
TOTAL	(40)	(594)	(124)	(95)	(853)

- 2.9 **Net Fees & Charges:** Each year the Council reviews its fees and charges in conjunction with its agreed income charging policy and adjusts the anticipated income accordingly. The individual fees and charges are listed separately as part of this report with a summary showing the impact for 2018/19 at **Appendix 6**. The total amount of increase in the Council income budgets over the MTFS is **£1.159 million**. The Council’s income charging policy is at **Attachment 2** to the cover report with individual charges listed by service area. It is intended to carry out a comprehensive review of all discretionary fees & charges during the next financial year; Council are requested to delegate authority to the Director of Finance in conjunction with the Managing Director and the Portfolio Holder (Resources) to implement any recommendations from this review.
- 2.10 **Increase in Commercial Rent:** The Council has a large property portfolio which generates a rental income stream. This is estimated to be £8.0 million per annum (including rents from garages). The current MTFS contains a target of 5% annual income growth derived from the Council’s property portfolio through reinvesting the proceeds from the disposal of low income and high maintenance properties into better yielding properties and also from improved management of the rental streams from the portfolio. The figures in the above table include the income target for the current years (which have already been built into the

MTFS) plus the increase for 2021/22. Any increase or decrease in income levels will be monitored through the Property Investment Board (PIB) and reported in budget monitoring. There is an increase in the projected income over the five year period of £1.523 million which also includes the recent acquisitions of two sites at Wakefield and Wallington.

- 2.11 **Additional Income from Watford Riverwell:** Watford Riverwell is run as a joint venture with Kier. This development is a long-term regeneration project developing an area of land south of Watford Hospital and Watford Football Club. The Council will receive interest and dividends from its investment and these total **£6.742 million** over the MTFS. It is planned to appropriate this income into a reserve to cover any guarantees provided by the Council for this scheme, to cover repayments of outstanding loans, to replenish balances and create a fund for future investment.
- 2.12 **Additional Income from Hart Homes:** The Council is currently in joint venture with Watford Community Housing to develop a mixture of affordable, social and open market housing. The Council will receive interest on its investment loans to the companies and this will amount to **£0.748 million** over the MTFS.
- 2.13 **Additional Income from Town Hall:** The Council is currently pursuing the redevelopment of the Town Hall and environs to be able to let out vacant office space at a commercial rent to outside organisations. It is estimated that this will generate additional income of £0.573 million per annum when the development is completed in 2020/21. Over the MTFS this totals **£0.716 million**.
- 2.14 **Cost of Borrowing:** Based on the proposed capital programme it is currently predicted that the Council may need to prudentially borrow up to £7.8 million over the next 3 years. It is further estimated that the level of capital receipts will be sufficient for us to repay this principal sum by 2020/21, with a further £1.8 million required in 2021/22, again repaid the following year. The revenue cost of the debt financing for this borrowing is estimated to be £0.145 million, but this may change due to factors such as the phasing of the capital programme and any additional contributions from outside bodies (e.g.: Police and Crime Commissioner for Hertfordshire capital contribution to Town Hall redevelopment). As the borrowing can be repaid from future receipts, it should not prove necessary to make a minimum revenue provision in order to amortise the principal sum.

3.0 Reserves

- 3.1 The Council has set aside specific amounts as reserves for future policy purposes and to cover contingencies. The full schedule of reserves and the anticipated position is attached at **Appendix 7**. The proposed use of reserves for revenue in 2018-21 is as follows:
- £0.500 million - The Council has set aside funds to cover the costs of future pension payments. Some of these funds are to be applied to the additional payments required by the scheme actuary for 2018/19, 2019/20 and 2020/21.
 - In 2016/17 there was a deficit on the business rates account of £3.3 million which was funded from the economic impact reserve. This is to be returned in 2018/19.
 - Where there is a gap remaining this is expected, for the time being, to be filled from the Economic Impact Reserve.
 - The general fund working balance has been increased to a prudent level of **£2.0 million**.

4.0 Funding the Revenue Budget

- 4.1 The MTFS shown above indicates that the total Net Expenditure of the Council in 2018/19 is **£13.517 million**. This will be funded from a number of sources, which are detailed in the following paragraphs. The Council needs to set a budget that gives an acceptable level of council tax, and is sustainable in the medium term using the balances it has at its disposal.
- 4.2 The number of properties (known as the Council Tax Base) is calculated by adjusting for banding (so that a total number of Band D properties are known) and the effects of the Local Council Tax Reduction Scheme. The analysis of dwellings in **Appendix 8** for the 2017/18 Council Tax Base results in a figure of **32,393.9** after allowing for the Council Tax Reduction Scheme and a collection rate of 97%.
- 4.3 The average Band D Council Tax charge for 2018/19 will be **£262.46**. This means that the Council expects to receive **£8.503 million** of Council Tax income in 2018/19. Each one percentage increase in the Council Tax rate generates approximately an **£80,000** increase in Council Tax revenue.
- 4.4 **Business rates** are collected by the Council, and the proceeds are shared between the Borough and County Councils, and Central Government to fund services. There is an element of risk involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be **£3.331 million** in 2018/19. The Council has to pay an additional tariff of £389,382 in 2020/21. Future plans for rate retention indicate Council's being able to retain a minimum of 75% by 2020/21 although final confirmation and full details are yet to be published by Central Government.
- 4.5 The council will make prudent estimates of the rate of collection of Council Tax and the size of the tax base. This is to allow for non-payments, discounts, bad debts, and periods where properties are unoccupied and therefore there is no tax payable. Where amounts of Council Tax collected exceed the estimates made, the surplus is shared between the relevant major precepting authorities (Hertfordshire County Council, Watford Borough, Council and Hertfordshire Police & Crime Commissioner). The Council's prudent estimates mean that it is possible to budget for a surplus of **£0.181 million** in 2018/19.
- 4.6 **Revenue Support Grant**, funded by Central Government. This was formerly the principal line of local Council funding, but will be totally phased out 2019/20 and replaced with local retention of Business Rates income.
- 4.7 **New Homes Bonus** is a grant relating to the number of new homes delivered in a local authority area. The formula allows for a threshold that each authority needs to achieve before any grant is received. The amount for 2018/19 is, based on the provisional settlement; the Council expects to receive **£1.015 million**. Estimates for future years are harder to predict due to factors around timing of qualifying developments coming on line, but the Council has made realistic estimates of income in the MTFS.

