

2010/11
Financial Report
including
Statement of
Accounts

Ste**venage**
BOROUGH COUNCIL

The 2010/11 Pre-Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of Stevenage Borough Council by the Chief Financial Officer on 30 June 2011.

This final version of the Statement of Accounts includes amendments following consideration by Grant Thornton and was approved under delegation by the Chair of the Audit Committee and Resources Portfolio Holder on the 19 September 2011.

Chair
Audit Committee

Resources Portfolio Holder

Date 19-9-2011

Date 19-9-2011

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Foreword by Strategic Director (Chief Financial Officer)

As the Council's Strategic Director (Resources) & Chief Finance Officer, it is my pleasure to write this foreword to Stevenage's Statement of Accounts for 2010/11. I hope it helps to tell the story of how the Council's money became the services you received. It summarises what money has been spent in 2010/11 and highlights specific issues regarding the Council's financial position at 31 March 2010. It goes without saying that 2010/11 continued to be set against a backdrop of the worst recession in a generation. The Council did not escape the effects of this global economic slowdown, with the continuation of losses of our income and investment returns. While these events have had a significant impact on the Council and the residents of Stevenage, the strength of the Council's financial standing and our active budget management has assured a strong financial outturn for the year, without disruption to services or impact on Council Tax levels.

During 2010/11 the Government announced the results of its Comprehensive Spending Review which has led to a grant reduction of 15% for 2011/12 and a further 10% in 2012/13. These reductions combined with the income reductions has resulted in the Council having to significantly down size the organisation and look for alternative service delivery models such as shared services.

The Accounts of Stevenage Borough Council for the year ended 31 March 2011 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the 2010 Code of Practice on Local Authority Accounting.

The Council spends over £100 million each year on your behalf providing services for people in the town. Some 53% of the money to pay for these services comes directly from you, in the council tax you pay to us, in the rents for housing and the charges we make for some of our services. Each year, the Council is required to give the residents of Stevenage clear information about its activities and financial management and this is what this document sets out to show, coupled with our accounts summary.

Sound financial management is essential to the Council's well being and this Statement of Accounts outlines how the Council's finances have been managed on your behalf. Up until 2009/10 the Council underwent various inspections, such as the Comprehensive Area Assessment and Use of Resources. The Council performed well in these inspections. Following the Government's decision to abolish the Audit Commission these inspections will now no longer take place, but instead replaced with more local arrangements to confirm strong governance, financial management and organisation performance. The latest Corporate Governance Statement is presented within these pages in support of the Statement of Accounts.

The Council's overall financial position and strategies are continually revised and updated. The inter-relationships between the Council's Revenue and Capital accounts have become increasingly complex and the Council has developed an overall medium-term strategy, integrating the General Fund, HRA and Capital accounts, which seeks to strike a balance between limited resources and growing expenditure pressures.

Foreword by Strategic Director (Chief Financial Officer) (continued)

The Council is committed to developing the strategy, alongside meeting the continuing demands of the Government's expanding efficiency agenda to ensure a sustainable financial position, whilst addressing a range of spend pressures and continual service improvements.

As well as striking a balance between the needs of the Housing Revenue Account and the General Fund, in both areas the Council has sought to achieve savings and maximise resource deployment opportunities. To assist this, the Council continued the work of the Leader's Services Priority Group to prioritise the Council's services in order to determine future resource allocations and growth. Following this extensive exercise, the Council has identified over £5.8 million of savings over the last four years that has been used to solve the Council's underlying budget gap. For the first time in over ten years, the Council delivered a net contribution back into balances during 2010/11.

Revenue Balances are planned to continue to be used in a phased way to bridge the gap between net expenditure and core resources over the medium term. During 2010/11 the Council borrowed £12 million to fund the decent homes programme for the Council's housing stock, bringing total borrowings to £17 million at 31 March 2011. This borrowing is called 'supported borrowing' and is paid for by the Government via the HRA subsidy system. In terms of General Fund capital investment, the Council continues to face a turbulent period to identify sufficient funding to invest in the town's assets. The Council is working hard to develop headroom in the revenue account to support a prudent level of borrowing whilst the outcomes from the recently update asset management plan is worked on. In addition to borrowing, the Council will also continue to work hard securing external funding to deliver such schemes as the regeneration of the Town Centre Gardens.

On the 1 October 2006 the Council set up Stevenage Homes Limited (SHL) as an Arm's Length Management Organisation (ALMO). This means that Council housing is still owned by the Council, but managed and maintained by SHL as a separate organisation. SHL has tenants, Councillors and independent people on its management board to deliver the Council's landlord services, to achieve the Decent Homes Standard, to seek to increase service standards and efficiency generally and give tenants a bigger say. SHL is a Company Limited by Guarantee and is wholly owned by the Council. In February 2009, SHL underwent an Audit Commission inspection and achieved two star status that allows them access to supported funding to deliver the decent homes standard across the Council's housing stock. A key event during 2010/11 relates to the launch of the Government's consultation on the HRA Finance Reforms. If implemented, this will abolish the current Housing Subsidy System, and instead replace it with a self financing model in exchange for a debt settlement for the majority of Councils within the subsidy system. Although these changes are welcomed, the Council with Stevenage Homes Limited will need to manage the new risks associated with the changes very carefully.

The Council has continued with its commitment to consultation regarding its priorities and resource allocation. Over the last 12 months we have run a town wide consultation event called 'Café

Foreword by Strategic Director (Chief Financial Officer) (continued)

Choice' that sought the views of residents on the savings proposals being considered, a budget consultation exercise "the Community Conference" in order to obtain views and opinions of Stevenage residents on how the Council spends its money. In addition a dedicated forum on our website including a Facebook and Twitter presence were also provided. All of these forums have helped shape our future financial priorities.

This Statement of Accounts is one of a number of publications giving information on the Council's finance and other activities. The corporate plan is currently being reviewed in light of the changing environment the Council needs to operate in.

Other publications include:

The Corporate Plan, Making a Difference – sets a clear direction for the Council, and a focus for service planning and budget setting.

An Annual Report summarises achievements against the Council's ambitions and priorities each year, and sets out results for corporate performance indicators.

We also produce a wide range of other publications, available free from the Council offices at Daneshill House. You may also visit our website at www.stevenage.gov.uk, and specific financial publications and reports can be found at www.stevenage.gov.uk/councilanddemocracy/counciltaxandfinance/financialmanagement.

Members of the public are welcome to attend Council, Executive and Panel meetings. You may also raise local issues at the various forums and consultation events held across the town. Information about meetings, agendas and copies of Council minutes are available from Council offices or by telephoning 01438 242 332.

We will promote equality and equal opportunity access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community. We will set out clear standards for services so that everyone knows what to expect. If you need any help with reading or understanding this document, take it to the Council Offices at Daneshill House or telephone 01438 242 242, or textphone 01438 242 555. We will try to provide a reading service, translation or any other format you may need.

Scott Crudginton

Strategic Director (Resources (Chief Financial Officer)) & Deputy Chief Executive

About Stevenage Borough Council

Background

Stevenage was designated Britain's first new town in 1946. The town was planned and developed by the Government-appointed Development Corporation that was responsible for a series of master plans detailing the way the town would grow. Stevenage Urban District Council became the Borough Council under local government reorganisation in 1974 and by 1980 most of the Development Corporation's functions had been transferred to the Borough Council.

General Statistics

2009/10		2010/11
	Area and Population	
2,606	Area (hectares)	2,606
80,689	Population	80,961
30.96	Population per Hectare	31.07
	Council Tax	
31,349	Number of Chargeable Dwellings	31,467
	Council Tax per Property in Band D	
£188.52	- Stevenage Borough Council	£188.52
£1,118.83	- Hertfordshire County Council	£1,118.83
£142.82	- Hertfordshire Police Authority	£147.82
<u>£1,450.17</u>	Total Council Tax	<u>£1,455.17</u>

Loan Debt

The Council became debt free during 2000/01 i.e. had repaid all of its external long term debt before 31st March 2001. In 2010/11 the Council had long term debt of £17,004,000 (£5,000,000 in 2009/10) relating to HRA borrowing for the Decent Homes Standard. This borrowing is called 'supported borrowing' and is paid for by the Government via the HRA subsidy system.

Population

The population figure is the projected population as published by the Department for Communities and Local Government as part of the Relative Needs Formula Indicator Data.

About Stevenage Borough Council

General information

Stevenage is situated about 30 miles north of London, with excellent road and rail links. The town is served by rail services on the East Coast line giving a 25 minute journey time into Central London. The A1(M) motorway offers good north-south road links, with the town only 20 minutes from the M25. Stevenage has a fully pedestrianised town centre that fulfils a sub regional role and thus provides a wide range of shopping facilities, including Marks & Spencer, BHS and Tesco, Asda and Sainsburys Superstores. A major regeneration scheme within the Town Centre to enhance the range and quality of shopping and more generally improve the available facilities is currently close to being determined. In addition to the shopping facilities in the Town Centre there are also facilities in the Old Town and at the three retail parks in town.

The main employment area – Gunnels Wood - is separated from the town centre and residential areas by the railway and is situated on the western side of the town, but with good road and footpath/cycleway links to the town centre and residential areas. Gunnels Wood is the largest employment area in Hertfordshire and one of the largest in the region. Consequently the employment base of the town is excellent with a wide range of both large and small businesses.

The larger employers during 2010/11 include MBDA, Aeroflex, Astrium, AVC, Fujitsu, GlaxoSmithKline, the Lister Hospital and the Council itself.

As Britain's first New Town, designated in 1946 Stevenage has been planned to facilitate ease of movement. It has a comprehensive road network with a segregated cycleway system and ample car parking facilities. The town centre itself has parking for 3,000 cars.

Stevenage is proud of its landscape that includes 40 old established woodlands, covering a total area of 240 acres. The town has a further 300 acres of public and private playing fields and Fairlands Valley Park that extends to some 112 acres.

Ten residential neighbourhoods have been developed as the town has grown to its current population of over 80,000. Each neighbourhood community is served by a range of local facilities including shops, a community centre, and medical facilities. The Borough Council owns a considerable number of residential and commercial properties in the town, especially in the New Town neighbourhoods.

The East of England Plan proposed that Stevenage should expand by an extra 16,000 new homes and at least 9,000 new jobs. The current Government proposes to revoke all Regional Plans in England. While the town will still grow it is likely that the previous level of growth will need to be reviewed over the coming year. While the town expands there will also be a major programme of re-investment and regeneration within the existing town – in the centre; in the neighbourhood centres; in the housing stock and in schools and health facilities.

About Stevenage Borough Council Services

Stevenage Borough Council is one of ten district councils in Hertfordshire. For Electoral purposes, Stevenage is split into 13 areas known as wards. The 39 Councillors who make up the Borough Council are elected by the local Community to represent its interests and decide what services should be provided.

Each Councillor serves for four years and elections are held in three years out of four. In each of these three years, one third of Councillors stand for election. In the fourth year, the elections to Hertfordshire County Council take place.

The main services provided by the Borough Council are:

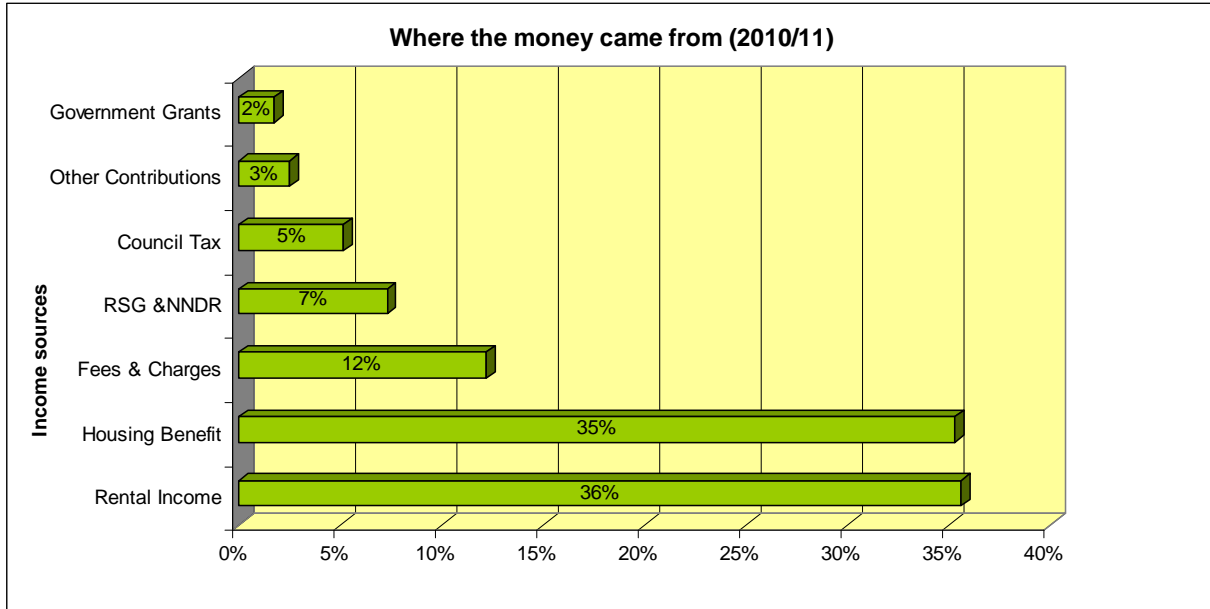
- Refuse Collection and Recycling
- Street Cleansing
- Leisure & Arts Services (including Stevenage Leisure Limited)
- Parks and Open Spaces
- Play & Youth Services
- Environmental Health
- Economic Development & Physical Regeneration
- Building Control and Planning
- Car Parking
- Public Transport Subsidies
- Housing (the housing stock is managed by Stevenage Homes Limited (SHL))
- Community Services
- Community Safety
- Council Tax Collection
- Housing & Council Tax Benefits

About Stevenage Borough Council

Gross Revenue Income and Expenditure 2010/11

The charts below show in broad terms where the Council's money comes from and what it is spent on.

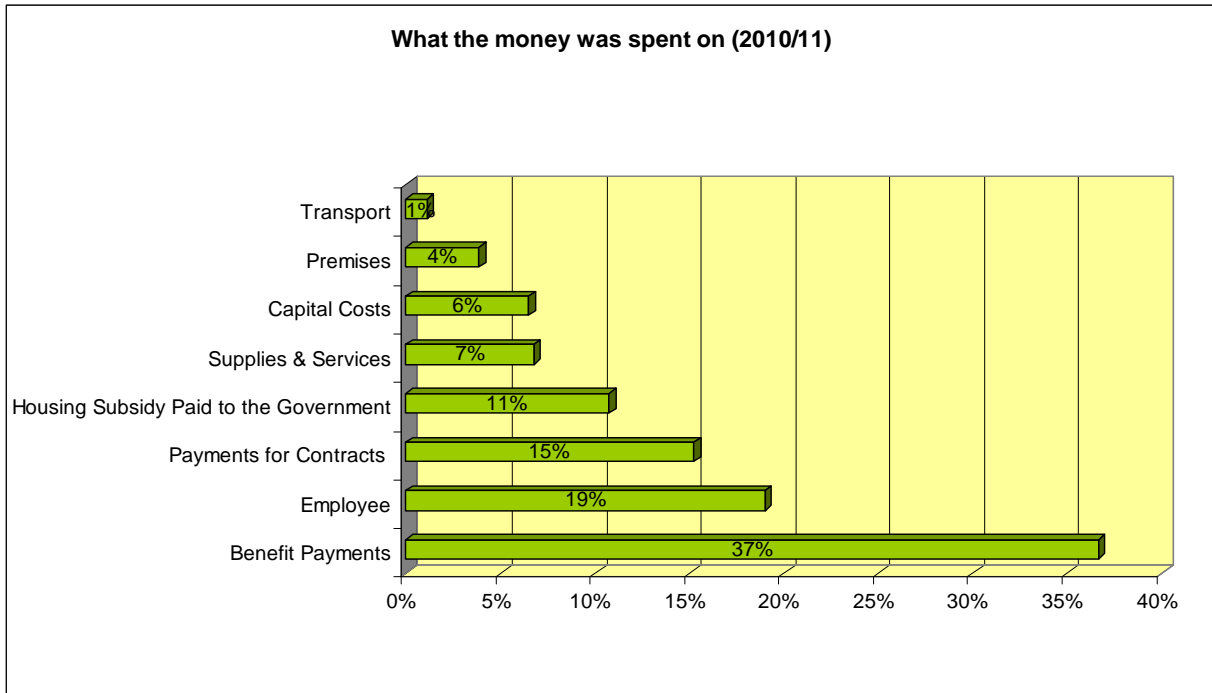
a) Where the money came from



The largest source of income is rents, which includes commercial and housing rents (36%). The second largest source of income is from housing benefit subsidy (35%). Only 5% of the Council's gross income comes from Council Tax.

About Stevenage Borough Council

b) What the money is spent on



The largest category of expenditure is benefit payments (37%). Employees are the second largest category of expenditure, this also includes salary and wage related costs such as advertising, training and insurance. Payments for contracts is third largest category of expenditure, this includes payments to Stevenage Homes Limited, (see also Note 34 Related Party Transactions).

Executive Summary

The Executive Summary includes abbreviated versions of the Accounts. The full detailed versions with notes are shown later in the Statement of Accounts.

