



Hertsmere Borough Council
Statement of Accounts
For the Year Ended 31 March 2015

Primary Statements only

Explanatory Foreword

Overview from the Director of Resources

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2014/15. Compared to metropolitan boroughs, Hertsmere Borough Council is a small council with a population just over 100,000 and is made up of distinctly individual communities and several smaller settlements. Although the Council is located within Hertfordshire, it faces many similar challenges to those faced by its neighbouring London boroughs. Its close proximity to the city also brings its own challenges, particularly when the Council competes for highly skilled labour in an area paying London weighted salaries that can only be offered by the larger London Boroughs.

The Council is continuing with its programme of continuous improvement in performance and service delivery. Key to this is the maintenance of the Corporate Governance framework. The Council's Annual Governance Statement provides further details of the strategies to achieve this which have been developed and reviewed during the year. The Audit Committee, which meets quarterly and is attended by the external auditors, works to promote and safeguard financial probity throughout the Council.

The Accounts and Audit Regulations (England) 2011 require the Statement of Accounts to be certified as true and fair by the Chief Financial Officer by 30 June and approved, audited and published by 30 September each year. The Annual Governance Statement, which is also included earlier in this report, has been approved by each of the Executive, Audit and Standards committees.

Once again I would like to take this opportunity to thank formally the Head of Finance and Business Services and all the finance staff and service managers for their assistance in preparing these accounts, and for their support throughout the year.

If you would like to have any further information on the accounts, you can forward details of your request to the Council by post using the following address:

Director of Resources
Civic Offices
Elstree Way
Borehamwood
Hertfordshire
WD6 1WA

You may wish to send your query by using our website (www.hertsmere.gov.uk).

How we have managed the Council's resources in 2014/15

Managing Resources

In 2014/15 the budget for the Council's cost of services was set at £12,295k after funding from reserves. The actual spend for the year is £11,761k, which has resulted in an overall favourable variance of £534k as follows:

How the Council's Resources have been Managed in 2014/15				
Services:	Spending 2014/15			Explanation for Variance: Favourable / (Adverse)
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Cultural & related: Museums & galleries, theatres, recreation and sport facilities, allotments, community centres, tourism, parks and open spaces.	3,181	3,077	104	Net savings on premises-related expenditure.
Environmental: Cemeteries, churchyards, food safety, pollution reduction, health & safety, pest control, public health, licensing, community safety, flood defence, household & trade waste collection, recycling and street cleansing.	4,984	4,913	71	Net fluctuations in income: trade and clinical waste income were above budget and landfill charges were saved but paper recycling income fell considerably below budget.
Planning & development: Building regulations & control, development control, local & regional planning, environmental initiatives, economic and community development.	(318)	(251)	(67)	Increase in income from planning application fees offset by shortfall in income from commercial properties due to vacancies.
Highways, roads and transport: Routine maintenance of footpaths and unadopted highways, street lighting, traffic management, road safety and public parking services.	(70)	(119)	49	Effect of higher than budgeted income from parking (set aside to fund capital expenditure on car parks) plus savings on staff costs (before the allocation of overheads)
Housing: Housing strategy, private sector housing renewal, homelessness, housing benefits, administration costs and other housing property.	381	334	47	Demand for homeless temporary accommodation rose but remained below budget
Central: Democratic representation & corporate management, collection of local taxes, registration of electors, conducting elections, emergency planning, and local land charges.	4,174	3,844	330	Contingency sum was partly unspent; court costs in excess of budget were recovered.

	Spending 2014/15			
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Net cost of services	12,332	11,798	534	
Less: Transfer from reserves	(37)	(37)	-	
Surplus before final adjustments	12,295	11,761	534	

Reconciliation from the Financial Monitoring Report to the Statement of Accounts

In order to arrive at the increase in the council fund reported in the final Statement of Accounts, a number of adjustments have been made to the year end financial monitoring report previously reported:

