

FINANCE DIGEST

2020/21

COVID 19 UPDATE



1. Covid 19 Revenue

1.1 The table below summarises the impact to date assuming a period of four months before things return to a 'new' normal. The net loss for 2020/21 is **£1.7m**.

Summary Table

Summary Table Estimated for 4 Months		£
Loss of income		£
Pest Control		50,000
Car Parking		340,000
Wavier of Leisure Provider (SLM) management fee & Support for building costs		296,000
Community assets rents		200,000
Market rent		43,850
Estimated reduction in Planning fees		106,000
Citipark loss of rent (repayable in 2025)		224,000
Commercial rent Income		1,805,000
Croxley Park Income covered by sinking fund		(800,000)
<i>Other smaller items</i>		20,800
Total		2,285,650
Additional Expenditure		
Additional CSC staff		49,500
Estimated cost of housing rough sleepers for 4 months		290,000
Additional Recycling costs		19,500
Additional IT costs (Benefit & Council Tax software changes) (Licences at Cemetery)(Members 8*8 installation for virtual meetings)(DocuSign - Legal documents electronic signature)		27,220
Home working allowance to staff		25,620
Contribution to Leisure Provider (SLM) for building support costs		150,000
Funeral storage		9,600
PPE Taxi Screens		42,000
Additional support of consultant (VM)		40,000
W2020 Savings not achieved		25,000
<i>Other smaller items</i>		46,100
Total		724,540
Savings in Expenditure		
No borough elections in 2020/21		(76,500)
Corporate Asset Management		(29,000)
Borrowing costs		(150,000)
Support Team		(8,000)
Committee Services		(6,380)
Total		(269,880)
Vacancy Savings		(74,050)
Total		2,666,260
Government Funding		
Emergency COVID 19 Funding		(1,009,132)
Rough sleepers		(14,000)
Total		(1,023,132)
Net Position		1,643,128

2. Savings arising from Covid 19

- 2.1 Due to the suspension of some services and that staff are working from home as a result of Covid 19, services have identified some savings in expenditure. Details are shown at **Appendix 1**

3. Commercial Income

- 3.1 We have currently estimated £1.8M loss in commercial income from the commercial investment portfolio, Intu and Croxley Park. At this time these figures are speculative as March quarter day rents were largely received before the full impact of Covid was felt and we haven't yet got to the June quarter day which will be the first time most rents are payable since shutdown. Any loss relating to Croxley Park would be offset by a contribution from the sinking fund that was received as part of the deal.

4. Vacancy savings

- 4.1 In order to reduce the deficit Group Heads of Service were requested to consider if current vacancies could be deferred or deleted. It was confirmed that no current vacancies can be deleted, however it is proposed that some posts can be deferred until later in the year. A summary of savings is shown in the table below with the detail in **Appendix 2**

5. Government Funding

- 5.1 To date the Council has received £1.009m from local government's £3.2bn of Emergency funding and £14k towards rough sleepers. This is to support the additional revenue implications that the Council is facing.
- 5.2 The Council has received £802,000 for the Council Tax hardship fund and £17.2M for Small Business and Retail, Hospitality and Leisure Grants. A further Discretionary Grants Fund of up to 5% of the £17.2m is to be received to provide grants to small businesses with ongoing fixed property-related costs who were not eligible for Small Business Grant Fund (SBGF) or the Retail Hospitality and Leisure Grant Fund (RHLGF).
- 5.3 A new £50 million fund for councils to support their local high streets get safely back to business announced was announced on 24 May. This is to prepare for the reopening of non-essential retail when the scientific advice allows, the Reopening High Streets Safely Fund will help councils in England introduce a range of safety measures in a move to kick-start local economies, get people back to work and customers back to the shops. It will also support a range of practical safety measures including new signs, street markings and temporary barriers. Councils will also be able to use this money to develop local marketing campaigns to explain the changes to the public and reassure them that their high streets and other commercial areas are safe. It is the government's ambition to reopen non-essential retail in a phased way from 1 June. The Council is entitled to receive £86,000.

6. Capital Programme

6.1 The Council approved its capital programme of £119.7M for 2020/21. Full delivery of this programme may now be in doubt. Whilst this may have a beneficial impact on capital financing charges it should be noted that this budget was set with a significant allowance for slippage. **Appendix 3**, shows the current status of the capital programme, which shows approximately £14.0M is likely to be rephased to 2021/22. In setting the 2020/21 Revenue Budget an allowance was made for slippage in calculating capital financing charges, therefore a further reduction of £150,000 is being forecast against this budget.