Comprehensive Income & Expenditure Statement for the year ended 31 March 2011

2009/10 Restated £'000		2010/11 £'000
52,813	Cost of Services	85,612
417	Other Operating Expenditure	203
177	Financing & Investment Income & Expenditure	691
<u>(16,646)</u>	Taxation & Non-Specific Grant Income	<u>(17,411)</u>
36,761	(Surplus) / Deficit on Provision of Services	69,095
103,679	Other Comprehensive Income & Expenditure	(12,000)
<u>140,440</u>	Total Comprehensive Income & Expenditure	<u>57,095</u>

Balance Sheet as at 31 March

2009/10 Restated	2010/11 Restated £'000		2010/11 £'000
		Assets	
744,016	650,082	Long Term Assets	573,040
38,237	25,947	Current Assets	26,976
(19,881)	(16,675)	Current Liabilities	(14,870)
(32,326)	(69,748)	Long Term Liabilities	(52,635)
<u>730,046</u>	<u>589,606</u>	Net Assets	<u>532,511</u>
		Fund Balances & Reserves	
20,410	10,315	Usable Reserves	12,158
709,636	579,291	Unusable Reserves	520,353
<u>730,046</u>	<u>589,606</u>	Total Fund Balances & Reserves	<u>532,511</u>

Explanatory Foreword to the Statement of Accounts

The Council's Accounts for the year 2010/11 are set out below. The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS – based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from equivalent figures presented in the Statement of Accounts for 2009/10. Changes from the UK GAPP to IFRS are shown in Note 3; Transition to International Financial Reporting Standards. Under IFRS additional disclosures are required and these are shown in the Notes to the Core Statements.

The Council has a controlling interest in the direction of Stevenage Homes Limited however, in accordance with IFRS, the production of Group Accounts does not materially alter the Single Entity Accounts for the Council and as such Group Accounts have not been produced. Further information on the transactions between the Council and Stevenage Homes Ltd are disclosed in Note 34: Related Parties.

Financial Statements

Core Statements

- ◆ **Movement in Reserves Statement**
 - Which shows the movement in the in year between the Councils reserves, analysed into Usable Reserves and Unusable Reserves.
- ◆ **Comprehensive Income & Expenditure Statement**
 - Which shows the accounting costs of providing services in year.
- ◆ **Balance Sheet**
 - Which sets out the financial position of the Council as at 31 March 2011 and includes a comparative information for prior years.
- ◆ **Cash Flow Statement**
 - Which shows the changes in cash and cash equivalents held by the Council during the reporting period.
- ◆ **Notes to Core Financial Statements**
 - Which provide additional information in support of the Core Financial Statements.

Supplementary Statements

- ◆ **Housing Revenue Account (HRA) Income & Expenditure Statement & Notes**
 - Which shows income and expenditure on council housing.
- ◆ **Movement on the HRA Statement**
 - Which shows how the HRA surplus/deficit for the year reconciles to the HRA Balance as at 31 March 2011.

Explanatory Foreword to the Statement of Accounts

◆ Collection Fund Account & Notes

- Which shows the collection of Council Tax and National Non-Domestic Rates (NNDR) and payments from this fund to the Council, Hertfordshire County Council and Hertfordshire Police Authority to meet their expenditure.

Budget – General Fund

The main components of the General Fund Budget for 2010/11 and how these compare with actual income and expenditure are set out below: -

	Original Budget 2010/11	Working Budget 2010/11	Actual 2010/11	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure on Services	74,062	77,352	79,757	2,405
Income	(55,688)	(58,165)	(63,260)	(5,095)
Total Service Expenditure	18,374	19,187	16,497	(2,690)
Reversal of capital charges to neutralise the impact on the Council Tax Payer	(5,081)	(5,843)	(3,864)	1,979
Total Net Operating Expenditure	13,293	13,344	12,633	(711)
Government grants incl. RSG & NNDR	(7,853)	(7,853)	(7,853)	0
Collection Fund Income	(5,547)	(5,547)	(5,547)	0
Net change in reserves for year	(107)	(56)	(767)	(711)
Balance brought forward	(1,954)	(1,954)	(1,954)	0
Balance Carried forward	(2,061)	(2,010)	(2,721)	(711)

The working budget was approved by Executive in March 2011 and relates to the third quarter monitoring projection. The 2010/11 actual net spend on the General Fund was £711,488 lower than the working budget. Some of the main variances are listed below:

Expenditure:

General Fund gross expenditure was **£2,404,808** higher than reported at the third quarter projection. This related partly to notional capital charges of £3,802,790 which are reversed out below the line and not charged to the Council Tax Payer. Included in the increased charges were revaluation losses of £1,303,873. These additional notional charges arose because of a reduction in the valuation of General Fund assets and in particular the Council's depot at Cavendish Road. A further £997,154 relates to the inclusion of the "Pooling Payment" to the Government for housing capital receipts. This entry is reversed out of the General Fund and charged against capital receipts.

Explanatory Foreword to the Statement of Accounts

Other expenditure variances that impacted on the General Fund are listed below:

- An increase in the transfer to earmarked reserves of **£425,029** of which £167,730 related to Housing and Planning Delivery Grant that had not been spent in year and transferred to a reserve pending completion of a number of projects. There was a year end increase in the Capacity Building Reserve of £100,000 to fund any upfront costs relating to the Working Together projects and a £100,000 increase in the Deminimus Capital Reserve to help fund any schemes that do not have any available funding but are deemed a high priority. For further information on earmarked reserves see note 23 to the Statement of Accounts.
- There was a reduction of **£203,405** in Housing Benefit and Council Tax payments to claimants compared to the working budget. This represents 0.53% of the total spend.
- There was a reduction in Employee costs of **£192,690** which related to lower redundancy cost than budgeted for and lower training costs than anticipated. This represents 0.98% of spend.
- There was a reduction in transport costs of **£89,050** which related to lower vehicle hire and material costs than budgeted for. This represents 7.55% of spend.
- There was a reduction in third party costs of **£99,281** which represents 1.31% of spend. A proportion of this budget has been requested to be carried forward in to the 2011/12 budget to facilitate the completion of planned projects.
- There were other net under spends of **£258,055** which were across a number of expense heads including premises costs and supplies and services

Income:

General Fund gross income was **£5,095,942** higher than budgeted for. This included capital grants of **£4,025,434** which are now shown in the Council's published accounts under International Financial Reporting Standards (IFRS).

Other income variances that impacted on the General Fund are listed below:

- There were notional charges of **£770,332** relating to the profit on disposal on the Council's assets. This is reversed out below the line and is not income to the General Fund.
- There were additional government grants of £200,936 over that budgeted, including Performance Reward Grant (£71,844) and Housing and Council Tax Subsidy (£64,383)
- There was additional income of £99,240 relating to fees and charges

Explanatory Foreword to the Statement of Accounts

Budget – Housing Revenue Account (HRA)

The main components of the HRA for 2010/11 and how these compared with actual income and expenditure are set out below:

	Original Budget 2010/11	Working Budget 2010/11	Actual 2010/11	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure	38,400	53,835	113,380	59,545
Income	(35,866)	(35,804)	(35,742)	62
Net Cost of HRA	2,534	18,031	77,638	59,607
Reversal of Capital Charges	(1,607)	(19,027)	(78,894)	(59,867)
(Surplus) / Deficit for the year	927	(996)	(1,256)	(260)
Balance brought forward	(2,430)	(2,430)	(2,430)	0
Balance Carried forward	(1,503)	(3,426)	(3,686)	(260)

The working budget was approved by Executive in March 2011 and relates to the third quarter monitoring projection. The 2010/11 actual net spend on the HRA was £260,041 lower than the working budget. Some of the main variances are listed below:

Expenditure: HRA gross expenditure was **£59,545,438** higher than budgeted for. The increase related to higher notional depreciation and impairment costs of £85,328,076 compared to the budgeted £25,470,172 an increase of £59,857,904.

The 2010/11 revaluation of the housing stock was significantly lower than the valuation for 2009/10. This was because of a regulation change in using the Existing Use Value – Social Housing (EUV-SH). The previous calculation was based in 46% of the vacant possession value compared to 39% which was used for the 2010/11 accounts. This caused a reduction in valuation of £79,908,073. The depreciation charges remain in line with the budget even though the value of the housing stock has reduced. This is because the average life assessment of stock was reassessed at 39.79 years compared to the previous assessment of 50 years. Impairment and depreciation charges in excess of the Major Repairs Allowance are reversed out of the HRA and are not charges to the rent payer.

There were other net under spends of **£313,467** which related to a reduction in third party payments and supplies and services.

Income: Gross income was **£62,745** higher than budgeted for. The increase related to lower service charges than estimates.

Explanatory Foreword to the Statement of Accounts

Major Variances in Net Spend in the Income and Expenditure Account

	2009/10 Net Expenditure	2010/11 Net Expenditure	Year on Year Variance
Central Services to Public	1,833	970	(863)
Cultural Environmental & Planning Services	21,904	15,823	(6,081)
Children's Services	50	41	(9)
Highways Roads & Transport Services	906	625	(281)
HRA Services	25,569	76,821	+51,252
Housing Services	(813)	310	+1,123
Adult Social Care	111	48	(63)
Corporate & Democratic Core	3,068	3,784	+716
Non Distributed Costs	185	(12,810)	(12,995)
Cost of Services	52,813	85,612	+32,799

Explanations to major variances

Central Services to Public: The reduction in Central Service costs between 2009/10 and 2010/11 was the result of various activity changes. This included an increase in summons raised on Council Tax of £128,817 and lower premises costs of £74,783.

Cultural, Environmental & Planning Services: There was a reduction in revaluation losses experienced in 2010/11 compared to 2009/10 of £5,184,805. This was mainly due to a large revaluation loss relating to the Business Technology Centre (BTC) of £4,449,326 in 2009/10.

Highways, Roads & Transport Services: Income from the Council's car parks generated £198,560 more income in 2010/11 compared to 2009/10.

Housing Revenue Account (HRA) Services There was an increase in the impairment and revaluation losses shown in the Comprehensive Income and Expenditure Statement for the Council's housing stock of £52,550,410. The 2010/11 revaluation of the housing stock was significantly lower than the 2009/10 valuation because of a regulation change in the using the Existing Use Value – Social Housing (EUV-SH). The previous calculation was based on 46% of the vacant possession value compared to 39% which was used for the 2010/11 accounts. The housing stock value increase by £15,722,804 based on vacant possession, however based on the revised percentage for EUV-SH the value of the housing stock was significantly reduced leading to an increase in losses shown in the Income and Expenditure Statement.

Housing Services: There was an Increase in rent rebate and rent allowances (net of subsidy and overpayments) raised of £562,560 compared to 2009/10. There was also an increase in the amount of capital expenditure which was written off to revenue in 2010/11 of £1,386,180. This cost is reversed out of the Income and Expenditure Statement below the line and is funded from

Explanatory Foreword to the Statement of Accounts

capital receipts. The additional costs relate to disabled facility grants and social housing schemes.

Non Distributed Costs: The variance on year for Non Distributed costs is a result of past pension cost gains in the Council's Pension Liability that has arisen from a change in benefit entitlement from using Retail Price Index (RPI) to the Consumer Prices Index (CPI) causing a gain of £12.85 million (See also Note 39 Pension).

Material Assets Acquired or Liabilities Incurred during 2010/11.

The Council did not acquire any material assets or liabilities during 2010/11.

Economic Significant Provisions, Contingencies and Write off's

In 2010/11 the Council experienced significant impairment and revaluation losses on the value of its housing stock, shown in the balance sheet under Property, Plant and Equipment. The valuation and impairment losses for 2010/11 were in total £82,204,551, of which £79,908,073 arose because of a the way council houses were valued in 2010/11.

Properties are valued on an Existing Use Value - Social Housing (EUV-SH) basis, which is a percentage of the Vacant Possession value (VP). In 2010/11 the calculation changed and the percentage of the VP value used to calculate the EUV-SH value, was reduced from 46% of the VP value in 2009/10 to 39% in 2010/11.

Although the 2010/11 VP value of the stock increased by £15,722,804 compared to 2009/10, the impact of change in calculation meant a reduction in the value of the housing stock by £79,908,073.

The majority of the revaluation and impairment losses were charged to the Comprehensive Income and Expenditure Account, (£77,274,443), the remainder was accounted for in the Revaluation Reserve.

Capital and Borrowing

In 2010/11 the Council spent £23,369,378 on capital projects.

Capital expenditure of £17,300,123 was spent on HRA services and a further £6,069,255 on General Fund services.

The Council funded 10.54% (45% 2009/10) of its capital programme from the sale of assets, (land and council house sales), using £2,464,145 capital receipts to fund the in year capital programme.

The Council also uses other sources of income to fund its capital programme. The table below shows resources used and available to fund future capital expenditure.

Explanatory Foreword to the Statement of Accounts

	Brought Forward	Received in Year	Used in Year*	Available to fund future year expenditure
	£'000	£'000	£'000	£'000
Usable Capital Receipts	1,094	1,572	(2,464)	202
MRA	0	6,434	(6,020)	414
Section 106 Receipts (Capital)*	1,871	43	(816)	1,098
Borrowing	0	10,953	(10,953)	0
Grants and Other Contributions	3,688	3,276	(3,156)	3,808
TOTAL	6,653	22,278	(23,409)	5,522

* Includes a transfer to revenue of £40,000 for a commuted sum misclassified as a S106 receipt

Usable capital receipts received in year has been reduced by the payment made to the government for 'pooled receipts'.

The Council had loans of £17,004,000 as at 31 March 2011. This loan debt related to expenditure on the Council's Decent Homes Programme for its housing stock. The debt is 'supported borrowing' which means the Government reimburses the Council for the cost of borrowing via the housing subsidy system.

The Government is proposing changes to the HRA subsidy system from 1 April 2012, whereby Council's with housing stock will pay a one off amount to the Treasury and thereafter retain all the income and expenditure generated in the Housing Revenue Account, (the Council paid £11,309,303 in negative subsidy to the Government in 2010/11). The estimated payment the Council would make to the Treasury is £207,000,000 and the Council would treat this as capital expenditure and fund this payment through additional loans. The final proposals on the HRA Finance reforms have yet to be published, and will need the Localism Bill enacted to allow Council's to borrow for this purpose.

Pensions Liability

The Council participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council. And the impact of the pension liability is shown on the face of the balance sheet. The effect of the 2010/11 pension liability is to increase the value of the Council's reserves by £29,117,679, (£32,422,595, decrease in 2009/10). The reduction in the Council's 2010/11 pension liability was partly as a result of a change in accounting assumptions from using the Retail Price Index (RPI) to the Consumer Price Index (CPI) causing a decrease of £12,850,000. (See also Note 39 Pension).

Explanatory Foreword to the Statement of Accounts

Significant Changes in Accounting Policies and adoption of International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS – based Code has resulted in the restatement of various balances and transitions, with the result that some amounts presented in the financial statements are different from equivalent figures published in the Statement of Accounts for 2009/10. An explanation of these changes and adjustments made to the core statements, following the adoption of IFRS, are detailed in Note 3, Transition to International Reporting Standards.

In adopting IFRS the Council has reviewed its accounting policies and where necessary amended and introduced new policies where it has been necessary to comply with the new accounting standards. Note 1, Accounting Policies identifies where policies have been amended or introduced with the introduction of IFRS.

Material Events after the reporting date

The Council is currently undertaking a Housing Options Appraisals. The results of this appraisal will not be known until after the Statement of Accounts has been audited. The Council does not consider that the outcome of the Housing Options Appraisal will impact on the Statement of Accounts 2010/11.

From 1st April 2011 the management and costs of providing a concessionary fares scheme has transferred to Hertfordshire County Council. There are no material liabilities remaining to the Council arising from the transfer of this scheme to Hertfordshire County Council.

Further Information

Further information about the accounts are available from:-

The Head of Finance
Stevenage Borough Council
Daneshill House
Danestrete
Stevenage
SG1 1HN
Email: clare.fletcher@stevenage.gov.uk

This is part of the Council's policy of providing full information about the Council's affairs. In addition interested members of the public have a statutory right to inspect the accounts before the District Auditor completes the annual audit. The availability of the accounts for inspection is advertised in the local press.