5.0 Capital Strategy and Investment Programme

- 5.1 Capital costs relate to items providing benefits to the Council and community for more than one year (e.g. buildings). Any income from the sale of these items is also classified as capital.

The Council has an approved capital programme budget which is designed to support the core services it provides.

- 5.2 The current capital programme was approved by Council at its meeting on 24 January 2017. Since that date the capital programme is reported regularly to Budget Panel with specific reports being considered by Cabinet which affect the originally approved programme.
- 5.3 The 2017-21 Capital Investment Programme presented for approval is shown in the table below with further details shown in **Appendix 9**:

Capital Programme 2017-21	2017/18 Revised £000s	2018/19 Original £000s	2019/20 Original £000s	2020/21 Original £000s
Community & Environmental	3,478	4,879	462	462
Democracy & Governance	755	750	675	400
Place Shaping & Performance	15,628	6,880	2,050	50
Service Transformation	1,070	844	530	530
Strategic Finance	762	677	679	679
Watford Riverwell	8,113	10,931	3,281	14,159
Property Investment Board	24,076	0	0	0
Proposed Growth (see Appendix 5)	0	6,205	13,771	1,022
Annual Capital Investment Programme	53,882	31,166	21,448	17,302
Total Capital Investment Programme 2017-21		123,798		

- 5.4 The Capital Investment Programme relates to the three different types of scheme – business as usual, existing schemes, and new schemes. Much of the capital expenditure which relates to major projects will be returned to the Council in future years as capital receipts.
- 5.5 There are a number of ‘Business as Usual’ programmes which are included totalling **£2.2 million** and relate to regular improvements and replacement of key Council assets such as buildings, vehicles and ICT. These are included for all years in the MTFs.
- 5.6 Services have put forward proposals for new capital schemes for 2018-21 which will assist the Council in delivering its corporate objectives and improving services for residents, as well as generating revenue savings and returns where possible. These have been included in the table at paragraph 5.3. The growth bids which are over £0.100 million in 2018/19 are shown below. Further details are shown in **Appendix 5**.
- **Cassiobury Park Car Park Improvements £1.000 million** - Cassiobury Car Park is the main car park to Watford's principal park that was not included in the lottery funding as it was not considered as part of the bid package by the Heritage Lottery Fund. Costs include a full rebuild of the car park as well as an extension requiring rebuilding.
 - **North Watford Cemetery Lodge Extension and toilet refurbishment £0.150 million** - The ICCM review that was carried out two years ago highlighted that the visitor experience at the cemetery needed to be improved. Currently cemetery visitors use a small out-dated office currently occupied by the Cemetery Manager and there is no additional space for customer privacy, a dedicated office or storage.
 - **Garston Park Improvements £0.250 million** - Due for restoration to bring this up to Green Flag standard as detailed in the Council’s Green Spaces Strategy.

- **Town Hall Redevelopment £2.310 million** - Construction of a multi storey office block and raised deck car park with associated highways alterations.
- **High Street Public Realm Improvements £0.800 million** - To provide a high quality pedestrian friendly environment that will enhance the look and feel of the High Street. In September, Cabinet approved a scheme totalling £2.0m which will be funded by sources of income including s106, HCC contributions and existing budgets. Further potential LEP funding of £400,000 is also being pursued.
- **Leisure Management** – The recent contract award to SLM commits the Council to capital investment which provides an enhanced annual management fee to the Council. The cost of capital to the Council is outweighed by the increased management fee.

5.7 **Property Investment Strategy.** The Council has a Property Investment Strategy that allows it to invest in property for a market return. This is controlled by the Property Investment Board (PIB). As with all investments, security of the investment is paramount over yield and the Council has set strict parameters for these investments that are adhered to by the retained property advisers, Lambert Smith Hampton, and overseen by PIB before any investment decision is taken (see Annex B to Attachment 3 to the cover report). The Council has invested in property through its capital programme and has not borrowed externally to invest in any property.

6.0 Funding the Capital Strategy & Investment Programme

- 6.1 The Council funds its capital programme from its reserves, capital receipts, and any capital grants and contributions. Subject to prudential and affordable limits, the Council may also borrow to support its capital aspirations.
- 6.2 It is anticipated that over time the Capital outlay from projects such as the Watford Riverwell and Property Investment Board will be recouped from the receipts received in terms of return of equity investment and the disposal of land and property.
- 6.3 **Appendix 9** shows the details of the capital receipts and grants/contributions included in the budget.
- 6.4 Where the Council does not have sufficient contributions, receipts, reserves or revenue available to finance long term investment, it may use prudential borrowing to do so. This is subject to the affordability and prudential limits set out at a high level by the Government and in detail by the Council in its strategies. This borrowing may be from external providers, or internally from cash the Council holds day to day and its own reserves.
- 6.5 The Council's ambitious programme of major projects and investment in service delivery means that it expects to have a borrowing requirement in 2018/19. The results of the cash forecasting exercise indicate that the proposed approach is affordable for the Council:

7.0 Key Risk Areas

- 7.1 The Council's budget is exposed to risks that can potentially impact on service level provision and financial stability. The consequences of the key risks are shown at **Appendix 10** together with a risk matrix that shows the likelihood and impact of each consequence if they were to materialise.

