



# **FINANCE DIGEST**

## **2017/18**

### **BUDGET MONITORING**



**Period 10 (as at 31 January)**



A table of contents is shown below together with the appropriate page number.

<b>SECTION</b>	<b>CONTENTS</b>	<b>PAGE</b>
	<b>Executive Summary</b>	<b>2</b>
<b>1</b>	<b>Revenue Budget</b>	<b>3</b>
<b>2</b>	<b>Capital Programme</b>	<b>6</b>
<b>3</b>	<b>Council Income</b>	<b>7</b>
<b>4</b>	<b>Treasury Management</b>	<b>10</b>
<b>5</b>	<b>Key Risks</b>	<b>11</b>

## Executive Summary

The budget of **£14.262 million** for 2017/18 was approved by Council on 24 January 2017. The latest budget of **£11.761 million**, which was approved by Council on 30 January 2018.

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 10 (January) 2018 set against the latest budget. Trend analysis for comparisons with previous years is not available due to the restructure of services in 2017/18.

### Revenue summary

The 2017/18 forecast outturn is **£11.865 million**, which gives an unfavourable variance of **£0.104 million** when compared to the latest budget. This variance is due to the following:-

<u>Variance</u>	<u>£ 000</u>
Increased income expected from the Hertfordshire Waste Recycling model	(50)
Non-essential building maintenance not required	(90)
Prior year pension costs related to Veolia contract	100
In-year Veolia pension costs	20
Reduction in Interest earned on investments	100
Other Variance	24
<b>Total service variance Period 10</b>	<u>104</u>

The in-year annual budget is revised in January and it is anticipated that any variances will be managed through reserves. It is expected that the current variance will be met from the following reserves:

<u>Reserve</u>	<u>£ 000</u>
Economic Impact reserve	104
Total	<u>104</u>

The table below shows a summary of the Council's revised use of contribution from reserves for 2017/18.

<u>Medium Term Financial Strategy</u>	<u>2017/18</u> <u>£ 000</u>
Latest Budget (including carry forwards)	11,761
Variances this period (see appendix 1A)	104
<b>Forecast Outturn</b>	<b>11,865</b>
Funding (income from business rates, grants and council tax)	(13,669)
Budgeted contribution to reserves	1,908
Additional contribution to / (from) reserves	(104)
<b>Total funding and use of reserves</b>	<b>(11,865)</b>

## Capital summary

The latest 2017/18 capital budget is **£53.902 million**. Services are forecasting an outturn position of **£48.822 million** resulting in variance of **£5.080 million**. The programme is funded as per the table below:

<u>Medium Term Financial Strategy</u>	<u>2017/18</u> <u>£ 000</u>
Latest Budget (including rephased schemes from 2016/17)	53,902
Variance this period (see appendix 3)	(5,080)
<b>Forecast Outturn</b>	<b>48,822</b>
<b>Funding the capital programme</b>	
Grants & contributions, S106 & CIL	(2,515)
Planned contribution from Reserves	(4,166)
Capital Receipts	(10,235)
Internal Borrowing	(31,906)
<b>Total Funding</b>	<b>(48,822)</b>

## Reserves

The potential 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 period	Total	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000
Capital Reserves	(19,181)	7,646	(999)	(5,080)	1,567	(17,614)
Earmarked Reserves	(9,674)	1,402	(3,794)	104	(2,388)	(11,962)
General Fund	(1,412)	0	0	0	0	(1,412)

### **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 **£11.761 million**. The services' prediction of forecast outturn is now estimated to be **£11.865 million** which results in an unfavourable service variance of **£0.104 million**.

- 1.3 The table below compares the latest budget to the forecast outturn and shows the variance against each service. The figures in the table relate to direct costs and incomes for each service.

<b>Revenue Account 2017/18</b>			
<b>Service Area</b>	<b>Latest Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community & Environmental	9,108	9,165	57
Democracy & Governance	3,236	3,151	(85)
Place Shaping & Performance	(5,064)	(5,064)	0
Corporate Strategy & Communications	1,050	1,050	0
Service Transformation	2,486	2,501	15
Human Resources	590	607	17
Strategic Finance	355	455	100
<b>Net Expenditure</b>	<b>11,761</b>	<b>11,865</b>	<b>104</b>

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

***Community & Environmental***

- 1.4.1 The Council has negotiated a payment of pension liability to Veolia. A £100,000 relates to past years and £20,000 for the current year. The Council is expecting to receive additional income from the Hertfordshire waste recycling model of (£50,000).

***Democracy & Governance***

- 1.4.2 Due to resources being directed to some of the Council's major projects, the requirement for non-essential building maintenance has been scaled back, which produces a saving of £89,000 in the current year.

***Service Transformation***

- 1.4.3 Increase in cost of the Council's telephony provision £11,000

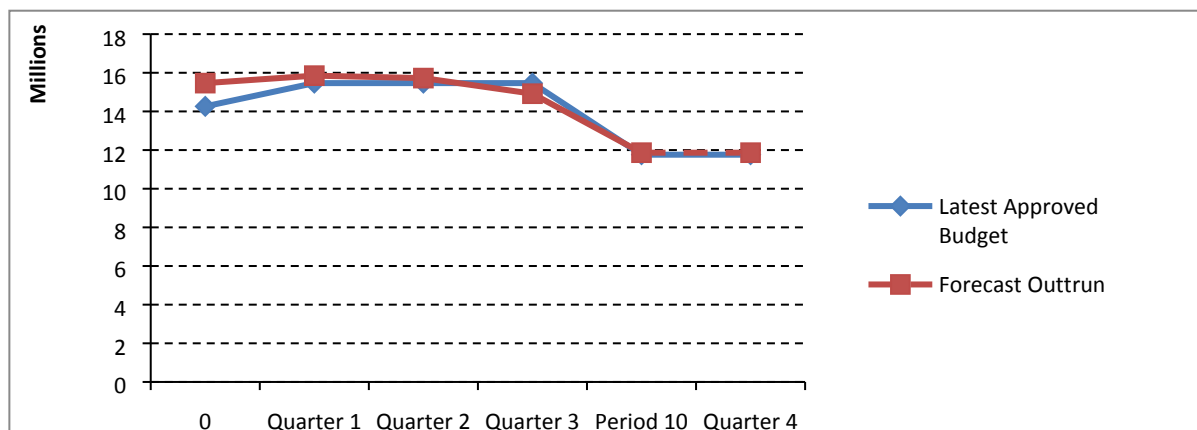
***Human Resources***

- 1.4.4 Additional cost of recruiting Head of HR £10,000.