Statement of Accounts 2010/11

Movement in Reserves Statement

This Statement shows the movement in year of the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the Provision of Services line in the Comprehensive Income and Expenditure Account shows the true economic cost of providing the Authority's services. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Movement in Reserves Statement

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009		(2,906)	(438)	(2,095)	0	(11,566)	(3,405)	(20,410)
Movement in reserves during 2009/10								
Surplus or (deficit) on provision of services		11,663	0	25,098	0	0	0	36,761
Other Comprehensive Expenditure and Income		103,679	0	0	0	0	0	103,679
Total Comprehensive Expenditure and Income		115,342	0	25,098	0	0	0	140,440
Adjustments between accounting basis & funding basis under regulations	8	(115,130)	0	(25,433)	0	10,472	(254)	(130,345)
Net Increase/Decrease before Transfers to Earmarked Reserves		212	0	(335)	0	10,472	(254)	10,095
Transfers to/from Earmarked Reserves	9	740	(740)	0	0	0	0	0
Increase/Decrease (movement) in Year		952	(740)	(335)	0	10,472	(254)	10,095
Balance at 31 March 2010 carried forward		(1,954)	(1,178)	(2,430)	0	(1,094)	(3,659)	(10,315)
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of services		(7,652)	0	76,747	0	0	0	69,095
Other Comprehensive Expenditure and Income		(12,000)	0	0	0	0	0	(12,000)
Total Comprehensive Expenditure and Income		(19,652)	0	76,747	0	0	0	57,095
Adjustments between accounting basis & funding basis under regulations	8	18,678	0	(78,002)	(414)	892	(92)	(58,938)
Net Increase/Decrease before Transfers to Earmarked Reserves		(974)	0	(1,255)	(414)	892	(92)	(1,843)
Transfers to/from Earmarked Reserves	9	207	(207)	0	0	0	0	0
Increase/Decrease in Year		(767)	(207)	(1,255)	(414)	892	(92)	(1,843)
Balance at 31 March 2011 carried forward		(2,721)	(1,385)	(3,685)	(414)	(202)	(3,751)	(12,158)

Movement in Reserves Statement

	Note	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000
Balance at 31 March 2009		(20,410)	(709,636)	(730,046)
Surplus or (deficit) on provision of services		36,761	0	36,761
Other Comprehensive Expenditure and Income		103,679	0	103,679
Total Comprehensive Expenditure and Income		140,440	0	140,440
Adjustments between accounting basis & funding basis under regulations	8	(130,345)	130,345	0
Net Increase/Decrease before Transfers to Earmarked Reserves		10,095	130,345	140,440
Transfers to/from Earmarked Reserves	9	0	0	0
Increase/Decrease (movement) in Year		10,095	130,345	140,440
Balance at 31 March 2010 carried forward		(10,315)	(579,291)	(589,606)
Surplus or (deficit) on provision of services		69,095	0	69,095
Other Comprehensive Expenditure and Income		(12,000)	0	(12,000)
Total Comprehensive Expenditure and Income		57,095	0	57,095
Adjustments between accounting basis & funding basis under regulations	8	(58,938)	58,938	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,843)	58,938	57,095
Transfers to/from Earmarked Reserves	9	0	0	0
Increase/Decrease in Year		(1,843)	58,938	57,095
Balance at 31 March 2011 carried forward		(12,158)	(520,353)	(532,511)

Comprehensive Income & Expenditure Statement for the year ended 31 March 2011

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. Authorities raise taxation to cover expenditure in accordance with regulations: this may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

2009/10 Restated				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
11,764	9,931	1,833	Central Services to Public	11,012	10,042	970
26,415	4,511	21,904	Cultural Environmental & Planning Services	21,699	5,876	15,823
680	630	50	Childrens Services	880	839	41
4,074	3,168	906	Highways Roads & Transport Services	4,102	3,477	625
61,116	35,547	25,569	HRA Services	112,262	35,441	76,821
33,143	33,956	(813)	Housing Services	35,381	35,071	310
111	0	111	Adult Social Care	48	0	48
3,068	0	3,068	Corporate & Democratic Core	3,784	0	3,784
185	0	185	Non Distributed Costs	0	12,810	(12,810)
140,556	87,743	52,813	Cost of Services	189,168	103,556	85,612
		417	Other Operational Expenditure	Note 10		203
		177	Financing & Investment Income and Expenditure	Note 11		691
		(16,646)	Taxation & Non-Specific Grant Income	Note 12		(17,411)
		36,761	Deficit on Provision of Services			69,095
		71,903	Deficit on revaluation of fixed assets			5,345
		31,776	Actuarial gains/losses on pension assets/liabilities	Note 39		(17,345)
		103,679	Other Comprehensive Income and Expenditure			(12,000)
		140,440	Total Comprehensive Income and Expenditure			57,095

All Council operations are continuing.

Best Value Accounting Code of Practice (BVACOP) :

The above revenue service expenditure analysis is compliant with the latest accounting code of practice.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority 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 that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the authority is not able to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences in the Movement in Reserves Statement line “adjustment between accounting basis and funding under regulations”.

Balance Sheet

1 April 2009 Restated £'000	31 March 2010 Restated £'000	Note	31 March 2011	
			£'000	£'000
		Property, Plant & Equipment:		
596,819	510,835	- Council Dwellings	13	436,809
103,718	103,849	- Other Land & Buildings		101,234
6,947	7,541	- Vehicles, Plant & Equipment		7,459
17,335	10,163	- Other		9,626
16,041	17,289	Investment property	14	17,553
171	145	Intangible Assets	15	119
575	0	Assets Held for Sale	20	0
2,097	0	Long Term Investments	16	0
313	260	Long Term Debtors	16	240
744,016	650,082	Total Long Term Assets		573,040
26,141	5,801	Short Term Investments	16	8,010
68	76	Inventories	17	46
6,614	9,775	Short Term Debtors	18	10,548
5,414	10,295	Cash and Cash Equivalents	19	8,372
38,237	25,947	Current Assets		26,976
(2,000)	(8)	Short Term Borrowing	16	(63)
(15,791)	(15,045)	Short Term Creditors	21	(12,342)
(2,090)	(1,622)	Provisions	22	(2,465)
(19,881)	(16,675)	Current Liabilities		(14,870)
0	(5,000)	Long term borrowing	16	(17,004)
(32,326)	(64,748)	Pension Liability	39	(35,631)
(32,326)	(69,748)	Long Term Liabilities		(52,635)
730,046	589,606	Net Assets		532,511
20,410	10,315	Usable Reserves	23	12,158
709,636	579,291	Unusable Reserves	24	520,353
730,046	589,606	Total Net Worth		532,511

Cash Flow Statement for the year ended 31 March 2011

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 net cash flows arising from operating activities is a key indicator to the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of service 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.

2009/10		Note	2010/11
Restated			
£'000			£'000
36,761	Net (surplus) or deficit on the provision of services		69,095
(33,878)	Adjustments to net surplus or deficit on the provision of services for non cash movements	47	(70,995)
(4,009)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	48	1,723
(1,126)	Net Cash flows from Operating Activities	44	(177)
(7,662)	Investing Activities	45	12,205
3,907	Financing Activities	46	(10,106)
(4,881)	Net increase or decrease in cash and cash equivalents		1,922
(5,414)	Cash and Cash Equivalents at the beginning of the reporting period		(10,295)
(10,295)	Cash and Cash Equivalents at the end of the reporting period		(8,373)

Notes to the Core Financial Statements

1. Accounting Policies

Accounting policies are the specific principles, bases, conventions rules and practices applied by the Council in preparing and presenting the financial statements. This is the first year of preparing accounts under International Reporting Standards and to facilitate this a number of new accounting policies have been adopted. Where new policies have been introduced or existing ones amended to comply with IFRS a note to that effect has been added. In accordance with IAS 8 the accounting policies are disclosed below:

1.1 General Principles (Amended for IFRS)

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position as at the year end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* supported by *International Financial Reporting Standards* and the *Best Value Accounting Code of Practice 2010/11*.

The accounting convention adopted in the Statement of Accounts is historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Service expenditure in the Comprehensive Income and Expenditure Statement and the Housing Revenue Account analysis expenditure in the categories as specified in the *Best Value Accounting Code of Practice (BVACOP)*.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- fees, charges and rents due from customers are accounted for as income at the date due.
- Supplies are generally recorded as expenditure when they are consumed. This includes services provided by employees. The exception is electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This debtors and creditors policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Notes to the Core Financial Statements

1.2 Accruals of Income and Expenditure contd.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Exceptional Items (New following adoption of IFRS)

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council's financial performance.

1.4 Prior Period Errors (New following adoption of IFRS)

Prior period errors are material omissions or misstatements in the Council's prior year(s) published financial statements for one or more prior periods arising from failure to use, or misuse reliable information that:

- was available when the financial statements for those periods were authorised for issue and,
- could reasonably be expected to have been obtained and taken into account in preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of the facts and fraud.

Where any material Prior Period Errors are found they will be disclosed as a separate note to the accounts and the prior period accounts are retrospectively restated to show the correct accounting entries.

1.5 Provisions (Amended for IFRS)

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits, but where timing of the transfer is uncertain. The Council's policy is to assume all transfers of economic benefit will be made within 12 months. The Council recognises that on rare occasions a provision is utilised after 12 months (for example an insurance provision), however these instances do not materially alter the financial statements. Provisions are charged to the

Notes to the Core Financial Statements

1.5 Provisions (Amended for IFRS) contd.

appropriate service account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Where payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Impairment for doubtful debts are separately disclosed against debtors.

1.6 Reserves (Amended for IFRS)

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed is incurred, it is charged to the appropriate service revenue account in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back through the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained further in the notes to the accounts.

1.7 Contingent Liabilities and Contingent Assets (New following adoption of IFRS)

Contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control

Notes to the Core Financial Statements

1.7 Contingent Liabilities and Contingent Assets (New following adoption of IFRS) contd.
 .When a contingent liability is identified the Council will disclose the contingent liability as a note to the core statements. (Note 40 and 41) The Council does not recognise any contingent assets due to the uncertainty of economic gain of a contingent asset.

1.8 Government Grants and Contributions (Amended for IFRS)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments , and
- the grants or contributions will be received – without requiring any impairment for capital contributions.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advances as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied to fund capital expenditure, it is posted to the capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

1.9 Pensions-Local Government Pension Scheme (Amended for IFRS)

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Hertfordshire superannuation scheme attributable to the Council are included in the Balance Sheet on an actuarial basis by projecting forward the results of the 2010 Valuation i.e. by carrying an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the Hertfordshire County Council Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - ⇒ Equities – bid-market value
 - ⇒ Property-market value
 - ⇒ Bonds and Cash at fair value

The change to the net pension liability is analysed into seven components:

- Current service cost – the increase in liabilities, as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost – the expected increase in the present value of liabilities, during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on the average of the expected long-term return - credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/Losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees-debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Notes to the Core Financial Statements

1.9 Pensions-Local Government Pension Scheme (Amended for IFRS) contd.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employees contributions to the pension fund in settlement of liabilities.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserves to remove the notional debits and credits for retirement benefits and replaces them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary benefits:

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.10 Value Added Tax (VAT)

Income and expenditure excludes any amounts that relate to VAT, except where the VAT element is not recoverable from HM Revenue and Customs.

1.11. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service provided in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The basis for internal charging is, wherever possible, on a unit basis appropriate for the service provided, e.g. office accommodation by floor area, Human Resources (HR) charges by number of employees etc. Other categories of internal charge are apportioned on an appropriate percentage basis based on staff time.

Notes to the Core Financial Statements

1.11. Overheads and Support Services contd.

The basis for accounting for overheads complies with the *Best Value Accounting Code of Practice 2010/11* (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional democratic organisation.
- Non-Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

1.12. Intangible Fixed Assets (Amended for IFRS)

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits.

Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. No such assets exist for this Council.

Any losses from impairment are recognised in the relevant service revenue account and the Comprehensive Income and Expenditure Statement.

Any gain or loss from the disposal or abandonment of an asset is posted to the other operating expenditure line on the Comprehensive Income and Expenditure Statement.

Where expenditure qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance, and are therefore reversed out through the Movement in Reserves Statement and Capital adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13. Investment Property (New following adoption of IFRS)

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Notes to the Core Financial Statements

1.13 . Investment Property (New following adoption of IFRS) contd

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to the market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a net gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in the Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts reserve.

Recognition: The Council recognises an investment property only when it is probable that the future economic benefits associated with the property will flow to the Council and the cost or fair value of the investment property can be measured reliably.

Measurement: Investment properties are initially measured at cost, until such time as its fair value can be determined reliably or its construction is complete, whichever comes first are measured at Fair Value, this is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

1.14 Property, Plant and Equipment (Amended for IFRS)

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used in more than one financial year are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of tangible non current assets is capitalised on an accruals basis, provided that the future economic benefits or service potential will flow to the Council and that the cost can be measured reliably.

Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Non Current Assets are initially measured at cost, comprising, in addition to the purchase price, all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment (Amended for IFRS) contd

This includes the cost of dismantling and removing the item, and any the costs of any restorative work on the site on which it is located. Non Current Assets are then carried in the Balance Sheet using the following measurement bases:

- dwellings – fair value determined using the basis of existing use value for social housing (EUV-SH)
- infrastructure assets, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The basis on which DRC is calculated has been amended by the Royal Institute of Chartered Surveyors, to take into account what a modern equivalent asset (MEA) would be. The effect on this Council has been assessed as immaterial, and the new valuation requirement will be implemented fully in 2013/14 when the councils specialised assets are due for revaluation.

Where non-property assets (e.g. vehicles plant and equipment) have short useful lives, low value or both, depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carry amount of the asset is written down against that balance (up to the amount of the accumulated gains)

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment (Amended for IFRS) contd

HRA properties are re-valued at 1 April on a Beacon Basis. Beacon types being defined by the number of bedrooms, the type of property, its area and whether it is a traditional or non-traditional build. So, with the exception of the properties which were converted into maisonettes, works done after this date have not been deemed to add value to the Beacon. General fund properties are re-valued at 31 March, so any additions to the properties have already been taken into consideration.

The revaluation process is co-ordinated by the Council's Estates Manager J Angell BA, MRICS. The latest valuation certificates are dated 31 March 2011 (excluding Housing Dwellings which are valued as at 1 April 2010) and revaluations are carried out by both the Council's in-house professional staff and a private firm of Chartered Surveyors.

Impairment: Assets are assessed annually for any indication of impairment. Where indications exist and any possible differences are estimates to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-Current Assets Held For Sale: Where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued use, it is reclassified as an asset held for sale. The asset is revalued at that point. Any subsequent gains and losses are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probable sale within 12 months of the balance sheet date.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment (Amended for IFRS) contd

A reasonable assessment can be made of General Fund disposals. However, for council dwellings, at the balance sheet date, the Council can not reliably estimate specific disposals for the following 12 months. For example Right to Buy requests are received from tenants which may not result in a subsequent sale. As the numbers involved are not material Right to Buy properties which are nearing completion of a sale are not recognised as Assets held for sale and no adjustment is made in the accounts for these.

Fair value gains are only recognised up to the amount of any previously recognised losses, recognised in the revenue account.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Pre-Sale Expenses and Disposal costs: The Council is able to offset costs incidental to disposals against the capital receipt. This is restricted for General Fund disposals to a maximum of 4% of the capital receipt. Any costs not covered by a separate agreement with the purchaser to meet the Council's revenue costs are considered for this treatment.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Exception is made for assets without a determinable finite useful lives (i.e. freehold land and certain community assets) and assets not yet available for use (i.e. assets under construction).

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment (Amended for IFRS) contd

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

The useful economic lives for fixed assets which are depreciated are:

Council Dwellings	Up to 50 years
Operational Buildings	Up to 50 years
Computer Equipment	3-7 years
Vehicles Plant and & Other Equipment	3-7 years

Componentisation: Where an asset has major components with different estimated useful lives, these are depreciated separately.

The criteria applied by the Council for componentisation, is that where the cost of a component exceeds 15% of the cost of the asset, and there is a significant difference in depreciable life of a component, compared to the asset as a whole, the Council will componentise the asset, to ensure no material distortions in either the value of the asset or the charge made for use of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.15 Charges to Revenue For Non-Current Assets

Service, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by

Notes to the Core Financial Statements

1.15 Charges to Revenue For Non-Current Assets contd.

way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.16 Borrowing Costs (New following adoption of IFRS) It is not the Council's policy to capitalise borrowing costs.

1.17 Revenue Expenditure Funded From Capital Resources Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in reserves Statement from the General Fund Balance to the Capital Adjustment Account then reversed out the amounts charged so that there is no impact on the level of Council Tax.

1.18 Leases (Amended for IFRS)

Finance Leases: The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability, and
- a finance charge (debited to Financing and Investment Income the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases: Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. The Council is has not entered into any new lease agreements in 2010/11.

Notes to the Core Financial Statements

1.19. Financial Assets (Amended for IFRS)

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables: Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available-for-sale Assets: Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.
- Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the surplus/deficit on Revaluation of Available for Sale Assets. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

1.19. Financial Assets (Amended for IFRS) contd.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.20 Cash and Cash Equivalents (New following adoption of IFRS)

Cash is represented by notes and coins held by Stevenage Borough Council and deposits available on demand. Cash Equivalents are represented by short-term investments, highly liquid investments that can be readily converted (within seven days) into known amounts of cash and that are subject to an insignificant risk of changes in value.

In the Cash Flow Statement and Balance Sheet cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and where they form an integral part of the Council's cash management.

1.21 Financial Liabilities (Amended for IFRS)

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account are based on the carrying value of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the Council has, this means that the amount in the Balance Sheet is the outstanding principal repayable (plus accrued interest). And interest chargeable to the Income and Expenditure Account is the amount payable for the year in the loan agreement. The borrowing the Council held on the Balance Sheet as at 31 March 2011 related to 'supported borrowing' for the Decent Homes programme for the Council's housing stock and prudential borrowing for the Council's General Fund capital programme.

