

## Strategic Finance

### 1. Revenue Summary

SUB DIRECTORATE	Latest Budget	Forecast	Actuals	Forecast Variance
Corporate Costs	2,730,730	2,410,220	(707,059)	(320,510)
Finance & Resources	223,475	296,975	10,292	73,500
Finance Services Client	1,023,603	1,023,603	370,920	0
Revenues And Benefits Client	1,078,022	1,078,022	8,815,887	0
Service Transformation	58,617	58,617	(20,647)	0
<b>Sum:</b>	<b>5,114,447</b>	<b>4,867,437</b>	<b>8,469,393</b>	<b>(247,010)</b>

Corporate Costs includes the budgets relating to treasury management activity and capital financing costs and the contingency budget for pay and other inflation.

### 2. Revenue Variances

At the end of Quarter 1 a net underspend of £0.247m is forecast across Strategic Finance. A breakdown of the reported variances is set out in the following table.

Service Area	Description	Details of Variances	£
Strategic Finance	Insurance	Increase in premises insurance costs due to inflation	73,500
	Budget Strategy Items	Estimated pressure from employers' pay offer	400,000
		Treasury and Capital Financing costs	156,490
		Reduction in employers Pension Deficit costs as per pension fund triannual valuation / use of pension reserve	(877,000)
		<b>TOTAL</b>	<b>(247,010)</b>

Further detail is provided in the paragraphs below.

Insurance premiums are set annually. Insurance costs have increased in 2023/24 due to the rising costs of construction which have fed through to higher premiums for premises insurance, reflecting the increased costs of repairs or reconstruction.

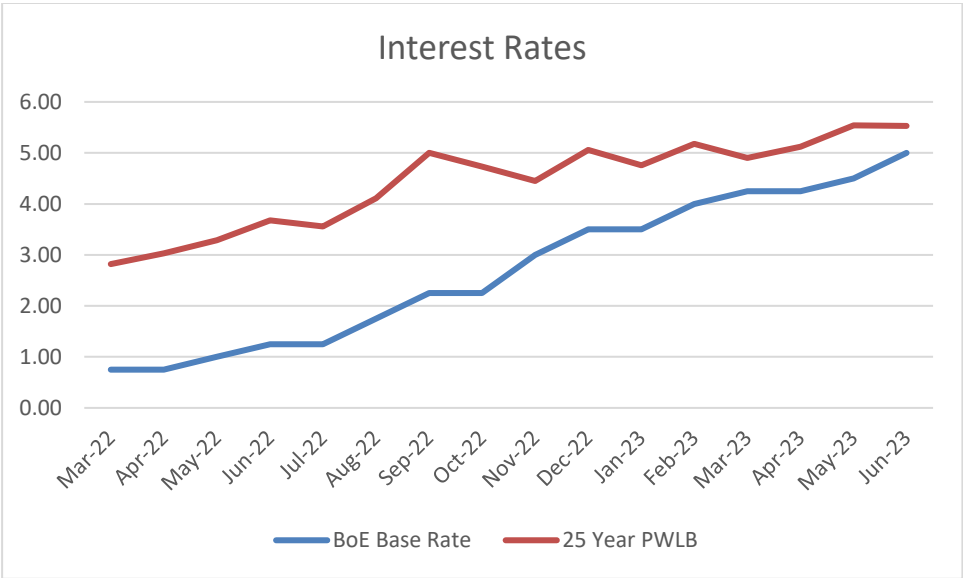
The Council holds a contingency budget for the annual pay award for 2023/24. The forecast includes an estimated pressure of £0.400m against the Contingency budget in relation to the employers' pay offer. Once the pay award is finalised, a virement will be requested to transfer the contingency budget to individual cost centres. It is proposed to fund this pressure on a one off basis from the pension reserve with the ongoing pressure managed through the budget setting process for 2024/25 onwards. A virement request is included in appendix 7.

