PART A

Report to: Cabinet

Date of meeting: 8th October 2012

Report of: Head of Strategic Finance

Title: Medium Term Financial Strategy (MTFS) 2012/2017

1.0 SUMMARY

1.1 This report provides an overview of financial issues affecting the Council over the next five years and enables a strategy to be developed to achieve a sustainable budget and to set a Council Tax for 2013/2014.

2.0 RECOMMENDATIONS

2.1 That Cabinet consider the contents of this report and make observations/ recommendations as appropriate.

2.2 That the Medium Term Financial Strategy be referred to the Budget Panel for consideration at its meeting on 23rd October.

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3.0 Background

3.1 Council on 25th January 2012 approved the revenue budget and capital programme to apply for 2012/13. It also recommended to Functions Committee the levels of council tax (no increase) to apply from 1st April 2012. These decisions were influenced by the Medium Term Financial Strategy which covered the period 2011 to 2016 and which has sought to achieve a 'sustainable budget' over the medium term.

3.2 It is now necessary to revisit the MTFS as an essential part of sound financial planning and will need to consider:

- the Revenue and Capital Outturns for 2011/2012
- any identified pressures during 2012/2013 and future years
- Watford Council's progress in meeting efficiency savings
- Forecast Net Expenditure
- Central Government Funding
- Watford's council tax base and collection levels
- The levels of reserves and balances

3.3 Subsequent sections of this report will consider each of these issues which will then be incorporated in a revised MTFS covering the period 2012/ 2017

3.4 There does need to be a general 'Health Warning' and that relates to the fact that fundamental changes to the financing of local authorities will be introduced within the next 6 months and there is currently a lack of information and great uncertainty regarding the effects upon individual councils. The Budget Panel will receive a report upon the Medium Term Financial Strategy at its meeting on 23rd October where it is hoped that more information will be provided.

4.0 Revenue and Capital Outturn 2011/2012

4.1 These were reported to Budget Panel and Cabinet at their September meetings and, in summary, the revenue outturn indicated a £251k underlying over spend but, due to one off Final Account issues, the level of reserves actually increased by £1,230,408. These headline figures have been reflected within the remainder of this Report.

4.2 With regard to the Capital Outturn, it indicated a capital spend (including Section 106 projects) of £10,066k in 2011/2012. The remainder of the current capital programme is anticipated to require funding of £24,744k which will effectively use up all available capital receipts. The MTFS has taken that into account when calculating future levels of investment interest accruing to the Revenue Account.

5.0 Identified Pressures During 2012/2013 and Future Years

5.1.1 The first pressures that need to be factored in relate to those variations within the 2011/2012 Outturn that will recur in 2012/2013 and future years. Some of these variances such as commercial rents and homelessness costs had already been built into the MTFS but it is anticipated there will be the following additional pressures:

* Shared Services Operating Costs £200k (relates to Revenues & Benefits/ ICT)
* NNDR Discretionary Rate Relief £ 70k (additional applications)
* Shortfall in Income from parking £100k (excludes CPZ related parking)

5.1.2 Clearly there have been some off setting savings during 2011/2012, but it cannot be assumed that these will recur in 2012/2013. The MTFS will therefore make provision for an additional £370k of pressures arising from the 2011/2012 Outturn.

5.2.1 In addition to Outturn variations, account needs to be taken of budgetary pressures arising in 2012/2013. At this stage of the year, there have been limited budget variations reported through the Finance Digest that have not been accommodated within 5.1 above. The only variations worthy of note include:

* favourable variance on community safety	(£70k)
* anticipated further loss of commercial rent income -to reflect the full year effect of Peacock's closure	£220k
* service prioritisation shortfall - discussed later.	£196k

5.2.2 The effect of these major variations results in a further £346k addition to the 2012/2013 budget.

5.3 As in the past, Heads of Service have been requested to consider any likely unavoidable/ statutory growth that may occur in 2013/2014 onwards. As part of that process they are also required to identify potential additional savings that have not already been identified. Leadership will consider any such variations which will be reported to Cabinet in December/ January.

5.4 The MTFS should also take into account any known pressures arising in 2013/2014 and will include any implications arising from Government proposals such as the local council tax benefit scheme. At this point in time it is assumed that it will be self financing—but will need to be reviewed before budgets for 2013/2014 and future years are finalised.

