

# 2018/19 Summary financial report & accounts.

Council
18 September 2019

# **Summary financial report for 2018-19**

These summary accounts aims to provide a more concise and digestible version of the final audited set of accounts. This document also explains what happens to the council tax and business rates we raise locally and how we spend the money we receive in a way that is more easily understood.

Our accounts received a clean bill of health and were certified by our auditors Ernst & Young LLP on 31 July 2019 following the Audit Committee meeting of 30 July 2019.

The full set of accounts can be viewed at www.hertsmere.gov.uk

# The cost of providing services £64.8m

Day to day revenue spend

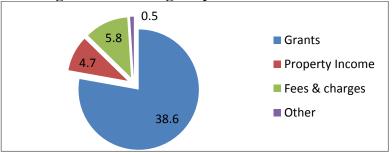
Revenue expenditure is generally spent on items that are consumed within the year. The cost of running our services is shown in our income and expenditure account.

This account is arranged in the same way the council is managed (i.e. grouped by service / activity). Also, expenditure is recorded when the cost is incurred, rather than when paid. Likewise, income is accounted for when it is due, rather than when received.

During the year the council reported £15.2m net expenditure. This consisted of gross expenditure of £64.8m whilst generating some £49.6m in income. The income generated consisted of service related grants of £38.6m with a further £11.0m from fees, charges and property related income.

The numbers in the Comprehensive Income & Expenditure account differs from our management accounts as it contains a number of items that are not routinely monitored but must be included as stipulated by statute. (i.e. depreciation, pension adjustments, property valuation movements).

Income generated during the year £49.6m



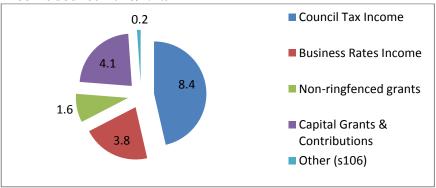
Comprehensive Income & Expenditure Account	Gross Expenditure £'000	Gross Income £'000	2018/19 Net Expenditure £'000	2017/18 Net Expenditure £'000
Asset Management	3,402	(4,826)	(1,424)	1,046
Audit & Assurance	112	-	112	121
Corporate Management	538	-	538	542
Engineering Services	610	(148)	462	468
Environmental Health	1,398	(285)	1,113	948
Finance & Business Services	39,968	(37,745)	2,223	2,403
General Expenses	764	(84)	680	606
Housing Services	3,461	(1,408)	2,053	1,696
Human Resources & Customer Services	1,394	(71)	1,323	1,162
Legal & Democratic Services	1,577	(239)	1,338	1,292
Partnerships & Community Engagement	1,537	(152)	1,385	1,465
Planning & Building Control	2,324	(946)	1,378	1,476
Street Scene Services	7,750	(3,735)	4,015	6,943
Net Cost of Services	64,835	(49,639)	15,196	20,168
Other operating income and expenditure			2,544	877
Finance/Investment income and expenditure			637	134
Other income and expenditure			3,181	1,011
Council Tax			(8,434)	(8,040)
Business Rates*			(3,795)	(3,143)
Non ring-fenced government grants			(1,582)	(2,637)
Capital Grants and other contributions			(4,104)	(2,878)
Donated Assets			(177)	(1,828)
Taxation and non-specific grant income			(18,092)	(18,526)
			285	2,653
(Surplus) / deficit on the Provision of Services	S		285	2,053

<sup>\*</sup>Includes retained income £2.942m, share of deficit -£0.204m, growth levy -£0.135m and Section 31 grants  $\pm$ 1.192m

# How did we fund the net budget?

We incurred **net** expenditure of £15.2m on running services **after** allowing for income generated and statutory adjustments. We funded the remainder of our spending (using local taxes and business rates and other grants and contributions as follows:

# Income source 2018/19 £m



#### **General Fund Position**

After taking account of all spending on services, income generated and local taxation for the year the general fund balance and earmarked reserves increased by £2.971m.