	£'000	2014/15 £'000
Surplus per Financial Monitoring Report before year-end adjustments		534
Monitoring adjustments:		
Hertsmere's share of growth in business rates income	922	
Hertsmere's share of surplus on collection of council tax	209	
One-off VAT recovery in respect of trade waste collection	55	
Engineering income in excess of budget	45	
Housing and council tax benefit grant claim:		
Deficit on claim	(58)	
Drawn from equalisation reserve	58	
Elstree Film Studios (EFS):		
Additional income billed	250	
Transfer to reserves to fund current and future capital programme	(250)	
Contribution to innovation and investment fund	(738)	
Contribution to business rates equalisation reserve	(427)	
Set aside to fund one-off pension fund contribution	(500)	
Other minor adjustments	43	
Total monitoring adjustments		(391)
Adjusted Financial Monitoring Report surplus		143
Accounting adjustments:		
Timing difference: the accounting arrangements for council tax and business rates (NNDR) mean first that the effect of recognising surpluses on collection are deferred for up to two years and second that the majority of the deficit incurred on the collection of business rates in 2013/14 is now being charged to the council fund		(3,555)
Decrease in the council fund for the year		(3,412)

The movement in the Council fund for the year does not equate to the deficit on provision of services of £484k shown in the Comprehensive Income and Expenditure Statement on page 15. This statement, which is prepared in accordance with generally accepted accounting practice, shows the accounting cost in the year of providing services, rather than the amount to be funded from taxation. In the Movement in Reserves Statement (or MiRS), any transactions which cannot be charged to taxation are removed; a good example is the charge for depreciation of the Council's assets. However, other transactions which statutory regulations require to be included are then charged in the MiRS, for example purchasing capital items using a contribution from revenue.

The following table reconciles the surplus on provision of services for the year to the movement in the Council fund.

	£'000	2014/15 £'000
Deficit on provision of services per Comprehensive Income and Expenditure Statement		(484)
Accounting adjustments in MiRS:		
Add back depreciation and other charges associated with capital items	5,280	
Add back decrease in value of investment properties	110	
Deduct increase in value of property, plant and equipment	(142)	
Deduct funding from capital grants and contributions	(1,360)	
Deduct capital expenditure which is funded by a contribution from revenue	(852)	
Transfer receipts from sales of assets to capital receipts reserve	(547)	
Add back actuary's calculation of the total charge for pension benefits:		
- Current service cost	1,616	
- Net interest expense	1,387	
Deduct pension fund contributions actually payable by the Council	(2,070)	
Effect of timing differences on recognition of Collection Fund results:		
Transfer the surpluses on the Collection Fund for 2014/15 to the Collection Fund Adjustment Account:		
- NNDR	(1,568)	
- Council Tax	(209)	
Transfer the (deficit)/surplus on the Collection Fund for previous years from the Collection Fund Adjustment Account		
- NNDR	(1,858)	
- Council Tax	80	
Other minor adjustments	(5)	
Total accounting adjustments (Note 15)		(138)
Net decrease in Council fund before transfers to or from earmarked reserves		(622)
Net transfer to earmarked reserves (Note 33)		(2,790)
Movement in the Council fund for the year		(3,412)

Statement of Accounts

The Council's financial statements for the year ended 31 March 2015 are set out following the explanatory foreword. Where appropriate, figures for 2013/14 are also shown to enable comparisons between the two years.

Under provisions contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the Statement of Accounts for 2014/15 has been made available for inspection.

In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible for the task are disclosed in the Statement of Responsibilities.

The core statements included within the Statement of Accounts consist of:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement (below). These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase/(Decrease) before transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.) The second category of reserves comprises those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities (i.e., those that raise bills for council tax and business rates) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and business rates.

Group Accounts

The Council does not produce group accounts on the grounds that the results of the subsidiaries in which it holds investments are not material to an understanding of the Council's results. A summary of the balance sheets and trading results of the Council's subsidiaries is set out at note 38.

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2013/14

	Council Fund Balance £'000	Earmarked Reserves (Note 33) £'000	Usable Capital Receipts (Note 33) £'000	Capital Grants (Note 33) £'000	Total Usable Reserves (Note 33) £'000	Unusable Reserves (Note 34) £'000 <i>(Restated)</i>	Total Reserves £'000 <i>(Restated)</i>
Balance at 31 March 2013	7,275	13,606	11,085	786	32,752	50,971	83,723
Surplus on provision of services	3,097	-	-	-	3,097	-	3,097
Other comprehensive income and expenditure <i>(page 15)</i>	-	-	-	-	-	7,383	7,383
Total comprehensive income and expenditure	3,097	-	-	-	3,097	7,383	10,480
Adjustments between accounting basis and funding basis under regulations <i>(note 15)</i>	877	-	(4,660)	(171)	(3,954)	3,954	-
Net increase/(decrease) before transfers to earmarked reserves	3,974	-	(4,660)	(171)	(857)	11,337	10,480
Transfers to/from earmarked reserves <i>(note 33)</i>	(1,831)	1,831	-	-	-	-	-
Total Increase / (decrease) during the year <i>(page 15)</i>	2,143	1,831	(4,660)	(171)	(857)	11,337	10,480
Balance at 31 March 2014	9,418	15,437	6,425	615	31,895	62,308	94,203