5.5 Finally, a review of inflation should be carried out to test previous assumptions.
With regard to Pay Awards, the Chancellor of the Exchequer's Autumn Statement in November 2011, indicated it would expect public sector pay increases to not exceed 1% in 2013 & 2014.
For the purposes of the MTFS the following pay assumptions have been built in therefore:
2012/2013 Nil
2013/2014 1%
2014/2015 1%
2015/2016 1%
2016/2017 2% (to reflect the fact that inflation will start to rise)

(A 1% pay award equates to an additional circa £160k for Watford and Watford related shared services staff).

5.6 The staff pay model has been interrogated and full allowance for scheduled increments has been built into the MTFS. This is on the basis of current staff levels with adjustments where it is likely that staff changes will occur. Any potential outsourcing of services has been ignored within these staffing figures and any efficiency savings will be set against Roadmap savings discussed later in this report.

5.7 With regard to potential pensions (employers superannuation) implications, the MTFS continues to reflect advice from Herts County Council. No increase in the superannuation rate is anticipated until April 2014 when a 1% increase is anticipated (increasing the rate from 26.8% of gross pay to 27.8%). A further 1% increase is anticipated in 2016/2017. .

5.8.1 Finally with regard to price inflation, it was anticipated that this would fall consistently during 2012/2013 and be comfortably below the Bank of England target of 2%. The current rate of inflation (August 2012) indicates the Consumer Price Index (CPI) is 2.5% and the Retail Price Index (RPI) is 2.9% and is anticipated to fall slowly (but may be affected by oil price increases should supplies from Iran and neighbouring countries be affected).

5.8.2 In past years Watford has set a target for no increases in price inflation with most heads of expenditure being cash limited. The MTFS has assumed that will again apply throughout the five year profile and is based upon improved procurement and volume reductions to counter any inflation effects.

5.9 There will be exceptions to this cash limiting and that relates to any contracts where an inflationary uplift (such as RPI) has been built in. Inflation will also be applied to individual cost centre heads for all utility costs (gas, electricity, water) and fuel costs and for MTFS purposes provision of £70k year on year has been included and will be built into base estimates in due course.

6.0 Progress in Meeting Efficiency Targets

6.1 Cabinet will recall that a ‘Service Prioritisation’ process identified circa £3m of efficiencies to be realised during the period 2011/2012 to 2013/2014. Periodic reports have been produced both for Budget Panel and Cabinet and which has identified progress to date. The latest review of anticipated savings in 2012/2013 indicate a shortfall of £196k (against a target of £943k of efficiencies) and largely comprises a review of some of the initial proposals.

6.2 The original Service Prioritisation process had anticipated a final residual saving of £228k in 2013/2014 and essentially was the deletion of Executive Director Services and Head of Strategic Finance posts. There is likely to be a delay until end of June 2013 in deleting the finance post and, in addition, the probable replacement Joint Section 151 officer post with Three Rivers will only realise a full year saving of 50% of the revised proposals. The net effect will be a shortfall in 2013/2014 of £120k, with a shortfall thereafter of £100k both of which need to be reflected within the MTFS.

6.3 The Council has sought to build upon the Service Prioritisation process through a ‘Future Council Roadmap’ which has attempted to generate a further £2m of savings and a detailed programme is being evaluated at the present time. The revised MTFS has however included an initial profiled target saving (but has allowed for a £350k contingency for possible non achievement).

6.4 As part of this process, an outsource of ICT Shared Services has taken place (results currently being evaluated), a review of the Internal Audit Shared Service function is in progress, and the potential outsourcing of waste, re-cycling, street cleansing and parks and open spaces has just commenced. Channel shift and greater use of the internet is also being pursued.

7.0 Forecast Net Expenditure

7.1 A revised Forecast net expenditure for the Council covering the period 2012/2013 to 2016/2017 has been reflected within a revised MTFS attached at **Appendix 1.**
This indicates a revised net expenditure of £15,633k for 2012/2013 and represents a £733k potential increase in the budget and reflects the variations referred to in paragraphs 5.1 & 5.2. Projections are also shown for 2013/2014 onwards.

7.2 This information in isolation is of limited use as it needs to be related to the funding available to the Council and that is covered in subsequent sections of this report.

8.0 Central Government Funding

8.1 Central Government Review of Public Expenditure Targets

8.1.1 Central Government carried out a spending review in Autumn 2010 and which would apply for a four year period 2011/2012 to 2014/2015. The consequence of that review was that there was a statement that all local authorities would receive 28% less Government support in cash terms (over the 4 year period) than was received in 2010/2011. The reality was that District Councils were treated adversely and, with the effects of inflation, reductions for Watford was 28% for the first two years alone.

