



Agenda Item No	6
Document Reference No	A/15/15

AUDIT COMMITTEE

DATE OF MEETING: 13 July 2015

**PRESENTATION OF THE 2014/15 STATEMENT OF ACCOUNTS
PORTFOLIO HOLDER: COUNCILLOR GRAHAM**

SUMMARY

The report presents the Council's Statement of Accounts for 2014/15 to members for recommendation for external audit.

1 ACTION RECOMMENDED

- 1.1 That the Committee notes the Statement of Accounts 2014/15 (Appendix I) and approves its submission for external audit.
- 1.2 That the Committee delegates authority to the Chief Finance Officer in consultation with the Leader of the Council and the Finance and Property Portfolio Holder, to make any appropriate minor changes to the Statement of Accounts prior to its approval by the external auditors.

2 REASON(S) FOR RECOMMENDATION

- 2.1 Statutory instrument 817 (Accounts and Audit (England) Regulations 2011), which came into effect on 31 March 2011, has replaced section 27 of the Audit Commission Act 1998 and Regulation 10 of the Accounts and Audit Regulations 2003/533 (as amended) which required the Statement of Accounts to be approved by the Council by 30 June each year.
- 2.2 The revised Accounts and Audit (England) Regulations 2011 instead states that:
 - the Chief Financial Officer must, by the 30 June following the year end, sign and date the Statement of Accounts, and to certify they present a true and fair view of the financial position as at 31 March and for the year then ended, and
 - the Statement of Accounts must be approved by the Council following the external audit and no later than 30 September following the year end.

The government has issued statutory instrument 234, the Accounts and Audit (England) Regulations 2015, which will require certification of the accounts by 31 May and audit and publication by 31 July with effect from 2017/18.

- 2.3 In line with recommended good practice (as supported by the Department for Communities and Local Government), members are requested to note and approve the Statement of Accounts to be submitted for external audit which will commence 1 July 2015.
- 2.4 **As part of the presentation of the final accounts to the Audit Committee, officers record that there has been no risk of significant misstatement arising from fraud or internal control issues during the year.**
- 2.5 Historically the Statement of Accounts was presented to Full Council for approval but due to the timetable for approval having gradually been brought forward, this has now been delegated to the Audit Committee. Following their approval on 21 September 2015, the audited Statement of Accounts will be presented to the Full Council on 25 November 2015 for information purposes and to provide elected members the opportunity to scrutinise them.
- 2.6 The net spend on services in 2014/2015 was £11.8m against an original budget of £12.3m with a net underspend of £0.5m. A detailed analysis of all adjustments made to the surplus reported in the Financial Monitoring Report is shown in paragraph 6.12. The final operating surplus for the year after post monitoring adjustments is £143k.
- 2.7 As referred to in paragraph 6.4 there was a net reduction in the Council's useable reserves by £0.8m during 2014/15, which includes an reduction of £3.4m (para 6.7.1) in the Council Fund that is mainly due to the statutory regulations governing accounting for the surpluses and deficits on the collection of council tax and business rates. This is discussed fully at paragraph 6.7.1 onwards. The earmarked reserves increased by £2.8m (para 6.5 summaries the main variances).
- 2.8 Following the Comprehensive Spending Review 2011-2015 (CSR) the Council has experienced a reduction in central government funding of £3.3m (44.6%) for 2011/12 to 2015/16. Whilst the Council has been able to balance its 2014/15 budget by undertaking a series of cost saving exercises, its stringent financial discipline will help it to continue to meet its budgetary constraints particularly if there are further cuts in government grants which are expected in 2016/17 and 2017/18. Some of the cost saving exercises and initiatives undertaken by the Council include:
- A re-organisational change program for which the Council has achieved ongoing savings in excess of £1.8m.
 - Net savings / income of £500k from the re-tendering of the leisure contract.
 - A participatory budgeting survey which enabled local residents to contribute towards the budget saving exercise, which was undertaken in 2010 has contributed £682k of ongoing savings and has been carried out again in July 2013 resulting in further savings of £348k (annually), thus yielding total annual ongoing savings of £1.03 million.
 - A full revision of the medium term financial strategy which takes into account the financial challenges of the next 4 years and the results of the participatory budgeting.
 - The Council also shared resources with other neighbouring authorities, covering posts in procurement, risk management, payroll services, disaster recovery, information services, internal audit, customer services, economic regeneration and many others.

2.9 If there are any enquiries relating to specific figures in the 2014/15 Statement of Accounts it would be helpful, in view of the complexity of the accounts, if these could be directed towards the report author prior to the meeting who will then be able to provide a written response prior to the meeting, or come to the meeting prepared with the appropriate response. Officers will be able to comment on any points of principle contained within the Statement of Accounts.