MOVEMENT IN RESERVES STATEMENT (continued)

Movement in Reserves during 2014/15

	Council Fund Balance £'000	Earmarked Reserves (Note 33) £'000	Usable Capital Receipts (Note 33) £'000	Capital Grants Unapplied (Note 33) £'000	Total Usable Reserves (Note 33) £'000	Unusable Reserves (Note 34) £'000 <i>(Restated)</i>	Total Reserves £'000 <i>(Restated)</i>
Balance at 31 March 2014	9,418	15,437	6,425	615	31,895	62,308	94,203
Deficit on provision of services	(484)	-	-	-	(484)	-	(484)
Other comprehensive income and expenditure <i>(page 15)</i>	-	-	-	-	-	1,157	1,157
Total comprehensive income and expenditure	(484)	-	-	-	(484)	1,157	673
Adjustments between accounting basis and funding basis under regulations <i>(note 15)</i>	(138)	-	(141)	11	(268)	268	-
Net increase/(decrease) before transfers to earmarked reserves	(622)	-	(141)	11	(752)	1,425	673
Transfers to/from earmarked reserves <i>(note 33)</i>	(2,790)	2,790	-	-	-	-	-
Total Increase / (decrease) during the year <i>(page 15)</i>	(3,412)	2,790	(141)	11	(752)	1,425	673
Balance at 31 March 2015	6,006	18,227	6,284	626	31,143	63,733	94,876

Comprehensive Income & Expenditure Statement

2013/14 Net (Income) / Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Less: Gross Income £'000	2014/15 Net (Income) / E £'000
<i>(Restated)</i>				
	Central Services:			
596	Democratic representation & management	777	75	702
2,095	Corporate management	2,212	880	1,332
243	Local tax collection	1,664	1,376	288
122	Registration of electors	213	43	170
148	Conducting elections	213	87	126
91	Emergency planning	88	-	88
64	Local land charges	190	146	44
3,359		5,357	2,607	2,750
	Cultural & Related Services:			
732	Culture & heritage	1,398	802	596
2,142	Recreation & sport	2,339	137	2,202
(4,950)	Reversal of impairment charge: leisure centres <i>(note 5)</i>	-	-	-
1,858	Open spaces	1,938	152	1,786
(218)		5,675	1,091	4,584
	Environmental Services:			
1,207	Environmental health	1,344	443	901
435	Community safety	419	25	394
469	Flood defence & land drainage	707	231	476
1,251	Street cleansing (not chargeable to Highways)	1,393	20	1,373
1,765	Waste collection	3,038	1,064	1,974
5,127		6,901	1,783	5,118
	Planning & Development Services:			
149	Building control	162	39	123
857	Development control	1,659	872	787
756	Planning policy	847	22	825
(429)	Economic development	1,415	2,324	(909)
207	Community development	207	-	207
1,540		4,290	3,257	1,033
	Highways, Roads & Transport Services:			
99	Highways/roads (routine)	12	-	12
19	Parking services	1,831	1,483	348
118		1,843	1,483	360
	Housing Services:			
826	Housing strategy	761	6	755
441	Private sector housing renewal	669	76	593
(184)	Other council housing property	613	1,141	(528)
62	Homelessness	874	701	173
252	Housing benefits payments	40,574	40,035	539
1,397		43,491	41,959	1,532
11,323	Net cost of services	67,557	52,180	15,377

Comprehensive Income & Expenditure Statement (*continued*)

