



2017/18 Summary financial report & accounts – Audit Committee 30 July 2018

Summary financial report for 2017-18

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 30 July 2018 at the Audit Committee meeting.

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

The cost of providing services £72.0m

Day to day revenue spend

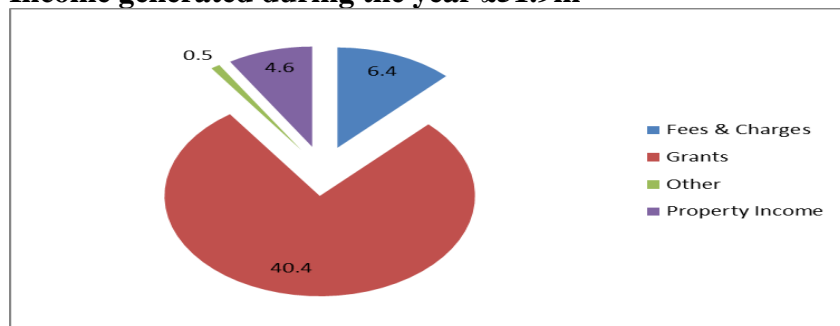
Revenue expenditure is generally spent on items that are consumed within the year. The cost of running our services is shown in our income and expenditure account.

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 £20.1m net expenditure. This consisted of gross expenditure of £72.0m whilst generating some £51.9m in income. The income generated consisted of service related grants of £40.4m with a further £11.5m 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 £51.9m

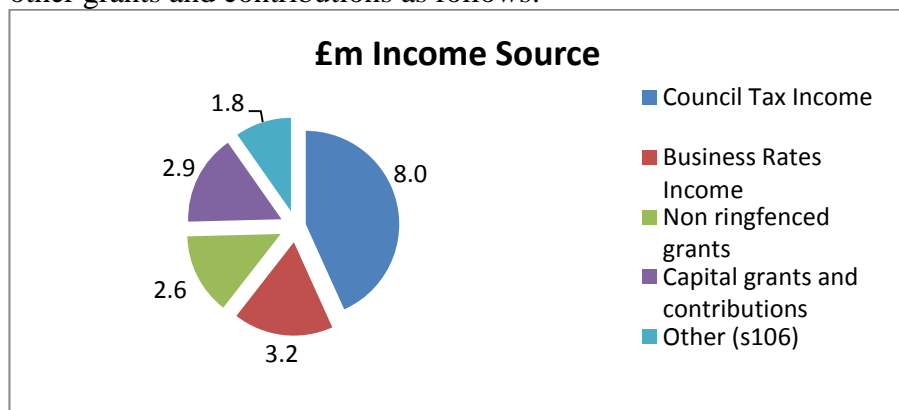


Comprehensive Income & Expenditure Account	Gross Expenditure £'000	Gross Income £'000	2017/18 Net Expenditure £'000	2016/17 Net Expenditure £'000
Asset Management	5,634	(4,588)	1,046	2,469
Audit & Assurance	121	0	121	109
Corporate Management	542	0	542	760
Engineering Services	847	(379)	468	385
Environmental Health	1,224	(276)	948	850
Finance & Business Services	41,968	(39,565)	2,403	2,127
General Expenses	790	(184)	606	334
Housing Services	3,249	(1,553)	1,696	1,595
Human Resources & Customer Services	1,434	(272)	1,162	979
Legal & Democratic Services	1,862	(570)	1,292	1,092
Partnerships & Community Engagement	1,664	(199)	1,465	2,258
Planning & Building Control	2,387	(911)	1,476	1,414
Street Scene Services	10,339	(3,396)	6,943	3,916
Net Cost of Services	72,061	(51,893)	20,168	18,288
Other operating income and expenditure			877	373
Finance/Investment income and expenditure			134	(93)
Other income and expenditure			1,011	280
Council Tax			(8,040)	(7,752)
Business Rates*			(3,143)	(4,519)
Non ring-fenced government grants			(2,637)	(3,611)
Capital Grants and other contributions			(2,878)	(5,387)
Donated Assets			(1,828)	(564)
Taxation and non-specific grant income			(18,526)	(21,833)
(Surplus) / deficit on the Provision of Services			2,653	(3,265)

*Includes retained income £2.870m, share of deficit -£0.509m, growth levy -£0.387m and Section 31 grants £1.169m

How did we fund the net budget?

We incurred **net** expenditure of £20.1m 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:



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 £1.335m.

General Fund Balance	General Fund £'000	Earmarked Reserves £'000	Total £'000
Balance as at 31 March 2017	7,902	18,788	26,690
Deficit for the year on Provision of Services	(2,653)	0	(2,653)
Adjustments accounting and funding basis	3,988	0	3,988
Transfers to earmarked reserves	(1,275)	1,275	0
Change in general fund balance	60	1,275	1,335
Balance as at 31 March 2018	7,962	20,063	28,025

- 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	1,864
Capital Expenditure and non-current assets	3,490
Collection Fund Income – Council Tax & Business Rates	648
Transfer from revenue to capital resources	(2,014)
Adjustments accounting and funding basis	3,988

- General Fund

The general fund balance has increased by £0.06m or 1%.

- Earmarked Reserves

Earmarked reserves stand at £20.063m, which is a net increase of £1.275m appropriated from the General Fund. Further details are shown below.