***Strategic Finance***

- 1.4.5 Reduction in interest earned (£100,000) on traditional investments as more investment funds are used for investment property acquisitions resulting in a rise in property income.

- 1.5 The latest budget and forecast outturn for the current financial year (2017/18) at the end of January are plotted on the graph below;



### ***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.
- 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 10.
- 1.8 The Council’s ledger holds profiles for budget account codes. These are set to twelfths as a default but can be adjusted to take account of different profiles or known spikes – eg: seasonal variations. Services control their own profiles.

Service Area	Profiled Budget £000	Period 10 £000	Variance £000
Community & Environmental	7,508	7,080	(428)
Democracy & Governance	2,466	2,445	(21)
Place Shaping & Performance	(4,115)	(4,017)	98
Corporate Strategy & Comms	767	763	(4)
Service Transformation	2,067	2,409	342
Human Resources	546	622	76
Strategic Finance	2,206	4,299	2,093
<b>Net Expenditure</b>	<b>10,445</b>	<b>13,601</b>	<b>2,156</b>

- 1.9 The reasons for the **significant** variances against profile are shown below.

#### ***Community & Environmental***

- 1.9.1 There is a favourable variance of £285,000 on Environmental health & licensing which is mainly due to grant income received for projects that will be completed later in the year and funds will have to be carried into 2018/19 for outstanding projects.  
Income of approximately £200,000 remains outstanding from SLM. This will be invoiced at year end in accordance with the contract.

### 1.9.2 **Place Shaping & Performance**

Property rental Income of £430,000 was received from LSH in February 2018, most of which covers outstanding income up to Q3 – December 2017.

Development section income is showing £264,000 over the profiled budget at period 10; however the income is on target to meet the latest budget as set in January 2018.

Additional spend on transport projects has been agreed and this will be allocated from the CPZ reserve, this is done as part of year end allocation exercise.

### 1.9.3 **Service Transformation**

The variance on ICT services relates to consultant fees on capital projects. These costs will be allocated to various projects as part of closing 2017/18 accounts.

### 1.9.4 **Strategic Finance**

The finance services client variance relates to the cost of insurances that is allocated to services at the year-end (£313,000) and the major variance in Revenues & Benefits client is a timing difference in receipt of grant from government relating to housing benefit (£1,808,000). This will be accounted for at year end.

## 2.0 **Capital Programme**

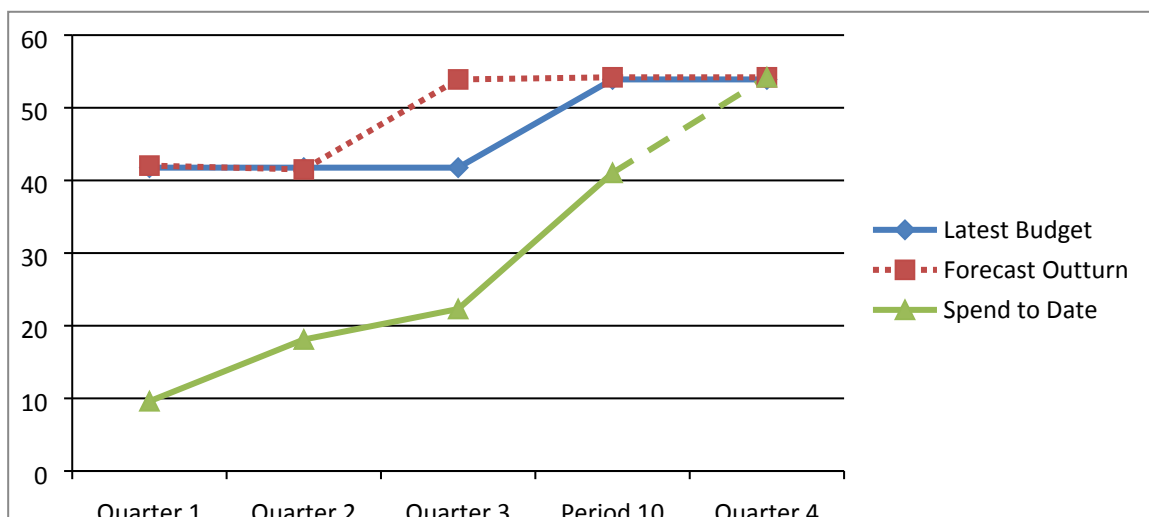
2.1 The Council has an approved capital investment programme that is designed to support the core services. The original capital programme for 2017/18 (as approved by Council in January 2017) was **£24.668 million**. Following Council on 30 January 2018, the latest budget is now **£53.902 million**.

2.2 The forecast outturn is estimated to be **£48.822 million** which is **£5.080 million** lower than the latest budget. This is largely attributable to the Watford Riverwell scheme (£2.251m) and various housing projects relating to modular and temporary accommodation (£3.122 m)

2.3 The Council's medium term capital investment programme for 2017-2021 is shown at summary level in **Appendix 2** and by each scheme at **Appendix 3**, together with an update on each scheme.

2.4 As at end of January services have spent **£41.039 million** against the latest budget of £53.902 million, which represents 76% of this budget. Of the total spend to date, £24.074 million relates to the acquisition of commercial property for investment purposes.

2.5 The graph below shows the Council's latest budget, the forecast outturn and the actual spend to date for the current financial year (2017/18). The expenditure to date has been extrapolated (dashed line) to show it meeting the forecast position.