2013/14 Net (Income)/ Expenditure £'000	Continuing Operations	Note	2014/15 Net (Income)/ Expenditure £'000
<i>(Restated)</i>			
	Other operating income and expenditure:		
	(Surplus)/deficit on disposal of property, plant and		
(2)	equipment		43
(246)	Other capital receipts		(545)
877	Parish precepts	8	916
629			414
	Finance and investment income and expenditure		
13	Interest payable and similar charges		22
(271)	Interest receivable and similar income		(385)
(1,117)	(Increase)/decrease in fair value of investment property	21	110
(66)	Surplus on sale of investment property		-
(379)	Rental income from investment property	21	(375)
(62)	Impairment/(reversal of impairment) to financial assets	26	-
12	(Surpluses)/deficits on trading undertakings not included		
	in net cost of services	7	(59)
1,722	Net interest cost on the defined benefit pension liability	32	1,387
(148)			700
	Taxation and non-specific grant income:		
(6,953)	Council tax income	8	(7,144)
(2,200)	Non-domestic rates income and expenditure	8	(3,400)
(4,525)	Non-ringfenced government grants	8	(4,103)
(1,223)	Recognised capital grants and contributions	8	(1,360)
(14,901)			(16,007)
(3,097)	(Surplus)/deficit for the year on provision of services - (note a)		484
	(Surplus) arising on the revaluation of property, plant and		
(1,863)	equipment	17/34	(3,408)
(5,520)	Remeasurement of the net defined pension liability	32	2,251
(10,480)	Total comprehensive (income) / expenditure since last annual report		(673)

The accompanying notes form an integral part of the Statement of Accounts

- (a) The (surplus)/deficit for the year on provision of services represents the true cost to the Council for the year after taking into account income from council tax and government grants.
- (b) To determine the Council fund balance, capital financing is allocated and other adjustments made on the Movement in Reserves Statement to leave the true surplus or deficit on the Council Fund for the year. **THE ACTUAL MOVEMENT IN THE COUNCIL FUND FOR THE YEAR IS A DECREASE OF £3.412 million (2013/14: INCREASE £2.143 million). A DECREASE OF £3.555 million (2013/14: £1.736 million increase) IS ATTRIBUTABLE TO TIMING DIFFERENCES UNDER ACCOUNTING REGULATIONS GOVERNING THE TREATMENT OF COLLECTION FUND SURPLUSES AND DEFICITS. THE COUNCIL MADE AN OPERATING SURPLUS OF £143,000 (2013/14: £188,000)**

Balance Sheet

1 April 2013 £'000	31 March 2014 £'000		Note	31 March 2015 £'000
<i>(Restated)</i>	<i>(Restated)</i>			
		Non-Current Assets:		
92,210	99,568	Property, plant and equipment	17	100,874
1,265	1,242	Heritage assets	20	1,220
5,407	6,500	Investment property	21	6,390
650	740	Intangible assets	22	615
3,053	3,061	Debtors receivable after one year	25	2,949
2	2	Investments	26	2
102,587	111,113	Total non-current assets		112,050
		Current Assets:		
67	87	Inventories	24	79
80	-	Assets held for sale	23	-
4,243	5,915	Debtors	25	3,891
11,130	15,018	Investments	26	20,019
11,391	10,601	Cash and cash equivalents	27	17,544
26,911	31,621	Total current assets		41,533
129,498	142,734	Total assets		153,583
		Current Liabilities:		
3,569	6,196	Creditors	28	12,760
697	2,869	Provisions	29	2,666
4,266	9,065	Total current liabilities		15,426
125,232	133,669	Total assets less current liabilities		138,157
		Non-Current Liabilities:		
1,777	4,366	Capital grants received in advance	30	4,207
38,697	34,069	Liability related to defined benefit pension scheme	32	37,253
1,035	1,031	Other liabilities	28	1,821
41,509	39,466	Total non-current liabilities		43,281
83,723	94,203	Net assets		94,876

Balance Sheet (continued)

1 April 2013 £'000 <i>(Restated)</i>	31 March 2014 £'000 <i>(Restated)</i>		Note	31 March 2015 £'000
		Financed by:		
		Usable Reserves		
7,275	9,418	Council fund	33	6,006
13,606	15,437	Earmarked reserves	33	18,227
11,085	6,425	Usable capital receipts reserve	33	6,284
786	615	Capital grants unapplied account	33	626
32,752	31,895	Total usable reserves		31,143
		Unusable Reserves		
28,639	29,864	Revaluation reserve	34	32,825
61,042	68,256	Capital adjustment account	34	66,344
101	(1,635)	Collection fund adjustment account	34	1,920
(4)	-	Financial instruments adjustment account	34	-
(38,697)	(34,069)	Pension reserve	34	(37,253)
(110)	(108)	Accumulated absences account	34	(103)
50,971	62,308	Total unusable reserves		63,733
83,723	94,203	Total reserves		94,876

This unaudited Statement of Accounts was issued on 30 June 2015.