1.22 Inventories and Long Term Contracts (Amended for IFRS)

Inventories are included in the Balance Sheet. Stocks are valued at the latest purchase price paid. The Council does not comply with IFRS which requires stocks to be shown at the lower of costs and current replacement cost, however, the effect of the different treatment is not significant. Work in progress on uncompleted jobs is valued at cost price.

Notes to the Core Financial Statements

1.23 Employee accrued benefits (New following adoption of IFRS)

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and are recognised as an expense for service in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlement (or any form of leave e.g. flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following year, being the year in which the employee takes the benefit. Stevenage Borough Council policy states that no more than five days annual leave should be carried over into the next financial year unless permission is granted in exceptional circumstances. The flexi time scheme is available to all employees except in services areas where, due to the nature of the work, it is not possible for employees to fully participate.

1.24 Segmental Reporting (New following adoption of IFRS)

As part of the Council's budget monitoring process Quarterly Budget Monitoring Reports are presented to the Senior Management Board and the Council's Executive.

The Council's Budget and Policy Framework empowers the Executive to approve changes up to £400,000 to the General Fund net budget, £250,000 to the Housing Revenue Account and up to £250,000 on Capital Programme where scheme changes would require capital receipt funding/borrowing alone. Any budget adjustment greater than these thresholds require Council approval.

Within these limits The Executive act as Chief Operating Decision Maker in approving changes to the budgets, beyond these limits Council acts as the Chief Decision Maker. The reports are structured to reflect operational teams and grouped by directorates. A reconciliation between the internal reporting formats and those presented in the Statement of Accounts is included in Note 25: Amounts Reported for Resource Allocation Decisions.

Notes to the Core Financial Statements

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy (FRS30 Heritage Assets) in relation to the treatment of heritage assets held by the Council which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the new accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. The new standard requires that a new class of asset, heritage assets, are disclosed separately on the face of the Council's Balance Sheet in the 2011/12 Statement of Accounts.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets would formerly been held under the classification of Community Assets. The Council has reviewed its community assets held on the balance Sheet and no such asset would fall into the new category of Heritage Asset. Therefore the adoption of the new standard would have no impact on the Statement of Accounts in 2011/12.

3. Transition to International Financial Reporting Standards

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS – based Code has resulted in the restatement of various balances and transitions, with the result that some amounts presented in the financial statements are different from equivalent figures presented in the Statement of Accounts for 2009/10.

The following table explains the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Notes to the Core Financial Statements

3. Transition to International Financial Reporting Standards contd.

UK GAAP	Restated Balance Sheet under IFRS	Balance Sheet 31 March 2010	Difference
Property, Plant & Equipment			
510,835	510,835	- Council Dwellings	0
93,498	103,849	- Other Land & Buildings	10,351
7,541	7,541	- Vehicles, Plant & Equipment	0
6,003	10,163	- Other	4,160
27,840	17,289	Investment property	(10,551)
145	145	Intangible Assets	0
4,093	0	Assets Held for Sale	(4,093)
260	260	Long Term Debtors	0
650,215	650,082	Total Long Term Assets	(133)
16,084	5,801	Short Term Investments	(10,283)
0	0	Assets Held for Sale	0
76	76	Inventories	0
9,775	9,775	Short Term Debtors	0
12	10,295	Cash and Cash Equivalents	10,283
25,947	25,947	Current Assets	0
(8)	(8)	Short Term Borrowing	0
(15,015)	(15,045)	Short Term Creditors	(30)
0	(1,622)	Provisions	(1,622)
(15,023)	(16,675)	Current Liabilities	(1,652)
0	0	Long Term Creditors	0
(1,262)	0	Provisions	1,262
(5,000)	(5,000)	Long term borrowing	0
(74,402)	(64,748)	Other Long Term Liabilities	9,654
(3,688)	0	Capital Grants Receipts in Advance	3,688
(84,352)	(69,748)	Long Term Liabilities	14,604
576,787	589,606	Net Assets	12,819
6,657	10,315	Usable Reserves	3,658
570,130	579,291	Unusable Reserves	9,161
576,787	589,606	Total Net Worth	12,819

Notes to the Core Financial Statements

3. Transition to International Financial Reporting Standards contd.

Short-term accumulating compensated absences: Short-term accumulated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority and are payable within 12 months of the balance sheet date. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken as at 31 March each year. Under the previous accounting arrangement, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used rather than when employees earn benefits. Amounts transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	2009/10 Statements £'000	Adjustment made £'000
Provisions	339	339
Accumulated Absences Account	339	339
 31 March 2010 Balance Sheet		
Provisions	21	21
Accumulated Absences Account	360	360

Adjustment for Capital Charges: Additional depreciation charges of £213,217 were incurred by services. This is shown as additional expenditure in the service expenditure analysis as £55,400 to Central Services to the Public, and £157,817 under Culture, Environment and Planning services. This reverses out through the Movement in Reserves Statement to have no impact on the General Fund balance. The additional charge has come about as a result of a number of investment properties being reclassified as property, plant and equipment (PPE). Investment properties do not incur depreciation charges, whereas PPE do.

Movements for Revaluations: There is a movement of £838,408 in respect of IFRS accounting adjustments. The largest element of this is against Culture, Environment and

Notes to the Core Financial Statements

3. Transition to International Financial Reporting Standards contd.

Planning, at £832,678. The adjustment relates primarily to the write off of the revaluation reserve for investment properties. Effectively, the entry for revaluation on investment properties, which was previously credited to the Revaluation Reserve, is now shown in the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement and the Capital Adjustment Account.

Investment Property Income and Expenditure: Expenditure on investment property of £613,552, previously shown within the Culture, Environment and Planning lines, is analysed differently under IFRS. It appears instead on the Financing & Investment Income and Expenditure line.

Income of £2,258,026 has been moved from Culture, Environment and Planning to the Financing & Investment Income and Expenditure line.

HRA change in presentation of corporate costs: Expenditure of £650,762 has been moved from the HRA service line, and shown instead under Corporate and Democratic Core.

Pension Gains and Losses: An actuarial loss of £31,776,000 appears in the CIES, under a new line Actuarial gains/losses on pension assets/liabilities.

Government grants deferred and Government grants: In line with IFRS, where the grant conditions have been met, the grant income should be recognised in full in the Comprehensive Income and Expenditure Account. This resulted in two adjustments. Firstly, where the Council had spent balances, but these were being written down (amortised) to revenue over the life of the asset which they had purchased, the unamortised balance has been written off. Secondly, any government grants unapplied, which are unconditional, have been recognised in the revenue account.

2009/10 Comprehensive Income and Expenditure Account

	2009/10 Statements £'000	Adjustment made £'000
Net cost of Services:		
Central Services to Public	1,648	185
Cultural Environmental & Planning Services	20,236	1,668
Children's Services	39	11
Highways Roads & Transport Services	863	43
HRA Services	29,629	(4,060)
Housing Services	(1,267)	454
Adult Social Care	111	0
Corporate & Democratic Core	3,069	(1)
Non Distributed Costs	185	0
	<u>54,513</u>	<u>(1,700)</u>

Notes to the Core Financial Statements

4. Critical judgements in applying Accounting Policies

In Applying the accounting policies set out in Note 1 above, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Funding Levels: There is a degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. The Council has identified a savings target in its Medium Term Financial Strategy in anticipation of reduced funding levels.

Leases: Following a review of leases under the stricter IFRS categorisation the Council is of the judgement that no Finance leases are in existence.

Stevenage Homes Limited (SHL): In previous years the Council has published Group Accounts to incorporate the accounts of SHL. The Council considers that there is no material change between the single entity accounts and group accounts and so has made a judgement not to compile group accounts for the year 2010/11. Information relating to SHL has been disclosed in Note 34 Related Parties and Note 43 Interests in Companies.

CCTV partnership: The Council considered that the partnership arrangements of the CCTV control room constitute a Joint Arrangement Non Entity (JANE) and as such each authority accounts for its share of the liabilities and assets of the partnership. (See also Note 29 Joint Arrangement Non Entity)

Pension Liability: In the budget statement on 22 June 2010 the Chancellor announced that public service pensions would be up-rated in line with Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This change has been considered a change in benefit entitlement rather than a change in actuarial assumptions and as such the reduced liability has been recognised as a past service gain and shown in the Comprehensive Income and Expenditure Statement in the Cost of Services.

Notes to the Core Financial Statements

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet as at 31 March 2011 for which there is a significant risk if material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>A 2010/11 review of the Council's housing stock useful lives resulted in an overall reduction from 50 years per property to an average of 39.8 years. It is estimated that the annual depreciation charge for council houses would increase by £206,000 for every year that useful lives had to be reduced.</p>
Provisions	The Authority has made a provision of £718,703 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that all valid claims have yet been received by the Authority relating to up to 31 March 2011 or that the estimated reserve levels will be sufficient.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £72,000 to the provision needed.
Provisions	The Authority has made a provision of £819,140 for the implementation cost arising from the Equal Pay and Single Status.	An increase over the forthcoming year of 10% in either the estimated average implementation costs would each have the effect of adding £82,000 to the provision needed.

Notes to the Core Financial Statements

5. Assumptions made about the future and other major sources of estimation uncertainty Contd.

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The effects on the next pensions liability of changes in individual assumptions can be measured. For instance, a one year increase in member life expectancy would result in an increase in the pension liability of £3,308,000.</p> <p>During 2010/11, the Authority's actuaries advised that they net pensions liability had decreased by £29Million partly as a result of a change in accounting assumptions from using the Retail Price Index (RPI) to the Consumer Price Index (CPI) causing a decrease of £12.85Million. (See also Note 39 Pensions).</p>
Arrears	<p>At 31 March 2011, the Authority had a balance of sundry debtors of £1,603,205. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 2.1% of the outstanding arrears was appropriate. However, it is not certain that such an allowance would be sufficient should the age profile of arrears increase.</p>	<p>If arrears were to increase by 10%, the Council would be required to set aside a further £6,232 in provision.</p>
Benefit Overpayments	<p>At 31 March 2011, the Authority had a balance of housing overpayment debtors of £1,169,793. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 35% of the outstanding arrears was appropriate. However, it is not certain that such an allowance would be sufficient should the age profile of arrears increase. The Council has only been able to recognise arrears relating to on-going entitlement since November 2009.</p>	<p>If collection rates were to deteriorate by 10%, an equivalent impairment of doubtful debts would require an additional £37,000 to set aside as an allowance.</p>

Notes to the Core Financial Statements

6. Material Items of Income and Expense

From 1st April 2011 the management and costs of providing a concessionary fares scheme has transferred to Hertfordshire County Council. In 2010/11 the Council incurred costs of £1,519,490 in providing this scheme and received additional grant funding from DCLG of £360,888. From 1st April 2011 the Council will no longer incur these costs nor will it receive additional funding. There are no material liabilities remaining to the Council arising from the transfer of this scheme to Hertfordshire County Council.

Other material items of Income and Expenditure are detailed in the table below;

Material Items of Expenditure	2009/10	2010/11
	£000	£000
Central Services		
Council Tax Benefit	7,160	7,110
Cultural, Environmental & Planning Services		
Stevenage Leisure Limited Contract Payment	1,130	1,124
Highways, Roads & Transport Services		
Concessionary Travel	1,559	1,519
Housing Services		
Rent Rebate	17,659	18,040
Rent Allowances	11,487	13,346
Material Items of Income		
Central Services		
Council Tax Benefit Subsidy	(7,296)	(7,249)
Highways, Roads & Transport Services		
Car Parks	(2,702)	(2,909)
Housing Services		
Rent Rebate Subsidy	(17,523)	(17,609)
Rent Allowances Subsidy	(11,206)	(12,687)
Garage Rental Income	(2,481)	(2,511)
Non Distributed Costs		
Past Pension cost gains in the Council's Pension Liability arisen from a change in benefit entitlement	191	(12,810)
Financing & Investment Income & Expenditure		
Commercial Property Rent	(2,169)	(2,094)

Notes to the Core Financial Statements

7. Events after the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the 'authorised for issue' date. These accounts have been authorised for issue on 9 September by the Strategic Director (Chief Financial Officer). Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement							
Charges for depreciation & impairment of non current assets	(5,348)	(49)	0	0	0	(5,397)	5,397
Revaluation losses on Property, Plant & Equipment	(6,761)	(77,237)	0	0	0	(83,998)	83,998
Movements in the market value of Investment Property	(128)	0	0	0	0	(128)	128
Amortisation of intangible assets	(26)	0	0	0	0	(26)	26
Capital Grants & Contributions	2,472	272	0	0	0	2,744	(2,744)
Revenue Expenditure funded from capital under statute	(985)	0	0	0	0	(985)	985
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(1,078)	(731)	0	0	0	(1,809)	1,809
Adjustments involving the Capital Grants Unapplied Account							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1,281	0	0	0	(1,281)	0	0
Use of the CRR to finance new capital expenditure	0	0	0	0	1,188	1,188	(1,188)
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1,206	1,355	(2,561)	0	0	0	0
Use of the CRR to finance new capital expenditure	0	0	2,464	0	0	2,464	(2,464)
Contribution from CRR to finance the payments to the Government capital receipts pool	(997)	0	997	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	8	0	0	0	8	(8)
Adjustments involving the Deferred Capital Receipts Reserve (CRR):							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&E	0	0	(8)	0	0	(8)	8
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA	0	(1,620)	0	(6,434)	0	(8,054)	8,054
Use of the MRA to Finance new capital expenditure	0	0	0	6,020	0	6,020	(6,020)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 39)	25,878	0	0	0	0	25,878	(25,878)
Employer's pension contributions & direct payments to pensioners payable in year	3,239	0	0	0	0	3,239	(3,239)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(116)	0	0	0	0	(116)	116
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	42	0	0	0	0	42	(42)
TOTAL ADJUSTMENTS	18,679	(78,002)	892	(414)	(93)	(58,938)	58,938

Comparator Year 2009/10 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement							
Charges for depreciation & impairment of non current assets	(5,501)	0	0	0	0	(5,501)	5,501
Revaluation losses on Property, Plant & Equipment	(78,106)	(24,724)	0	0	0	(102,830)	102,830
Movements in the market value of Investment Property	84	0	0	0	0	84	(84)
Amortisation of intangible assets	(26)	0	0	0	0	(26)	26
Capital Grants & Contributions	945	66	0	0	0	1,011	(1,011)
Revenue Expenditure funded from capital under statute	(1,188)	0	0	0	0	(1,188)	1,188
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(800)	(733)	0	0	0	(1,533)	1,533
Adjustments involving the Capital Grants Unapplied Account							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	2,099	16	0	0	(940)	1,175	(1,175)
Use of the CRR to finance new capital expenditure	0	0	0	0	687	687	(687)
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	772	1,157	(1,929)	0	0	0	0
Use of the CRR to finance new capital expenditure	0	0	11,543	0	0	11,543	(11,543)
Contribution from CRR to finance the payments to the Government capital receipts pool	(881)	0	881	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	24	0	0	0	24	(24)
Adjustments involving the Deferred Capital Receipts Reserve (CRR):							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&E	0	0	(24)	0	0	(24)	24
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA	0	(1,239)	0	(6,207)	0	(7,446)	7,446
Use of the MRA to Finance new capital expenditure	0	0	0	6,207	0	6,207	(6,207)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 39)	(35,930)	0	0	0	0	(35,930)	35,930
Employer's pension contributions & direct payments to pensioners payable in year	3,464	0	0	0	0	3,464	(3,464)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(41)	0	0	0	0	(41)	41
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	(21)	0	0	0	0	(21)	21
TOTAL ADJUSTMENTS	(115,130)	(25,433)	10,471	0	(253)	(130,345)	130,345

Notes to the Core Financial Statements

9. Transfers to/from Earmarked Reserves

This note details sets out the amounts set aside from General Fund and Housing Revenue Account (HRA) balances in the earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11. **Error! Not a valid link.**

10. Other Operating Expenditure

2009/10 £,000		2010/11 £,000
881	Payments to the Government Housing Capital Receipts Pool	997
(464)	Gains/losses on the disposal of non current assets	(794)
<u>417</u>	Total	<u>203</u>

11. Financing and Investment Income and Expenditure

2009/10 £'000		2010/11 £'000
38	Interest payable & similar charges	657
2,581	Pensions interest cost & expected return on pensions	1,920
(573)	Interest receivable & similar income	(457)
(1,650)	Income & Expenditure in relation to investment properties and changes in their fair value	(1,060)
(219)	Other Investment Income	(369)
(219)	Surplus/deficit on trading operations	(369)
<u>177</u>	Total	<u>691</u>

Notes to the Core Financial Statements

12. Taxation and Non Specific Grant Income

2009/10		2010/11
£,000		£,000
(5,413)	Council Tax Income	(5,431)
(6,349)	Non domestic rates	(6,857)
(1,756)	Non ringfenced government grants	(1,098)
<u>(3,128)</u>	Capital grants and contributions	<u>(4,025)</u>
<u>(16,646)</u>	Total	<u>(17,411)</u>

13. Property, Plant and Equipment

Fixed Asset Valuation: The freehold and leasehold Council properties are valued by the Council's In-House Valuer in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors except that not all properties were inspected. This was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are re-valued at each 31 March as part of the continuous rolling revaluation which aims to cover all assets over a 5 year period by the Council's Estates Manager J. Angell B.A. M.R.I.C.S. A new revaluation rolling programme was implemented in 2007/08. Properties regarded as operational were valued on the basis of Open Market Value for Existing Use (OMVEU) or, where this could not be assessed because there was no market they have been valued at Depreciated Replacement Cost (DRC).