3 ALTERNATIVE OPTIONS

3.1 None applicable for the purposes of this report.

4 PLANNED TIMETABLE FOR IMPLEMENTATION

4.1 In accordance with the Accounts and Audit (England) Regulations 2011, the Chief Financial Officer Statement is required to certify the Statement of Accounts as true and fair by 30th June following the year end. The Statement of Accounts, which have been prepared under the International Financial Reporting Standards (IFRS) are comprised of an explanatory foreword, statement of accounting policies, a statement of responsibilities, the accounting statements, and notes to the accounts.

4.2 As mentioned earlier and in line with good practice, members of the Audit Committee are requested to note and approve the Statement of Accounts 2014/15 to be submitted for external audit at their meeting to be held on 13 July 2015.

4.3 It is a requirement of the Accounts and Audit (England) Regulations 2011, that the Statement of Accounts be prepared in accordance with regulation 7(1) or regulation 7(6), as the case may be. It is further required that the Statement of Accounts be approved by a resolution of a committee of the relevant body or otherwise by a resolution of the members of the body meeting as a whole, such approval to take place following the external audit and the re-certification of the Statement of Accounts by the Chief Financial Officer, and prior to their publication on 30 September each year.

4.4 The Council's external auditors, Grant Thornton LLP, will carryout the external audit from Wednesday 01 July 2015 and will present their findings to the Audit Committee on 21 September 2015. Following this presentation the Audit Accounts Committee will be requested to formally approve the Statement of Accounts, which in accordance with regulation 8(3) sub-paragraph (c), shall be signed by the person presiding at the committee or meeting at which that approval was given.

4.5 The Finance Department will scrutinise the accounts between the time of issuing this report, and 13 July 2015 (7.30 pm) when the Statement of Accounts will be noted and approved for submission for audit. Any changes other than those of a trivial nature will be reported orally.

5 DELEGATION

5.1 None applicable for the purposes of this report.

6 FINANCIAL AND BUDGET FRAMEWORK IMPLICATIONS

Statement of Accounts

6.1 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (The Code) and the Best Value Accounting Code of Practice (BVACOP), which are both regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- The Code was adopted for the first time in 2010/11 and is based on the International Financial Reporting Standards (IFRS). Since the last annual report, there has been no significant change to the IFRS based Code

6.2 The interim audit has already been completed. The final external audit is due to start on 01 July 2015 and will last for approximately three weeks. The auditors will present their audit report together with their ISA 260 at the Audit Committee meeting to be held on 21 September 2015. The finalised audited Statement of Accounts will be presented to Full Council in November 2015.

6.3 The accounting statements include a Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the Collection Fund. In order to understand the purpose of the main and additional statements, please refer to the explanatory foreword contained in the Statement of Accounts.

6.4 The Balance Sheet demonstrates that the Council had useable reserves of £31.1m as at 31 March 2015, a decrease of £0.8m from 31 March 2014. This is made up of the following:

	2013/14	2014/15	Increase / (Decrease)
	£'000	£'000	£'000
General Fund Reserve (see page 7)	9,418	6,006	(3,412)
Earmarked Reserves	15,437	18,227	2,790
Useable Capital Receipts Reserve	6,425	6,284	(141)
Capital Grants Unapplied Account	615	626	11
	<u>31,895</u>	<u>31,143</u>	<u>(752)</u>

6.5 Although the total useable reserves of £31.1m appears to be a significant sum it is clear from the above that £6.3m (20%) of the total is to be used for capital funding (see para 6.7.5) and £18.2m (59%) is earmarked for specific projects. The major balances and movements within earmarked reserves include:

	2015	2014	Movement
	£'000	£'000	£'000
Council Contribution to Pension Fund	887	387	500
Waste Services Vehicle Replacement	1,394	1,241	153
Land Drainage	1,665	2,072	(407)
Leisure Buildings Major Repairs	3,998	3,700	298
Infrastructure Replacement	465	345	120
New Homes Bonus Reserve	444	371	73
Welfare Reform	1,441	661	780
Elstree Film Studios Capital Reserve	1,050	800	250
Business Rates Equalisation Account	718	223	495
Other Items	6,165	5,637	528
	18,227	15,437	2,790

Movement in Earmarked Reserves

- 6.6 The increase in earmarked reserves of £2.8m includes the following significant movements:
- 6.6.1 The sum of £500k was allocated to make a single contribution to the pension fund towards elimination of the deficit.
- 6.6.2 A total of £317k was allocated from the revenue budget to the Waste Services Vehicle Replacement reserve to fund future waste vehicle replacement, whilst £164k was utilised on in year purchases.
- 6.6.3 Expenditure of £511k was drawn from the land drainage reserve to fund capital projects undertaken during the year, whilst £104k was allocated to the fund.
- 6.6.4 Revenue budget of £298k was allocated to the Leisure Building reserve, to fund future repairs and maintenance.
- 6.6.5 A total of £120k was allocated from the revenue budget to Information Service infrastructure replacement which will fund the replacement of the office telephone system.
- 6.6.6 A total of £108k was utilised from the New Homes Bonus reserves for planning related projects, whilst £181k was allocated to the fund.
- 6.6.7 A total of £780k was allocated to the Innovation & Investment fund, to fund future investment programmes.
- 6.6.8 The Elstree Film Studios Capital Reserve was allocated with £250k to fund future capital works.
- 6.6.9 A total of £495k was allocated to the Business Rates Equalisation Account to offset the effect of future fluctuations in funding associated with the business rates retention scheme.