- 7.2 The matrix shows that there is an element of risk in setting the budget, and in particular for undertaking the large scale capital projects. The Council has a risk management framework and strong governance arrangements in place e.g. Cabinet, Portfolio Holder oversight, Property Investment Board, Major Projects Board and Budget Panel to monitor these risks.
- 7.3 Under section 25 of the Local Government Act 2003 there is a duty on the Chief Finance Officer to report on the robustness of the estimates and the adequacy of reserves when considering the budget requirement and for Members to have regard to this advice. **The Director of Finance confirms the estimates have been correctly calculated under the assumptions used and that balances and reserves are adequate.**
- 7.4 The General Fund balance is a general reserve providing a working balance to cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing and provide a contingency to meet unexpected events and emergencies.
- 7.5 The external auditors, as part of their wider responsibilities, consider whether the Council has adequate arrangements with regard to balances and reserves. In assessing the adequacy of the level of the working balance the Council's external auditor has, in the past, commented they would not wish to see the General Fund Working Balance reduced below its current level of £1.350 million. **In light of the continual budget pressures and risks highlighted above, the Council's Director of Finance considers that a prudent minimum balance on the general fund should be increased from £1.350 million to £2.000 million.** At this stage the increase balance on the general fund will be covered by a movement from other reserves rather than a budget pressure.

8.0 Strategy for the Flexible Use of Capital Receipts

- 8.1 The Secretary of State has issued guidelines under the regulations which allow authorities extra flexibility in the use of capital receipts received in the year, where they are used for projects constituting qualifying expenditure which transforms services for residents, 'joins up' services with other public sector bodies, or makes on-going savings.
- 8.2 The Council is pursuing a service transformation programme called Watford 2020. This will deliver change through a number of strands of activity:
- **Digital Town:** Deliver a Watford Town digital infrastructure that provides businesses and residents with the skills and technology needed to maximise opportunities and enhance lives.
 - **Digital Customer:** To transform how customer access our services - providing digital access to services that are designed around customers and a reception area that encourages self-service.
 - **Digital Council:** This project will provide a digital infrastructure within the Council that will improve service efficiency, deliver flexible and responsive services, and provide management information to support continuous improvement.
 - **Service Reviews:**
 - **Service Based reviews** – these will be an “end to end” review of services. The review will look for opportunities to streamline the service, ensuring they are customer focused, joined up and “digital by default” with as much manual work being automated as possible. The reviews will seek to make best use of modern technology to reduce duplication and maximise officer productivity e.g. providing access to mobile devices to work when out of the office rather

than having to come back into the office to update systems.

- **Cross-Departmental reviews** – these reviews will look for cross-departmental opportunities to improve efficiency and effectiveness e.g. by rationalising similar functions or IT systems.

- **Commercial strategy:** To take the Council on the journey so that it functions as a commercially astute business, that generates income and has an entrepreneurial approach to developing new commercial opportunities.
- **Supporting Strategies:** Key strategies will be developed to ensure we have the culture, skills, communications / engagement and technology in place to deliver the programme.

8.3 These projects may well have transition costs which could meet the criteria to be funded using the new flexibility; it is the Council's strategy to, where possible, invest in these improvements and initiatives without creating an additional burden on the Council tax payer. Where receipts are to be applied flexibly in accordance with the policy, the expenditure will be reported to Cabinet and added to the capital programme. The impact on the prudential indicators and the Council's capital financing arrangements will be considered, assessed, and reported at the same time.

9.0 Delegated Authority

9.1 As the Council is continuing with its more commercial approach, including encouraging ideas from staff, it is intended to carry out a full review of its discretionary fees and charges during 2018/19. Council are being requested to delegate authority to the Director of Finance in conjunction with the Managing Director and the Portfolio Holder (Resources) to implement any recommendations from this review.

9.2 Council is requested to delegate to the Managing Director in consultation with the Director of Finance authority to provide parental guarantees for the Council's projects as required subject to those guarantees complying with an approved business plan.

REPORT PREPARED BY:

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BACKGROUND PAPERS:

2017/18 Finance Digests
Cabinet Reports
2017-20 Financial Planning Report

APPENDICES:

Appendix 1 In Year Base budget changes
Appendix 2 Unavoidable growth
Appendix 3: Discretionary Growth
Appendix 4: Efficiency measures and additional income
Appendix 5: Capital bids including revenues impacts
Appendix 6: Summary Fees & Charges 2018/19
Appendix 7: Reserves and balances
Appendix 8: Council Tax base and calculation 2018/19
Appendix 9: Capital programme
Appendix 10: Risk Matrix

In Year Base Budget Changes

Summary of In - year budget changes affecting future years	2018/19	2019/20	2020/21	Total
Community & Environmental				
Expected increase in income from recycling credits & Green Bins	(50,000)	(50,000)	(50,000)	(150,000)
Environmental health Supplies & Services budgets not required	(24,010)	(24,010)	(24,010)	(72,030)
Less expenditure on contract for abandoned vehicles	(5,000)	(5,000)	(5,000)	(15,000)
Special collections overestimate of income	37,000	37,000	37,000	111,000
Animal control saving due to cessation of contract	(3,000)	(3,000)	(3,000)	(9,000)
Pest Control saving on expenditure	(50,000)	0	0	(50,000)
Street Cleansing and Refuse reduction in income from Boundary way	10,700	10,700	10,700	32,100
Total	(84,310)	(34,310)	(34,310)	(152,930)
Democracy & Governance				
Costs related to EROS elections systems maintenance	6,000	6,000	6,000	18,000
Town Hall Rental income over estimated in 16/17 budget setting	72,000	72,000	72,000	216,000
Total	78,000	78,000	78,000	234,000
Place Shaping & Performance				
Contract security costs to be higher due to additional time add-on	10,000	10,000	10,000	30,000
Repair work to parts of the public carriage way owned by the Council.	10,000	10,000	10,000	30,000
Annual Software support cost	17,390	17,390	17,390	52,170
Change in rental income - mainly on void at Intu during development	69,235	346,665	341,665	757,565
CCTV contract cost has increased	16,000	16,500	16,500	49,000
Scrutiny fee payable to LSH	12,000	12,000	12,000	36,000
Development Control saving on software purchase	(10,800)	(10,800)	(10,800)	(32,400)
Total	123,825	401,755	396,755	922,335
Corporate Strategy & Comms				
Budgets not required	(9,550)	(9,550)	(9,550)	(28,650)
Total	(9,550)	(9,550)	(9,550)	(28,650)
Strategic Finance				
Reduction in staffing costs of revenue & benefits due to restructure	(62,090)	(62,090)	(62,090)	(186,270)
Total	(62,090)	(62,090)	(62,090)	(186,270)
Grand Total	45,875	373,805	368,805	788,485

