

2019/20 Summary Financial Report & Accounts

Council
26 January 2021

Summary financial report for 2019-20

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 25 November 2020 following the Audit Committee meeting of 30 July 2020.

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

The cost of providing services £61.2m

Day to day revenue spend

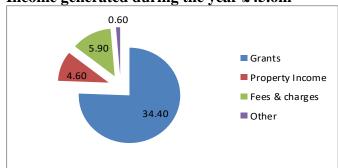
Revenue expenditure is generally spent on items that are consumed within the year. The cost of running our services is shown in our income and expenditure account.

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 £15.6m net expenditure. This consisted of gross expenditure of £61.2m whilst generating £45.6m in income. The income generated consisted of service related grants of £34.4m with a further £11.2m 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 £45.6m



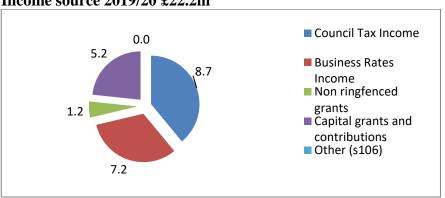
| Comprehensive Income & Expenditure Account | Gross Expenditure £'000 | Gross Income £'000 | 2019/20 Net Expenditure £'000 | 2018/19 Net Expenditure £'000 |
|--------------------------------------------------|-------------------------------|--------------------------|-------------------------------------|-------------------------------------|
| Asset Management | (2,510) | 4,779 | 2,269 | 1,424 |
| Audit & Assurance | (113) | - | (113) | (112) |
| Corporate Management | (686) | - | (686) | (538) |
| Engineering Services | (564) | 153 | (411) | (462) |
| Environmental Health | (1,343) | 312 | (1,031) | (1,113) |
| Finance & Business Services | (35,499) | 32,996 | (2,503) | (2,223) |
| General Expenses | (423) | 144 | (279) | (680) |
| Housing Services | (3,387) | 1,399 | (1,988) | (2,053) |
| Human Resources & Customer Services | (1,430) | 89 | (1,341) | (1,323) |
| Legal & Democratic Services | (2,196) | 632 | (1,564) | (1,338) |
| Partnerships & Community Engagement | (1,634) | 244 | (1,390) | (1,385) |
| Planning & Building Control | (3,123) | 1,262 | (1,861) | (1,378) |
| Street Scene Services | (8,251) | 3,576 | (4,675) | (4,015) |
| Net Cost of Services | (61,159) | 45,586 | (15,573) | (15,196) |
| | | | (2.22.1) | (2.2.1) |
| Other operating income and expenditure | | | (2,251) | (2,544) |
| Finance/Investment income and expenditure | | | 946 | (637) |
| Other income and expenditure | | | (1,305) | (3,181) |
| Council Tax | | | 8,720 | 8,434 |
| Business Rates* | | | 7,126 | 3,795 |
| Non ring-fenced government grants | | | 1,155 | 1,582 |
| Capital Grants and other contributions | | | 5,178 | 4,104 |
| Donated Assets | | | 6 | 177 |
| Taxation and non-specific grant income | | | 22,185 | 18,092 |
| Surplus / (deficit) on the Provision of Services | | | 5,307 | (285) |

^{*}Includes retained income £2.7m, share of surplus £1.7m, Section 31 grants £1.5m and share of business rates pilot £1.2m

How did we fund the net budget?

We incurred **net** expenditure of £15.6m 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 2019/20 £22.2m



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 £0.893m.

| General Fund Balance | General Fund | Earmarked Reserves | Total |
|-----------------------------------------------|-----------------|-----------------------|---------|
| | £'000 | £'000 | £'000 |
| Balance as at 31 March 2019 | 8,186 | 22,810 | 30,996 |
| Surplus for the year on Provision of Services | 5,307 | - | 5,307 |
| Adjustments accounting and funding basis | (4,414) | T | (4,414) |
| Transfers to earmarked reserves | (770) | 770 | • |
| Change in general fund balance | 123 | 770 | 893 |
| | | | |
| Balance as at 31 March 2020 | 8,309 | 23,580 | 31,889 |

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 | 2,130 |
| Capital Expenditure and non-current assets | (1,696) |
| Financial Instruments | 144 |
| Collection Fund Income – Council Tax & Business Rates | (2,493) |
| Transfer from revenue to capital resources | (2,499) |
| Adjustments accounting and funding basis | (4,414) |

General Fund

The general fund balance has increased by £0.123m or 1.5%.

Earmarked Reserves

Earmarked reserves stand at £23.580m, which is a net increase of £0.770m appropriated from the General Fund. Further details are shown below.

Movements in earmarked reserves

| 2018/19 | | Increase | Decrease | Net | 2019/20 |
|---------|-------------------------------------------------------|----------|----------|-------|---------|
| £'000 | Project / Cause | £'000 | £′000 | £′000 | £′000 |
| 2,372 | Innovation and Investment fund | 56 | (496) | (440) | 1,932 |
| 3,135 | New Homes Bonus Equalisation Reserve | 38 | (280) | (242) | 2,893 |
| 4,202 | Business rates equalisation | 1,758 | (123) | 1,635 | 5,837 |
| 1,976 | Waste Services Vehicles Replacement | 305 | (980) | (675) | 1,301 |
| 1,189 | Minor revenue grants | 783 | (259) | 524 | 1,713 |
| 378 | Land Drainage | 15 | (100) | (85) | 293 |
| 1,722 | Housing & Council Tax Benefit Equalisation Account | 426 | (124) | 302 | 2,024 |
| 1,623 | Emergency Funding | - | (78) | (78) | 1,545 |
| 641 | Parking Repairs & Renewals | 140 | | 140 | 781 |
| 823 | Non-recurring Items | 92 | - | 92 | 915 |
| 490 | Information Services - Infrastructure Replacement | 26 | (239) | (213) | 277 |
| 699 | Recycling Initiatives | 48 | | 48 | 747 |
| 500 | Council Contribution to Pension Fund | - | - | - | 500 |
| 374 | Human Resources strategy | 23 | (140) | (117) | 257 |
| 307 | Parks Play Equipment | 10 | (21) | (11) | 296 |
| 2,379 | Other < £300k | 821 | (931) | (110) | 2,269 |
| 22,810 | Totals | 4,541 | (3,771) | 770 | 23,580 |

