



2016/17 Summary Financial Report & Accounts

Summary financial report for 2016-17

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 2017 at the Audit Committee meeting.

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

The cost of providing services £71.4m

Day to day revenue spend

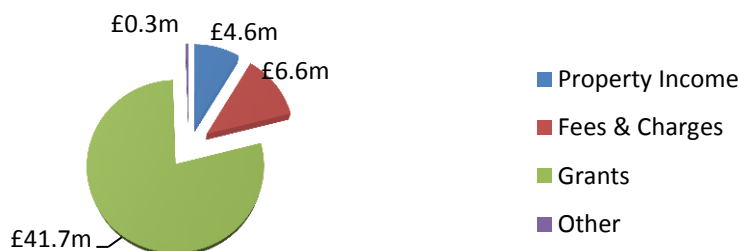
Revenue expenditure is generally spent on items that are consumed within the year. The cost of running our services is shown in our income and expenditure account.

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 £18.2m net expenditure. This consisted of gross expenditure of £71.4m (£41m related to Housing Benefit Payments) whilst generating some £53.2m in income. The income generated consisted of service related grants of £43m with a further £10m 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 £53.2m

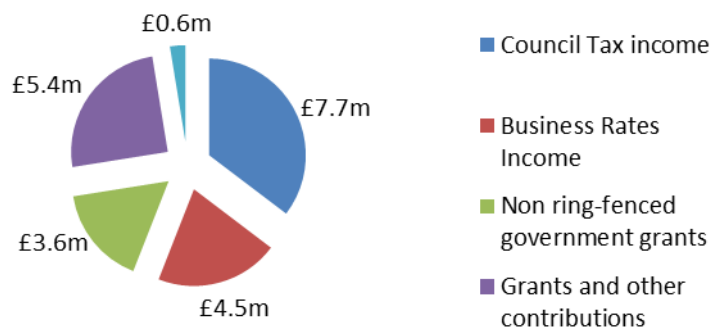


Comprehensive Income & Expenditure Account	Gross Expenditure £'000	Gross Income £'000	2016/17 Net Expenditure £'000	2015/16 Net Expenditure £'000
Asset Management	7,264	(4,795)	2,469	1,389
Audit & Assurance	109	0	109	111
Corporate Management	760	0	760	624
Engineering Services	720	(335)	385	405
Environmental Health	1,187	(337)	850	889
Finance & Business Services	43,085	(40,958)	2,127	1,906
General Expenses	451	(117)	334	384
Housing Services	2,641	(1,046)	1,595	1,303
Human Resources & Customer Services	1,263	(284)	979	1,052
Legal & Democratic Services	1,682	(590)	1,092	1,180
Partnerships & Community Engagement	2,581	(323)	2,258	1,524
Planning & Building Control	2,524	(1,110)	1,414	930
Street Scene Services	7,222	(3,306)	3,916	4,194
Net Cost of Services	71,489	(53,201)	18,288	15,891
Other operating income and expenditure			373	360
Finance/Investment income and expenditure			(93)	299
Other income and expenditure			280	659
Council Tax			(7,752)	(7,311)
Business Rates*			(4,519)	(2,838)
Non ring-fenced government grants			(3,611)	(3,916)
Capital Grants and other contributions			(5,387)	(886)
Donated Assets			(564)	(1,974)
Taxation and non-specific grant income			(21,833)	(16,925)
Surplus on the Provision of Services			(3,265)	(375)

*Includes retained income £3.62m, share of surplus £0.88m, growth levy -£0.41m and Section 31 grants £0.42m

How did we fund the net budget?

We incurred **net** expenditure of £18.2m 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:



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 £2.133m.

General Fund Balance	General Fund £'000	Earmarked Reserves £'000	Total £'000
Balance as at 31 March 2016	7,698	16,859	24,557
Surplus for the year on Provision of Services	3,265	0	3,265
Adjustments accounting and funding basis	(1,132)	0	(1,132)
Transfers to earmarked reserves	(1,929)	1,929	0
Change in general fund balance	204	1,929	2,133
Balance as at 31 March 2017	7,902	18,788	26,690

- 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	270
Capital Expenditure and non-current assets	2,180
Collection Fund Income – Council Tax & Business Rates	(882)
Transfer from revenue to capital resources	(2,700)
Adjustments accounting and funding basis	(1,132)

- General Fund

The general fund balance has increased by £0.2m or 2%, which is in line with inflation for the year and in accordance with the guidelines set out in our financial strategy.

- Earmarked Reserves

Earmarked reserves stand at £18.7m, which is a net increase of £1.9m appropriated from the General Fund. Further details are shown below.