Unavoidable Growth

Unavoidable Growth	2018/19	2019/20	2020/21	Total
	£	£	£	£
Service Transformation				
<i>Total cost of service reported at £1,145,997. This represents an increase on the draft budget based on WBC share of 60%</i>	89,400	89,400	89,400	268,200
<i>New Business Relationship Manager post as part of proposal above and increase in software licensing costs</i>	132,900	132,900	132,900	398,700
<i>Applications with contractual commitments</i>	42,150	42,150	42,150	126,450
Total	264,450	264,450	264,450	793,350
Community & Environmental				
<i>Veolia inflation uplift on contract value of £6.250M.</i>	0	0	125,000	125,000
<i>Veolia Contract pension pass through costs</i>	160,000	160,000	160,000	480,000
Total	160,000	160,000	285,000	605,000
Democracy & Governance				
<i>New legislation from May 2018 means Council will be legally obliged to have a Data Protection Officer post.</i>	25,000	25,000	25,000	75,000
<i>Agreed by Cabinet - Neighbourhood Forum scrutiny 12 wards @£500 each</i>	6,000	6,000	6,000	18,000
<i>Mayoral elections to take place in 2018/19</i>	60,000	0	0	60,000
Total	91,000	31,000	31,000	153,000
Place Shaping & Performance				
<i>Reinstatement valuation of mainly non-investment portfolio - inspection /survey costs</i>	15,000	15,000	15,000	45,000
<i>To work with consultants to produce a new Local Plan</i>	77,000	42,000	142,000	261,000
<i>New Homeless Reduction Act (HRA) 2017 results in a complete change in service delivery</i>	165,000	165,000	165,000	495,000
<i>Increase in review costs due to the introduction of the HRA above</i>	22,800	22,800	22,800	68,400
Total	279,800	244,800	344,800	869,400
Corporate Strategy & Comms				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Human Resources				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Strategic Finance				
<i>None</i>	0	0	0	0
Total	0	0	0	0
TOTAL	795,250	700,250	925,250	2,420,750

Discretionary Growth

Discretionary Growth	2018/19	2019/20	2020/21	Total
	£	£	£	£
Service Transformation				
<i>Required to implement the Watford 2020 programme</i>	60,000	0	0	60,000
Total	60,000	0	0	60,000
Community & Environmental				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Democracy & Governance				
<i>Increase working hours from 30 to 37 for senior solicitor to meet increase in contract related advice</i>	11,520	11,520	11,520	34,560
<i>Market factor for elections manager</i>	2,000	2,000	2,000	6,000
<i>Members Allowances</i>	20,470	22,410	20,880	63,760
Total	33,990	35,930	34,400	104,320
Place Shaping & Performance				
<i>Project manager cost to support the delivery of the new housing service</i>	31,500	0	0	31,500
Total	31,500	0	0	31,500
Corporate Strategy & Comms				
<i>Project Management coordinator post to be added to the establishment - mainly managing Programme Management Board items</i>	40,200	40,200	40,200	120,600
Total	40,200	40,200	40,200	120,600
Human Resources				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Strategic Finance				
<i>None</i>	0	0	0	0
Total	0	0	0	0
TOTAL	165,690	76,130	74,600	316,420

Efficiency Savings

Efficiency Savings	2018/19	2019/20	2020/21	Total
	£	£	£	£
Service Transformation				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Community & Environmental				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Democracy & Governance				
<i>Saving on print budget due to going paperlite</i>	(5,500)	(5,500)	(5,500)	(16,500)
Total	(5,500)	(5,500)	(5,500)	(16,500)
Place Shaping & Performance				
<i>Reduction in scanning costs</i>	(17,500)	(17,500)	(17,500)	(52,500)
Total	(17,500)	(17,500)	(17,500)	(52,500)
Corporate Strategy & Comms				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Human Resources				
<i>None</i>	0	0	0	0
Total	0	0	0	0
Strategic Finance				
<i>None</i>	0	0	0	0
Total	0	0	0	0
TOTAL	(23,000)	(23,000)	(23,000)	(69,000)

Capital Growth Bids and Revenue Impact

Department	Project Details	Capital			Annual Revenue Costs / (Savings)			
		Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
Community & Environmental	Waste and Recycling Vehicle Replacement - The Council supplies vehicles and plant to fulfil contractual obligations with its partner, Veolia Environmental Services. There is a need in 2019/20 to replace 14 freighters.		2,300,000		0	0	0	0
Community & Environmental	River Colne Restoration & Improvement Programme - Corporate priority to begin a major clean up of the River Colne Corridor. A budget is required to appoint a consultant to develop a masterplan and identify projects for the River Colne Corridor to enable a River Colne Strategy to be developed.	100,000	25,000	25,000	0	10,000	10,000	10,000
Community & Environmental	Cassiobury Park Car Park Improvements - Cassiobury Car Park has had no investment in over 10 years and is in very poor condition. It is the main car park to Watford's principal park that was not funded by HLF who would not consider it as part of the bid package. Costs are extensive and include a full rebuild of the car park as well as the extension requiring rebuilding.	1,000,000			(25,000)	(75,000)	(75,000)	(75,000)
Community & Environmental	Cemetery reprovision project - Watford is running out of cemetery space and has circa 7-9 years remaining. A process has begun to assess options in relation to finding a new cemetery. A budget is required to facilitate this process and is needed to appoint a consultant to look at the options within the borough boundary.	50,000	50,000	50,000	0	0	0	0
Community & Environmental	North Watford Cemetery Lodge Extension and toilet refurbishment - The ICCM Review that was carried out 2 years ago highlighted that the visitor experience at the cemetery needed to be improved. Currently cemetery visitors use a small dated office currently occupied by the Cemetery Manager and there is no space for privacy, dedicated office space and storage space.	150,000	50,000		0	0	0	0