• Business Rates Equalisation Reserve

Increase of £1,635k 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. There was £123k drawdown of the reserve to fund the development of the council's revenue and benefits system.

• Housing & Council Tax Benefit Equalisation Reserve Increase of £426k relating to receipt of housing benefit

overpayments offset by costs associated with the collection and administration of the rent allowances scheme. £124k was used to finance capital expenditure, giving a net increase of £302k.

• Innovation and Investment Fund

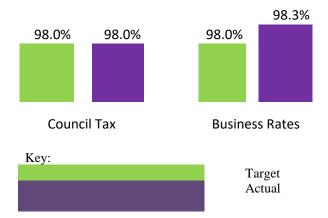
Reserve funding to finance planned capital expenditure and investment in income generating projects.

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 2019/20 of £1,755.19 (for an average band D property) around 10 pence in every pound was utilised by the Council, which is the equivalent of £177.34 per year or 49p per day for an average band D property in the borough. The majority share (77 per cent) went to Hertfordshire County Council, the police receive 11 per cent and parish and town councils 2 per cent. For 2019/20 we collected 98.0% Council Tax and 98.3% Business Rates due (2018/19 98.3% & 98.0%).

Collection Fund 2019/20 – Collection Rates



| Collection Fund | 2019/20 £'000 | 2018/19 £'000 |
|------------------------------------------------------------------------------------|------------------|------------------|
| Income from Council Tax | 74,411 | 70,605 |
| Income from Business Ratepayers (NNDR) | 48,336 | 47,402 |
| Total Income | 122,747 | 118,007 |
| | | |
| Precepts and Demands for Council Tax | (72,444) | (68,629) |
| Precepts and Demands for Business Rates | (45,321) | (45,178) |
| Other | 1,520 | (3,008) |
| Contribution towards previous year's estimated Collection Fund surplus / (deficit) | 1,752 | (5,051) |
| Total Expenditure | (114,493) | (121,866) |
| | | |
| Surplus / (Deficit) for the year | 8,254 | (3,859) |
| | | |
| Movement on Fund apportioned to: | | |
| Hertsmere Borough Council | 2,492 | (1,056) |
| Hertfordshire County Council | 3,678 | (1,591) |
| Hertfordshire Police and Crime Commissioner | 207 | (155) |
| Central government | 1,877 | (1,057) |
| Net Total | 8,254 | (3,859) |

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 | 2,957 |
| Planning and Economic Development | 681 |
| Environmental Health (including disabled access grants) | 1,047 |
| Street Scene and Park Services | 1,158 |
| Finance and Business Services | 590 |
| Housing and Partnerships | 1,810 |
| Human Resources and Customer Services | 75 |
| | 8,318 |

How did we pay?

We invested £8.318m in our assets and this is how we paid for it.

| • | Capital Receipts | £2.255m |
|---|---------------------|---------|
| • | Reserves | £2.064m |
| • | Borrowing | £1.810m |
| • | Grants (incl. s106) | £2.114m |
| • | Revenue | £0.075m |

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 | 2019/20 £'000 | 2018/19 £'000 |
|--------------------------------------------|------------------|------------------|
| Cash and cash equivalents at start of year | 9,038 | 4,567 |
| Net inflow / (outflow) of cash | 1,451 | 4,471 |
| Cash and cash equivalents at end of year | 10,489 | 9,038 |

^{*} Cash equivalents are investments held for three months or less

| Investments | 2019/20 £'000 | 2018/19 £'000 |
|--------------------------------|------------------|------------------|
| Investments at start of year | 44,150 | 51,088 |
| Net inflow / (outflow) of cash | 7,032 | (6,938) |
| Investments at end of year | 51,182 | 44,150 |

^{*} Investments 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) | 2019/20 £'000 | 2018/19 £'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Value of assets held (includes property, plant and equipment, heritage assets, investment properties and intangible assets) | 148,617 | 141,917 |
| Cash and investments (includes investments £51.182m, cash/cash equivalents £10.489m and inventories £0.101m) | 61,772 | 53,304 |
| Money owed by the council (includes creditors £15.065m, provisions £2.301m, capital grants received in advance £10.344m, other long term liabilities £0.430m and pension liabilities £27.446m) | (55,586) | (62,118) |
| Money owed to the council (includes Long term debtors £7.212m and Short term debtors £6.734m) | 13,946 | 11,376 |
| Total assets less total liabilities | 168,749 | 144,479 |

Further Information

Our Statement of Accounts has been prepared in accordance with the accounting Code of Practice and was 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 was produced from the 2019/20 audited statement of accounts with some changes made for purely presentational purposes.

The 2019/20 Statement of Accounts, including the Auditor's opinion, is available on our website:

http://www.hertsmere.gov.uk

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

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