### **Funding the Approved Capital Programme**

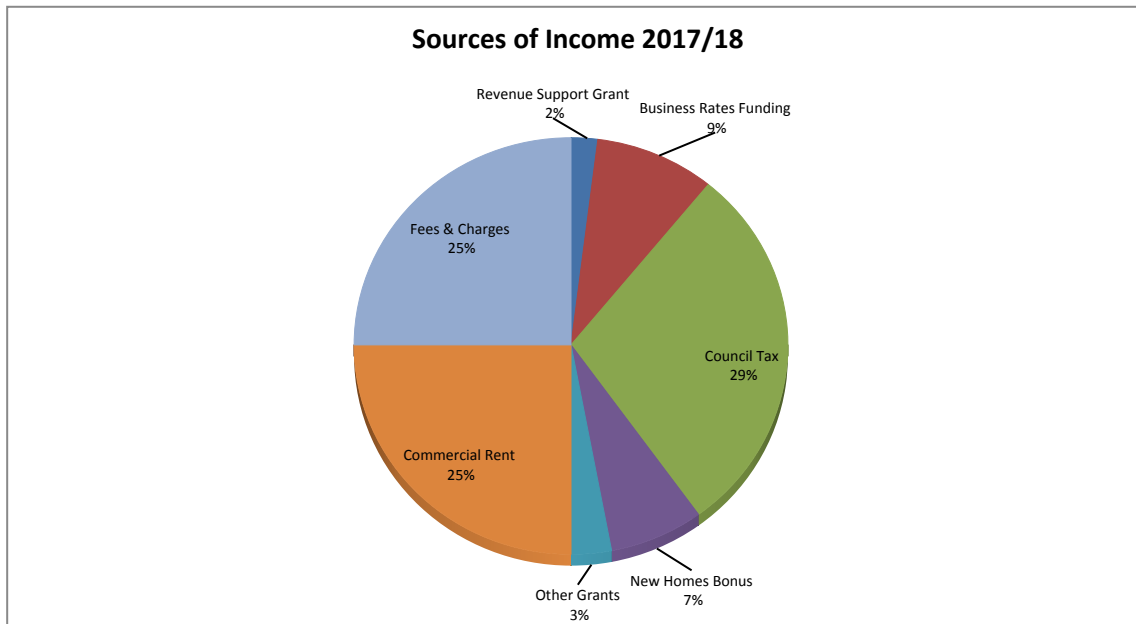
- 2.6 The capital programme is mainly supported by three income streams; capital receipts (derived from the sales of assets), grants and contributions, and the use of reserves. Services can also make a contribution to capital from surplus revenue funds if needed. In addition the Council may borrow to fund its capital programme. Borrowing maybe required for 2018/19, although it is anticipated that this will be funded from internal cash resources. Any decision on borrowing will be taken if and when the need arises.
- 2.7 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.
- 2.8 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**.

<b>Capital Receipts Reserve</b>	<b>2017/18 £000</b>
Balance at 1 April 2017	11,967
In Year Receipts	10,200
Used to Finance Capital Spend	(10,235)
Balance at 31 March 2018	11,932

### **3.0 Council Income**

- 3.1 In providing its services to the public, the Council receives income from the Government, its local tax payers, customers who pay for using chargeable Council services and income from commercial rents and investments.
- 3.2 The total of all these sources of income for 2017/18 is £28.548 million. The three biggest sources of income are council tax, commercial property rents and service fees and charges. It should be noted that although the Council will receive £0.565 million in Revenue Support Grant for 2017/18 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 2017/18	Forecast 2017/18	Profiled budget (P10)	Actuals to date (P10)	Comments on Actuals to Profile
		£	£	£	£	
Place Shaping & Performance	Rent <i>Rents form commercial property including Intu as well as rental income from multi storey car parks.</i>	8,084,187	8,084,187	7,394,066	6,403,184	Timing difference in transfer from rents payable by LSH to WBC
	Car Parking <i>Income relates to the Council's surface car parks as well as the Parking Shop</i>	1,674,500	1,674,500	1,157,083	1,192,571	On Target. There will be an accrual at year-end for outstanding PCNs.
	Development Section <i>Income from planning applications, building control and land charges</i>	1,364,000	1,364,000	1,136,666	1,349,743	Some payments are received in advance of profile; outturn as per forecast but may need to carry forward some income to match when the work is done.
Community & Environmental	Environmental Health & Licensing <i>Income from all Licensing activities including hackney Carriage (taxis), pest control and fixed penalty notices for environmental crime.</i>	606,933	617,433	485,334	589,286	Actuals reflect the revised set budget. Income against profile higher due to billing in advance.

### ***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 31 January 2018 the total outstanding value of debt was **£0.805 million** of which £0.438 million (54.49%) is less than one month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £0.260 million and equates to thirty two 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**.

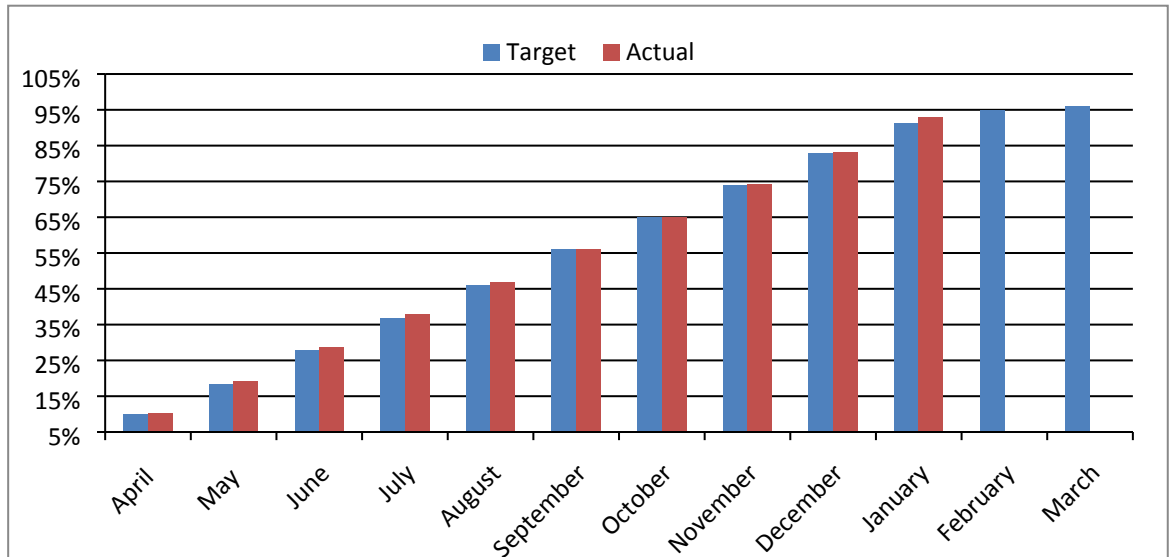
<b>Aged Debtors At the end of January</b>	<b>Under 1 Month</b>	<b>Over 1 month to Year</b>	<b>Over a Year</b>	<b>Total</b>
<b>Service</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Community & Environmental	152,922	33,236	35,103	221,262
Democracy & Governance	0	0	3,176	3,176
Place Shaping & Performance	238,460	73,626	218,131	530,213
Human Resources	2,606	0	3,333	5,939
Strategic Finance	42,461	2,318	0	44,779
<b>Total</b>	<b>436,448</b>	<b>109,177</b>	<b>259,743</b>	<b>805,368</b>

- 3.7 The main debts over 12 months old relate to temporary accommodation charges and Watford Indoor Bowls Club – this is being discussed with the club. By excluding this long term debtor from the debt portfolio it reduces the total outstanding debt to **£0.575 million** and the debts over a year old to 3% of the total.