Community & Environmental	Garston Park Improvements - Due for restoration to bring this up to Green Flag standards as highlighted as action 7.2.2 in the Green Spaces Strategy.	250,000	50,000		0	0	0	0
Community & Environmental	Hérons F.C. - The Club approached the Council and the Mayor for support and there was an offer to improve the appearance and security of the building with a £25k investment including external improvements and windows replacement.	25,000			0	0	0	0
Community & Environmental	Leisure Management - Contract award to SLM where the Council is committed to capital spend (N.B. Further capital spend due in 2022/23 and 2028/29 totalling £162,054 and £412,054 respectively).	1,313,200	20,000	250,000	Increased management fees due to the Council from the contractor have been built into revenue growth forecasts			
Community & Environmental	Idox General Data Protection Regulation (GDPR) - Data stored in Uniform by Development Management, Building Control, Environmental Health, Licensing and Land Charges needs to be legally compliant with the new GDPR legislation.	10,000			0	2,000	2,000	2,000
Community & Environmental	Watford Tennis Partnership - Transforming British Tennis Together - There is an opportunity to bid for funds from the Lawn Tennis Association to improve tennis facilities across Watford - public and private - however some match funding will be needed. This provides for WBC's match funding.	25,000			0	0	0	0
Democracy & Governance	Town Hall Redevelopment - Construction of a multi storey office block and raised deck car park with associated highways alterations.	2,310,000	10,861,000	382,000	The scheme over a period of time is expected to self fund via service charges to clients E.G. Herts Police			
Place Shaping & Performance	Watford Junction - Budget requirement to finalise Watford Junction Masterplan and update viability / studies to support detailed Housing Infrastructure Funding bid	30,000			0	0	0	0
Place Shaping & Performance	Watford 3D Planning Model - Update IT functionality requirements for Watford Urban Design Model used for determining planning applications especially tall buildings.	41,500	15,000	15,000	0	0	0	0
Place Shaping & Performance	Watford Junction Public Realm Improvements - Bid will enable the Council to support the gateway to the town by improving the public realm at Watford Junction.	100,000	100,000		0	0	0	0
Place Shaping & Performance	High Street Phase 2 (One Bell St Marys church area) - To continue the public realm enhancement which last happened in 1999 as part of the regeneration of the Town Centre .		300,000	300,000	0	0	0	0
Place Shaping & Performance	High Street Public Realm Improvements - To provide a high quality pedestrian friendly environment that will enhance the look and feel of the High Street. Cabinet approved on 11/9/17 (total scheme circa £2m funded by mixed income types including S106, HCC contributions and existing budgets). Further potential LEP funding of £400,000 being pursued.	800,000			0	0	0	0
		6,204,700	13,771,000	1,022,000	(25,000)	(63,000)	(63,000)	(63,000)

Summary Fees & Charges 2018/19

	(A) 2017/18 Original Budget £	(B) 2018/19 Draft Budget already included in MTFS £	(B) - (A) Variance Year on Year 2018/19 to 2017/18 £	(C) 2018/19 Proposed Budget £	(C) - (B) Variance Draft to Proposed £	Comments
COMMUNITY & ENVIRONMENTAL						
Parks, Pitches & Woods	(15,800)	(15,800)	0	(16,260)	(460)	
Community Centres	(23,500)	(23,500)	0	(14,500)	9,000	
Cemeteries	(307,500)	(314,500)	(7,000)	(368,500)	(54,000)	Increase in fees
Allotments	0	0	0	0	0	
Cheslyn	(1,000)	(1,000)	0	(1,000)	0	
SLM	(293,000)	(293,000)	0	(293,000)	0	New contractor has been appointed there will be an increase in the management fee payable to the Council and is shown separately in the budget setting report
Waste	(54,490)	(24,970)	29,520	(62,200)	(37,230)	
Specials & Street Cleansing	(85,840)	(49,630)	36,210	(50,480)	(850)	Budget set too high - double counted
Arts, Events and Heritage	(18,900)	(18,100)	800	(19,450)	(1,350)	
Licenses	(149,500)	(167,491)	(17,991)	(187,500)	(20,009)	
Other Licenses	(21,400)	(21,350)	50	(27,650)	(6,300)	
Gaming Licenses	(105,110)	(105,110)	0	(101,410)	3,700	
Stray Dogs	(2,200)	(2,200)	0	(2,300)	(100)	
Pests	(36,290)	(36,290)	0	(29,900)	6,390	Reduction in rats & mice
Environmental Abandoned Vehicles	(1,800)	(1,800)	0	(1,800)	0	
Environmental Miscellaneous	(33,000)	(33,000)	0	(23,000)	10,000	Savings in other areas of this team's work balance this reduced income and refocus of reosurces. Littering is much reduced and therefore the need and ability to issue littering FPNs is reduced. The income may increase next year with the ongoing use of FPNs for flytipping.
	(1,149,330)	(1,107,741)	41,589	(1,198,950)	(91,209)	
SERVICE TRANSFORMATION						
Customer Services (including Information Unit)	(12,500)	(15,000)	(2,500)	(12,500)	2,500	
	(12,500)	(15,000)	(2,500)	(12,500)	2,500	
PLACE SHAPING & PERFORMANCE						
Housing	(600,000)	(600,000)	0	(626,010)	(26,010)	Increase in rents from hostel & dwellings
Parking - Controlled Parking Zones (v see below)	(1,341,900)	(1,341,900)	0	(1,440,000)	(98,100)	Increase in pay & display, this effects the parking reserve - see below
Parking - Other (incl. Avenue, Longspring & Tow)	(231,500)	(231,500)	0	(237,000)	(5,500)	
Building Control	(232,500)	(242,500)	(10,000)	(279,000)	(36,500)	Increase in application fees
Development Control (including Policy Team)	(640,000)	(520,000)	120,000	(710,000)	(190,000)	Increase in planning application fees by 20% re recent Government legislation
Land Searches	(120,000)	(120,000)	0	(120,000)	0	
	(3,165,900)	(3,055,900)	110,000	(3,412,010)	(356,110)	
DEMOCRACY & GOVERNANCE						
Town Hall Facilities	(273,300)	(214,300)	59,000	(214,300)	0	
Elections Unit	(3,500)	(3,500)	0	(3,500)	0	
	(276,800)	(217,800)	59,000	(217,800)	0	
STRATEGIC FINANCE						
Council Tax (Single Person Discount)	(2,000)	(2,000)	0	(2,000)	0	
	(2,000)	(2,000)	0	(2,000)	0	
Sub Total	(4,606,530)	(4,398,441)	208,089	(4,843,260)	(444,819)	
Less : Parking - Controlled Parking Zones (v see above)	1,341,900	1,341,900	0	1,440,000	98,100	
Total	(3,264,630)	(3,056,541)	208,089	(3,403,260)	(346,719)	