Movement in Council Fund and Collection Fund

- 6.6.10 The Movement in Reserves Statement shows that the Council has a reduction in the Council Fund for the year of £3.4m; this compares to the surplus of £534k shown in the March 2015 Financial Monitoring Report. The main reason for this movement is a timing difference of £3.6m caused by the accounting regulations that govern the recognition of surpluses and deficits on the collection of council tax and business rates (together 'the Collection Fund').
- 6.6.11 There is always a delay of up to two years in crediting or charging the Council Fund with surpluses or deficits on the Collection Fund. These sums are prevented by statute from affecting the Council Fund balance until the relevant billing authority is actually distributing or withholding the amounts in cash; this takes place over the two years following the accounting year in question.
- 6.6.12 The sums involved in respect of council tax are generally not material so that the difference for 2014/15 relates mainly to business rates adjustments; namely:
- **2013/14:** This was the first year of the new business rates regime and as part of this we had to recognise the potential cost of repaying business rate payers who successfully appealed against their liabilities. Hertsmere established a prudent provision for this liability (£5.8m of which Hertsmere's share was 40%), taking professional advice from Wilks Head Eve LLP and agreeing the outcome with the external auditors. Largely as a result of setting up this provision, Hertsmere incurred a deficit of £1.8m on the collection of business rates for 2013/14 which was transferred from the Council Fund to the Collection Fund Adjustment Account at 31 March 2014.
 - The deficit, in line with accounting regulations, goes the other way in 2014/15: it is removed from the Collection Fund Adjustment Account and charged to the Council Fund. A very small balance remains to be charged in 2015/16.
 - It should be noted that the Council received a 'safety net' grant of £1.3 million for 2013/14, which helps to off-set the deficit incurred. This was credited in the accounts for that year and is not subject to any accounting regulations. In addition, Hertsmere received grants of approximately £0.3M in respect of small business rates relief. As members have previously been informed, Hertsmere itself absorbed the remaining £0.2m deficit.
 - **2014/15:** Hertsmere generated a surplus of £4m (Hertsmere's own share being £1.6m) on the collection of business rates for 2014/15. This was generated from a number of factors, including the identification of additional rateable premises as a result of employing temporary staff. We were also able to release a small proportion of the provision for future successful appeals (but see paragraph 6.7.4 below). In addition, further grants in respect of small business rates and other reliefs were received.
 - As a result of generating additional income, the Council is charged a levy by DCLG of £0.9m for 2014/15. This has been charged in the accounts for that year and is not subject to any accounting regulations.

- The surplus of £1.6m, properly recognised under generally accepted accounting practice in the Comprehensive Income and Expenditure Statement for 2014/15, is removed from the Council Fund and transferred to the Collection Fund Adjustment Account. It is not fully available to the Council until 2016/17.
- It follows that the balance on the Council Fund reserve and the Collection Fund Adjustment Account must be considered together. **The total of these two balances at 31 March 2014 was £7.783 million and at 31 March 2015 £7.923 million, an increase of £143k.** This represents the final operating surplus of £143k referred to at paragraph 2.6 above.

6.6.13 Members of the Committee should note that the surplus on the collection of business rates for 2014/15 has been calculated after providing for the potential cost of making repayment to ratepayers who are successful in appealing against their liability to rates. The government announced that appeals submitted after 1 April 2015 would not be eligible for backdating to earlier years if successful and a substantial increase in appeals submitted resulted from this. The Valuation Office Agency was unable to supply full information about outstanding appeals in time for preparation of the accounts and accordingly the updated information will be reviewed in order to determine whether an amendment to the provision is required.

Useable Capital Receipts

6.6.14 Also within useable reserves the Council has £6.3m remaining in its Usable Capital Receipts Reserve. The Council's capital strategy aims to ensure that the capital spend is matched to the corporate priorities of the Council.