At 30 June 2023 the Council had external borrowing of £79.0m (£80.0m at 31 March 2023). As per the Treasury Management Strategy, the Treasury Management team continue to minimise the cost of carry (the difference between interest earned on deposits and the interest paid on borrowing) by utilising cash balances to reduce external borrowing. However, there is a risk that capital financing costs may further

increase during 2023/24 as interest rates remain high. A net overspend of £0.156m is currently forecast.

The graph below shows the Bank Of England Base rate and Public Works Loans Board (PWLB) rate for new 25 year loans from March 2022 to June 2023. PWLB rates are based on gilt yields (UK Government Bonds) plus a margin specified by HM Treasury, currently 100 basis points. As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

PWLB borrowing rates increased significantly in September 2022 following the mini budget announced by Kwasi Kwarteng, then Chancellor of the Exchequer. It was initially expected that gilt yields would fall to around 3% following the resignation of both the Chancellor and the Prime Minister. Although there was an initial drop, the inflation forecast and the Bank of England’s decision to raise base rate has pushed PWLB rates above the levels recorded following the mini budget during the first quarter of 2023/24.



An actuarial valuation of the pension fund assets and liabilities is undertaken every three years to set the employer contribution rates to the pension fund. The latest triannual valuation was completed as at 31 March 2022 and has set the employer contribution rates for three years from 1 April 2023 to 31 March 2026. The triannual valuation has resulted in an increase to the employer’s contribution rate for the Council from 18.2% to 19.1%. However, it has also decreased the annual lump sum paid in relation to past service cost deficit reflecting an increase in pension fund assets. The net saving in 2023/24, after taking into account the increase in contribution rate, is £0.877m.

### 3. Capital Investment Programme

Budget Responsibility		Services	Latest Budget 2023/24	Forecast Outturn 2023/24	Actual to date	Latest Budget 2024/25 (Including rephasings & savings)	Latest Budget 2025/26 (Including rephasings & savings)	Latest Budget 2026/27 (Including rephasings & savings)
			£	£	£	£	£	£
Director of Finance - Strategic Finance	Head of Finance - Strategic Finance	Capital Support Services	677	677	0	677	677	677
		West Herts Crematorium	0	0	759	0	0	0
		Hart Homes JV	5,025	5,025	0	0	0	0
		Capital Budget Contingency	1,233	833	0	(300)	0	0
<b>TOTAL CURRENT CAPITAL PROGRAMME</b>			<b>6,935</b>	<b>6,535</b>	<b>759</b>	<b>377</b>	<b>677</b>	<b>677</b>

Expenditure for the West Herts Crematorium will be recovered in full from the West Herts Crematorium. Costs are recharged regularly.

The scheme detail is provided at Annex A.

## Capital Investment Programme – Scheme Detail

DoF-STRATEGIC FINANCE					
Capital Scheme	Latest Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance	Actual 2023/24	Scheme Update
	£	£	£	£	
<b>Capitalised Support Services</b>					
Support Services	552,470	552,470	0	0	
Major Projects - FBP and QS	124,390	124,390	0	0	
<b>West Herts Crematorium</b>					
West Herts Crem Bedmond Road	0	0	0	759,311	Recharged to West Herts Crematorium in July 2023.
<b>Hart Homes JV</b>					
Land Transfer - Croxley View Phase 3	3,130,000	3,130,000	0	0	
Land Transfer - Rear Of High St	760,000	760,000	0	0	
Land Transfer - Scheme A	605,000	605,000	0	0	
Land Transfer - Scheme B	530,000	530,000	0	0	
<b>Capital Budget Contingency</b>					
Capital Contingency	1,232,931	832,931	(400,000)	0	Budget re-aligned to mitigate overspend anticipated at Watford Business Park post Development Review Board meeting on 13/7/23.
<b>Total</b>	<b>6,934,791</b>	<b>6,534,791</b>	<b>(400,000)</b>	<b>759,311</b>	