Reserves and Balances

Description	Balance at 1 April	Movement 2017/18	Balance at 31 March	Movement 2018/19	Balance at 31 March	Movement 2019/20	Balance at 31 March	Movement 2020/21	Balance at 31 March	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Capital Reserves										
Capital Fund	(650)	0	(650)		(650)		(650)		(650)	Funding key capital projects
Development Sites Decontamination	(446)	446	0		0		0		0	Decontamination costs where the Council is liable
New Homes Bonus	(4,069)	3,533	(536)		(536)		(536)		(536)	Additional grant set aside for capital
Performance Reward Grant	(141)	0	(141)		(141)		(141)		(141)	Grant allocated by Local Strategic Partnership
Vehicle Replacement	(182)	0	(182)		(182)		(182)		(182)	Funding replacement of vehicles
Weekly Collection Support Grant	(53)	0	(53)		(53)		(53)		(53)	Supporting weekly collections of waste
Capital Receipts	(11,966)	4,066	(7,900)		(7,900)		(7,900)		(7,900)	Funding the capital investment programme
Section 106	(681)	54	(627)		(627)		(627)		(627)	Developers contributions towards facilities
Community Infrastructure Levy	(552)	(600)	(1,152)		(1,152)		(1,152)		(1,152)	Developers contributions towards infrastructure
Grants & Contributions	(441)	(206)	(647)		(647)		(647)		(647)	Other contributions e.g. Disabled Facility Grants
Total	(19,181)	7,293	(11,888)	0	(11,888)	0	(11,888)	0	(11,888)	
Revenue Reserves										
Budget Carry Forward	(887)	887	0		0		0		0	Budgets carried forward from prior years
Car Parking Zones	(907)	129	(778)	(110)	(888)	(157)	(1,045)	(157)	(1,202)	Ring fenced for parking projects
Charter Place Tenants	(160)	0	(160)		(160)		(160)		(160)	Tenants' contributions to major works
Climate Change	(57)	0	(57)		(57)		(57)		(57)	Energy saving initiatives
Leisure Structured Maintenance	(423)	0	(423)		(423)		(423)		(423)	Funding unforeseen maintenance not covered in contract
Le Marie Centre Repairs	(12)	0	(12)		(12)		(12)		(12)	Funding Council obligations as landlord
Multi-Storey Car Park Repair	(181)	0	(181)		(181)		(181)		(181)	Funding major structural works
Rent Deposit Guarantee Scheme	(100)	0	(100)		(100)		(100)		(100)	Assist in providing homelessness accommodation
Area Based Grant	(86)	0	(86)		(86)		(86)		(86)	Extremism and anti-social behaviour prevention
Crematorium	(100)	(50)	(150)		(150)		(150)		(150)	Funding repairs and maintenance
Economic Impact	(1,471)	(716)	(2,187)	(1,942)	(4,129)	1,612	(2,517)	(116)	(2,634)	Provide resources to offset economic downturn
Housing Benefit Subsidy	(996)	0	(996)		(996)		(996)		(996)	Provision if Dept for Work & Pensions claw back funds
Housing Planning Delivery Grant	(266)	0	(266)		(266)		(266)		(266)	Improve planning outcomes and delivery of housing
Invest to Save	(839)	0	(839)		(839)		(839)		(839)	Support expenditure producing savings
Local Development Framework	(178)	0	(178)		(178)		(178)		(178)	Support local plan production and inspection
Pension Funding	(2,249)	0	(2,249)	100	(2,149)	200	(1,949)	200	(1,749)	Reduction of pension deficit
Performance Reward Grant (Revenue)	(29)	0	(29)		(29)		(29)		(29)	Grant allocated by Local Strategic Partnership
Project and Programme Management	(359)	232	(127)		(127)		(127)		(127)	Support major project work
Parks, Waste & Street Strategy	(60)	0	(60)		(60)		(60)		(60)	Support Street Projects
Riverwell Project	(284)	(2,873)	(3,157)	(960)	(4,117)	(2,625)	(6,742)	0	(6,742)	To cover any guarantees, repayments of outstanding loans and fund future investment.
Weekly Collection Support Grant	(30)	0	(30)		(30)		(30)		(30)	Supporting weekly collections of waste
Total	(9,674)	(2,392)	(12,066)	(2,912)	(14,978)	(970)	(15,948)	(73)	(16,021)	
General Fund Working Balance	(1,412)	0	(1,412)	(588)	(2,000)	0	(2,000)	0	(2,000)	Prudent increase to £2m
Total Revenue Reserves	(11,086)	(2,392)	(13,478)	(3,500)	(16,978)	(970)	(17,948)	(73)	(18,021)	
Total	(30,267)	4,901	(25,366)	(3,500)	(28,866)	(970)	(29,836)	(73)	(29,909)	