Movements in earmarked reserves

2016/17		Increase	Decrease	Net	2017/18
£'000	Project / Cause	£'000	£'000	£'000	£'000
5,085	Innovation and Investment fund	50	(759)	(709)	4,376
2,156	New Homes Bonus Equalisation Reserve	824	(6)	818	2,974
1,666	Business rates equalisation	897	-	897	2,563
1,446	Waste Services Vehicles Replacement	305	(32)	273	1,719
987	Minor revenue grants	246	(284)	(38)	949
894	Land Drainage	115	(474)	(359)	535
634	Housing & Council Tax Benefit Equalisation Account	410	-	410	1,044
630	Parking Repairs & Renewals	150	(200)	(50)	580
625	Non-recurring Items	100	-	100	725
543	Information Services - Infrastructure Replacement	-	(80)	(80)	463
522	Recycling Initiatives	82	(44)	38	560
500	Council Contribution to Pension Fund	-	-	-	500
480	Human Resources strategy	-	(106)	(106)	374
2,620	Other < £300k	858	(777)	81	2,701
18,788	Totals	4,037	(2,762)	1,275	20,063

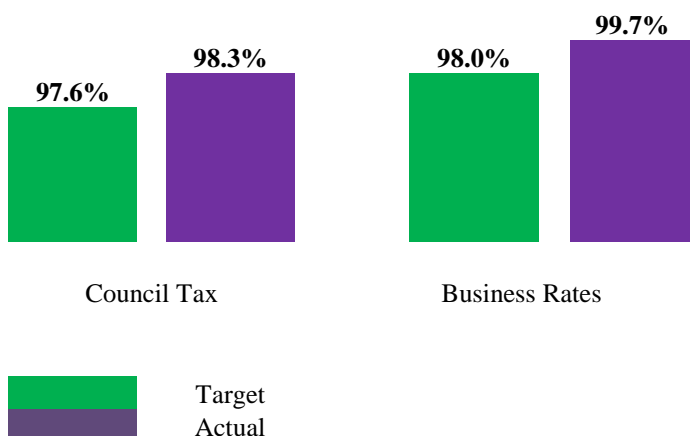
- **New Homes Bonus Equalisation Reserve**
£0.818k increase from NHB grant not utilised in 2017/18 to avoid over reliance of this funding source which has already reduced due to changes to the scheme and has an uncertain future.
- **Business Rates Equalisation Reserve**
Increase of £897k from unplanned section 31 receipts. This reserve is maintained to manage fluctuations in Rateable Value and Business Rates Growth.
- **Housing & Council Tax Benefit Equalisation Reserve**
Increase by £410k 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 2017/18 of £1,594.36 (for an average band D property) just over 10 pence in every pound was utilised by the Council, which is the equivalent of £167.31 per year or 46p 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 2017/18 we collected 98.3% Council Tax and 99.7% Business Rates due (2016/17 98.5% & 99.1%).

Collection Rates – 2017/18



Collection Fund	2017/18 £'000	2016/17 £'000
Income from Council Tax	(65,592)	(62,181)
Income from Business Ratepayers (NDR)	(46,340)	(48,175)
Total Income	(111,932)	(110,356)
Precepts and Demands for Council Tax	63,933	60,216
Precepts and Demands for Business Rates	43,675	47,104
Other	4,269	(884)
Contribution towards previous year's estimated Collection Fund surplus / (deficit)	2,346	1,303
Total Expenditure	114,223	107,739
(Surplus) / Deficit for the year	2,291	(2,617)
Movement on Fund apportioned to:		
Hertsmere Borough Council	645	(883)
Hertfordshire County Council	912	(669)
Hertfordshire Police and Crime Commissioner	99	(52)
Central government	635	(1,013)
	2,291	(2,617)

Of the £43.675m we budgeted to collect in business rates in 2017/18 we retained only £2.870m ($£43.675 \times 40\% - *£14,600m = £2.870m$) 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 2017/18 the tariff was set at £14.600m (2016/17 £15.217m)*

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	650
Planning and Building Control	17
Environmental Health (including disabled access grants)	955
Street Scene and Park Services	310
Finance and Business Services	217
Housing Services	1,780
	3,929

How did we pay?

We invested £3.929m in our assets and this is how we paid for it.

- Capital Receipts £0.466m
- Reserves £0.964m
- Revenue contribution £0.015m
- Grants (incl. s106) £1.104m
- Donated Assets £1.380m

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	2017/18 £'000	2016/17 £'000
Cash and cash equivalents at start of year	3,178	11,801
Net inflow / (outflow) of cash	1,389	(8,623)
Cash and cash equivalents at end of year	4,567	3,178

* Cash equivalents are investments held for three months or less

Investments	2017/18 £'000	2016/17 £'000
Investments at start of year	46,084	30,069
Net inflow / (outflow) of cash	5,004	16,015
Investments at end of year	51,088	46,084

* 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)	2017/18 £'000	2016/17 £'000
Value of assets held (includes property, plant and equipment, heritage assets, investment properties and intangible assets)	135,229	134,446
Cash and investments (includes investments £51.088m, cash/cash equivalents £4.567m and inventories £0.106m)	55,761	49,363
Money owed by the council (includes creditors £11.492m, provisions £3.184m, capital grants received in advance £8.623m, other long term liabilities £0.400m and pension liabilities £35.509m)	(59,208)	(60,644)
Money owed to the council (includes Long term debtors £3.169m and Short term debtors £4.234m)	7,403	9,050
Total assets less total liabilities	139,185	132,215

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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