### ***Council Tax and Business Rates Collection***

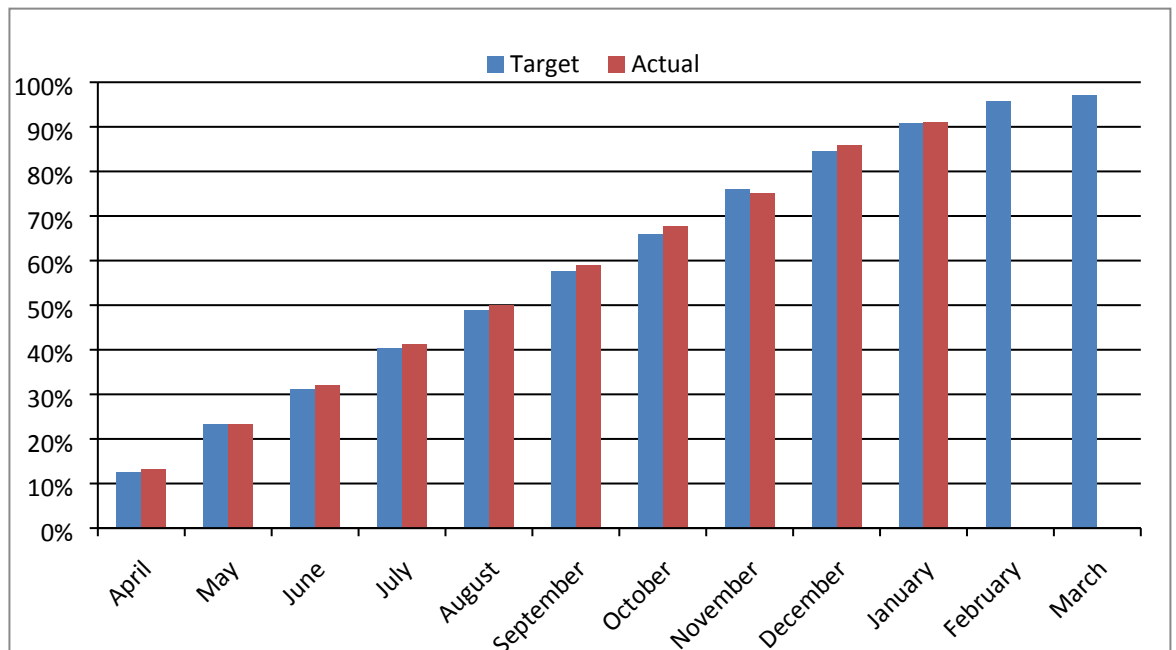
#### **Council Tax Collection**

- 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 31 January 2018 is 92.8% of the annual target and is just above the profiled target of 91.3%. 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 31 January 2018 is 91.0% of the annual target which is just above the profiled target of 90.8%. 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 is 0.62%. Up to the end of January, the average annualised interest rate earned on investments was 0.43%. This is due to having to hold large amounts of funds on call pending property investments.

4.2 The Council have set a budget of £220,000, but the forecast outturn is **£120,000** on investment interest for 2017/18. This is due to investment funds being diverted to property from traditional investment, and has also resulted in funds being held short-term at lower rates. The property investment income is coded elsewhere. The amount

earned up to the end of January was **£86,440**.

## 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	354	354	0	On target as per current activity levels
Development Control Fees	(1,364)	(1,364)	0	Latest budget reflects Increase in planning fees due to a few large applications and buoyant market.
Commercial Rent	(8,084)	(8,084)	0	On target as per current activity levels

Report prepared by: Pritesh Shah – Finance Manager

Report reviewed by: Bob Watson – Head of Finance

### Background Papers

2016/17 Outturn report

Budget returns from Heads of Service

Budget Reports 'Financial Planning' 2017-2020 & 2018-21

### APPENDICES

- Appendix 1 Revenue Summary – By Service and explanations
- Appendix 2 Capital Programme (2017/18) Summary
- Appendix 3 Capital Programme (2017/18) Detail
- Appendix 4 Capital Funding
- Appendix 5 Aged Debtor Analyses
- Appendix 6 Collection Rates for Council Tax & Business Rates
- Appendix 7 Key Financial & Budgetary Risks
- Appendix 8 Key Service Budget Risks
- Appendix 9 Reserves
- Appendix 10 Glossary of terms

**REVENUE SERVICES – FINANCIAL POSITION AT Period 10**

Service Area	Budget & Forecast at 31 January 2018 P10			P10 Actuals compared to profiled budget at 31 January 2018		
	Latest Budget	Forecast Outturn	Variance	Latest Budget profiled	Actual	Variance
	£	£	£	£	£	£
<b>Service Transformation</b>						
Customer Services	896,380	896,380	0	663,650	635,330	(28,320)
ICT Services	1,171,430	1,186,430	15,000	1,055,092	1,463,956	408,864
Service Transformation	418,227	418,227	0	348,522	310,147	(38,375)
<b>Totals - Service Transformation</b>	<b>2,486,037</b>	<b>2,501,037</b>	<b>15,000</b>	<b>2,067,264</b>	<b>2,409,433</b>	<b>342,169</b>
<b>Community &amp; Environmental</b>						
Corporate Services & Client Support	25,000	25,000	0	20,833	2,072	(18,761)
Contract Monitoring	440,840	440,840	0	366,846	339,657	(27,189)
Parks And Open Spaces	1,345,800	1,413,800	68,000	1,122,052	1,199,259	77,207
Leisure	541,746	541,746	0	638,803	547,653	(91,150)
Environmental Hlth & Licensing	1,342,110	1,329,610	(12,500)	1,081,292	796,023	(285,269)
Culture & Play	872,701	872,701	0	617,471	645,840	28,369
Street Cleansing	1,905,050	1,922,050	17,000	1,431,542	1,423,334	(8,208)
Trading Operations	35,227	35,227	0	9,356	(4,713)	(14,069)
Waste And Recycling	1,838,550	1,823,550	(15,000)	1,523,176	1,435,258	(87,918)
<b>Totals - Community &amp; Customer Service</b>	<b>9,107,684</b>	<b>9,165,184</b>	<b>57,500</b>	<b>7,508,731</b>	<b>7,080,547</b>	<b>(428,184)</b>
<b>Democracy &amp; Governance</b>						
Legal And Democratic	1,781,990	1,785,990	4,000	1,255,416	1,312,408	56,992
Buildings And Projects	1,425,135	1,336,135	(89,000)	1,187,004	1,105,886	(81,118)
Procurement	28,420	28,420	0	23,683	26,415	2,732
<b>Totals - Democracy &amp; Governance</b>	<b>3,235,545</b>	<b>3,150,545</b>	<b>(85,000)</b>	<b>2,466,103</b>	<b>2,444,709</b>	<b>(21,394)</b>