Council Tax Base and Calculation 2018/19

AREA	Watford									
2018/19	PROPERTIES BY BAND									
Description	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Dwellings	0.0	447.0	4164.0	14389.0	12619.0	3593.0	2169.0	1893.0	78.0	39352.0
Demolished	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	1.0
Exemptions	0.0	30.0	69.0	154.0	132.0	40.0	27.0	12.0	1.0	465.0
Long Term Empty Premium	0.0	0.0	4.0	20.0	17.0	3.0	4.0	4.0	0.0	52.0
Disabled Relief (Movement)	2.0	30.0	20.0	-18.0	-14.0	-1.0	-14.0	-5.0	0.0	0.0
Disabled Relief	0.0	0.0	2.0	32.0	52.0	34.0	20.0	19.0	5.0	164.0
Chargeable Dwellings (H)	2.0	447.0	4117.0	14227.0	12481.5	3552.5	2130.0	1878.0	77.0	38912.0
Discounts x 25% SPD	0.0	224.0	2320.0	4842.0	2952.0	671.0	334.0	220.0	3.0	11566.0
Discounts x 25%	0.0	2.0	31.0	153.0	124.0	28.0	21.0	17.0	0.0	376.0
Discounts x 50%	0.0	0.0	0.0	3.0	12.0	9.0	4.0	11.0	8.0	47.0
Discount Deduction (Q)	0.0	56.5	587.8	1250.3	775.0	179.3	90.8	64.8	4.8	3009.0
Additions	0.0	35.0	153.0	252.0	118.0	9.0	4.0	4.0	0.0	575.0
Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Adjustments (J)	0.0	35.0	153.0	252.0	118.0	9.0	4.0	4.0	0.0	575.0
Sub-Total (H-Q+J)	2.0	425.5	3682.3	13228.8	11824.5	3382.3	2043.3	1817.3	72.3	36478.0
Reduction Scheme (Z)	0.0	69.2	869.2	1697.2	1054.8	182.0	42.2	15.5	0.0	3930.1
Net Dwellings ((H-Q+J)-Z)	2.0	356.3	2813.1	11531.6	10769.7	3200.3	2001.1	1801.8	72.3	32547.9
Band Proportion (F)	5.0	6.0	7.0	8.0	9.0	11.0	13.0	15.0	18.0	
Band D Proportion (G)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	
Band D Equivalents	1.1	237.5	2187.9	10250.3	10769.7	3911.4	2890.4	3002.9	144.5	33395.8
TAX BASE CALCULATION										
Total Band D Equivalents						33395.8				
Collection Rate						97.00%				
Adjusted Band D						32393.9				
Contribution in Lieu						0.0				
Tax Base						32393.9				

Capital Programme

Capital Scheme	Revised Budget 2017/18 £	Draft Budget 2018/19 (incl rephasings) £	Draft Budget 2019/20 (incl rephasings) £	Draft Budget 2020/21 (incl rephasings) £
SERVICE TRANSFORMATION				
Customer Services				
CSI Project	53,000	114,477	0	0
ICT Shared Services				
ShS-Business Application Upgrade	154,314	365,000	165,000	165,000
ShS-ICT Modernisation	123,629	0	0	0
ShS-Hardware Replacement Programme	120,811	45,000	45,000	45,000
ICT Client Services				
ICT-Hardware Replacement Programme	397,992	200,000	200,000	200,000
ICT-Project Management Provision	220,126	120,000	120,000	120,000
COMMUNITY & ENVIRONMENTAL				
Waste & Recycling (inc Veolia)				
Replacement Domestic Bins	0	42,185	0	0
Veolia Contract Fleet Requirements	0	225,000	0	0
Recycling Boxes	0	36,940	0	0
Veolia Capital Improvements	94,250	95,380	96,810	96,810
Additional Green Waste Bins	0	36,000	0	0
Parks & Open Spaces				
Allotments & Parks Upgrades	7,885	0	0	0
Farm Terrace Allotments	(86,231)	0	0	0
Green Spaces Strategy	140,344	250,000	250,000	250,000
Colne River Project	0	0	0	0
Local Nature Reserves	0	0	0	0
Cassiobury Park HLF Project	1,219,135	0	0	0
Cassiobury Dev't (Fullerians)	200,000	0	0	0
Oxhey Park North Enhancements	25,000	0	0	0
Oxhey Park North	500,000	3,250,000	0	0
Tree Planting Programme	15,000	15,000	15,000	15,000

Cemeteries				
Cemetery Improvements	0	250,000	0	0
Leisure & Play				
Play Review	553,836	0	0	0
Gaelic Football Relocation	90,000	0	0	0
Southwold Road Play Area	0	20,000	0	0
Tennis Courts Enhancement	225,000	0	0	0
Cassiobury Park Play Area	152,378	0	0	0
Culture & Heritage				
Watford Museum HLF Matchfunding	50,000	425,000	0	0
Improvements Community Centres	0	59,160	0	0
Cultural Quarter Phase 1	111,851	29,000	0	0
Little Cassiobury Match Funding	50,000	0	0	0
Environmental Health				
ICT-Env Health	5,500	0	0	0
Decent Homes Assistance	124,367	145,000	100,000	100,000
DEMOCRACY & GOVERNANCE				
Buildings & Projects				
MP19-6 Town Hall Redevelopment	130,000	0	0	0
Building Investment Programme	625,000	750,243	675,000	400,000
PLACE SHAPING & PERFORMANCE				
Watford Business Park	5,295,399	4,412,809	0	0
Watford Riverwell Project	8,113,072	10,930,713	3,281,000	14,159,000
Housing				
Private Sector Stock Condition	88,800	0	0	0
Retained Housing Stock	192,104	50,000	50,000	50,000
Mandatory Disabled Facilities Grant	600,485	0	0	0
York House Boiler Replacement	0	75,000	0	0
Transport & Infrastructure				
Clarendon Road Streetscape Improvements	0	18,000	0	0
Intro Electric Vehicle Charging	7,400	23,782	0	0
High Street Enhancement	250,000	250,000	0	0
Upgrading/Resurfacing Car Parks	14,573	0	0	0
Match Funding Capital Projects	73,116	0	0	0
Goodwood Parade Enhancement Project	9,000	0	0	0
Watford Junction Cycle Pk Hub	38,626	0	0	0