8.1.2 The original proposals within the Spending Review indicated that the reduction in Government funding (nationally) for 2013/2014 and 2014/2015 would be 2.8% and 7.2% respectively. In July 2012 the DCLG published a technical consultation paper relating to the wider issue of Business Rates Retention and stated …'in order to insure that there will be sufficient funding available to fund the New Homes Bonus, we will be removing £2 billion (per annum) for the entire NHB period…'

8.1.3 The Paper then continues to discuss the impact upon 'Control Totals' and indicates that local authorities will receive a reduced level of general funding of 12.3% in 2013/2014 (compared to 2.8% originally), and 8.7% less (compared to 7.2% originally).

8.1.4 A subsequent addition to this technical paper was published on 23rd August and indicated that it may reduce the original top slice of £2 billion to a reduced figure of £845m in 2013/2014 and circa £1.2 billion in 2014/2015. This should still guarantee that the New Homes Bonus will be met in full. Whilst this represented good news the additional paper also produced exemplifications of the likely base starting point for the Business Rate Retention scheme and this information was far from re-assuring and is discussed within section 10 of this report.

8.1.5 The Chancellor of the Exchequer does not intend to announce the 'Autumn' Statement until 5th December and no firm information will be produced by the DCLG until after that announcement. This is clearly unsatisfactory for financial planning purposes but nevertheless the revised MTFS has attempted to interpret the mixed messages emanating from Whitehall. Appendix 1 therefore assumes a 10% cash reduction to Revenue Support Grant/ Business Rates in 2013/2014 and 2014/2015 with a 5% year on year cash reduction in 2015/2016 and 2016/2017.

8.1.6 The consequence for Watford is that Central Government general funding support is forecast to reduce by circa £1,030k over the two year period 2013/2015 and these losses need to be a major consideration when considering the New Homes Bonus in the next section of the Report.

8.2 New Homes Bonus

8.2.1 Exemplifications have been produced by colleagues within the Housing, Planning and Revenues Divisions and have taken into account new housing schemes in the pipeline and it is currently estimated that Watford will receive the following Government grant from the New Homes Bonus:

	£k
2012/2013	1,516
2013/2014	1,540
2014/2015	1,895
2015/2016	2,221
2016/2017	2,420

8.2.2 Undoubtedly a large proportion of this NHB will need to compensate for the anticipated significant reduction in general Government funding referred to at paragraph 8.1. It was also anticipated that part of this funding would be allocated to the Capital programme of the Council where there are annual housing initiatives of £800k financed annually. The revised MTFS at Appendix 1 indicates however that the NHB will be required to support the annual revenue budget (if council taxes are not to rise).

8.3 Business Rates Retention (BRR)

8.3.1 Since its original announcement (which was reported to Budget Panel on 12th June) the Government has watered down the original concept by:

- retaining 50% of all present and future business rate income as part of the current Revenue Support Formula Grant system
- introducing tapers and safety nets which reduces much of the impact at a local authority level. It is also heavily skewed whereby it has been estimated that the risk reward ratio is 3:1 slanted towards risks to local authorities with very little reward.

8.3.2 As referred to at paragraph 8.1.4 a technical paper has been published on 23rd August 2012 and which released all individual authorities provisional 'Proportionate Shares'. What this effectively means is that a calculation has been made of the past 5 years business rates bases for all authorities. For Watford it has calculated that the base position for business rates collection will be £63,853,794. This appears extremely optimistic when actual and potential write offs have been taken into account. If this were to be confirmed then it would mean that Watford will be unlikely to collect this level of assumed income and would probably be a recipient of safety net protection. Further, if an artificially high base position is set at the outset then it is highly unlikely that any future growth will bring benefits as it would just move the business rate income closer to the unrealistic ceiling.

8.3.3 A further issue relates to assumptions to be made by the Treasury relating to the rate of business rate growth in the future. The Local Government Association is extremely concerned that forecasts are likely to be extremely optimistic and this again will disadvantage ('risk') authorities and provide no additional sources of income.