The Council's housing stock is valued by external valuers King Sturge, who are a firm of chartered surveyors, the housing stock is valued as at 1 April.

The Code and IFRS identifies that Modern Equivalent (MEA) should be considered if properties are valued using the DRC method. A review of Council properties has found that there are no material differences in valuation between the two valuation methods and so has not implemented this approach for its DRC buildings at present but intends to programme this change into future revaluations.

Current progress against the Council's programme if rolling revaluations is shown below:

Notes to the Core Financial Statements

13. Property, Plant and Equipment contd.

	Council dwellings	Other Land & Buildings	Vehicles Plant & Machinery	Total
	£'000	£'000	£'000	£'000
Valued at historic cost	0		7,460	7,460
Valued at current value in :				
2010/11	87,362	20,507	0	107,869
2011/12	87,362	25,265	0	112,627
2012/13	87,362	41,473	0	128,835
2013/14	87,362	9,636	0	96,998
2014/15	87,361	4,356	0	91,718
	436,809	101,237	7,460	545,507

The valuations provided for non-housing stock assume that there are no encumbrances to the Council's Fair Value in the use of those assets. It is however noted that there is a prohibited transfer period of five years from 26 May 2009 on the Business Technology Centre.

Furthermore any disposal before 29 November 2022 will trigger a claw-back to EEDA in accordance with a formula. There is no intention on the part of the Council to dispose of this asset.

Notes to the Core Financial Statements

13. Property, Plant and Equipment contd.

Movement of Property, Plant and Equipment in 2010-11

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At April 2010	536,568	110,076	18,281	3,497	2,202	4,218	1,442	676,284
Additions	16,517	2,409	2,122	736	6	0	203	21,993
Accumulated Depreciation & Impairment written off to cost/valuation	0	(1,227)	0	0	0	(67)	0	(1,294)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,931)	(669)	0	0	0	4	0	(5,596)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(77,225)	(1,170)	0	0	0	(2)	0	(78,397)
Derecognition - Disposals	(731)	(80)	(213)	(2)	0	(1,000)	0	(2,026)
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	206	0	0	0	(206)	0
At 31 March 2011	470,198	109,339	20,396	4,231	2,208	3,153	1,439	610,964
Accumulated Depreciation & Impairment								
At April 2010	(25,733)	(6,227)	(10,739)	(1,052)	(86)	(58)	0	(43,895)
Depreciation charge	(7,607)	(3,112)	(2,405)	(193)	(74)	(9)	0	(13,400)
Accumulated Depreciation Write off to Cost/Valuation	0	1,230	0	0	0	67	0	1,297
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(49)	0	0	0	0	0	0	(49)
Derecognition - Disposals	0	4	207	0	0	0	0	211
Derecognition - Other	0	0	0	0	0	0	0	0
At 31 March 2011	(33,389)	(8,105)	(12,937)	(1,245)	(160)	0	0	(55,836)
Net Book Value								
At 31 March 2011	436,809	101,234	7,459	2,986	2,048	3,153	1,439	555,128
At 31 March 2010	510,835	103,849	7,541	2,445	2,116	4,160	1,442	632,389

Notes to the Core Financial Statements

13. Property, Plant and Equipment contd.

Comparative movements of Property, Plant and Equipment in 2009/10

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At April 2009	615,492	107,793	15,445	3,354	943	3,914	10,678	757,619
Additions	19,106	1,551	2,604	7	11	13	948	24,240
Accumulated Depreciation & Impairment written off to cost/valuation	0	(708)	0	0	0	0	0	(708)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(72,572)	944	29	0	0	0	0	(71,599)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,724)	(6,242)	0	0	0	0	(60)	(31,026)
Derecognition - Disposals	(734)	(10)	(130)	0	0	(216)	0	(1,090)
Derecognition - Other	0		0	0	0		0	0
Assets reclassified (to)/from Held for Sale	0	(1,445)	0	0	0	290	0	(1,155)
Other movements in Cost or Valuation	0	8,193	333	135	1,248	216	(10,125)	0
At 31 March 2010	536,568	110,076	18,281	3,496	2,202	4,217	1,441	676,281
Accumulated Depreciation & Impairment								
At April 2009	(18,673)	(4,075)	(8,498)	(833)	(672)	(49)	0	(32,800)
Depreciation charge	(7,060)	(3,264)	(2,323)	(219)	(72)	(9)	0	(12,947)
Accumulated Depreciation Write off to Cost/Valuation	0	1,738	0	0	0	0	0	1,738
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	(49)	0	0	0	0	(49)
Derecognition - Disposals	0	0	130	1	0	1	1	133
Assets Derecognised - Reclassified	0	(626)	0	0	658	0	0	32
At 31 March 2010	(25,733)	(6,227)	(10,740)	(1,051)	(86)	(57)	1	(43,893)
Net Book Value								
At 31 March 2010	510,835	103,849	7,541	2,445	2,116	4,160	1,442	632,388
At 1 April 2009	596,819	103,718	6,947	2,521	271	3,865	10,678	724,819

Notes to the Core Financial Statements

14. Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009/10 £,000		2010/11 £,000
2,258	Rental Income from Investment Property	2,187
(614)	Less Direct Operating expenses arising from investment	(911)
<u>1,644</u>	Net gain	<u>1,276</u>

The valuations assume that there are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance on income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summaries the movement in the fair value of investment properties over the year.

2009/10 Restated £,000		2010/11 £,000
16,041	Balances at start of year	17,289
	Additions:	
40	Subsequent expenditure	392
	Disposals	
84	Net gains/losses from fair value adjustments	(128)
	Transfers:	
1,124	From Property, Plant & Equipment	0
<u>17,289</u>	Balances at end of year	<u>17,553</u>

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and not accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include a number of services such as Business Objects which is a report and project modelling tools.

All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Council - usually 5 years. Two major software suites used by the Council have attributable lives of 10 years and 20 years.

Notes to the Core Financial Statements

15. Intangible Assets contd.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £25,779 charged to revenue in 2010/11 was charged to the IT cost centre and then recharged out across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 £000's	2010/11 £000's
Balance as at 1st April	171	145
Gross carrying amounts	188	188
Accumulated amortisation	(17)	(43)
Net carrying amount at start of year	171	145
Additions:		
Internal development	0	0
Purchases	0	0
Other disposals	0	0
Amortisation for the period	(26)	(26)
Net carrying amount at year end	145	119
Comprising:		
Gross carrying amounts	188	188
Accumulated amortisation	(43)	(69)
	145	119

There are no items of capitalised software that are individually material to the financial statements.

Notes to the Core Financial Statements

16. Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The Annual Treasury Management Strategy is approved by the Council in the February prior to the financial year to which it relates. It includes the Prudential Indicators, the key objectives of which are

- To ensure that capital investment plans are affordable, prudent and sustainable.
- To ensure treasury management decisions accord with good professional practice and in a manner that supports affordability, prudence and sustainability.
- To be consistent with and support local strategic planning, local asset management and optional appraisal.

The Council's Treasury Management Strategy applicable from 1 April 2010 complies fully with the revised code of practice.

Credit Risk: Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the Council's criteria as specified in the Treasury Management Strategy. The authority has a policy of not lending more than £5,000,000 of its investment monies to one institution or banking group.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

Notes to the Core Financial Statements

16. Financial Instruments contd.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over previous financial years, adjusted to reflect current market conditions.

Financial institutions	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability 31 March 11	Estimated maximum exposure to default and uncollectability 31 March 2010
	£'000	%	%	£'000	£'000
	A	B	C	{AxC}	
Banks & Building Societies	16,004	0%	0%	0	0
Other counter parties	0	0%	0%	0	0
Trade Debtors	1,671	6%	14%	234	277
TOTAL	17,675			234	277

No credit limits were exceeded during the reporting period. The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2011. The calculation is based on the age of the trade debtor and debt type.

The authority does not generally allow credit for customers, such that £907,000 of the £1,671,000 Trade Debtors balance has passed its due date for payment. The passed due amount can be analysed by age and service in the following table:

Age of Sundry Debt	Direct Services					Total £'000
	Estates Services £'000	(incl Recycling) £'000	Planning £'000	Benefit Related £'000	Other £'000	
Within term	183	167	0	0	414	764
Over Term:						
2-12 months	194	27	10	0	130	361
> 1 year < 2 years	29	2	6	122	67	226
>2 years	39	9	2	128	142	320
Total trade debtors over term	262	38	18	250	339	907
Total Trade Debtors	445	205	18	250	753	1,671

Notes to the Core Financial Statements

16. Financial Instruments contd.

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main element of Mortgages under Long Term Debtors. As at 31 March 2010 Deferred Capital Receipts were £272,204, (31 March 2010, £279,997 31 March 2009, £303,595).

These figures do not include debt relating to Council Tax or National Non-domestic Rates as these are considered to be statutory debts. Debt relating to Council House rents is disclosed in Note HRA10 Rent and Supported Housing Arrears.

Liquidity risk: The authority's cash flow is managed so that cash is available as needed. If the unexpected happens the authority has ready access to borrowings from the money markets and the Public Works Loan Board.

During the year the Council raised a further £12,004,000 on long term loans from the Public Works Loan Board, giving total borrowings of £17,004,000. This was used to fund the Decent Homes Programme, managed by Stevenage Homes Ltd.

Market risk:

Interest rate risk: The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects on Stevenage Borough Council: Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, whilst the cost of fixed term borrowing will remain constant.

Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement.

The Council has long term debt of £17,004,000; however, within its Treasury Management Strategy (approved March 2011), the 2011/12 operational boundary for external debt is £44,565,000. This includes £10,895,000 for supported and prudential borrowing for 2011/12.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment (as at 31 March 2011), if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Notes to the Core Financial Statements

16. Financial Instruments contd.

	£'000
Increase in interest receivable on investments	(177)
Impact on Comprehensive Income and Expenditure Statement	(177)
Share of overall impact credited to the HRA	321
Impact on Movement in Reserves Statement	144

The impact of a 1% fall in interest rates would be as above but with movements being reversed. The above represents that the cost to the general fund will exceed the benefit as there will be a greater payment due to the HRA.

The PWLB borrowings undertaken to date are all fixed rate, therefore there would be no impact from a rise in interest rates.

Price risk The Authority does not generally invest in equity shares and does not have any shareholdings other than in Stevenage Homes Limited. The Authority is not exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk: The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Financial Instruments: Authorities are required to define all financial instruments disclosed in the Balance Sheet into further categories. For this purpose the accrued interest receivable is included in this note within the principal financial asset. The items disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Notes to the Core Financial Statements

16. Financial Instruments contd.

	Long Term			Short Term		
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Investments						
Loans and Receivables	2,097	0	0	26,141	5,801	8,010
Total	2,097	0	0	26,141	5,801	8,010
Debtors (including Cash and Bank)						
<i>Loans and Receivables comprising:</i>						
Mortgages	304	258	240	0	22	16
Car Loans	9	2	0	17	7	2
Housing Rents Leaseholders	0	0	0	661	702	604
Other debtors	0	0	0	3,240	4,087	4,803
Cash & Bank	0	0	0	5,414	10,295	8,372
Financial assets carried at contract amounts	0	0	0	0	0	0
Total Debtors	313	260	240	9,332	15,113	13,797
Borrowings						
Financial liabilities at amortised cost	0	5,000	17,004	2,000	8	63
Financial liabilities as fair value through profit and loss	0	0	0	0	0	0
Total Borrowings	0	5,000	17,004	2,000	8	63
Other Long Term Liabilities						
Finance Lease liabilities	0	0	0	0	0	0
Total Other Long Term Liabilities	0	0	0	0	0	0
Creditors						
Receipts in Advance	0	0	0	1,606	1,097	760
Sundry Creditors	0	0	0	7,383	7,487	5,123
Financial liabilities carried as contract amount	0	0	0	0	0	0
Total Creditors	0	0	0	8,989	8,584	5,883

Notes to the Core Financial Statements

16. Financial Instruments contd.

The gains and losses recognised in the Comprehensive Income & Expenditure Statement and Movement in Reserves Statement in relation to financial instruments are made up as follows:

	Interest Income		Net Gain for year	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
Financial Assets	£'000	£'000	£'000	£'000
Investments	565	173	565	173
Available for sale	0	0	0	0
Other	19	16	19	16
Total	584	189	584	189

	Interest Payable		Net cost for year	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
Financial Liabilities	£'000	£'000	£'000	£'000
Borrowing - PWLB	10	377	10	377
Borrowing - Local Authorities	1	0	1	0
Other	11	5	11	5
Total	22	382	22	382

Financial assets and financial liabilities are represented by loans and receivable are carried in the Balance Sheet at amortised cost. Their fair value is assessed as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction, using the following assumptions:

Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)

- Interest payable and receivable reflects the market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.

Notes to the Core Financial Statements

16. Financial Instruments contd.

The fair values are calculated as follows:

	1 April 2009		31 March 2010		31 March 2011	
	Restated Carrying amount	Fair Value	Restated Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Term loans & receivables	30,670	31,013	2,097	2,108	3,007	3,002
Variable Term loans & receivables	2,911	2,911	13,987	13,987	12,997	12,997
Total	33,581	33,924	16,084	16,095	16,004	15,999

The fair value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

The fair values are calculated as follows:

	1 April 2009		31 March 2010		31 March 2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Long Term Financial Liabilities	0	0	5,008	5,022	17,067	17,865
Total	0	0	5,008	5,022	17,067	17,865

The fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest payable is lower than the prevailing rates at the Balance Sheet date.

Notes to the Core Financial Statements

17. Inventories (Prior to IFRS known as Stocks and Work in Progress)

	Consumable Stores		
	Fuel £'000	Other £'000	Total £'000
Balance as at 1 April 2009	16	52	68
Purchases	339	209	548
Recognises as an expense in the year	(329)	(211)	(540)
Written off balances	0	0	0
Balance outstanding at 31 March 2010	26	50	76
Balance as at 1 April 2010	26	50	76
Purchases	404	193	597
Recognises as an expense in the year	(423)	(204)	(627)
Written off balances	0	0	0
Balance outstanding at 31 March 2011	7	39	46

18. Debtors

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000	% change on year
2,383	4,109	Central Government Bodies	4,415	7%
50	536	Other Local Authorities	369	(31%)
661	702	Housing Rents & Leasholders	604	(14%)
263	334	Collection Fund	355	6%
17	7	Car Loans	2	(77%)
3,240	4,087	Other Debtors	4,803	17%
6,614	9,775	Total	10,548	8%

Debtors figures have been reduced for an allowance for non collection (bad debt).

Notes to the Core Financial Statements

19. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements

1 April 2009 Restated £'000	31 March 2010 Restated £'000		31 March 2011 £'000
11	11	Cash held by the Authority	12
60	1	Bank Current Accounts	367
5,343	10,283	Short-term deposits	7,993
5,414	10,295	Total Cash & Cash Equivalents	8,372

20. Assets held for sale

	2009/10		2010/11	
	Current Assets £'000	Non- Current Assets £'000	Current Assets £'000	Non- Current Assets £'000
Balance outstanding at start of year	575	0	0	0
Assets sold	(575)	0	0	0
Balance Outstanding at year end	0	0	0	0

Notes to the Core Financial Statements

21. Creditors and Receipts in Advance

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000	% change +/-
611	486	Central Government Bodies	1,255	158%
1,036	565	Other Local Authorities	602	7%
2,293	2,660	Stevenage Homes Limited	2,693	1%
7,388	7,487	Other Entities & Individuals	5,123	(32%)
11,324	11,198	Total	9,673	(14%)

Receipts in Advance

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000	% change +/-
30	4	Government Departments	4	0%
682	616	Housing	513	(16%)
133	155	Tenants (redecorating scheme)	196	26%
2,017	104	Collection Fund	98	(6%)
722	1,097	Other Entities & Individuals	760	(31%)
883	1,871	Developer Contributions (S106)	1,098	(41%)
4,467	3,847	Total	2,669	(31%)

22. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits, but where timing of the transfer is uncertain.

In accordance with the requirements of IAS 37, the opening and closing balance on these provisions together with details on their movements are set out below.

Notes to the Core Financial Statements

22. Provisions contd.

	Insurance Provision	Implementation of Single Status	Senior Management	Accumulated Absences Provision	Organisation change	Other Provisions
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2009	(716)	(857)	(178)	(339)	0	0
Additional Provisions made in 2009/10	(376)	0	0	(21)	0	0
Amounts Used in 2009/10	613	0	169	0	0	0
Unused Amounts reversed in 2010/11	0	74	9	0	0	0
Balance as at 31 March 2010	(479)	(783)	0	(360)	0	0
Additional Provisions made in 2010/11	(679)	(37)	0	0	(507)	(101)
Amounts Used in 2010/11	439	0	0	42	0	0
Unused Amounts reversed in 2010/11	0	0	0	0	0	0
Balance as at 31 March 2011	(719)	(820)	0	(318)	(507)	(101)

As at the 31 March 2011 the Council had provisions totalling £2,465,390, of which £718,704 related to insurance obligations.