	<b>Budget &amp; Forecast January 2018</b>	
<b>Service Area</b>	<b>Latest Budget</b>	<b>Forecast Outturn</b>
	<b>£</b>	<b>£</b>
<b>Place Shaping &amp; Performance</b>		
Housing	1,239,260	1,239,260
Property Management	658,850	658,850
Investment Assets Outsourced	(7,727,362)	(7,727,362)
Operational Assets - Owner Occupied	(248,175)	(248,175)
Community Assets	(19,530)	(19,530)
Development Section	12,590	12,590
Transport And Infrastructure	496,820	496,820
Policy Team	523,420	523,420
<b>Totals - Place Shaping &amp; Performance</b>	<b>(5,064,127)</b>	<b>(5,064,127)</b>
<b>Corporate Strategy &amp; Comms</b>		
Corporate Management	390,191	390,191
Partnerships & Performance	660,500	660,500
<b>Totals - Corporate Strategy &amp; Comms</b>	<b>1,050,691</b>	<b>1,050,691</b>
<b>Human Resources</b>		
Human Resources Client	94,770	111,770
HR Shared Service	494,990	494,990
<b>Totals - Human Resources</b>	<b>589,760</b>	<b>606,760</b>
<b>Strategic Finance</b>		
Finance & Resources	226,520	226,520
Finance Services Client	1,007,640	1,007,640
Revenues And Benefits Client	1,096,920	1,096,920
Corporate Costs	(1,976,062)	(1,876,062)
<b>Totals - Strategic Finance</b>	<b>355,018</b>	<b>455,018</b>
<b>GRAND TOTALS</b>	<b>11,760,608</b>	<b>11,864,608</b>

## Explanation of Revenue Variance Reported for Period 10 (January) 2017/18

Service Area	Description	Details of Changes Reported	£
Service Transformation	Telephone Service	Additional cost of the Council's telephone provision	11,000
	G.I.S IDOX	Additional provision cost of IDOX under the 2017/18 contract	4,000
		<b>TOTAL</b>	<b>15,000</b>
Community & Environmental	Recycling Kerbside	Expected increase in income from AFM model recycling credits	(50,000)
	Veolia Contract Payments	Additional pension cost pre April 2017 on Veolia contract	100,000
		Additional pension cost for 2017 on Veolia contract	20,000
		Other Variances	(12,500)
		<b>TOTAL</b>	<b>57,500</b>
Democracy & Governance	Non-Operational Building Maintenance	Non-essential maintenance projects not required due to redirection of resources	(89,000)
		Other Variances	4,000
		<b>TOTAL</b>	<b>(85,000)</b>
Human Resources	Corporate Employee - Client	Additional cost of recruiting Head of HR and additional cost of staff welfare	20,000
	Human Resources (Herts Building Control)	Net change on Herts Building Control contract	(3,160)
		<b>TOTAL</b>	<b>16,840</b>
Strategic Finance	Interest Earned	Reduction in expected interest due to funds used for purchase of commercial property	100,000
		<b>TOTAL</b>	<b>100,000</b>
		<b>GRAND TOTAL</b>	<b>104,340</b>

**CAPITAL INVESTMENT PROGRAMME – SUMMARY**

Service Area	Service Provision	Latest Budget 2017/18 £	Actual to date £	Latest Budget 2018/19 £	Latest Budget 2019/20 £	Latest Budget 2020/21 £
Service Transformation	Customer Services	53,000	25,366	114,477	0	0
	ICT Shared Services	398,754	120,419	410,000	210,000	210,000
	ICT Client Services	618,118	444,888	320,000	320,000	320,000
Community & Environmental	Waste & Recycling (inc Veolia)	94,250	69,775	435,505	2,396,810	96,810
	Parks & Open Spaces	2,021,133	1,200,598	4,865,000	340,000	290,000
	Cemeteries	0	0	450,000	100,000	50,000
	Leisure & Play	1,021,214	957,415	1,383,200	20,000	250,000
	Culture & Heritage	211,851	122,592	513,160	0	0
	Environmental Health	129,867	64,181	155,000	100,000	100,000
Democracy & Governance	Buildings & Projects	755,000	444,420	3,060,243	11,536,000	782,000
Place Shaping & Performance	Watford Business Park	5,295,399	4,398,872	4,412,809	0	0
	Watford Riverwell	8,113,072	4,473,693	10,930,713	3,281,000	14,159,000
	Housing	881,389	482,792	125,000	50,000	50,000
	Transport & Infrastructure	412,715	456,716	2,863,282	415,000	315,000
	Development Control	30,000	0	50,000	0	0
	Property Investment Board	24,076,413	24,072,901	0	0	0
	Property Management	9,027,719	3,639,912	2,000,000	2,000,000	0
Strategic Finance	Capital Support Services	675,470	64,237	677,470	679,470	679,470
	Business Systems	87,000	0	0	0	0
<b>TOTAL CAPITAL PROGRAMME</b>		<b>53,902,364</b>	<b>41,038,778</b>	<b>32,765,859</b>	<b>21,448,280</b>	<b>17,302,280</b>



**CAPITAL INVESTMENT PROGRAMME – DETAIL**

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
<b>SERVICE TRANSFORMATION</b>					
<b>Customer Services</b>					
CSI Project	53,000	53,000	0	25,366	
<b>ICT Shared Services</b>					
ShS-Business Application Upgrade	154,314	79,314	(75,000)	(29,811)	Service request for further rephasing into 2018/19.
ShS-ICT Modernisation	123,629	123,629	0	53,903	
ShS-Hardware Replacement Programme	120,811	110,811	(10,000)	96,327	Service request for rephasing into 2018/19.
<b>ICT Client Services</b>					
ICT-Hardware Replacement Programme	397,992	397,992	0	299,971	
ICT-Project Management Provision	220,126	220,126	0	144,917	
<b>COMMUNITY &amp; ENVIRONMENTAL</b>					
<b>Waste &amp; Recycling (inc Veolia)</b>					
Veolia Capital Improvements	94,250	94,250	0	69,775	
<b>Parks &amp; Open Spaces</b>					
Allotments & Parks Upgrades	7,885	7,885	0	7,885	
Farm Terrace Allotments	(86,231)	(86,231)	0	(83,831)	
Green Spaces Strategy	140,344	140,344	0	162,887	
Cassiobury Park HLF Project	1,219,135	1,219,135	0	800,855	
Cassiobury Dev't (Fullerians)	200,000	0	(200,000)	0	Service request for rephasing into 2018/19 due to ongoing negotiations.
Oxhey Park North Enhancements	25,000	25,000	0	17,970	
Oxhey Park North	500,000	500,000	0	294,832	
Tree Planting Programme	15,000	15,000	0	0	