8.3.4 The original and additional technical consultation papers can be viewed on the DCLG website at:
http://www.communities.gov.uk/publications/localgovernment/businessratestechnical

8.3.5 The papers asked 84 separate questions many of which did not affect District Councils. As a consequence, the Head of Strategic Finance submitted a response that just covered the four main areas of concern and is reproduced below:

- Population: that the latest figures should be used (Interim 2011) rather than 2010 data (as Watford's population has increased and this should be recognised).

- New Homes Bonus: that only sufficient funding to finance the NHB/ capitalisation and safety net should be top sliced from the Revenue Support Grant system. The original intention was to top slice £2 billion regardless of whether it was required.
- Determining Proportionate Share: that it is optimistic and does not recognise the levels of write offs/ potential write offs –'in administration' that will actually occur.
- The Safety Net: in the light of the increased risk of shortfalls in Business rate Income, that the safety net should kick in after a 5% shortfall rather than the proposed 7.5% to 10% currently proposed.

8.3.6 The overall effect of potential shortfalls in business rates has been reflected within the assumption of a 10% year on year cash reduction in Revenue Support Grant/ Business Rates and as covered within Section 8.1.5 of this report.

8.4 Local Council Tax Benefit Scheme/ Universal Credit

8.4.1 The Government has previously announced a 10% reduction in the amount of benefit subsidy received by all local authorities in administering the Local CT Benefit scheme. In reality, due to increases in the volumes of benefits claimants in 2012/2013, the reduction may actually be closer to a 15% loss of subsidy. It has been assumed within this MTFS that, whatever the ultimate loss of subsidy, it will be compensated by changes implemented through a review of the local council tax benefit scheme.

8.4.2 It should be noted that many of the proposed amendments actually reduce current council tax discounts such as empty properties and will not directly affect the receipt of housing benefit. If these proposals are confirmed then the council tax base will increase and this is discussed at paragraph 9.2 below. No allowance for the potential effects of the introduction of Universal Credit in October 2013 (and the effect upon benefits administration) has been made within this revised MTFS.

9.0 Council Tax Base and Collection Levels

9.1 The net revenue expenditure of the authority is chiefly financed by Central Government support (Grant and Business Rates re-distribution) and from Council Tax. With regard to council tax the 'yield' is calculated by the actual council tax base (presented as 'Band D' equivalents), the collection levels of payment and the actual council tax levels set by the Council. The actual level will not be decided until January/ February 2013 when all relevant information is available.

9.2 The Council Tax Base is estimated geared to the latest information regarding the council tax base with an assumption for future net additional accommodation coming on stream. For the 2012/2013 budget setting a CT Base of 33,055 Band D equivalents (based on a 97.5% collection level) was assumed. The actual council tax base as at 31st March 2012 was 33,505 and reflects an increased supply of housing across the Borough. This is likely to increase further as part completions, reductions in numbers claiming single persons discount and empty property discounts take effect. The tax base is likely to be estimated to be 33,605 but this is based upon a 97.5% collection level (see next paragraph of the report). Should a 97% collection level now be assumed then the Council Tax base (at Band D equivalents) would be 33,433 (and is directly comparable with 33,155 initially assumed for 2013/2014). It should be noted that any increase in the base due to reductions in discounts (and as referred to at paragraph 8.4.2) has not been included within these calculations at this point in time.

9.3 The levels of council tax collected can be adversely affected by the state of the economy and individual householders disposable income. In that respect, the past few years have been difficult for many parts of the community. The 2012/2013 Council Budget was prepared on the basis that 97.5% of all Council Tax would eventually be collected. The latest collection figures show that, as at the end of August, 46% has been received (against a target and last year actual of 46.5%). Recovery procedures are reasonably up to date and this reduced level of collection may well indicate pressures individuals are experiencing.

9.4 Should there be an ultimate shortfall in collection for 2012/2013 then it is anticipated that this can be met from the statutory Collection Fund operated by the Council on behalf of Watford/ Herts County Council and Herts Police Authority. This is because the actual council tax base for 2011/2012 (as referred to at paragraph 9.2) was higher than anticipated and should result in an overall surplus which would then be available to cushion any shortfall in collection levels in the current year. For 2013/2014 and future years the collection level and the Medium Term Financial Strategy has assumed a collection level of 97%.

9.5 In summary, this section of the report indicates that the council tax base will be higher than originally forecast, but that collection levels will be worse. For future years an annual increase in the council tax base of 100 per annum to reflect additional properties has been assumed and factors in the fact that there may be an increased number of exemptions in the future if current regulations change.