	At 31 March Committed 2015		Available
	£'000	£'000	£'000
Housing Enabling Fund	707	(407)	300
Earmarked Capital Receipts	2,536	(1,632)	904
Useable Capital Receipts	3,041	(1,559)	1,482
Total	6,284	(3,598)	2,686

6.7 During the year the Council incurred capital expenditure amounting to £2.9m of which £0.9m was funded from the General Fund, £0.7m from usable capital receipts and £1.3m from capital grants received from outside organisations. The capital expenditure includes:

- Enhancements to facilities at Elstree Film Studios* - £336k
 - Car park resurfacing - £314k
 - Development of housing for rents (funded from S106 receipts) - £345k
 - Disabled facilities grants - £571k
 - Replacement of Street Scene vehicles - £279k (funded from annual contributions to the reserve)
 - Radlett Café - £133k
- * Items in the 'Invest to Save' programme: the reserve will be replenished in future by increased revenue

Transport Infrastructure Assets

- 6.8 As reported to the meeting held on 1 April 2015, the accounting treatment accorded in earlier years to transport infrastructure assets has been reviewed and the carrying value of such assets reduced from £1.445 million at 31 March 2014 to £145k. The balance sheets of the two preceding years have been restated to eliminate expenditure on adopted highways which are not owned by the council and for which it has no responsibility. The main areas to be eliminated related to schemes for town centre enhancements and controlled parking zones.

Conclusion

- 6.9 The Annual Audit and Inspection letter to be issued by the Council's External Auditors will give a comprehensive review of the Council's financial management and overall internal controls.
- 6.10 Following approval of the Statement of Accounts they will be published on the intranet and the Council's web site. This will also apply to the Annual Audit and Inspection letter.

Financial Monitoring Reports (FMR) 2014/15

- 6.11 It should be noted that detailed analysis of expenditure has been monitored throughout the year by way of the monthly Financial Monitoring Reports.

FINANCIAL MONITORING POSITION At 31 March 2015				
SUMMARY OF PERFORMANCE (Excluding Recharges)	BUDGET 2014/15	ACTUAL 2014/15	SURPLUS / (DEFICIT)	REF
	£	£	£	
PLANNING & BUILDING CONTROL	1,003,050	881,636	121,414	6.13
HOUSING SERVICES	847,620	742,450	105,170	6.14
ENVIRONMENTAL HEALTH	801,570	768,556	33,014	6.15
STREET SCENE SERVICES	4,317,060	4,247,565	69,495	6.16
ENGINEERING SERVICES	18,920	37,048	(18,128)	6.17
ASSET MANAGEMENT	(2,885,780)	(2,907,626)	21,846	6.18
PARTNERSHIP & COMMUNITY ENGAGEMENT	2,226,220	2,202,380	23,840	6.19
FINANCE & BUSINESS SERVICES	2,096,870	2,090,401	6,469	6.20
LEGAL & DEMOCRATIC SERVICES	1,330,680	1,312,093	18,587	6.21
HUMAN RESOURCES & CUSTOMER SERVICES	1,143,800	1,126,011	17,789	6.22
EXECUTIVE DIRECTORS	637,130	633,286	3,844	6.23
AUDIT & ASSURANCE	106,000	116,056	(10,056)	6.24
PAY STRATEGY	50,000	50,000	0	
CENTRAL CONTINGENCY	321,280	137,256	184,024	6.25
GENERAL EXPENSES	134,120	136,853	(2,733)	6.26
AUDIT FEES, BANK CHARGES NOT RECHARGED	183,430	151,424	32,006	6.26
TOTAL SERVICE COSTS				
LESS:				
TRANSFER FROM RESERVES	37,000	37,000	0	
TRANSFER TO RESERVES		72,657	(72,657)	
TOTAL COSTS PER MONITORING REPORT	12,294,970	11,761,046	533,924	

The reported surplus of £534k per the Financial Monitoring Report (FMR) was presented to the Financial Monitoring Panel on 26 May 2015. A detailed FMR has been included in appendix II.

RECONCILIATION TO THE FINAL ACCOUNTS	FMR	ADJUST	FINAL ACCOUNTS
	£	£	£
TOTAL COSTS PER MONITORING REPORT	533,924		533,924
YEAR END ADJUSTMENTS:			
Hertsmere's share of growth in business rates income		922,210	922,210
Hertsmere's share of surplus on collection of council tax		209,315	209,315
One-off VAT recovery in respect of trade waste collection		55,445	55,445
HOUSING & COUNCIL TAX BENEFIT GRANT CLAIM			
Deficit on claim		(58,612)	(58,612)
Drawn from equalisation reserve		58,612	58,612
INCREASE IN EARMARKED RESERVES			
Transfer to Innovation and investment fund		(737,924)	(737,924)
Additional income billed to Elstree Film Studios (EFS)		250,000	250,000
Transfer to EFS reserve to fund current & future capital programme		(250,000)	(250,000)
Transfer to business rates equalisation reserve		(427,000)	(427,000)
Set aside to fund one-off pension fund contribution		(500,000)	(500,000)
ENGINEERING TRADING ACCOUNT		44,722	44,722
(resulting from an increase in income on this trading account)			
OTHER MINOR ADJUSTMENTS		42,511	42,511
Operational surplus for the year	533,924	(390,721)	143,203
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		(3,554,889)	(3,554,889)
NET SURPLUS/(DEFICIT) REPORTED IN FMR & FINAL ACCOUNTS AFTER TIMING DIFFERENCES	533,924	(3,945,610)	(3,411,686)

An analysis of the FMR of £534k surplus is set out below:

6.12 **Planning and Building Control** has a **favourable** variance of **£121,414** as detailed below.