General Fund Balance	General Fund	Earmarked Reserves	Total
	£'000	£'000	£'000
Balance as at 31 March 2018	7,962	20,063	28,025
Deficit for the year on Provision of Services	114	0	114
Adjustments accounting and funding basis	2,857	0	2,857
Transfers to earmarked reserves	(2,747)	2,747	0
Change in general fund balance	224	2,747	2,971
Balance as at 31 March 2019	8,186	22,810	30,996

# - Adjustments accounting and funding basis

From the accounting cost of providing Council services, certain Statutory Regulations dictate that a number of reversals, analysed below, are applied to ensure that `certain transactions are not charged to the Council Tax Payer.

Adjustment relating to	£'000
Employee Costs	2,191
Capital Expenditure and non-current assets	1,067
Financial Instruments	50
Collection Fund Income – Council Tax & Business Rates	1,053
Transfer from revenue to capital resources	(1,105)
Adjustments accounting and funding basis	3,256

#### General Fund

The general fund balance has increased by £0.224m or 2.81%.

#### - Earmarked Reserves

Earmarked reserves stand at £22.810m, which is a net increase of £2.747m appropriated from the General Fund. Further details are shown below.

#### **Movements in earmarked reserves**

2017/18		Increase	Decrease	Net	2018/19
£'000	Project / Cause	£'000	£'000	£'000	£'000
4,376	Innovation and Investment fund	350	(2,354)	(2,004)	2,372
2,974	New Homes Bonus Equalisation Reserve	161		161	3,135
2,563	Business rates equalisation	1,639	-	1,639	4,202
1,719	Waste Services Vehicles Replacement	305	(48)	257	1,976
949	Minor revenue grants	312	(72)	240	1,189
535	Land Drainage	170	(327)	(157)	378
1,044	Housing & Council Tax Benefit Equalisation Account	678	-	678	1,722
0	Emergency Funding	2,000	(377)	1,623	1,623
580	Parking Repairs & Renewals	140	(79)	61	641
725	Non-recurring Items	98	-	98	823
463	Information Services - Infrastructure Replacement	53	(26)	27	490
560	Recycling Initiatives	139		139	699
500	Council Contribution to Pension Fund	-	-	-	500
374	Human Resources strategy	-	-	-	374
297	CIL Admin Reserve (*from below)	10		10	307
2,404	Other < £300k (ex CIL admin*)	715	(740)	(25)	2,379
20,063	Totals	6,770	(4,023)	2,747	22,810

# • New Homes Bonus Equalisation Reserve £0.161k increase from NHB grant not utilised in 2018/19 to avoid over reliance of this funding source which has already reduced due to changes to the scheme and has an uncertain future.

# • Business Rates Equalisation Reserve

Increase of £1,639k from section 31 receipts – significantly greater than planned, due to government change in calculation being managed through s31 rather than the collection fund. The surplus would appear in the collection fund if the change was in the original form. This reserve is maintained to manage fluctuations in Rateable Value and Business Rates Growth.

• Housing & Council Tax Benefit Equalisation Reserve Increase by £678k relating to receipt of housing benefit overpayments offset by costs associated with the collection and administration of the rent allowances scheme.

# • Innovation and Investment Fund

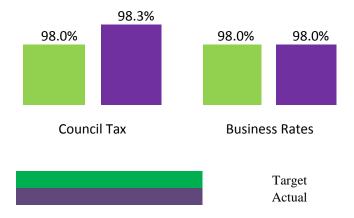
Reserve funding to finance planned capital expenditure and investment in income generating projects.

#### How much local taxation did we collect and pay out?

We collect council tax and business rates on behalf of Hertfordshire County Council, the Police and Crime Commissioner for Hertfordshire and Central Government. We also collect council tax for Parish and Town Councils. The Collection Fund account shows separately our transactions as a billing authority. Money collected from council tax and business rates are paid into the account, and payments to Hertfordshire County Council, Police and Crime Commissioner for Hertfordshire and Central Government (precepts and demands) for their services are made from it. A summary of this activity is shown below.

While we collected total council tax in 2018/19 of £1,686.40 (for an average band D property) around 10 pence in every pound was utilised by the Council, which is the equivalent of £172.32 per year or 47p per day for an average band D property in the borough. The majority share (78 per cent) went to Hertfordshire County Council, the police receive 10 per cent and parish and town councils 2 per cent. For 2018/19 we collected 98.3% Council Tax and 98.0% Business Rates due (2017/18 98.3% & 99.7%).