Insurance Provision: The insurance provision is to provide for excesses relating to known claims as analysed in the following table;

Claim Type:	2008/09 £'000	2009/10 £'000	2010/11 £'000	Year on Year change (lower)/ higher
Public Liability	418	366	547	49%
Employers Liability	140	9	20	122%
Motor	2	6	2	(67%)
General Properties	7	18	18	0%
Housing Properties	149	80	132	65%
	716	479	719	50%

Single Status Provision: Following the signing of the Single Status Agreement in 1997, the Council has been actively working to implement the scheme. Achieving Single Status has a cost and the Council has been planning for these costs. The provision liability as at 31 March has been reassessed to take into account the changes to the workforce. Consequently, the provision has been increased by £36,921 in 2010/11 for implementation costs which will potentially be due to employees with the introduction of the scheme. Included within the provision is the sum of £133,300 which relates to staff now working for Stevenage Homes Limited.

Notes to the Core Financial Statements

22. Provisions contd.

Accumulated Absences Provision: Employees build up an entitlement to paid leave as they work. Any outstanding leave or time owed at year end may be paid over to the Employee. This provision recognises the value of accumulated absences owed to SBC employees.

Organisational Change Provision: As part of the 2011/12 budget setting process, a number of savings options leading to service reductions were indentified that would result in staff redundancies. As at the balance sheet date some costs will be paid in the 2011/12 financial year although the staff reductions have been anticipated in the Council's budgeted plans. As such a provision has been recognised for these redundancy costs.

Senior Management Provision: The Senior Management provision related to exit costs agreed by Council in 2008/09. This provision had been utilised and a sum of £9,046 was written back to revenue in 2009/10.

Other Provisions: All other provisions are individually insignificant.

23. Usable Reserves

The Council has a number of earmarked reserves, which are detailed below:

- **Capacity Building Reserve**

This reserve pump prime strategic or organisational changes within the Council e.g. 'Working Together' programme and enables the Council to meet its corporate objectives, realising future efficiency gains.

- **De-minimus Capital Expenditure Reserve**

This reserve will meet the cost of any additional revenue expenditure the Council may incur following a review of the value of spend which qualifies as capital expenditure. The de-minimus level of expenditure for 2010/11 is £5,000. Expenditure below this value is classified as revenue rather capital, (de-minimus level).

- **Interest Equalisation Reserve.**

This reserve will meet the cost of fluctuations in interest rate movements. The HRA has more investments (calculation set by statute), than the total value of investments held by the Council (as at 31 March 2011). Therefore any increase in interest rates has an adverse impact on the General Fund. The fund value represents a 2% increase in investment interest rates, including the impact of any special determinations for decent homes borrowing.

- **Performance Reward Grant**

The Council has accounted for performance reward grant in its accounts which was given by the Government for reaching Local Area Agreement (LAA) targets. 50% of the monies relate to revenue and as such have to be shown in the Council's revenue accounts and

Notes to the Core Financial Statements

23. Usable Reserves contd.

transferred to a reserve. The monies have been allocated to schemes by the Stevenage Local Strategic Partnership and will be spent in 2010/11. In June 2010, the Government announced that only 50% of the awarded grant would be paid as part of the £6billion savings cuts in 2010/11.

- **Single Status Reserve**

The Council is working towards implementing single status for all employees by April 2011. This involves evaluation and moderation of jobs and is anticipated to require resources to bring the new pay and grading model into place. The Council also has a provision for the back pay element of the scheme.

- **Housing and Planning Delivery Grant Reserve**

The Council receives monies from the Government designed to incentivise housing growth and the underlying planning requirement to allocate land and put development plans in place. Due to the nature of the work the expenditure is often not aligned to the pattern of grant received. The funds resources have been fully allocated to future years spend. The Government announced that from 2010/11 this grant would cease as part of the £6billion savings cuts in 2010/11.

Following a review of reserves and their purposes in 2010/11 a number of reserves have been closed with residual balances returned to revenue. These reserves are listed below:

- **Commercial Rents/Sales Reserve**

This reserve was to meet potential shortfalls in rental income from commercial properties arising from unforeseen adverse trading conditions, this reserve was fully utilised in 2009/10 and any further loss of income is included in the risk assessment of the General Fund balances.

- **DSO Trading Reserves**

These reserves were intended to meet future fluctuations in internal trading results.

- **Insurance Reserve**

This reserve financed potential future insurance excesses and provided funding for self insured items. The Council holds an insurance provision for insurance excesses.

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement. A more detailed breakdown of the movement in specific earmarked reserves is shown in Note 9 Transfers to/from Earmarked Reserves.

Notes to the Core Financial Statements

24. Unusable Reserves

The Council's has a number of reserves that are required for statutory reasons, to comply with proper accounting practice. As such these reserves are unavailable to fund expenditure.

1 April 2009 Restated £'000	31 March 2010 Restated £'000		31 March 2011 £'000
(105,937)	(34,439)	Revaluation Reserve	(27,248)
(635,814)	(609,476)	Capital Adjustment Account	(528,693)
(304)	(280)	Deferred Capital Receipts Reserve	(272)
32,326	64,748	Pension Reserve	35,631
(246)	(204)	Collection Fund Adjustment Account	(88)
339	360	Accumulated Absences Account	317
(709,636)	(579,291)	Total Unusable Reserves	(520,353)

Note a : Revaluation Reserve: The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve only contains revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.**Error! Not a valid link.**

Notes to the Core Financial Statements

24. Unusable Reserves contd.

Note b : Capital Adjustment Account: The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non Current Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation reserve to convert fair value figures to a historic cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised as donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the revaluation Reserve was created to hold such gains.

Note 8 provides further details on the source of all transactions, other than those involving the Revaluation Reserve, to the Capital Adjustment Account.

Notes to the Core Financial Statements

24. Unusable Reserves contd.

Capital Adjustment Account:

2009/10 Restated £'000		2010/11 £'000
(635,814)	Balance as at 1 April	(609,476)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
13,403	Charges for depreciation & impairment of non-current assets	13,451
30,026	revaluation losses on Property, Plant & Equipment	78,401
26	Amortisation of Intangible Assets	26
1,188	Revenue expenditure funded from capital under statute	985
1,533	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,809
46,176		94,672
(336)	Adjusting amounts written out of the Revaluation Reserve	(1,601)
45,840	Net written out amount of the cost of non-current assets consumed in the year	93,071
	Capital financing applied in the year	
(11,542)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,464)
(6,207)	Use of the major Repairs reserve to finance new capital expenditure	(6,020)
(982)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(2,745)
(687)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,187)
(19,418)		(12,416)
(84)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	128
(609,476)	Balance as at 31 March	(528,693)

Notes to the Core Financial Statements

24. Unusable Reserves contd.

Note c : Deferred Capital Receipts: The Deferred Capital Receipts reserve holds the gains recognised on the disposal of Non-Current Assets but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 Restated £'000		2010/11 £'000
(304)	Balance as at 1 April	(280)
24	Amounts received in year and available for funding	24
0	Capital sale resulting in deferred receipt	(16)
<u>(280)</u>	Balance as at 31 March	<u>(272)</u>

Note d : Pension Reserve: The Pension Reserve absorbs the difference that would otherwise arise on the General Fund Balance from changes in the Pension Liability. Under Statutory arrangements the impact on the General Fund balance is neutralised by transfers to or from the Reserve.(See also Note 39 Pension)

2009/10 £'000		2010/11 £'000
32,326	Balance as at 1 April	64,748
32,422	Amount by which Reserve is adjusted for changes in Pension Scheme Liabilities	(29,117)
<u>64,748</u>	Balance as at 31 March	<u>35,631</u>

Notes to the Core Financial Statements

24. Unusable Reserves contd.

Note e: Collection Fund Adjustment Account: The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 Restated £'000		2010/11 £'000
245	Balance as at 1 April	204
	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(116)
(41)		
<u>204</u>	Balance as at 31 March	<u>88</u>

Note f: Accumulated Absences Account: The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2009/10 Restated £'000		2010/11 £'000
339	Balance as at 1 April	360
	Settlement or cancellation of accrual made at the end of the preceding year	(360)
(339)		
360	Amounts accrued at the end of the current year	<u>318</u>
	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(42)
21		
<u>360</u>	Balance as at 31 March	<u>318</u>

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to services.

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

The income and expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

Service Income and Expenditure 2010/11

	Resources	Community Services	Housing Services	Environmental Services	Support Services	Neighbourhood Action Teams	Trading Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees charges and other service income	(6,164)	(1,084)	(1,514)	(6,076)	(1,955)	(30)	(2,453)	(34,949)	(54,225)
Government grants	(7,550)	(136)	(31,031)	(204)	(51)	0	(30)	(792)	(39,795)
Total Income	(13,714)	(1,220)	(32,545)	(6,280)	(2,006)	(30)	(2,483)	(35,741)	(94,020)
Employee expense	620	1,922	626	5,141	7,313	0	4,011	399	20,032
Other service expenses	1,837	4,496	32,668	12,520	3,809	117	(4,446)	33,011	84,012
Support service recharges	5,512	467	1,593	(2,203)	(8,891)	100	3,698	1,077	1,354
Total Expenditure	7,969	6,884	34,887	15,458	2,231	218	3,263	34,487	105,397
Net Expenditure	(5,745)	5,664	2,342	9,178	225	188	780	(1,254)	11,377

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

Service Income and Expenditure 2009/10 Comparative Figures

	Resources	Community Services	Housing Services	Environmental Services	Support Services	Neighbourhood Action Teams	Trading Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees charges and other service income	(5,623)	(811)	(1,772)	(4,790)	(324)	(13)	(2,257)	(35,310)	(50,900)
Government grants	(7,449)	(351)	(29,410)	(408)	(11)	0	(8)	(951)	(38,589)
Total Income	(13,072)	(1,162)	(31,182)	(5,198)	(335)	(13)	(2,265)	(36,261)	(89,489)
Employee expense	1,652	1,547	496	5,198	7,612	0	3,786	445	20,736
Other service expenses	1,033	5,680	30,384	3,957	(9,813)	135	(4,775)	34,578	61,179
Support service recharges	4,857	1,264	1,800	6,209	3,006	161	3,259	904	21,460
Total Expenditure	7,542	8,491	32,680	15,364	805	296	2,270	35,927	103,375
Net Expenditure	(5,530)	7,329	1,498	10,166	470	283	5	(334)	13,886

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

2009/10 £000		2010/11 £000
13,886	Net expenditure in the Service Analysis	11,377
234	Net expenditure of services and support services not included in the Analysis	(42)
22,641	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	57,760
0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
36,762	Cost of Services in Comprehensive Income and Expenditure Statement	69,095

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

2010/11 Reconciliation from Subjective analysis to Deficit on Provision of Services	Service Analysis	Services and Support Services not in the Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees charges and other service income	(51,049)	0	(2,267)	(53,316)	216	(53,100)
Surplus or deficit on trading ventures	(369)	0	369	0	(369)	(369)
Interest and investment income	(2,807)	0	2,371	(436)	(2,371)	(2,807)
Council tax precept & surplus	0	0	0	0	(5,547)	(5,547)
Government grants and contributions	(39,795)	0	4,011	(35,784)	(11,864)	(47,648)
Total income	(94,020)	0	4,484	(89,536)	(19,935)	(109,470)
Employee expenses	20,014	(42)	(13,359)	6,613	1,920	8,533
Other service expenses	46,294	0	84,446	130,740	0	130,740
Support Service recharges	21,098	0	0	21,098	0	21,098
Depreciation, amortisation and impairment	16,696	0	0	16,696	(35)	16,661
Interest payments	1,295	0	(1,295)	0	1,295	1,295
Payments to Housing Capital Receipts Pool	0	0	0	0	997	997
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(759)	(759)
Total expenditure	105,397	(42)	69,792	175,147	3,418	178,565
Surplus or deficit on the provision of services	11,377	(42)	74,276	85,611	(16,516)	69,095

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

2009/10 Reconciliation from Subjective analysis to Deficit on Provision of Services	Service Analysis	Services and Support Services not in the Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees charges and other service income	(47,658)	0	(78)	(47,736)	0	(47,736)
Surplus or deficit on trading ventures	(219)	0	219	(0)	(219)	(219)
Interest and investment income	(2,836)	0	2,836	(0)	(2,836)	(2,837)
Council tax precept & surplus	0	0	0	0	(5,413)	(5,413)
Government grants and contributions	(38,154)	0	2,897	(35,257)	(11,233)	(46,490)
Total income	(88,867)	0	5,874	(82,993)	(19,701)	(102,695)
Employee expenses	20,736	21	690	21,447	2,581	24,028
Other service expenses	11,890	0	32,781	44,671	0	44,671
Support Service recharges	21,460	0	0	21,460	0	21,460
Depreciation, amortisation and impairment	48,016	213	0	48,229	0	48,229
Interest payments	651	0	(651)	0	651	652
Payments to Housing Capital Receipts Pool	0	0	0	0	881	881
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(465)	(465)
Total expenditure	102,753	234	32,820	135,808	3,648	139,456
Surplus or deficit on the provision of services	13,886	234	38,694	52,814	(16,053)	36,762

Notes to the Core Financial Statements

26. Acquired and Discontinued Operations

The Council did not acquire or discontinue any operations in 2010/11.

27. Trading Operations

The Council operates an Indoor Market whose financial results were as follows:-

2009/10		2010/11
£'000		£'000
(673)	Income from stall holders	(653)
454	Expenditure	285
(219)	Surplus taken to General Fund	(369)

28. Agency Services

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £303,361 in 2010/11 (£224,960 in 2009/10).

29. Joint Arrangement Non Entity

The Council has one joint arrangement for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire District Council, East Hertfordshire District Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts.

30. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £478,131 in 2010/11. (£488,336 in 2009/10). Payments made outside the scheme for Mayoral Allowances totalled £9,112 in 2010/11, (£13,542 in 2009/10).

Notes to the Core Financial Statements

31. Officers Remuneration

The remuneration paid to the Council's senior employees is as follows :-

	Salary, Fees and Allowances	Expenses Allowance	Other Emoluments	Total Remuneration (excluding pension contributions)	Pension Conts.	Total Remuneration Incl Pension Contributions 2010/11
	£	£	£	£	£	£
Remuneration 2009/10						
Chief Executive	104,770	566	6,722	112,058	30,359	142,417
Strategic Director (Resources)	89,512	1,252	378	91,142	24,437	115,579
Strategic Director (Environment)	72,916	715	0	73,631	18,460	92,091
Strategic Director (Community)	89,512	387	378	90,277	24,437	114,714
Borough Solicitor	63,570	185	2,138	65,893	17,901	83,794
Total remuneration in 2009/10	420,280	3,105	9,616	433,001	115,594	548,595

Remuneration 2010/11						
Chief Executive	110,730	299	7,571	118,600	32,297	150,897
Strategic Director (Resources)	91,222	299	3,625	95,146	25,893	121,039
Strategic Director (Environment)	76,575	299	0	76,874	20,904	97,778
Strategic Director (Community) (former)	30,793	100	1,677	32,570	7,124	39,694
Strategic Director (Community) (current)	70,246	0	3,845	74,091	20,227	94,318
Borough Solicitor	63,570	12	2,000	65,582	17,900	83,482
Total remuneration in 2010/11	443,136	1,009	18,718	462,863	124,345	587,208

The Council's Strategic Director of Community retired on 31 July 2010.

The number of Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is detailed below:

Notes to the Core Financial Statements

31. Officers Remuneration contd

2009/10 Number of employees	Remuneration Band	2010/11 Number of employees
3	£50,000 - £54,999	3
6	£55,000 - £59,999	3
4	£60,000 - £64,999	1
3	£65,000 - £69,999	2
2	£70,000 - £74,999	2
0	£75,000 - £79,999	1
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
2	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
2	£110,000 - £114,999	0
0	£115,000 - £119,999	1
2	£120,000 - £124,999	0
24	Total	14

Notes to the Core Financial Statements

32. External Audit Costs

The Council has incurred fees in respect of external audit and inspection. The estimated fees payable for audit work in respect of the 2010/11 financial year are shown in the table below:

2009/2010 £'000	Fees Payable	2010/2011 £'000
137	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	148
30	Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	55
0	Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	-2
1	Fees payable to the Audit Commission for the certification of statutory inspection for the year.	0
0	Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	2
0	Fees payable to in respect of other services provided by Grant Thornton during the year.	4
168		207

The fee paid to Grant Thornton in respect of other works was for technical advice regarding 4 complex leases and their treatment under International Financial Reporting Standards (IFRS).