6.12.1 Planning Policy has an overall unfavourable variance of £40,195.

To March	
Fav/(Adv) £	Reason for Variance
(2,664)	The expected income from S106 monitoring fee was slightly under budget. Income is dependent on when developments start and therefore outside the control of the council.
(7,433)	There was an over spend on employee expenses due to the employment of agency staff to cover vacancies and a lieu of notice payment.
(30,888)	Supplies and Services were overspent due to costs totalling £29,600 awarded against the council in a case relating to a tree subsidence claim.
790	Other minor variances.
(40,195)	Total for Planning Policy

6.12.2 Development Management has a favourable variance of £101,943.

To March	
Fav/(Adv) £	Reason for Variance
319,224	Due to an increase in applications and a number of major developments, planning applications income exceeded budget.
(155,503)	Employee Expenses were overspent as a result of employing agency staff to deal with the increased number of applications.
(33,743)	Appeals costs awarded against the Council resulted in an over spend plus small overspends on stationery and office supplies and postages.
(16,695)	Agency & contracted services were overspent primarily due to second opinion viability assessments which were not recoverable from the developers.
(11,879)	A year end bad debt provision was made for aged invoices which may not be recoverable.
539	Other minor variances
101,943	Total for Development Management

6.12.3 Building Control has an overall favourable variance of £59,666.

To March	
Fav/(Adv) £	Reason for Variance
30,170	Income was above budget. As this is a demand led service, income does fluctuate and is outside the control of the Council.
17,271	There was a surplus on employee expenses primarily due to an under spend on overtime which was not required as well as savings on training.
19,209	The bad debt provision has been credited due to a reduction in the level of debt. The amount increased slightly from the original estimate.

(12,000)	A payment was made as part of the funding for the start-up of new Building Control company.
5,016	Other minor variances.
59,666	Total for Building Control

6.13 **Housing Services** has an overall **favourable** variance of **£105,170**, which the following services are the main contributors:

6.13.1 Housing Services has an overall favourable variance of £105,170.

To March	
Fav/(Adv) £	Reason for Variance
1,450	Employee expenses were under spent due to a vacancy during part of the year.
115,692	Although the demand for homeless temporary accommodation rose slightly when compared to 2013/14 it remained below budget. Therefore due to future uncertainties, such as universal credit, part of this under spend (£73K) was set aside and will be used to offset any increased spending in 2015/16.
(43,035)	A year-end bad debt provision has been included. This provision was based on how long a debt had been outstanding and estimates how much may have to be written off if not recoverable.
23,204	Supplies and services were under spent primarily on legal costs as there were fewer challenges than anticipated.
7,859	Other minor variances.
105,170	Total for Housing Services

6.15 **Environmental Health** has an overall **favourable** variance of **£33,014**, which the following services are the main contributors:

6.15.1 Emergency Planning has an overall surplus of £9,104 made up as follows:

To March	
Fav/(Adv) £	Reason for Variance
4,500	There were savings under emergency planning due to the provision of these services from HCC. These savings are reflected in next year's budget.
4,604	This budget is for miscellaneous expenditure and was not required, and has been re-aligned in 2015/16 budget.
9,104	Total for Emergency Planning

6.15.2 Environmental Health Unit has an overall surplus of £20,948 made up as follows:

To March	
Fav/(Adv) £	Reason for Variance
7,541	Supplies and services were under spent primarily due to a saving of £3,400 on insurance costs as well as small savings on publications, printing and stationery costs.
9,853	The bad debt provision was credited due to a reduction in the level of debt when compared to 2013/14.
3,554	Other minor variances.
20,948	Total for Environmental Health Unit

6.16 **Street Scene Services** has an overall **favourable** variance of **£69,495** as detailed below.