10.0 Levels of Council Tax

10.1 Decisions upon the level of council tax to apply for 2013/2014 will not be taken until February 2013 when all relevant factors are known. For the purposes of financial planning the MTFS has to make some assumptions so that the effect upon use of reserves / achievement of a sustainable budget can be assessed.

10.2 For the purposes of the revised MTFS attached at Appendix 1 it has been assumed that council tax will not increase in 2013/2014 and 2014/2015 but will rise by 2.5% annually thereafter. As a guide, a 1% increase in council tax increases the council's income by circa £84k.

11.0 Conclusions from The Revised MTFS

11.1 **Appendix 1** indicates forecast expenditure and corresponding funding over a five year perspective. Over that period expenditure is anticipated to fall from £15,633k to £15,299k (a 2.1% cash reduction; or circa 12% reduction when inflation is applied). With regard to Central Government funding (from all sources) that is anticipated to fall from £7,142k to £6,381k (an 11% cash reduction).

11.2 In order to produce a balanced budget expenditure and income must be the same and in the absence of additional government support can only come from levels of council tax or reserves. Assumptions regarding council tax has been discussed at Section 10 of this report and it is now necessary to consider the availability/ use of reserves.

12.0 Availability of Reserves

12.1 **Appendix 2** attached to this covering report details the Council's total holding of reserves and balances. It is important to stress that earmarked reserves generally cannot be accessed as they are set aside for specific purposes or, in the case of the Charter Place reserve, is not actually the council's money.

12.2 A key question that is generally asked is 'what is the optimum level of reserves'. Opinion varies. The Secretary of State for Communities and Local Government would probably state 'as little as possible'. But that is not a sensible proposition. Paradoxically Watford's external auditors, Grant Thornton, take an opposite view as they wish to see a fair degree of resilience in order to meet any future adverse factors. It is certainly the case that some local authorities have reduced their levels of reserves (in order to avoid expenditure reductions) and might well be in a precarious position.

12.3 Watford would appear to have a good level of reserves and these have recently increased due to a few large 'balance sheet' favourable adjustments. There are however a number of **key risks** which have large financial 'penalties' attached to them and include:

- housing benefit subsidy is a £40m cost centre. The 2011/2012 claim for receipt of re-imbursement from Central Government has yet to be audited by Grant Thornton. Should errors be discovered within the sample of benefit payments then this is 'extrapolated' as if it has been repeated throughout all calculations. Watford has suffered claw back of subsidy in the past.
- there is an ongoing legal issue about whether all local authorities will have to pay back land charge income they have received in respect of personal local land charge searches in the past. The Council will need to ensure that it has sufficient funds to pay either any settlement agreed or any adverse judgment against it. Whilst it would be hoped that the Government might cover this, the council has to assume for these purposes that it wont.
- A stock condition survey is to be carried out into the condition of the multi storey car parks in the near future. Any structural repair will be the responsibility of the Council. Whilst this would normally be a charge against the capital account, it is likely that all capital receipts will have been utilised. The Council does of course have the option to borrow from Government to fund any structural works but it is possible that reserves will have to be utilised. Alternatively, if the management of the car parks continues to be operated through the private sector then the works could be funded up front through private finance but our level of annual income would be reduced to finance the capital cost.
- Commercial rents also continues to be a potentially volatile area as the retail sector in particular is continuing to experience adverse trading conditions. In the short term whilst there will be redevelopment at Charter Place (hopefully rent guarantees from Capital Shopping Centre may mitigate this risk) and possibly at Watford Business Park, then annual income may suffer.
- Pay Inflation within the MTFS may well be understated. Whilst the Chancellor of the Exchequer in his Autumn 2011 Statement 'imposed' a 1% pay ceiling in 2013 & 2014 (following a pay freeze in 2011 & 2012) this is not binding on local authorities. Within the wider public sector industrial action is highly probable and some leeway may prove inevitable. It is understood that the local government employers may be considering a 3% pay award in April 2013 and if this were to occur, this would add £320k to base estimates in 2013/2014 onwards.
- Local Council Tax Benefit Scheme/ Universal Credit. Should the Council not achieve necessary reductions to compensate for loss of Central Government funding then a potential £150k shortfall would occur (this is based upon a 15% reduction in Government Funding). With regard to Universal Credit which is anticipated to be introduced in October 2013, no financial effects have been included within the MTFS. It is probable that Housing Benefit Administration Grant will be reduced (currently £680k in 2012/2013) as responsibility for

administration is due to be transferred to HMRC). Should staffing levels need to be reduced then the Government has indicated that TUPE would not apply and any severance costs would fall to individual local authorities.