Notes to the Core Financial Statements

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,465	996
NNDR Receipt from Pool	6,348	6857
Housing, Planning Delivery Grant	204	0
Area Based Grant (Formerly LAA Grant)	67	79
Climate Change Grant	21	23
GAFF	1,835	1048
Disabled Facilities Grant	197	265
Waste Performance Efficiency Grant	79	368
English Sports Swim Grant	75	0
Playbuilder Grant	50	22
Lottery Fund	104	795
Regional Housing Capital Pot	67	46
DCLG Council tax Efficiency Grant	5	0
DCLG Core Grant	3	0
Revive Grant	3	0
Safer Stronger Community Grant	20	10
Performance Reward Grant	217	31
WREN Grant (St Nichs Play)	56	0
Contribution to Town Centre (HCA)	0	16
Other Capital Contributions	417	1424
Total Grants, Contributions credited to Taxation and Non Specific Grant Income	11,233	11,980

Notes to the Core Financial Statements

33. Grant Income contd.

	2009/10 £'000	2010/11 £'000
Credited to Services		
NNDR Deferral Scheme	11	0
NNDR admin Grant	105	104
Small Business Rate Relief New Burden Grant	0	7
Department of Work and Pensions Grants for rebates	36,869	38,325
Discretionary Housing Payments	18	21
Local Authority Business Growth Incentive (LABGI)	51	0
Performance Reward Grant	217	71
DWP Atlas Project	0	27
Mortgage Rescue Programme	29	26
Petitions Grant	0	5
Economic Downturn Grant	0	0
Economic Assessment Duty Grant	0	6
Homelessness Grant	51	51
Free School Swim	77	25
Council Tax Efficiency Grant	4	0
DWP in and out of work implementation	6	0
DWP Temporary Accommodation subsidy changes	4	0
Growth Area fund Delivery Grant (revenue)	155	167
Local Delivery Framework Core Strategy Grant	25	0
Supporting People Programme Grant	829	792
Future Jobs Fund	14	56
DCLG Personal Search Fee S31 Grant	0	34
Big Lottery Fund Grant	54	35
Heritage Lottery Grant	0	16
Take Part Pathfinder Grant	20	50
Other Grants	0	5
Total Grants, Contributions credited to Services	38,528	39,823

The Council has not received any donations in 2010/11.

34. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Notes to the Core Financial Statements

34. Related Parties contd.

Central Government: Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 25 Reporting for Resource Allocation Decisions and in Note 33 Grant Income.

Other Public Bodies: Payments between the Council and Hertfordshire County Council amounted to £2,308,099 (2009/10, £2,208,678). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 39 Pension and Note 33 Grant Income.

Members and Senior Officers: Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 30 members Allowances.

During 2010/11 the Council made a number of payments to Stevenage Homes Limited. These payments are listed in the following table:

2009/10 payments excl VAT	Payments made to Stevenage Homes Limited by the Council	2010/11 payments excl VAT
£14,179,260	Management Fee	£13,661,460
£1,439,258	Capital Management Fee	£1,267,717
£1,590,473	Building Maintenance Operation (BMO)	£2,856,474
£0	Other	£173,557
£17,208,991	Total	£17,959,208

Conversely payments of £2,324,946 (£2,429,625 in 2009/10) were made by Stevenage Homes Limited to the Council in relation to Service Level Agreements for the provision of support services and grounds maintenance.

Notes to the Core Financial Statements

34. Related Parties contd.

A £1,041,575 contract payment was paid to Stevenage Leisure Limited (2009/10 £1,475,060) and £2,990,923 paid to other organisations (2009/10 £3,162,761), either as grants or services received. With reference to all these organisations a total of 38 Members declared interests through either the register of interests or the completed related party transactions forms. The relevant Members did not take part in any discussions or decision relating to the grants. The grants were made with proper consideration of the declarations which all Members completed in accordance with the statutory Code of Conduct for Members (Local Government Act 2000). During 2010/11 15 meetings were held at which 17 expressions of interest were declared. The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies. This is available for public inspection at the Council Offices. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2010/11, the Chief Executive and Strategic Directors declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972, in payments totalling £1,041,060 (2009/10 £1,475,060) paid by the Council to 1 organisations. Neither the Chief Executive nor the Strategic Directors took part in any discussion, decision or administration relating to the contract payment.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with resources that have been used to finance it. No assets were acquired through finance leases or PFI/PP contracts. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Notes to the Core Financial Statements

35. Capital Expenditure and Capital Financing contd.

Capital Expenditure & Financing

2009/10 £'000		2010/11 £'000
(6,122)	Opening Capital Financing requirement	6,051
	<i>Capital investment :</i>	
23,279	Property, Plant & Equipment	21,993
1,001	Investment Property	392
0	Intangible assets	0
1,189	Revenue expenditure funded from Capital under statute	984
<u>25,469</u>		<u>23,369</u>
	<i>Sources of Finance :</i>	
(5,420)	Capital Receipts - general	(2,464)
(6,122)	Capital Receipts - use of old set-aside	
(1,669)	Government Grants & Other Contributions	(3,932)
(6,207)	Major Repairs Allowance	(6,020)
<u>(19,418)</u>	Closing Capital Financing requirement	<u>(12,416)</u>
	<i>Explanation of movement in year:</i>	
12,173	Increase in underlying need to borrow (supported by government financial assistance)	10,953
0	Increase in underlying need to borrow (unsupported by government financial assistance)	0
<u>6,051</u>	Increase/(decrease) in Capital Financing requirement	<u>17,004</u>

As at 31 March 2011 significant commitments for major projects already underway included:-

	£'000
HRA Decent Homes and Major Repairs works	9,944
Town Centre Gardens	892
Peartree Park Pavilion	188
Stevenage Leisure Centre Seating	150

Notes to the Core Financial Statements

35. Capital Expenditure and Capital Financing contd.

As at 31 March 2010 significant commitments for major projects already underway included:-

	£'000
HRA Decent Homes and Major Repairs works	13,134
Recycling Initiatives	771
Affordable Housing	338
Old Town Parking	248

36. Leases

Operating Leases

Plant and Equipment: In 2010/11 the Council used the Mayoral car under the terms of an operating lease. In 2009/10 the Council also had vans and various items of plant & machinery under the terms of operating leases. The amount paid under these arrangements in 2010/11 was £4,066 (2009/10 £8,214).

Property: Authority as Lessor - the authority currently leases 271 premises which include 180 shops, 22 workshops, 12 public houses, 11 surgeries and 46 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2010/11 was £2,245,749 (2009/10 £2,273,998).

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010	31 March 2011
	£'000	£'000
Not later than one year	2,274	2,392
Later than one year and not later than five years	9,566	8,806
Later than five years	35,874	33,024

Finance Leases : Property, Plant, and Equipment: There were no assets held under finance leases by the Council as at 1 April 2011. This is with the exception of de minimis lease arrangements in respect of Timebridge and Westgate. As these involve only a peppercorn rent and the assets are correctly shown within the Council's asset base, no further accounting adjustments have been made.

The Council was not a lessor in respect of any assets disclosed within the Non-current Assets, except where an operating lease arrangement has already been identified, and disclosed.

Notes to the Core Financial Statements

37. Impairment Losses

During 2010/11 the Council recognised an impairment loss of £57,704 in relation to the demolition of demountable properties held within its Housing Revenue Account. This compares with £456,687 in 2009/10 for the HRA.

38. Termination Benefits

The Council terminated the contracts of eight employees in 2010/11 incurring liabilities of £110,870 (22 employees, £674,478 in 2009/10). These redundancies arose from organisational change.

39. Pension

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not be payable until the employees retire, the Council has a commitment to make payments which need to be disclosed at the time these benefits are earned.

The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council. This is a funded defined benefit final pay scheme meaning the Council and its employees make contributions into the Pension Fund at a level calculated to balance the liabilities with the investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Notes to the Core Financial Statements

39. Pension contd.

2008/09 £'000	2009/10 £'000		2010/11 £'000
		Cost of service	
1,701	1,382	Current service costs	2,360
757	191	Past service costs	(12,810)
		Financing and Investment Income & Expenditure	
6,171	6,004	Interest costs	6,930
(5,044)	(3,423)	Expected return on scheme assets	(5,012)
3,585	4,154	Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services	(8,532)
		Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
13,104	31,776	Actuarial gains and losses	(17,346)
16,689	35,930	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(25,878)
		Movement in Reserves Statement	
(16,689)	(35,930)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	25,878
		Actual amount charged against the General Fund Balance for pensions in the year	
3,247	3,464	Employer's contributions payable to the scheme	3,240

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liability in the Local Government Pension Scheme by £12,810,000 and has been recognised as a past service gain in accordance with guidance set down in UITF (Urgent Issues Task Force) Abstract 48, since the change is considered to be a change in benefit entitlement and not a change in actuarial assumptions.

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £27,886,000 (loss of £45,237,000 to 31 March 2010).

Notes to the Core Financial Statements

39. Pension contd.

Assets & Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

2008/09 £'000	2009/10 £'000		2010/11 £'000
(89,691)	(87,775)	1 April	(136,997)
(1,701)	(1,382)	Current Service Cost	(2,360)
(6,171)	(6,004)	Interest cost	(6,930)
(814)	(774)	Contributions by Scheme participants	(739)
7,551	(44,805)	Actuarial Gains & Losses	18,789
3,808	3,934	Benefits paid	5,189
(103)	(39)	Past service costs	12,810
(654)	(152)	Changes in scheme assumptions	0
<u>(87,775)</u>	<u>(136,997)</u>	31 March	<u>(110,238)</u>

Reconciliation of the fair value of the scheme assets:

2008/09 £'000	2009/10 £'000		2009/10 £'000
70,807	55,449	1 April	72,248
5,044	3,423	Expected rate of return	5,012
(20,655)	13,029	Actuarial Gains & losses	(1,443)
3,247	3,507	Employer contributions	3,240
814	774	Contributions by Scheme participants	739
(3,808)	(3,934)	Benefits paid	(5,189)
<u>55,449</u>	<u>72,248</u>	31 March	<u>74,607</u>

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments are based on projections from the Actuaries. The actual return on scheme assets in the year was £6,345,000 (2009/10 £17,761,000).

Notes to the Core Financial Statements

39. Pension contd.

Scheme History

	2010/11	2009/10	2008/09 £'000	2007/08 As restated £'000	2006/07 As restated £'000
Fair Value of Assets	74,607	72,248	55,449	70,807	72,871
Present Value of liabilities	(110,238)	(136,996)	(87,775)	(89,691)	(101,827)
Surplus / (Liabilities) in Scheme	(35,631)	(64,748)	(32,326)	(18,884)	(28,956)

The liabilities show the underlying commitments the Council has in the long term to pay post employment (retirement) benefits. The total liability of £35,630,915 (2009/10 £64,748,595) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet net worth of £532,510,731 (2009/10 £589,605,864 as restated).

However, statutory arrangements for funding the deficit mean the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £3,132,000.

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed both Stevenage Borough Council and County Council fund liabilities. The estimates for the Council are based on the latest formal valuation of the scheme as at 31 March 2010.

Notes to the Core Financial Statements

39. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:

2009/10	2010/11
Long Term expected rate of return on assets in the scheme:	
7.8% Equity investments	7.5%
5.0% Bonds	4.9%
5.8% Property	5.5%
4.8% Cash	4.6%
Mortality Assumptions:	
Longevity at 65 for current pensioners:	
22.7 Men	21.0
26.1 Women	23.8
Longevity at 65 for future pensioners:	
24.8 Men	22.9
28.3 Women	25.7
3.8% Rate of inflation	2.8%
5.3% Rate of increase in salaries	5.1%
7.0% Expected return on scheme assets	6.8%
5.5% Rate for discounting scheme liabilities	5.5%
50% Take up of option to convert annual pension into retirement lump sum. (Pre-April 2008 service)	50%
75% Take up of option to convert annual pension into retirement lump sum. (Post April 2008 service)	75%

Sensitivity analysis of Actuarial assumptions

In calculating the post employment benefit liability the Actuaries have had to make a number of assumptions as shown in the table above. Should these assumptions be inaccurate they will affect the value of the scheme liabilities. The following table details the impact on the scheme liabilities should these assumptions change.

Notes to the Core Financial Statements

39. Pension contd.

Change in assumptions at year ended 31 March 2011	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	8	9,258
1 year increase in member life expectancy	3	3,308
0.5% increase in salary increase rate	1	1,524
0.5% increase in salary increase rate	7	7,798

Pension Scheme Assets

The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held with fair value of employer assets quoted as bid value as at 31 March 2011:

2009/10			2010/11	
Bid Value as at 31 March 2010 £'000	scheme assets as a % of total scheme assets		Bid Value as at 31 March 2011 £'000	scheme assets as a % of total scheme assets
51,293	71	Equity investments	54,468	73
13,728	19	Bonds	14,177	19
2,168	3	Property	2,985	4
5,058	7	Cash	2,985	4
72,247	100		74,615	100

Notes to the Core Financial Statements

39. Pension contd.

History of Actuarial gains and losses and Experience gains and losses

The actuarial gains and losses and experienced gains and losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2011 :

	2010/11		2009/10		2008/09		2007/08 As restated		2006/07 As restated	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between expected & actual return on assets	(1,443)	-2%	13,029	18%	(20,655)	-37%	(8,464)	-	159	0%
Difference between expected and actual losses on liabilities	18,788	17%	(44,805)	-	7,551	9%	16,476	18%	5,632	6%
Actuarial Gain/(Loss) as at 31 March	17,345		(31,776)		(13,104)		8,012		5,791	
Experience adjustments on assets	(1,443)	-2%	13,029	18	(20,655)	(37)	(7,120)	(10)	159	0
Experience adjustments on liabilities	7,435	7%	0	0	0	0	2,068	2	56	0

Further information can be found in Hertfordshire County Council Pension Fund's Annual Report that is available upon request from: Hertfordshire County Council, Corporate Services, County Hall, Hertford SG13 8DQ (E-mail contact : pensions.team@hertsc.gov.uk)

40. Contingent Liabilities

At the Balance Sheet date three contingent liabilities were identified, these related to:

- The Council has made no provision for any costs associated with any claims that may arise as a result of the implementation of Single Status, (see also provisions note 22).
- The Council has made no provision for any one off costs that may arise as a result of the Housings Options Appraisal (see also Explanatory Foreword, page 22).
- The Information Commissioner has upheld a claim regarding the Council charging for Land Searches. The Council is currently assessing the extent of any potential liability. As at the Balance Sheet date the Council has made no provision for this potential liability

Notes to the Core Financial Statements

41. Contingent Assets

The Council does not recognise any contingent assets due to the uncertainty of economic gain of a contingent asset.

42. Other Bank Accounts

The Council administers bank accounts in respect of the Mayors' Charity. The balance on this account as at 31 March 2011, which have not been included in the Balance Sheet, was £1,305 (Other bank account balances as at the 31 March 2010 were £6,460 and as at 31 March 2009 were £10,544). This account is used to fund various charitable events.

43. Interests in Companies

The Council is the sole shareholder in Stevenage Homes Limited (SHL) which is limited by Guarantee, an Arms Length Management Organisation formed on 1 October 2006 to manage the Council's housing stock. In return, SHL is paid a management fee which, together with other transactions. These transactions are detailed in Note 34 Related Party Transactions and Note 21 Creditors.

In previous years the Council has applied acquisition accounting and prepared Group Accounts to incorporate the financial statements of SHL into the Statement of Accounts. However there is no material difference in the Single Entity Accounts and the Group Accounts and in March 2011 Members approved the omission of Group Accounts from the 2010/11 Statement of Accounts. This decision was also taken in consultation with the Council's External Auditors, Grant Thornton UK LLP.

Stevenage Homes Limited reported net liabilities of £730,604 as at 31 March 2011 (2009/10 £7,169,849 net liabilities) of which £1,693,000 (£8,159,000 31 March 2010) related to the Pension Liability for staff that transferred from the Council to SHL.

Stevenage Homes Limited reported profit before and after tax of £2,071,244, for the year ended 31 March 2011 (2009/10 profit £110,594). No dividends were declared receivable by the Council as at 31 March 2010.

Company accounts for Stevenage Homes Limited are available from the Director of Finance & Compliance, Stevenage Home Limited, Daneshill House, Danestrete, Stevenage, Hertfordshire, SG1 1HN.

Notes to the Core Financial Statements

44. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2009/10 £'000		2010/11 £'000
(1,164)	Interest received	(184)
38	Interest paid	7
<u>(1,126)</u>		<u>(177)</u>

45. Cash Flow Statement – Investing Activities

2009/10 £'000		2010/11 £'000
25,270	Purchase of property, plant & equipment, investment property & intangible assets	21,915
0	Purchase of short term & long term investments	2,209
0	Other payments for investing activities	0
(1,929)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(2,642)
(22,437)	Proceeds from short-term & long-term investments	0
(8,566)	Other receipts from investing activities	(9,277)
<u>(7,662)</u>	Net cash flows from investing activities	<u>12,205</u>

46. Cash Flow Statement – Financing Activities

2009/10 £'000		2010/11 £'000
(5,000)	Cash receipts of short & long term borrowing	(12,004)
0	Other receipts from financing activities	0
1,992	Repayments of short and long term borrowing	0
6,915	Other payments for financing activities	1,898
<u>3,907</u>	Net cash flows from financing activities	<u>(10,106)</u>

Notes to the Core Financial Statements

47. Adjustments to net surplus or deficit on the provision of services for non cash movements

2009/10 £'000	Non Cash Items	2010/11 £'000
(35,942)	Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement	(89,916)
0	Removal of transfer to Major Repairs Reserve for un-used Major Repairs Allowance	(414)
(1,188)	Removal of Revenue Expenditure Funded from Capital Resources under Statute from Comprehensive Income & Expenditure Statement	(984)
(1,117)	Removal of FRS 17 Pension entries in the Comprehensive Income & Expenditure Statement	11,473
(21)	Removal of (increase)/decrease in accumulated absences	42
1,300	Removal of profit/loss on sale of assets	747
(41)	Council tax Deficit/surplus not yet distributed	(116)
1,622	Expenditure charged direct to provisions and not included in the Comprehensive Income & Expenditure Statement	843
(468)	Contribution to/(from) provisions	1,324
22	Other non cash items movements	0
	Items on an accrual basis	
8	Add/(less) (decrease)/increase in stock	(30)
2,494	Add/(less) (decrease)/increase in debtors	1,088
(547)	Add/(less) (increase)/decrease in creditors & receipts in advance	4,948
(33,878)		(70,995)

48. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.