6.16.1 Waste Services is showing an unfavourable variance of £116,141

To March	
Fav/(Adv) £	Reason for Variance
(58,114)	Recycling income was below budget primarily due to decreasing paper tonnages year on year, as a result of more electronic access to information. This fall in demand and therefore paper value, has resulted in the paper contractor, Aylesford Newsprint going into administration. As a result the price of paper dropped from £120 a tonne to approximately £45.
(118,473)	Due to the closure of Aylesford Newsprint (the Council's paper recycling contractor), a bad debt provision was made for all outstanding invoices.
56,474	This surplus is primarily related to increased clinical waste income due to new documentation and regulation requirements from April 2014 that increased in fees to the customer. The 2015/16 budget has been adjusted accordingly. In addition income from the sale of bins for new developments and bulky waste collections was up £11,719.
(3,386)	Employee expenses were over spent due to the cost of agency staff increasing following the cessation of the contract with Manpower. This increase has been factored into the budget for 2015-16.
7,358	Other minor variances.
(116,141)	Total for Waste Services

6.16.2 Trade Waste has an overall surplus of £92,833.

To March	
Fav/(Adv) £	Reason for Variance
29,720	Trade Waste income performed do well and exceeded the budget. The 2015/16 budget has been adjusted to reflect this.

64,458	The quarterly tipping charge for the disposal of Trade Waste was lower than anticipated. This was due in part to a reduction in tonnages but primarily due to a reduced landfill charge from HCC which was unknown at budget setting. The 2015/16 budget has been adjusted to reflect this.
(1,345)	Other minor variances.
92,833	Total for Trade Services

6.16.3 Management & Depot has an unfavourable variance of £27,185

To March	
Fav/(Adv) £	Reason for Variance
(18,080)	Employee expenses were over spent primarily due to a member of staff working increased hours and joining the pension scheme, both of which have been factored into the 2015/16 budget.
(9,593)	Premises related expenditure was overspent due to necessary repairs to the entry gates and vehicle wash.
488	Other minor variances
(27,185)	Total for Management & Depot Overheads

6.16.4 Parking has a favourable variance of £102,580 as detailed below:

To March	
Fav/(Adv) £	Reason for Variance
43,442	Permit income was above budget, primarily on business permits with a surplus of £31,087 and visitor permits with a surplus of £4,610.
102,029	Parking machine income had a surplus at year end, which was due in part to the income received at the Civic Offices for people attending shows at Elstree Film Studios. As income has increased this has been set aside to fund the capital project to resurface the car parks.
50,103 (22,943)	Fine income was above budget by £63,953 compared to 2013/14. Due to the increase in fines issued an adjustment has been made for the level of fines that may not be recoverable.
53,238	Employee expenses were under spent due to vacancies. The vacant admin post was not filled pending a review of parking services admin. There was savings from the recent partnership arrangement which has been factored into the 2015/16 budget.
(17,204)	Supplies and services were over spent due to repairs and maintenance to equipment, including the fitting of collection lock protection kits to all pay and display machines to reduce theft.
(85,000)	An additional contribution was made to reserves to fund the capital enhancement programme.
(13,599)	Advertising costs were over spent due to the requirement to publish the new fees and charges introduced in 2014/15.
(7,486)	Other minor variances
102,580	Total for Parking

6.17 **Engineering Services** - has an overall **deficit** of **£18,128** as detailed below.

6.17.1 Residual Highways Maintenance has an unfavourable variance of £18,128

To March	
Fav/(Adv) £	Reason for Variance
(15,083)	Income from the Borehamwood market contract was reduced following the re-tendering of this service in 2014. When the 2014/15 budget was set this was unknown but has been reflected in the 2015/16 budget.
(3,045)	This over spend is primarily on street nameplates which is a demand led service.
(18,128)	Total for Residual Highways

6.18 **Asset Management** has an overall **favourable** variance of **£21,846** as detailed below.

6.18.1 Residual Residential and Commercial properties have a favourable variance of £13,579.

To March	
Fav/(Adv) £	Reason for Variance
35,678	Rental income is above budget mainly for flats above shops. It is a prudent budget and as a result the budget for 2015/16 has been increased accordingly.
(29,050)	Income from commercial properties was below budget due to a number of vacant properties. Officers are in negotiations re these vacancies.
17,363	Premises related expenditure profiled to be spent in March was not been required.
(11,017)	A year end bad debt provision was included, based on how long a debt had been outstanding and estimates how much may have to be written off if not recoverable.
605	Other minor variances
13,579	Total for Residual Residential and Commercial Properties

6.18.2 Garages have a favourable variance of £12,027.

To March	
Fav/(Adv) £	Reason for Variance
10,873	Income was above budget following the refurbishment of a number of sites.
6,536	Premises related expenditure profiled to be spent in March was not required.
(6,281)	The bad debt provision was based on how long a debt had been outstanding and estimates how much may have to be written off if not recoverable.
899	Other minor variances
12,027	Total for Garages

6.18.3 Asset Management Unit has an unfavourable variance of £488.

To March	
Fav/(Adv) £	Reason for Variance
(4,667)	Employees' expenses are over spent as an external valuer was employed to value the Council's assets.
2,812	Savings on car mileage claims
1,367	Other minor variances
(488)	Total for Asset Management Unit

6.19 **Partnerships & Community Engagement** has an overall **favourable** variance of **£23,840**. The significant variances are detailed below.