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
<b>Leisure &amp; Play</b>					
Play Review	553,836	553,836	0	550,244	
Gaelic Football Relocation	90,000	90,000	0	27,652	
Tennis Courts Enhancement	225,000	227,140	2,140	227,140	Small overspend due to site variations.
Cassiobury Park Play Area	152,378	152,378	0	152,378	
	£	£	£	£	
<b>Culture &amp; Heritage</b>					
Watford Museum HLF Matchfunding	50,000	50,000	0	13,597	
Cultural Quarter Phase 1	111,851	111,851	0	108,995	
Little Cassiobury Match Funding	50,000	0	(50,000)	0	Service request for rephasing into 2018/19 when project is due to commence.
<b>Environmental Health</b>					
ICT-Env Health	5,500	5,500	0	7,000	
Decent Homes Assistance	124,367	75,000	(49,367)	57,181	Service request for rephasing into 2018/19. New policy document due to Cabinet in March 2018.
<b>DEMOCRACY &amp; GOVERNANCE</b>					
<b>Buildings &amp; Projects</b>					
MP19-6 Town Hall Redevelopment	130,000	130,000	0	123,015	
Building Investment Programme	625,000	625,000	0	321,405	

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
<b>PLACE SHAPING &amp; PERFORMANCE</b>					
Watford Business Park	5,295,399	5,295,399	0	4,398,872	
<b>Watford Riverwell</b>					
Campus-Client Side & Land Assembly	140,565	140,565	0	123,380	The Watford Riverwell project is closely monitored by both the Council and our LABV partner, Kier Construction. This has required various rephasings to re-align budgets based on February 2018 project deliverables.
Campus-Equity-Infrastructure	0	28,942	28,942	28,942	
Riverwell-Ind Zone South	1,287,463	1,287,463	0	1,287,463	
Riverwell-Ind Zone South Loan	2,042,057	2,042,057	0	2,042,057	
Riverwell-Woodlands	863,777	550,000	(313,777)	406,896	
Riverwell-Waterside Phase 1	1,000,175	500,000	(500,175)	484,403	
Riverwell-Waterside Phase 2	713,950	180,000	(533,950)	4,929	
Riverwell-Mayfield	1,072,516	900,000	(172,516)	57,562	
Riverwell-Waterside Phase 3	539,322	100,000	(439,322)	0	
Riverwell-Cardiff Rd North	0	100,000	100,000	24,060	
Riverwell-Car Park	453,247	33,200	(420,047)	14,000	
<b>Housing</b>					
Private Sector Stock Condition	88,800	88,800	0	22,950	
Retained Housing Stock	192,104	192,104	0	114,926	
Mandatory Disabled Facilities Grant	600,485	600,485	0	344,917	
Intro Electric Vehicle Charging	7,400	7,400	0	6,124	
Public Realm (High Street)	250,000	775,000	525,000	335,136	Rephasing from 2018/19 to 2017/18 to coincide with the planned Intu redevelopment opening.
Public Realm (Cl'dn Rd-Palace)	0	150,000	150,000	0	
Upgrading/Resurfacing Car Parks	14,573	14,573	0	10,000	
Match Funding Capital Projects	73,116	73,116	0	73,456	
Goodwood Parade Enhancement Project	9,000	9,000	0	9,000	
Watford Junction Cycle Pk Hub	38,626	38,626	0	23,000	
Watford Cycle Hire Study	20,000	20,000	0	0	

Capital Scheme	Latest Budget 2017/18 £	Forecast Outturn £	Forecast Variance £	Actual to date £	Scheme Update
<b>Development Control</b>					
CIL Review	30,000	30,000	0	0	
<b>Property Investment Board</b>					
PIB Investment Strategy	24,076,413	24,076,413	0	24,072,901	See Memorandum Item below.
<b>Property Management</b>					
New Market	17,021	17,021	0	12,656	
Non PIB-Strategy & Programme Disposal	0	0	0	740	
120-122 Exchange Road	16,700	16,700	0	16,667	
Charter Place	0	0	0	1,839	
Modular Housing Accommodation	1,528,531	262,543	(1,265,988)	222,543	Service request for rephasing into 2018/19 due to protracted contract negotiations.
Loan to HHW	6,000,000	4,500,000	(1,500,000)	3,000,000	Final £1.5m instalment to be paid in 2018/19.
Temp Housing Accommodation	1,465,467	1,109,467	(356,000)	385,467	Service request for rephasing into 2018/19 for purchase of one 3 bed property.
<b>STRATEGIC FINANCE</b>					
<b>Capital Support Services</b>					
Support Services	552,470	552,470	0	0	Recharges carried out at year end.
Major Projects - FBP and QS	123,000	123,000	0	64,237	
<b>Business Systems</b>					
Financial Systems Upgrade	87,000	87,000	0	0	
<b>TOTAL CAPITAL PROGRAMME</b>	<b>53,902,364</b>	<b>48,822,304</b>	<b>(5,080,060)</b>	<b>41,038,778</b>	
<b>Property Investment Board</b>					
PIB-Strategy & Programme Disposal	0	0	0	(1,586)	Property investment opportunities identified to maximise investment returns through acquisition and development.
Coleshill Ind Estate (Units 14-22)	5,843,026	5,843,026	0	5,843,026	
Coleshill Ind Estate (Units 10-13)	3,620,437	3,620,437	0	3,620,437	
Primaflow, Wakefield	8,025,250	8,025,250	0	8,031,322	

**CAPITAL INVESTMENT PROGRAMME – FUNDING**

<b>FUNDING TYPE</b>	<b>Forecast Outturn 2017/18 £</b>	<b>Budget 2018/19 £</b>	<b>Budget 2019/20 £</b>	<b>Budget 2020/21 £</b>
Grants & Contributions	2,152,470	1,930,502	164,000	84,000
Reserves	4,165,750	1,333,403	0	0
Capital Receipts (non PIB)	10,235,149	25,961,954	10,423,280	16,836,280
Section 106 & CIL Contributions	363,002	230,000	0	0
Internal Borrowing	31,905,933	3,310,000	10,861,000	382,000
<b>TOTAL CAPITAL FUNDING APPLIED</b>	<b>48,822,304</b>	<b>32,765,859</b>	<b>21,448,280</b>	<b>17,302,280</b>