Movements in earmarked reserves

2015/16		Increase	Decrease	Net	2016/17
£'000	Project / Cause	£'000	£'000	£'000	£'000
5,016	Innovation and Investment fund	659	(590)	69	5,085
968	New Homes Bonus Equalisation Reserve	1,188	-	1,188	2,156
1,015	Business rates equalisation	738	(87)	651	1,666
1,279	Waste Services Vehicles Replacement	328	(161)	167	1,446
869	Minor revenue grants	247	(129)	118	987
1,243	Land Drainage	188	(537)	(349)	894
455	Housing & Council Tax Benefit Equalisation Account	179	-	179	634
485	Parking Repairs & Renewals	480	(335)	145	630
485	Non-recurring Items	140	-	140	625
592	Information Services - Infrastructure Replacement	18	(67)	(49)	543
522	Recycling Initiatives	-	-	-	522
1,000	Council Contribution to Pension Fund	-	(500)	(500)	500
500	Human Resources strategy	-	(20)	(20)	480
2,430	Other < £300k	831	(641)	190	2,620
16,859	Totals	4,996	(3,067)	1,929	18,788

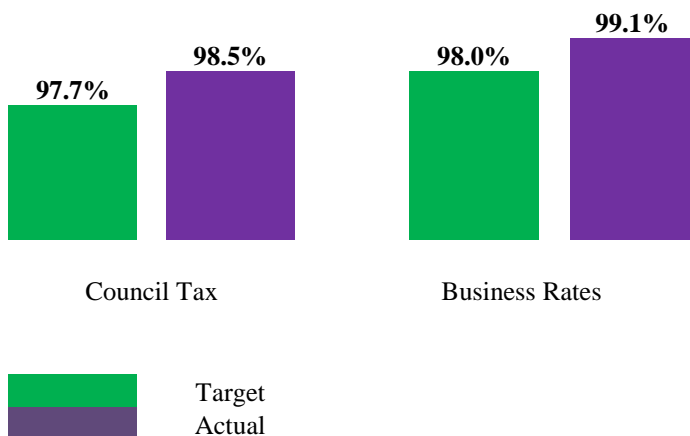
- **New Homes Bonus Equalisation Reserve**
£1.1m increase from NHB grant not utilised in 2016/17 to avoid over reliance this funding source which is due to be phased out over the next few years.
- **Business Rates Equalisation Reserve**
Increase by £738k following a one off gain from the Hertfordshire pool.
- **Housing & Council Tax Benefit Equalisation Reserve**
Increase by £179k relating to receipt of housing benefit overpayments offset by a costs associated with the collection and administration of the rent allowances scheme.
- **Council contribution to Pension Fund**
One-off contribution to reduce the annual pension contributions (for the next three years) until the next triannual valuation.

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 2016/17 of £1,524.62 (for an average band D property) just 11 pence in every pound was utilised by the Council, which is the equivalent of £162.31 per year or 45p 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 10 per cent and parish and town councils 2 per cent. For 2016/17 we collected 98.5% Council Tax and 99.1% Business Rates due (2015/16 97.7% & 98%)

Collection Rates



Collection Fund	2016/17 £'000	2015/16 £'000
Income from Council Tax	(62,181)	(59,326)
Income from Business Ratepayers (NNDR)	(48,175)	(47,462)
Total Income	(110,356)	(106,788)
Precepts and Demands for Council Tax	60,216	57,309
Precepts and Demands for Business Rates	47,104	46,167
Other	(884)	3,791
Contribution towards previous year's estimated Collection Fund surplus / (deficit)	1,303	5,383
Total Expenditure	107,739	112,650
(Surplus) / Deficit for the year	(2,617)	5,862
Movement on Fund apportioned to:		
Hertsmere Borough Council	(883)	2,279
Hertfordshire County Council	(669)	736
Hertfordshire Police and Crime Commissioner	(52)	32
Central government	(1,013)	2,815
	(2,617)	5,862

Of the £47.104m we budgeted to collect in business rates in 2016/17 we retained only £3.624m which is then subject to an additional levy relating to business rates growth. ($£47.104 \times 40\% - *£15,217m = £3.624m$).

**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 2016/17 the tariff was set at £15.217m (2015/16 £15.091m)*

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
Replacement of refuse and recycling services	140
Works to Council owned properties	167
Disability access grants	717
Development of housing	617
Other projects	651
Refurbishment of car parks	315
S106 schemes	436
Enhancement of facilities at Elstree Studios	103
	3,146

How did we pay?

We invested £3.146m in our assets and this is how we paid for it.

- Capital Receipts £0.542m
- Reserves £1.095m
- Revenue contribution £0.029m
- Grants £0.774m
- S106 £0.706m

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	2016/17 £'000	2015/16 £'000
Cash and cash equivalents at start of year	11,801	17,544
Net inflow / (outflow) of cash	(8,623)	(5,743)
Cash and cash equivalents at end of year	3,178	11,801

* Cash equivalents are investments held for three months or less

Investments	2016/17 £'000	2015/16 £'000
Investments at start of year	30,069	20,019
Net inflow / (outflow) of cash	16,015	10,050
Investments at end of year	46,084	30,069

* 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.

Net assets	2016/17 £'000	2015/16 £'000
Value of assets held (includes property, plant and equipment, heritage assets, investment properties, intangible assets and investments)	134,446	114,942
Cash and investments (includes investments £46.084m, cash/cash equivalents £3.178m and inventories £0.081m)	49,363	41,972
Money owed by the council (includes creditors £13.332m, provisions £1.296m, capital grants received in advance £7.801m, pension liabilities £38.215m)	(60,644)	(55,062)
Money owed to the council (includes Long term debtors £2,958 and Short term debtors £6.092m)	9,050	8,540
Total assets less total liabilities	132,215	110,392

Further Information

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

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:

Corporate Director
Civic Offices, Elstree Way
Borehamwood
Hertfordshire WD6 1WA