Development Control				
CIL Review	30,000	50,000	0	0
Property Investment Board				
PIB Investment Strategy	24,076,413	0	0	0
Property Management				
New Market	17,021	0	0	0
Non PIB-Strategy & Programme Disposal	0	0	0	0
120-122 Exchange Road	16,700	0	0	0
Modular Housing Accommodation	1,528,531	2,000,000	2,000,000	0
Loan to HHW	6,000,000	0	0	0
Temp Housing Accommodation	1,465,467	0	0	0
STRATEGIC FINANCE				
Capital Support Services				
Support Services	552,470	552,470	552,470	552,470
Major Projects - FBP and QS	123,000	125,000	127,000	127,000
Business Systems				
Financial Systems Upgrade	87,000	0	0	0
TOTAL CURRENT CAPITAL PROGRAMME	53,882,364	24,961,159	7,677,280	16,280,280
CAPITAL GROWTH REQUESTS BY SERVICE				
COMMUNITY & ENVIRONMENTAL	0	2,923,200	2,495,000	325,000
DEMOCRACY & GOVERNANCE	0	2,310,000	10,861,000	382,000
PLACE SHAPING & PERFORMANCE	0	971,500	415,000	315,000
Total	0	6,204,700	13,771,000	1,022,000
TOTAL PROPOSED CAPITAL PROGRAMME	53,882,364	31,165,859	21,448,280	17,302,280

Analysis of Watford Riverwell Scheme

Description	2017/18	2018/19	2019/20	2020/21
Professional fees	140,565	780,713	100,000	100,000
Riverwell Ind Zone South	1,287,463	0	0	0
Riverwell Ind Zone South Loan	2,042,057	0	0	0
Riverwell Woodlands	863,777	445,000	0	0
Riverwell Waterside Phase 1	700,175	2,730,000	1,080,000	0
Riverwell Waterside Phase 2	413,950	938,000	1,551,000	1,999,000
Riverwell Mayfield	1,072,516	413,000	0	0
Riverwell Island Site	0	0	550,000	8,800,000
Riverwell Waterside Phase 3	539,322	369,000	0	3,260,000
Riverwell Cardiff Rd North	0	0	0	0
Riverwell Car Park	453,247	5,255,000	0	0
Marketing Suite	600,000	0	0	0
Total	8,113,072	10,930,713	3,281,000	14,159,000

Capital Funding (for approved and proposed capital programme)

FUNDING TYPE	2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
	£m	£m	£m	£m
Grants & Contributions	(1.5)	(0.2)	(0.1)	(0.1)
Agreed use reserves	(4.1)	(0.5)	0.0	0.0
Use of Capital Receipts	(15.3)	(22.8)	(15.8)	(17.2)
Section 106 & CIL Contributions	(0.7)	(0.0)	0.0	0.0
Internal Borrowing	(32.3)	(5.2)	0.0	0.0
Use of External Borrowing	0.0	(2.3)	(5.5)	7.8
TOTAL CAPITAL FUNDING APPLIED	(53.9)	(31.0)	(21.4)	(9.5)

Risk Matrix

No.	Type of Consequence	Comment	Likelihood	Impact	Overall Score
1	Project overruns	Most projects tend to lean towards 'optimism bias (over estimating that the project will be delivered on time and on budget) to avoid this it is important that the technical specification and outcome of each project is carefully considered at the project design stage.	3	3	9
2	Cost overruns	Cost overrun in project could be as a result of scope change. Any change in the project scope during execution will mean that the entire initial project plan will have to be reviewed such that a reviewed budget, schedule and quality will have to be developed.	3	3	9
3	Delays in project initiation	The complexity of project could also be a contributing factor to delay and cost overrun. This will may cause a cash flow problem, but is merely a timing difference. This can be affected by unforeseen works, extreme weather conditions resource availability and changes in material prices.	3	3	9
4	Capital receipts and Interest/dividends are deferred	This may result in a cash flow issue and short term borrowing may be necessary to support the funding of projects that are in progress	3	3	9
5	Returns are lower than expected	This is a key risk as failure to achieve the returns will increase the pressure on the budget gap and the Council's financial stability	2	4	8
6	Partners cease to collaborate	This is very unlikely, however it should not be discounted. If this were to happen it will have a detrimental effect on the Council's financial position and its reputation.	2	4	8
7	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account the pay increases for the period 2018/19 - 2020/21	2	2	4
8	Revenue balances insufficient to meet estimate of Employers' pension contributions	Employee revenue contributions have been included in the budgets.	2	2	4
9	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	2	2	4
10	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
11	Inaccurate estimates of fees and charges income	See Key Income Streams are shown in the latest Finance Digest	2	3	6
12	Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs.	2	3	6

13	Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances	1	1	1	
14	The estimated cost reductions and additional income gains are not achieved	Savings identified are monitored as part of the monthly budget monitoring process.	2	3	6	
15	The income received from Commercial rents decreases	The rental income received from the Councils property portfolio is a significant proportion of the total income the Council receives.	2	4	8	
16	The Council is faced with potential litigation and other employment related risks	The Council has one outstanding litigation case.	2	3	6	
17	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.	2	3	6	
18	The amount of New Homes Bonus grant is adversely affected	The grant for 2018/19 has been factored into the MTFS .	3	3	9	
19	Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre determined baseline level. The Council is currently in a safety net position	2	2	4	
20	Right to Buy Receipts & VAT Shelter Receipts	Under the Housing stock transfer with Watford Community Housing (WCH) 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						
			Likelihood	Impact	Overall Score	
			very low risk	1	1	1
			low risk	2	2	4
			high risk	3	3	9
			very high risk	4	4	16