- Business Rates Retention-has been fully covered at Section 8.3 of this report.

12.4 **Appendix 2** has analysed Reserves into three different categories Earmarked; Capital Related; and General. Attention should be focussed upon those reserves loosely defined as being ''General''. Even within this category however there are reserves such as the Housing Benefit Subsidy (£997k) and Pension Funding Reserve (£1,375k) which may ultimately be required for specific purposes. With this caveat the level of General Reserves is £8,455k.

12.5 Paragraph 11.2 referred to the need each year to produce a 'balanced' budget whereby expenditure and income are equal. By reference to the revised MTFS at **Appendix 1** the balancing line (under 'Funded By') is 'From Reserves to Fund Overspend' and this indicates for 2012/2013 £383,029 will need to be taken from reserves in order to produce a balanced budget.

12.6 Over the five year period 2012 to 2017, £1,873k of reserves are required to finance ongoing deficits within the revenue budgets. This may be an optimistic scenario as proposed Road Map savings have yet to be realised and issues arising from potential key risks may materialise.

12.7 If the Revised MTFS were to be an accurate forecast then the General Level of Reserves would reduce to £6,582k and the Council would need to give serious thought if this balance was allowed to fall below £5m.

12.8 Against this background reserves could be utilised as follows:

- stop making any further efficiency savings and allow the expenditure base to increase. Against this is the fact that Audit Commission Profiles in the past has indicated that Watford was high cost. Further, the end of year external audit report to the Audit Committee on 25th September 2012 also highlighted…'the achievement of efficiency savings remains of vital importance in order that the Council is able to continue to maintain a strong level of balances..''
- selectively increase expenditure in some areas. The extent of this additional spend will be important as it will become entrenched within base budgets for the foreseeable future.
- freeze all fees and charges within our control and this effectively occurred in 2012/2013. Fees and Charges proposals will be considered by Budget Panel in the first instance at its meeting on 27th November.
- Reduce Council Tax. Over the past three years the Council has reduced CT by 1.4% in 2010/2011 and did not increase it in either 2011/2012 and 2012/2013. The revised MTFS has assumed no increase in 2013/2014 and 2014/2015. In general terms people welcome this level of stability. If council tax were to be reduced then it should ideally be sustainable in future years as a one off reduction followed by a next year increase does not aid household planning. Nationally, all local authorities are experiencing severe Central Government funding reductions where Watford's council tax payers might prefer to see services maintained rather than tax reductions which might be viewed as a 'gimmick'.

13.0 CONCLUSION

13.1 The Revised MTFS has been updated to take into account latest (imperfect) financial knowledge. It indicates that the Council's medium term financial planning has been effective in avoiding sudden reductions in service delivery. It also indicates that there will be no immediate prospect of reductions in government funding being reversed.

13.2 What is also apparent however is that the sustainability of the revenue budgets is totally dependent upon utilising in full the New Homes Bonus. This should be reasonably secure for the duration of the current MTFS but should future government policy change (and the NHB funding was not ploughed back into general government grant support) then the Council would have a large deficit on its revenue account. This would of course apply to many other authorities.

13.3 Finally what the revised MTFS indicates is that the 2016/2017 budget would require a contribution of £213,913 from Reserves and would not have achieved the ultimate aim of producing a sustainable budget.

14.0 IMPLICATIONS

14.1 **Financial Issues**

It is good practice to regularly review the Medium Term Financial Strategy because that will provide an early indication whether the 2013/2014 Budget can be delivered within available resources. This report does provide that level of re-assurance.

14.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that any legal implications are contained within the body of the report.

14.3 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
That there will be an overspend in 2012/2013 (which cannot be financed)	4	2	8
That over the medium term the Council will be unable to finance its revenue budgets.	1	4	4

14.4 **Staffing**

No Direct implications as a result of this report.

14.5 **Equalities**

14.5.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.

14.5.2 This report provides an overview of the Council's financial position and does not detail any specific decisions that have equality implications.

14.6 **Accommodation**

None Directly

Appendices:

Appendix 1 Revised Medium Term Financial Strategy

Appendix 2 Detail of Reserves as at 1st April 2012

Background Papers:

Business Rates Retention Consultation Paper: at web site
http://www.communities.gov.uk/publications/localgovernment/businessratestechnical