6.2 Whilst this may have a beneficial impact on capital financing charges it should be noted that this budget was set with a significant allowance for slippage, In addition there are a number of schemes that contribute directly to income and these are set out in the table below.

Service Area	Latest Budget 2020/21
Watford Business Park Phase 2	7,800,000
Hart Homes	24,095,000
Watford Riverwell	14,537,000

6.3 Hart Homes are still progressing Croxley View Phase 2 and it is hoped that this can continue to be delivered during 2020/21. The next key development at Riverwell is land north of Thomas Sawyer Way which is currently progressing through planning. Any timing changes on Riverwell are managed through the reserve, however all of the commercial developments will be impacted to a greater or lesser extent by the impact of the current crisis on the property market.

6.4 £35.6M was allocated within the Capital Programme for the multi storey car park at Riverwell. Watford Hospital Trust are currently pursuing a solution through Department of Health commercial funding although this is likely to be delayed due the current situation. There will be no impact on the revenue budget as this was included as a revenue neutral project.

7. Key risks

7.1 The figures above are based on the known position in terms of the leisure management contract up to the end of June. Whilst some reopening of leisure facilities is expected in July it is likely that the contract will continue to be impacted by requirements for social distancing. The Council is currently in discussion with SLM around the position for the remainder of the year.

7.2 A best estimate has been made in the figures above for loss of rents, June quarter will be difficult and in some cases business won't have traded for a solid 3 months, September quarter may also be impacted as business may still be recovering. It is predicted that the effect of business failures and defaults may not actually materialise until the 3rd quarter of the year.

8. Next Steps

- 8.1 The Council's focus is now moving from the immediate response to Covid-19 to the recovery phase both in terms of council services and the town. A key part of this work will be around financial recovery and officers are currently working to identify the longer term impact of Covid and developing a proposed response. Any costs incurred not funded by the Government or offset by equivalent savings will fall on reserves.
- 8.2 In addition to the direct expenditure and income losses arising as a result of lockdown and the immediate response to the crisis, there will be a longer term impact on both the council tax base and non-domestic rate income due to increases in council tax reliefs, business failures and the impact on development in the town. A spending review is expected in the autumn but the government has made it clear that it expects local government to share the pain. It will be necessary, therefore, to revisit the currently approved medium term financial strategy and work on this will commence over the summer.

Reductions in Expenditure arising from Covid 19

Service	Description	Service	Sub - service	Amount £
Borough Elections	No Borough Election so balance of budget after taking out actual spend incurred before cancellation made	Democracy & Governance	Elections	(76,500)
Buildings & Projects	Reduction in spend on electricity - estimate	Service Transformation	CAM	(2,000)
	Reduction in property repairs required			(5,000)
Town Hall	Reduction in spend on electricity - estimate			(10,000)
	Less waste collection from Town Hall			(4,000)
	Reduction in Town Hall repairs required			(5,000)
Buildings - Facilities	Reduced need for training and development spend			
Borrowing costs	Lower requirement due to rephasing of capital programme	Finance	Finance	(150,000)
Support Team	Salary,NI and Superannuation contributions for redeployed staff from April to June at West Herts Crematorium.	Democracy & Governance	Support Team	(4,000)
	Unused printing budget due to working from home			(4,000)
Committee Services	Unused printing budget due to virtual meetings			Committee Services
			TOTAL	(269,880)

Vacancy savings

Dept	Cost Centre	Job Title	Grade	Comments	Saving 2020/21
Community & Environmental	DEA000	Museum Learning Officer	5	Six months saving on part time 21 hours PW	(10,150)
HR	ALA000	HR Assistant	4+	Three months saving April to June	(8,250)
Place Shaping	GBA000	Community Infrastructure Levy Officer	6	Six months saving April to September	(21,300)
Place Shaping	GAA000	Planning Policy Section Head	10	Six months saving April to September	(34,350)
Total					(74,050)