6.19.1 Corporate Communications shows a favourable variance of £10,827.

To March	
Fav/(Adv) £	Reason for Variance
20,827	There was a saving on software licences of £10,000 which has been re-aligned in the 2015/16 budget. The remaining under spend was on publications.
(10,000)	The year-end under spend on corporate publications has been set aside for production of the corporate plan.
10,827	Total for Corporate Communications

6.19.2 Grants to voluntary sector has a favourable variance of £8,992

To March	
Fav/(Adv) £	Reason for Variance
8,992	There was a saving on grant aid as not all grants were claimed within the year by voluntary sector organisations.
8,992	Total for Voluntary Sector Grant Aid

6.20 **Finance & Business Services** has an overall **favourable** variance of **£6,469**.

To March	
Fav/(Adv) £	Reason for Variance
6,469	There were several small variances none of which were significant.
6,469	Total for Finance & Business Services

6.21 **Legal & Democratic Services** have an overall **favourable** variance of **£18,587**.

6.21.1 Land Charges has a favourable variance of £29,254 as detailed below.

To March	
Fav/(Adv) £	Reason for Variance
40,659	Income was above budget for searches £35,523 and street naming & numbering £5,136. This income was demand led and therefore beyond the control of the Council.
(11,931)	Supplies and Services were overspent due to an increase in HCC searches that correlate to the increase in house searches.
526	Other minor variances
29,254	Total for Land Charges

6.21.2 Legal services Business Unit has an unfavourable variance of £33,416 as detailed below.

To March	
Fav/(Adv) £	Reason for Variance
14,951	Income was above budget due to the processing of S106 agreements.
(50,893)	Employee expenses were overspent due to the employment of agency staff, and a permanent placement fee for the new Head of Legal and Democratic Services.
2,526	Other minor variances
(33,416)	Total for Legal Services Business Unit

6.21.3 Members Allowances favourable variance of £10,018 as detailed below.

To March	
Fav/(Adv) £	Reason for Variance
10,018	Where Members were involved in more than one area of responsibility only the higher allowance was paid. This resulted in the under spend.
10,018	Total for Members Allowances

6.21.4 Democratic Services Unit has a favourable variance of £8,546 as detailed below.

To March	
Fav/(Adv) £	Reason for Variance
14,997	The savings on employee expenses were due to under spends on agency costs, training budgets and advertising and unclaimed evening meeting allowances.
3,259	There was a surplus on supplies and services due to under spends on equipment and photocopying budgets.
(10,000)	£10,000 of the surplus on the revenue budget has been transferred to the 'I pad' replacement reserve.
290	Other minor variances
8,546	Total for Democratic Services Unit

6.22 Human Resources and Customer Services has a favourable variance of £17,789. Significant variances are detailed below.

6.22.1 Customer Services/Corporate Admin Team (CAR) has a net favourable variance of £15,255 as detailed below.

To March	
Fav/(Adv) £	Reason for Variance
8,530	Additional income from letting the Committee rooms
3,580	There were savings on employees' costs due to temporary maternity cover for two posts being at a reduced number of hours compared to budget.
3,145	Other minor savings
15,255	Total for Customer Services/Corporate Admin Team

6.22.2 Civic Office Keepers has a net unfavourable variance of £5,010 as detailed below.

To March	
Fav/(Adv) £	Reason for Variance
(5,010)	Employee expenses were overspent following sickness cover and payment in lieu of notice to a retiring employee.
(5,010)	Total for Civic Office Keepers

6.22.3 Design & Print Services has a favourable variance of £3,382

To March	
Fav/(Adv) £	Reason for Variance
3,382	There was a small surplus due to increased income.
3,382	Total for Design & Print Services

6.22.4 Civic Office Vending Machines has a favourable variance £3,192

To March	
Fav/(Adv) £	Reason for Variance
3,192	There was a small saving on this budget.
3,192	Total for Civic Office Vending Machines

6.23 **Executive Directors** has a net **favourable** variance of **£3,844** due to small underspends on various budgets none of which were significant.

6.24 **Audit & Assurance** has a net **unfavourable** variance of **£10,056** due to savings on the shared service of Risk Management.

To March	
Fav/(Adv) £	Reason for Variance
(14,876)	There was increased expenditure for the Shared Internal Audit Service (SIAS) as audits above the planned programme have been required. This overspend is offset by the reduced cost of the external audit.
4,820	There was a small saving on this budget.
(10,056)	Total for Audit & Assurance

6.25 Central Contingency

The Central Contingency, £321,280, exists to cover areas of exceptional expenditure arising throughout the year that are outside the control of managers and could not have been reasonably budgeted for at the time of setting the revenue budget. As this resource is limited it is only to be used in exceptional circumstances.