#### Collection Fund 2018/19 – Collection Rates



Collection Fund	2018/19 £'000	2017/18 £'000
Income from Council Tax	(70,605)	(65,592)
Income from Business Ratepayers (NNDR)	(47,402)	(46,340)
Total Income	(118,007)	(111,932)
Precepts and Demands for Council Tax	68,629	63,933
Precepts and Demands for Business Rates	45,178	43,675
Other	3,008	4,269
Contribution towards previous year's estimated Collection Fund surplus / (deficit)	5,051	2,346
Total Expenditure	121,866	114,223
(Surplus) / Deficit for the year	3,859	2,291
Movement on Fund apportioned to:		
Hertsmere Borough Council	1,056	645
Hertfordshire County Council	1,591	912
Hertfordshire Police and Crime Commissioner	155	99
Central government	1,057	635
	3,859	2,291

Of the £45.177m we budgeted to collect in business rates in 2018/19 we retained only £2.942m (£45.177 x 40% - £15.129m\* = £2.942m) which is then subject to an additional levy relating to business rates growth.

\*Central government assesses our share according to what the local community needs and sets a pre-determined funding level. It then applies a tariff, which is the amount by which our share exceeds that funding level. For 2018/19 the tariff was set at £15.129m (2017/18 £14.600m)

# Capital spending

# How much did we invest in our assets?

We also spend money on purchasing, upgrading and improving assets such as land, buildings and equipment. We receive the benefit of capital expenditure over a period of time greater than one year. As such we have to account for this type of spending separately from the running of day-to-day services.

Capital Spending	£'000
Asset Management	878
Environmental Health (including disabled access grants)	1,017
Street Scene and Park Services	890
Finance and Business Services	281
Partnership & Community Engagement	3,190
Housing Services	402
	6,658

# How did we pay?

We invested £6.658m in our assets and this is how we paid for it.

•	Capital Receipts	£0.171m
•	Reserves	£0.822m
•	Borrowing	£3.190m
•	Grants (incl. s106)	£2.475m

# What was our cash movement for the year?

The **Cash flow** shows the amount of cash that has passed through the authority during the year.

Cash equivalents	2018/19 £'000	2017/18 £'000
Cash and cash equivalents at start of year	4,567	3,178
Net inflow / (outflow) of cash	4,471	1,389
Cash and cash equivalents at end of year	9,038	4,567

<sup>\*</sup> Cash equivalents are investments held for three months or less

Investments	2018/19 £'000	2017/18 £'000
Investments at start of year	51,088	46,084
Net inflow / (outflow) of cash	(6,938)	5,004
Investments at end of year	44,150	51,088

<sup>\*</sup> Investments are held for longer than three months

#### What are we worth?

At the end of each financial year, we draw up a balance sheet that represents how much Hertsmere's assets are worth, what is owed to us, what we owe to others and how much cash we have.

Assets / (Liabilities)	2018/19 £'000	2017/18 £'000
Value of assets held (includes property, plant and equipment, heritage assets, investment properties and intangible assets)	141,917	135,229
Cash and investments (includes investments £44.150m, cash/cash equivalents £9.038m and inventories £0.116m)	53,304	55,761
Money owed by the council (includes creditors £8.536m, provisions £3.669m, capital grants received in advance £8.822m, other long term liabilities £0.400m and pension liabilities £40.691m)	(62,118)	(59,208)
Money owed to the council (includes Long term debtors £6.211m and Short term debtors £5.165m)	11,376	7,403
Total assets less total liabilities	144,479	139,185

# **Further Information**

Our Statement of Accounts has been prepared in accordance with the accounting Code of Practice and has been audited by Ernst & Young LLP.

Our auditors concluded that we have put in place proper arrangements to secure value for money in our use of resources

This summary has been produced from this audited statement with some changes made for purely presentational purposes. A full Statement of Accounts, including the Auditor's opinion, is available on our website: www.hertsmere.gov.uk

If you have any questions or would like a copy sent to you, please write to:

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