**AGED DEBT ANALYSIS**




<b>Invoices Outstanding from 1 January 2017 to 31 January 2018</b>								
<b>Service Area</b>	<b>Description</b>	<b>Invoices outstanding by age of debt</b>						<b>Grand Total</b>
		<b>0 - 1</b>	<b>2 - 3</b>	<b>4 - 6</b>	<b>7 - 9</b>	<b>10 - 12</b>	<b>Over 12</b>	
Community & Environmental	Community and Customer Service	104,367	15,066	0	1,202	3,568	27,552	151,755
	Leisure Services	29,537	0	0	0	0	0	29,537
	Env Services-Premises Licence	6,570	4,300	5,244	710	1,052	4,087	21,963
	Environmental Health	12,449	0	1,995	0	98	3,465	18,008
Democracy and Governance	Democracy and Governance	0	0	0	0	0	3,176	3,176
Place, Shaping & Performance	Housing	24,121	858	2,571	1,047	0	1,369	29,966
	Property (exc. Commercial rent)	159,420	0	0	0	0	4	159,424
	Property - Commercial Rents	13,268	0	0	0	13,161	216,758	243,187
	Property - Parking Spaces	1,044	125	0	0	0	0	1,169
	Planning (exc. Inspection fees)	35,437	50,805	2,835	1,546	0	0	90,623
	Planning - Inspection Fees	5,169	675	0	0	0	0	5,844
Human Resources	Human Resources	2,606	0	0	0	0	3,333	5,939
Strategic Finance	Finance	42461.4		0	2317.73	0	0	44,779
<b>Grand Total</b>		<b>436,448</b>	<b>71,829</b>	<b>12,645</b>	<b>6,823</b>	<b>17,880</b>	<b>259,744</b>	<b>805,368</b>
<b>Percentage of Amount Outstanding</b>		<b>54.19%</b>	<b>8.92%</b>	<b>1.57%</b>	<b>0.85%</b>	<b>2.22%</b>	<b>32.25%</b>	<b>100.00%</b>

**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	10.0	18.4	27.8	36.7	45.8	55.9	64.8	73.8	82.9	91.3	94.7	96.0
2017/18 Actual		10.3	19.1	28.6	37.7	46.9	55.9	65.0	74.1	83.1	92.8		
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	97.0	12.5	23.3	31.2	40.2	48.8	57.6	65.9	76.0	84.6	90.8	95.7	97.0
2017/18 Actual		13.2	23.3	32.0	41.2	49.9	58.9	67.7	75.0	85.9	91		
On Target													

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

RAG	% below target	
Red	More than 5%	
Amber	2% to 5%	
Green	Less than 2%	

**KEY FINANCIAL & BUDGETARY RISKS**

<b>Risk No.</b>	<b>Type of Risk</b>	<b>Comment</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Overall Score</b>
1	Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account a 2% increase	3	2	6
2	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	2	2	4
3	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 continues to place uncertainty on the investment strategy.	2	3	6
4	Inaccurate estimates of fees and charges income	Key income streams are shown in the latest Finance Digest	3	3	9
5	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.	3	1	3
6	The estimated cost reductions and additional income gains are not achieved	Savings identified and included in the budget will be monitored as part of the budget monitoring process	3	3	9



<b>Risk No.</b>	<b>Type of Risk</b>	<b>Comment</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Overall Score</b>
7	The Council is faced with potential litigation and other employment related risks	The Council has one outstanding litigation case.	3	2	6
8	The amount of government grant is adversely affected	The grant settlement for 2017/18 and provisional settlements for 2018/19 and 2019/20 have been factored into the MTFP. The Council decided to accept the Government's offer of a four year settlement.	3	1	3
9	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 these income streams are outside the Council's control.	3	2	6
10	Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre- determined baseline level.	2	2	4

Note: 1= Very Low Risk 16= Very High Risk.

<b>Key Financial Risk Areas</b>					
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 10 .					
Service Area	Latest Budget	Forecast Outturn	Forecast Variance Period 10	Actuals to Date	Comments
	£000's	£000's	£000's	£000's	
Parks, Street & Waste Services	5,931	5,931	0	4,915	Invoices for December & January will be paid in March
Kerbside Recycling Expenditure and Income	(418)	(468)	(50)	(225)	The Herts CC (Alternative Financial Model) income for Kerbside Recycling across the County is not received until the end of the year. Additional income is being forecasted via the model.
Temporary Accommodation (net)	354	354	0	290	On Target
Development Control Fee Income	(870)	(870)	0	(816)	
Building Control Fee Income	(268)	(268)	0	(267)	
Land Charges Fee Income	(110)	(110)	0	(119)	On Target
Commercial rent income	(8,823)	(8,823)	0	(7,157)	Due to the outsourcing of the property management contract there is a timing difference in the receipt of rental income.

**RESERVE BALANCES**

Description	Balance at 1 April 2017 £000	Use of/contribution to in Year £000	Balance at 31 March 2018 £000	Purpose
<b>Capital Reserves</b>				
Capital Fund	(650)	0	(650)	Funding key capital projects
Development Sites Decontamination	(446)	425	(21)	Decontamination costs where the Council is liable
New Homes Bonus	(4,069)	3,533	(536)	Additional grant set aside for capital
Performance Reward Grant (Capital)	(141)	0	(141)	Grant allocated by Local Strategic Partnership
Vehicle Replacement	(182)	0	(182)	Funding replacement of vehicles
Weekly Collection Support Grant (Capital)	(53)	0	(53)	Supporting weekly collections of waste
Capital Receipts	(11,966)	33	(11,933)	Funding the capital investment programme
Section 106	(681)	(236)	(917)	Developers contributions towards facilities
Community Infrastructure Levy	(552)	(640)	(1,192)	Developers contributions towards infrastructure
Grants & Contributions	(441)	(1,548)	(1,989)	Other contributions e.g. Disabled Facility Grants
<b>Total</b>	<b>(19,181)</b>	<b>1,567</b>	<b>(17,614)</b>	
<b>Revenue Reserves</b>				
Budget Carry Forward	(887)	887	0	Budgets carried forward from prior years
Car Parking Zones	(907)	129	(778)	Statutory, ring fenced for parking costs
Charter Place Tenants	(160)	0	(160)	Tenants' contributions to major works
Climate Change	(57)	0	(57)	Energy saving initiatives
Leisure Structured Maintenance	(423)	0	(423)	Funding maintenance not in contract
Le Marie Centre Repairs	(12)	0	(12)	Funding Council obligations as landlord
Multi-Storey Car Park Repair	(181)	0	(181)	Funding major structural works
Rent Deposit Guarantee Scheme	(100)	0	(100)	Assist in providing homelessness accommodation
Area Based Grant	(86)	0	(86)	Extremism and anti-social behaviour prevention
Crematorium	(100)	(50)	(150)	Funding repairs and maintenance
Economic Impact	(1,471)	(613)	(2,084)	Provide resources to offset economic downturn
Housing Benefit Subsidy	(996)	0	(996)	If Department for Work & Pensions claw back funds
Housing Planning Delivery Grant	(266)	0	(266)	Improve planning outcomes and delivery of housing
Invest to Save	(839)	0	(839)	Support expenditure producing savings
Local Development Framework	(178)	0	(178)	Support local plan production and inspection
Pension Funding	(2,249)	0	(2,249)	Reduction of pension deficit
Performance Reward Grant (Revenue)	(29)	0	(29)	Grant allocated by Local Strategic Partnership
Project and Programme Management	(359)	232	(127)	Support major project work
Parks, Waste & Street Strategy	(60)	0	(60)	Support Street Projects
Riverwell Project	(284)	(2,873)	(3,157)	Supporting project
Weekly Collection Support Grant (Revenue)	(30)	0	(30)	Supporting weekly collections of waste
<b>Total</b>	<b>(9,674)</b>	<b>(2,288)</b>	<b>(11,962)</b>	
<b>General Fund Working Balance</b>	<b>(1,412)</b>	<b>0</b>	<b>(1,412)</b>	
<b>Total Revenue Reserves</b>	<b>(11,086)</b>	<b>(2,288)</b>	<b>(13,374)</b>	
<b>Total</b>	<b>(30,267)</b>	<b>(721)</b>	<b>(30,988)</b>	