Capital Programme 2020/21

Cost Centre	Scheme and Service	Original Budget	Spend to Date £	Will the budget be fully spent Y/N	Estimated Spend this year £	Any Potential Saving ? £	Rephased to 2021-22 £	Comments
2020-21								
WA4900	WBC Capital Programme	119,737,722	1,016,859		105,427,722	0	14,310,000	
WA5510	Service Transformation	5,415,000	106,536		5,045,000	0	370,000	
WAA906	Colosseum Refurbishment	3,750,000	14,919	Yes	3,750,000			Probably won't need it all; however until we agree if any works are going to be progressed earlier can't be sure.
WAA908	Community Asset Review	350,000	0	Yes	350,000			
WAA995	Building Investment Programme	400,000	91,617	Yes	400,000			
WAA946	ShS - Migration to Cloud	140,000	0	No	50,000	0	90,000	Estimated spend against cloud migration. Full Watford costs.
WAA982	ShS-Hardware Replace Prog	45,000	0	Yes	45,000	0	0	
WAA109	ICT-Hardware Replacement Prog	300,000	0	No	200,000	0	100,000	
WAA111	ICT-Business Application Upgde	165,000	0	No	100,000	0	65,000	Estimated spend, for resources/consultancy and project activities covering Core transformation, WAN, O365
WAA221	ICT-Project Management Provision	265,000	0	No	150,000	0	115,000	

Cost Centre	Scheme and Service	Original Budget	Spend to Date £	Will the budget be fully spent Y/N	Estimated Spend this year £	Any Potential Saving ? £	Rephased to 2021-22 £	Comments
2020-21								
WA5520	Community & Environmental	12,625,490	128,183		5,475,490	0	7,150,000	
WAA197	Veolia Contract Fleet Requirem	1,184,000	8,257	Yes	1,184,000			
WAA991	Veolia Capital Improvements	96,810	0	Yes	96,810			
WAA291	Whippendell Woods SSSI Enhncmt	15,000	0	Yes	15,000			
WAA954	Green Spaces Strategy	198,680	74,657	Yes	198,680			
WAB971	Oxhey Park North	100,000	3,508	Yes	100,000			
WAB972	Tree Planting Programme	15,000	0	Yes	15,000			
WAB974	River Colne Restoration	20,000	0	Yes	20,000			
WAB986	Cassiobury Park Perf'ce Space	40,000	0	yes	40,000			
WAB987	Garston Park Sculpture	30,000	0	Yes	30,000			
WAB990	Parks Litter Bin Replacements	10,000	0	Yes	10,000			
WAB991	Meriden Park Improvements	50,000	0	Yes	50,000			
WAB976	Cemetery Reprovision	50,000	0	Yes	50,000			
WAB980	New Cemetery Provision	500,000	0	Yes	500,000			
WAB984	Vicarage Rd Cemet'y Feas Study	5,000	0	Yes	5,000			
WAA302	Leisure Centres (SLM)	250,000	0	Yes	250,000	0	0	SLM have identified that they could be a short fall in income during 2020-2022, therefore they make be unable to meet their lease obligations. The budget will be used to ensure that the essential maintenance works to the leisure centres is carried out
WAB981	Woodside Sports Village	6,800,000	0	No	650,000		6,150,000	Political decision on scale of this project and if can be reduced or deferred?
WAB983	Play Area Improvements	425,000	0	Yes	425,000			
WAB989	Lea Farm Recreation Improvm'ts	50,000	0	Yes	50,000			
WAA195	Watford Museum	247,000	0	Yes	247,000			
WAA983	Cultural Quarter Ph 1	30,000	0	Yes	30,000			
WAB973	Little Cassiobury Match Fund	50,000	0	Yes	50,000			
WAB988	Heritage Trail	110,000	0	Yes	110,000			
WAM001	Delivery of Cultural Plan	400,000	0	TBC	400,000			
WAJ300	Decent Homes Assistance	100,000	0	Yes	100,000			
WAJ310	Private Sector Housing Renewal	200,000	0	Yes	200,000			
WAJ311	Street Improvement Programme	100,000	18,852	Yes	100,000			
WAJ304	Cycle Hub	150,000	22,909	Yes	150,000			
WAJ306	Paddock Road Depot Enhncmts	1,300,000	0	No	300,000		1,000,000	
WAJ307	Derby Rd Skate Park Blockade	25,000	0	Yes	25,000			
WAB992	Departmental Vehicle Renewal	74,000	0	Yes	74,000			