The following projects are to be financed from the central contingency

	£	£
Budget		321,280
Less one-off funding contribution to:		
Hertswood Academy	22,256	
The Ark Community Centre	90,000	
Commercial Developments - Sites Feasibility	25,000	
Establishing a Development Company		
Total amount unused due to savings elsewhere		184,024

6.26 **General Expenses, Audit Fees, Bank Charges not recharged** have a favourable variance of **£29,273**.

To March	
Fav/(Adv) £	Reason for Variance
(2,733)	General Expenses – there were small overspends against various budgets none of which were significant.
11,104	Bank Charges were below budget as the Council is now payment card industry (PCI) compliant for credit and debit card transactions. Also improved rates negotiated with current banking supplier.
20,902	The saving on External Audit was due to reduced charges and a refund from Central Government relating to the prior year. The 2015/16 budget has been reduced.
29,273	Total for General Expenses, Audit Fees & Bank Charges

6.27 Investment Income

6.27.1 The approved investment income budget set for 2014/15 was £160k and the actual investment income available was £276k. The surplus of £116k was due to slippage in capital expenditure which was lower than anticipated and as result increased balances available to invest. In addition, good cash flow management, and the continued direct dealing with banks – thus reducing brokers' commission - and the timing of investments also yielded higher than budgeted returns.

6.27.2 During the budget setting process the Council committed £209,000 of investment income to be used for one off expenditure.

6.27.3 A reconciliation of how the total committed one off costs have been funded is set out below:

	Budget £'000	Actual £'000
Commitments:		
Committed at start of year	704	704
Total approved for 2014/15	209	
Utilised in year		69
Additionally committed at year end		140
Total commitments	913	913
Funding:		
Balance on commitments reserve	704	704
Investment income	160	276
To be drawn from reserves	49	-
Investment income allocated to S106 balances	-	(22)
Transferred to Investment Income Equalisation Account (note 1)	-	(45)
Total funding	913	913

Note 1 – In light of current economic climate the council established an investment income equalisation account in 2008/09 in order to help fund shortfalls in investment income resulting from the fall in interest rates. The balance stands at £224,769 to help the Council to mitigate the effects of continued low interest rates in the future.

7 LEGAL IMPLICATIONS

- 7.1 The Accounts and Audit Regulations 2011 SI 817 came into force on 31 March 2011.
- 7.2 The regulations require that the Chief Financial Officer must, no later than 30 June immediately following the end of the year, sign and date the Statement of Accounts, and certify that it presents a true and fair view of the Council's financial position at the end of the year it relates, and of the Council's income and expenditure for the that year.
- 7.3 The report and the appendix, fulfils the statutory requirements of the Accounts and Audit Regulations 2011.

8 CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

- 8.1 In accordance with the Accounts and Audit Regulations 2011 the Council's Chief Financial Officer signed the Statement of Accounts on 30 June 2015 and certified that they represent a true and fair view of the Council's financial position as at 31 March 2015 and for the year then ended.

9 PERSONNEL IMPLICATIONS

- 9.1 None applicable for the purposes of this report.

10 CORPORATE PLAN & POLICY FRAMEWORK IMPLICATIONS

- 10.1 Subject to final audit opinion, the information disclosed within the Statement of Accounts gives a true and fair view of the financial standing of the Council at 31 March 2015. Therefore, the information contained therein will be used to assist in the preparation of the 2016/17 Finance and Capital strategies.
- 10.2 The information contained in the reports attached can also be used to inform the policy decisions in relation to setting the 2016/17 budgets. The information can be compared to the aims and priorities contained within the corporate plan and highlight areas for additional funding so that these aims and priorities are achieved.

11 RISK MANAGEMENT

- 11.1 There is a risk that members have concerns with the accounts and therefore, do not wish to note this report. This is mitigated by providing training to Members for them to

understand the accounts and a PowerPoint presentation highlighting the key elements of the accounts and an opportunity for members to ask questions.

12 APPENDICES ATTACHED

12.1 Appendix I – Unaudited Primary Statements 2014/15 (without notes).

Note: a full copy of the Statement of Accounts is available on the website (select 'F' for Finance and then 'Financial documents').

Would Members please let Democratic Services know if they need a hard copy.

12.2 Appendix II – Actual Expenditure 2014/15 – Direct Cost Format: summary.

Would Members please let Democratic Services know if they need a full electronic or hard copy version.

13 BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT

13.1 None

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15 CONSULTATION ON DRAFT REPORT

On 26 June 2015 a copy of the draft report was sent to the following: CE, Directors, Heads of Finance & Business Services and Legal & Democratic Services, and Service Heads.