Sajida Bijle

Chief Finance Officer

The Collection Fund

For the year ending 31 March 2015

	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income:				
Council tax		-	57,567	57,567
Income from non-domestic rates		48,134	-	48,134
Transitional protection payments	4	(70)	-	(70)
Total income		48,064	57,567	105,631
Expenditure:				
Precepts and demands	2	(42,288)	(55,413)	(97,701)
Provision for irrecoverable debts	3	(90)	(458)	(548)
Non-domestic rates:				
Provision for cost of appeals	4	(1,616)	-	(1,616)
Costs of collection		(148)	-	(148)
Total expenditure		(44,142)	(55,871)	(100,013)
Surplus for the year		3,922	1,696	5,618
Movements in respect of prior years:				
Deficit recovered/(surplus distributed)	6	4,645	(516)	4,129
Net movement on fund		8,567	1,180	9,747
Collection fund brought forward		(4,671)	1,741	(2,930)
Collection fund carried forward		3,896	2,921	6,817
Fund movement allocation:				
Hertsmere Borough Council		3,426	129	3,555
Precepting authorities		5,141	1,051	6,192
Net movement for the year		8,567	1,180	9,747
Fund balance carried forward allocation:				
Hertsmere Borough Council (included in reserves)		1,558	362	1,920
Precepting authorities (included in current assets or liabilities)		2,338	2,559	4,897
Total carried forward		3,896	2,921	6,817

Demands on the Collection Fund credited to the Comprehensive Income and Expenditure Account

For the year ending 31 March 2015

		Business Rates £'000	Council Tax £'000	Total £'000
Amount collectable from council tax		-	6,019	6,019
Amount collectable on behalf of parishes		-	916	916
Amount collectable from business rates	2	16,915	-	16,915
Share of surplus for the year		1,568	209	1,777
Total credited to the Income and Expenditure Account		18,483	7,144	25,627

The Collection Fund

For the year ending 31 March 2014

	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income:				
Council tax		-	56,501	56,501
Income from non-domestic rates		45,003	-	45,003
Transitional protection payments	4	(380)	-	(380)
Total income		44,623	56,501	101,124
Expenditure:				
Precepts and demands	2	(42,485)	(54,702)	(97,187)
Provision for irrecoverable debts	3	(895)	(744)	(1,639)
Non-domestic rates:				
Provision for cost of appeals	4	(5,768)	-	(5,768)
Costs of collection		(146)	-	(146)
Total expenditure		(49,294)	(55,446)	(104,740)
Surplus/(deficit) for the year		(4,671)	1,055	(3,616)
Less: prior years surplus distributed	6	-	28	28
Net movement on fund		(4,671)	1,083	(3,588)
Collection fund brought forward		-	658	658
Collection fund carried forward		(4,671)	1,741	(2,930)
Fund movement allocation:				
Hertsmere Borough Council		(1,868)	132	(1,736)
Precepting authorities		(2,803)	951	(1,852)
Net movement for the year		(4,671)	1,083	(3,588)
Fund balance carried forward allocation:				
Hertsmere Borough Council (included in reserves)		(1,868)	233	(1,635)
Precepting authorities (included in current assets or liabilities)		(2,803)	1,508	(1,295)
Total carried forward		(4,671)	1,741	(2,930)

Demand on the Collection Fund credited to the Comprehensive Income and Expenditure Account

For the year ending 31 March 2014

		Business Rates £'000	Council Tax £'000	Total £'000
Amount collectable from council tax		-	5,944	5,944
Amount collectable on behalf of parishes		-	877	877
Amount collectable from business rates	2	16,994	-	16,994
Share of surplus/(deficit) for the year		(1,868)	132	(1,736)
Total credited to the Income and Expenditure Account		15,126	6,953	22,079