Cost Centre	Scheme and Service	Original Budget	Spend to Date £	Will the budget be fully spent Y/N	Estimated Spend this year £	Any Potential Saving ? £	Rephased to 2021-22 £	Comments
2020-21								
WA5540	Place Shaping & Performance	100,992,762	782,140		94,202,762	0	6,790,000	
WAA186	Watford Business Park Phase 2	7,800,000	0	Yes	2,000,000	TBC	5,800,000	Savings expected once value engineering of scheme is completed and construction contract tendered.
WAA188	Watford Business Park Phase 3	0	0					
WAA920	Campus-Client Side & Land Assy	1,341,000	0	Yes	1,341,000			Currently expected based on information available at this time
WAA923	Campus-Equity-Infrastructure	(950,000)	0	Yes	(950,000)			
WAA932	Riverwell-Waterside Phase 1	1,221,000	0	Yes	1,221,000			This is subject to discussions with Kier
WAA933	Riverwell-Waterside Phase 2	2,888,000	0	Yes	2,888,000			
WAA935	Riverwell-Island Site	96,000	0	Yes	96,000			
WAA936	Riverwell-Waterside Phase 3	4,023,000	0	Yes	4,023,000			
WAA938	Riverwell-Car Park	35,608,000	0	Yes	35,608,000			
WAA939	Riverwell-Farm Terrace Allots	4,131,000	0	Yes	4,131,000			
WAA942	Riverwell-School	1,557,000	0	Yes	1,557,000			
WAA943	Riverwell-Admin	230,000	0	Yes	230,000			
WAA196	Private Sector Stock Condition	36,850	0	Yes	36,850			Commitments for survey work need to be fulfilled this year.
WAA987	Retained Housing Stock	218,440	10,879	Yes	218,440			There are extensive works to be carried out to our TA, specifically our hostels which we intend to complete this year.
WAJ103	York House Boiler Replacement	75,000	0	TBC	75,000			This has been a contingency, we know the boiler will need replacing at some stage, but don't know when. We have just carried out an inspection and are awaiting the results to see if works need to be carried out this year.
WAA250	Public Realm (Cl'dn Rd Ph III)	1,989,000	771,261	Yes	1,989,000			
WAA252	St Albans Rd Improvement Works	100,000	0	Yes	100,000			Works to commence 08/06/2020
WAA253	CCTV Site Equipment	24,000	0	Yes	24,000			Currently expected to spend based on information available at this time
WAA401	Watford 3D Planning Model	15,000	0	Yes	15,000	0	0	£60k spent last year setting the model up. £15,000 required for implementation and maintenance of the model
WAA403	High St Phase 2 (St Mary's)	300,000	0	Yes	300,000			Work due to start June 2020 3-6 months
WNC048	Cycle & Rd Infrastructure Imps	245,000	0	Yes	245,000			
WAA944	PIB Renovations	50,000	0	Yes	50,000			Currently expected to spend based on information available at this time. If left until unit vacant, WBC would pick up 100% roof replacement at Unit 17, Coleshill
WAA905	Redevelopment Town Hall	8,899,472	0	Yes	8,899,472			Awaiting profile
WAJ111	Land Tfr - Rear of High St	660,000	0	Yes	660,000			Currently expected to spend based on information available at this time
WAJ112	Land Tfr - Scheme A	605,000	0	Yes	605,000			Currently expected to spend based on information available at this time
WAJ113	Land Tfr - Scheme B	530,000	0	Yes	530,000			Currently expected to spend based on information available at this time
WAJ114	Loan to Hart Homes WDLLP	13,200,000	0	Yes	13,200,000			
WAJ115	Loan to Hart Homes WDLTD	9,100,000	0	Yes	9,100,000			
WAJ120	Places for People Scheme	1,000,000	0	Yes	1,000,000			Currently expected to spend based on information available at this time
WAJ121	Pyramid Site	5,000,000	0	Yes	5,000,000			Purchase of site expected
WAJ122	Scenery Store Redevelopment	1,000,000	0	No	10,000		990,000	Project is subject to approval by Cabinet and for a reduced contribution from WBC - note overall spend will change and will need to be revised
WA5545	Corporate Strategy & Comms	25,000	0		25,000	0		
WCC000	Town Boundary Signage	25,000	0	yes	25,000			
WA5570	Strategic Finance	679,470	0		679,470	0	0	
WAA601	Support Services-General Fund	552,470	0	Yes	552,470	0	0	Internal professional fees allocated at year end
WAA602	Major Projects - FBP and QS	127,000	0	Yes	127,000	0	0	