**GLOSSARY OF TERMS**

<i>Accounting period</i>	The timescale during which accounts are prepared or reported on.
<i>'Accounts Payable'</i>	The section and/or system within the Council that is responsible for paying the Council's creditors and invoices raised against the Council.
<i>'Accounts Receivable'</i>	The section and/or system within the Council that is responsible for invoicing and collection from the Council's debtors and for invoices raised by the Council.
<i>Accrual</i>	The recording within the accounts of the Council the cost of goods or services received and for which an invoice has been received but for which payment has not yet been made.
<i>Accrual accounting</i>	The practice of accounting for goods and services when they are received/provided rather than when they are paid for/payment received.
<i>Asset</i>	a present, economic resource of the Council to which it has a right or other type of access that other individuals or organisations do not have.
<i>Balances</i>	A figure representing the difference between credits and debits in an account; the amount of money held in an account. Also known as 'financial reserves'.
<i>Base budget</i>	Estimate of the amount required to provide services at current levels. Can also be referred to as 'rollover budget'.
<i>Budget Monitoring</i>	The process comparing of actual income and expenditure against budget; used to support budgetary control.
<i>Business Rates/NDR*</i>	Rates are payable on non-domestic property including libraries, offices, schools. The level of business rates is set by the Government and collected by the District Councils on their behalf. The money is then re-allocated to authorities in accordance with resident population as part of the annual financial settlement.
<i>Capital Asset</i>	Capital or Fixed assets are long-term resources, such as plant, equipment and buildings.
<i>Capital Charges</i>	A charge to services to reflect the cost of fixed assets used in the provision of those services
<i>Capital expenditure</i>	Expenditure on items that create an asset which has a long-term benefit of more than one year.
<i>Carry forward [of budget]</i>	Budgets unspent in a prior year that have (once approved) been added to the current year budget. Strict rules on what can be 'carried forward'

apply.

<i>Chart of accounts</i>	The hierarchy of recording income and expenditure within the Council's accounts. The main distinctions are between fund e.g. County fund, Pension Fund; objective e.g. service or cost centre; subjective e.g. the classification of expenditure between salaries, equipment, stationery, fuel costs etc.
<i>Commitment</i>	A commitment to spend occurs when an order is raised
<i>Cost centre</i>	A collection of subjective codes ( <i>qv</i> ) linked to a particular service or sub-service area.
<i>Creditor</i>	A person or company to whom the Council owes money.
<i>Debtor</i>	A person or company who owes money to the Council
<i>Depreciation</i>	The accounting method of amortising the value of an asset over its useful life
<i>Ear marking</i>	Setting aside for specific purposes
<i>Financial Regulations</i>	Rules of financial management that apply to all officers and members of the Council. These can be found on the intranet.
<i>Financial Year</i>	Period of twelve months commencing on 1 April and ending 31 March the following year.
<i>Forecast Outturn</i>	A projection of anticipated expenditure incurred and income received to provide an estimate of the service position at the end of the year compared to the planned budget.
<i>Funding</i>	Source of income to support service expenditure – can be capital or revenue
<i>General Fund</i>	The main revenue account of the Council through which day to day transactions are conducted.
<i>General Ledger</i>	A collection of accounting records detailing the authority's transactions and balances
<i>Internal Audit</i>	A team that works to protect the Council's assets and assist managers in improving their use.

<i>Invoice</i>	A bill – a request for payment for goods or services received
<i>Journal</i>	The transfer of income or expenditure from one code to another more appropriate code.
<i>Medium Term Financial [Plan] [Strategy]</i>	The Council’s plan for the management of its resources during the next 3 years, which remains under rolling review, and links to the service planning process.
<i>Liability</i>	The Council’s financial debt or obligations that arise during the course of its business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services.
<i>NDR</i>	Non-Domestic Rates – see business rates ( <i>qv</i> )
<i>Profile</i>	A term used to describe the pattern of expenditure or income that is expected to occur over a period of time
<i>[The] Prudential code</i>	The authority which enables the Council to set its own borrowing limits as part of the budget making processes.
<i>Reserves</i>	Amounts set aside for general contingencies and to provide for working balances, or can be earmarked for specific future expenditure.
<i>Resources</i>	Includes cash, staff, equipment, property, stocks, etc.
<i>Revenue expenditure</i>	Expenditure on ‘day-to-day’ items required to support the running of the Council services
<i>Revenue Support Grant (RSG)</i>	The Revenue Support Grant (RSG) - a Government grant providing general support for Council services.
<i>Subjective Code</i>	A code describing expenditure or income by type e.g. salaries costs, premises costs. Can also be called “accounting code”
<i>Supplementary Estimate</i>	An in-year increase in budget – normally necessitated by a new burden or an in-year pressure not identified at budget setting. These must be approved by Council.
<i>Ultra Vires</i>	A Latin term meaning ‘beyond the powers’.
<i>Variance</i>	Difference between budget and actual income or expenditure. May be favourable (more income or lower spend than budgeted) or unfavourable/adverse (less income or more spend than budgeted)
<i>Virement</i>	Formal transfer of funds from one budget to another. Does not change the Council’s overall budget.
<i>Zero based budgets</i>	The construction of a budget based on the needs of the Council without reference to previous expenditure history.