2009/10 £'000	Investing & financing activities included in net surplus or deficit on provision of services	2010/11 £'000
0	Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement	(24)
(3,128)	Capital Grants received or applied to meet financing	2,744
(881)	Removal of payment of poolable part of Capital Receipts to Government	(997)
(4,009)		1,723

Housing Revenue Account (HRA) Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 Restated £000's		Notes	2010/11 £000's
	Expenditure		
5,843	Repairs & Maintenance		5,745
11,104	Supervision & Management		9,657
27	Rents, Rates, Taxes & Other Charges		6
11,451	Negative HRA Subsidy Payable	HRA 2	11,309
32,169	Depreciation, Impairment & Revaluation Gains & Losses of Non-Current Assets	HRA 8	85,328
9	Debt Management Costs		4
146	Movement in the allowance for bad debts		213
367	Sums directed by the Secretary of State that are expenditure in accordance with the Code	HRA 3	0
61,116	Total Expenditure		112,262
	Income		
(32,279)	Dwelling rents	HRA 1	(32,666)
(632)	Non-dwellings rents		(338)
(1,509)	Charges for Services & Facilities		(1,422)
(1,127)	Contributions towards expenditure		(1,015)
(35,547)	Total Income		(35,441)
25,569	Net Income/Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement		76,821
651	HRA Services share of Corporate & Democratic Core		720
26,220	Net cost for HRA services		77,541
(447)	Gain on sale of HRA Non-Current Assets		(620)
0	Interest payable & similar charges	HRA 3	273
(591)	Interest & Investment Income	HRA 4	(176)
(83)	Capital grants & Contributions receivable		(272)
25,099	Surplus/Deficit for the year on HRA services		76,746

Movement on the Housing Revenue Account (HRA) Income & Expenditure Statement

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

Movement on the HRA Statement

2009/10 £000's		Note	2010/11	
			£000's	£000's
(2,095)	Balance on the HRA at the end of the previous year			(2,430)
25,098	Surplus/(Deficit) for the year on the HRA Income & Expenditure Statement		76,746	
(24,194)	Adjustment between accounting basis and funding basis under statute	8	(76,382)	
904	Net increase/(decrease) before transfers to or from reserves		364	
(1,239)	Transfers to/from reserves	8	(1,619)	
(335)	Increase/Decrease in year on the HRA			(1,255)
(2,430)	Balance on the HRA at the end of the year			(3,685)

Notes to the Housing Revenue Account (H.R.A.)

HRA 1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 0.85% of lettable properties were vacant. In 2009/10 the figure was 1.04%. Average rents were £77.07 a week in 2010/11 (£75.75 in 2009/10).

HRA 2. Housing Subsidy Receivable/Payable

Under the Local Government and Housing Act 1989 subsidy is calculated on a notional account that is constructed from specified debits and credits. Levels of notional expenditure and income on certain items are based on allowances and increases specified by the Government. The following table summarises the basic elements used in the calculation.

Notes to the Housing Revenue Account (H.R.A.) contd.

Notional Subsidy Calculation

2009/10			2010/11	
£'000	£'000		£'000	£'000
<u>13,700</u>		Notional Expenditure	<u>13,954</u>	
	13,700	Management and Maintenance		13,954
		Less Notional Expenditure		
(31,166)		Rents	(32,182)	
<u>(559)</u>		Interest	<u>(107)</u>	
	(31,725)			(32,289)
	<u>(18,025)</u>	Housing Subsidy Withdrawal		<u>(18,335)</u>
	6,329	Major Repairs Allowance		6,434
	<u>(11,696)</u>	Negative Subsidy Entitlement (incl. MRA)		<u>(11,901)</u>
	245	Transitional Negative subsidy		0
	0	Special Determination		273
	<u>(11,451)</u>	Overall Subsidy Position for year		<u>(11,628)</u>
	0	Adjustment on 2009/10 subsidy*		319
	<u>(11,451)</u>	Negative HRA Subsidy payable as shown on HRA Income & Expenditure Statement		<u>(11,309)</u>

* adjustment for 2009/10 subsidy: Additional subsidy due to the Council arose from a late change to the interest rate used to calculate interest due on HRA investments.

HRA 3. Special Determinations and Transitional Negative Subsidy Transfer

Under section 80(2) of the Local Government and Housing Act 1989 the Housing Revenue Account was required to make a transfer to the General Fund of an amount equal to the level of negative subsidy. From April 2001 transitional measures allowed a transfer to continue on a reducing basis up to and including 2009/10. From 2004/05 it was funded one third from the MRA and two thirds by Government. 2009/10 was the last year of Transitional Negative Subsidy for Stevenage Borough Council.

In 2010/11 the Housing Revenue Account was granted a Special Determination of £273,012 payable through the subsidy system. The Determination allows the General Fund to charge the HRA its share of the Decent Homes supported borrowing costs and for the HRA to be reimbursed via the subsidy system.

Notes to the Housing Revenue Account (H.R.A.) contd.

HRA 4. Interest payable and Interest and Investment Income

Interest payable is due to the General Fund. This interest cost is reimbursed to the HRA via a special determination through the HRA subsidy and relates to the Decent Homes Programme. (See also note HRA 2 Housing Subsidy receivable/payable and Note HRA 3 Special Determinations and Transitional Negative Subsidy Transfer)

The interest credited to the HRA is in respect of interest on receipts, revenue balances and mortgages.

	2009/10 £'000	2010/11 £'000
Interest on receipts	532	141
Interest on revenue balances	45	21
Interest on mortgages	14	14
Total Investment Income	591	176

HRA 5. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve.

2009/10			2010/11	
£'000	£'000		£'000	£'000
	0	Opening Balance as at 1st April		0
		Transfers to the MRR -		
(7,060)		Depreciation of HRA Dwellings	(7,607)	
(385)		Depreciation of other HRA Assets	(446)	
	(7,445)			(8,053)
		Transfers from MRR -		
	6,207	Financing of HRA Capital Expenditure		6,020
122		To HRA Appropriations - Transitional Negative Subsidy Transfer	0	
1,116		Depreciation in excess of MRA & other HRA Assets	1,619	
	1,238			1,619
	0	Closing Balance as at 31 March		(414)

Notes to the Housing Revenue Account (H.R.A.) contd.

HRA 6. Housing Stock Numbers

The stock movement can be summarised as follows:-

2009/10 No.		2010/11 No.
8,342	Stock as at 1st April	8,297
(12)	Less Right to Buy Sales	(13)
(10)	Demolitions	0
(6)	Properties impaired to be demolished	(4)
(16)	Hostel closure	0
(1)	Conversions/other	0
8,297	Stock at 31st March	8,280
5,380	Houses	5,369
2,917	Flats	2,911
8,297	Total	8,280

The stock numbers disclosed above are properties that are in management and available to let. The total stock valuation includes the hostel (equating to 16 equivalent properties) and a further three properties, which are classified as 'out of management'.

HRA 7. Non Current Asset Valuations

Housing Stock

The total balance sheet value of the dwellings within the HRA can be summarised as follows :-

As at 1 April 2010	£ 445,202,122
As at 31 March 2011	£ 436,808,674
The Vacant Possession value of the dwellings as at 1 April 2010 was	£1,141,543,902

Notes to the Housing Revenue Account (H.R.A.) contd.

HRA 7. Non Current Asset Valuations (continued)

The valuation of the dwellings in the Balance Sheet is on the basis of Fair Value, which is the Market Value on the assumption that the property is sold as part of the continuing enterprise in occupation. The difference between the Balance Sheet valuation and the higher valuation on the basis of Vacant Possession shows the economic cost of providing council housing at less than open market rents.

Other non current assets held by the HRA are detailed below:

	1 April 2010	31 March 2011
Vehicles Plant & Equipment	£1,375,533	£1,712,759

HRA 8. Depreciation, Impairment and Revaluation Gains & Losses of Non

Current Assets

Depreciation and impairment of non current assets is shown here in respect of HRA Dwellings & other non current assets. The calculation of the depreciation charge for dwellings separates the valuation of property between land and dwellings and depreciates the dwellings over their anticipated useful life.

	2009/10 £'000	2010/11 £'000
Depreciation:		
HRA Dwellings	7,060	7,608
Other Assets	386	446
Impairment:		
HRA dwellings	456	49
Revaluation Gains & Losses:		
HRA Dwellings	24,267	77,225
Total	32,169	85,328

Notes to the Housing Revenue Account (H.R.A.) contd.

HRA 9. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2010/11 is summarised as follows:-

2009/10 £'000		2010/11 £'000
	Capital Expenditure	
18,153	Major Repairs & Improvements	15,261
953	Disabled Adaptations	1,256
639	Equipment	783
19,745		17,300
	The Capital Expenditure was financed as follows:	
7,451	Capital Receipts	19
6,207	Major Repairs Allowance	6,020
6,051	Borrowing (Decent Homes)	10,953
36	contributions	308
19,745		17,300

Total Capital Receipts in 2009/10 from the sale of property within the HRA can be summarised as follows :-

2009/10 £'000		2010/11 £'000
(1,104)	Right to Buy Sales	(1,299)
(24)	Right to Buy Mortgage Repayments	(24)
(53)	Other Land & Property *	(40)
(1,181)		(1,363)

*Includes repayment of Right to Buy discounts

HRA 10. Rent and Supported Housing Payment Arrears

During the year 2010/11 rent arrears as a proportion of gross rent income were 2.8% (2.8% in 2009/10).

2009/10 £'000		2010/11 £'000
995	Arrears at 31 March	998
159	Amounts written off during the year	137

The bad debts provision stood at £398,244 at 31 March 2011 (£321,600 at 31 March 2010).

Notes to the Housing Revenue Account (H.R.A.) contd.

HRA 11. Revenue Expenditure Funded from Capital under Statute.

There was no HRA expenditure in 2010/11 relating to revenue expenditure funded from capital under statute.

HRA 12. Accounting for Pension Costs in the HRA

In accordance with DCLG guidelines, the pension costs in the HRA are in respect of defined benefits and not on a FRS 17 basis. The pension cost shown in the Income & Expenditure Account are on a IFRS basis as set out in the 2010 Code and includes an adjustment for the HRA element of net cost of services within the HRA Services line.

The Collection Fund Statement 2010/11

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. Stevenage Borough Council is a billing authority.

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 non-domestic rates.

2009/10 £'000	INCOME	Notes	2010/11 £'000	£'000
44,932	National Non-Domestic Rates (NNDR) Pool	CF 2	40,293	
34,489	Council Tax	CF 1	34,746	
7,160	Council Tax Benefit	CF 1	7,110	
86,581				82,149
	EXPENDITURE			
	Precepts and Demands:-			
31,873	Hertfordshire County Council		31,966	
5,370	Stevenage Borough Council		5,386	
4,069	Hertfordshire Police Authority		4,223	
41,312				41,575
44,827	National Non-Domestic Rates		40,189	
105	Payment to National Pool		104	
44,932				40,293
9	Movement in provision for Doubtful Debts			(67)
	Contributions -Towards previous year's estimated collection fund surpluses			
693	Hertfordshire County Council		349	
84	Stevenage Borough Council		161	
88	Hertfordshire Police Authority		43	553
87,118				82,354
(537)	Surplus/(Deficit) for the year			(205)
1,880	Surplus/(Deficit) as at 1 April			1,343
1,343	Surplus/(Deficit) as at 31 March	CF 3		1,138

Notes to the Collection Fund Statement

CF 1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated; by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D property equivalent and adjusted for discounts; (28,570.81 for 2010/11, 28,487.65 for 2009/10). The basic amount of council tax for a band D property £1,455.17 (£1,450.17 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	A (Disbld.)	A	B	C	D	E	F	G	H	TOTAL	
Properties		1,435	6,014	20,722	3,122	2,873	833	412	13	35,424	
Exemptions		(74)	(237)	(261)	(32)	(25)	(7)	(6)	(5)	(647)	
Disabled Relief	1	4	87	(75)	12	(23)	0	(5)	(1)	0	
Discounts (25%)	1	969	3,698	6,404	778	450	99	52	0	12,451	
Discounts (50%)	0	48	129	153	21	18	14	8	3	394	
Equated Value Discount	0.25	266.25	989.00	1677.50	205.00	121.50	31.50	17.00	1.50	3,309.75	
Effective Properties	0.75	1,098.75	4,875.00	18,708.50	2,897.00	2,703.50	794.25	384.00	5.50	31,467.25	
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	0.42	732.50	3,791.67	16,629.78	2,897.00	3,304.28	1,147.25	640.00	11.00	29,153.89	
Council Tax Base				Band D equivalent multiplied by collection rate of 98%							28,570.81

Notes to the Collection Fund Statement

CF 1. Council Tax (continued)

The income chargeable of £47,407,557 for 2010/11 is from the following sources:

2009/10 £		2010/11 £
34,488,657	Billed to Council Tax Payers	34,745,504
7,159,865	Council Tax Benefits	7,109,609
5,342,284	Exemptions, Discounts, etc.	5,552,443
<u>46,990,806</u>		<u>47,407,556</u>

CF 2. National Non-Domestic Rates

The Government specifies an amount (48.5p in 2009/10 and 41.4p in 2010/11) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The equivalent amount for small businesses was 40.7p in 2010/11 (48.1p in 2009/10). The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income due to the NNDR pool, after relief and provisions was £40,189,374 for 2010/11 (£44,826,917 2009/10). The rateable value for the Council's area is £111,271,565 at 31 March 2011 (£101,480,550 at 31 March 2010). The rateable value changes throughout the year due to increases and decreases in assessments.

CF 3. Contributions to Collection Fund Surpluses

The surplus on the Collection Fund as at 31 March 2011 was £1,137,715. Hertfordshire County Council and Police Authority recognise their share of the surplus in their accounts, Stevenage Borough Council's share is shown in the Collection Fund adjustment account on the Balance Sheet. The surplus is in proportion to the respective precept made and is as follows as 31 March 2011.

2009/10 £		2010/11 £
203,766	Stevenage Borough	87,754
127,447	Hertfordshire Police Authority	119,915
1,011,852	Hertfordshire County Council	930,046
<u>1,343,065</u>	Total	<u>1,137,715</u>

**In accompaniment to the
Statement of Accounts:**

**Statement of
Internal Control –
Annual Governance
Report**

Annual Governance Report

Scope of Responsibility

1. Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Stevenage Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which include arrangements for the management of risk.
3. Stevenage Borough Council has approved and adopted a Local Code of Corporate Governance (17 March 2008), which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the code can be obtained from the Council Offices.
4. This Statement explains how the Council has complied with the code and also meets the statutory requirements in section 4(2) of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.
5. The Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. The CIPFA/SOLACE guidance for implementing the framework recommended that the local authorities Chief Financial Officer (S151 Officer) and Monitoring Officer are responsible for ensuring that the framework and subsequent statement are completed with adherence to the local code. The Strategic Management Board agreed to this recommendation and therefore the Strategic Director (Resources) and the Borough Solicitor, together with a corporate governance team, have been given this responsibility.

The Purpose Of The Governance Framework

6. The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they materialise, and to manage them efficiently, effectively and economically.
8. The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

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9. In respect of Stevenage Homes Ltd (SHL) controls, they often replicate similar procedures to those of the Council. However they have their own Financial Regulations and Internal Controls, all of which are required to be approved by the Council. The Council's Director of Resources approves any changes to SHL financial Regulations and Internal Control procedures. SHL also have an Audit Committee that ensures that risk management, internal audit reports and budgets are adequately monitored and controlled. SHL's Annual Governance Statement will be approved by the SHL Audit Committee at their meeting on 30 June 2011.

The Governance Framework

10. The key elements of the systems and processes that comprise the Council's governance arrangements are summarised in the sections that follow.

Establishing And Monitoring The Achievement Of Objectives

11. In June 2008 the Council published its Corporate Plan (Making a Difference) 2008 – 2013 which sets out the Council's vision for the town, its strategic ambitions and associated priorities, and its values. The Plan links with the Stevenage Community Strategy which is produced in liaison with the Council's strategic partners on SoStevenage – the Local Strategic Partnership (LSP).
12. Each strategic ambition has an associated programme of work with projects to deliver the priorities and these are set out in the Council's Corporate Improvement Programme. Programme Governance arrangements are in place to monitor delivery.
13. The Council has made considerable progress since the publication of the Corporate Plan (Making a Difference) in 2008 and publish an Annual Report each year to inform the community of our progress.
14. The Council is carrying out a review of the Corporate Plan during 2011/12 to define what the Council wants to achieve over the next five years. The initial analysis of consultation and data show that the current ambitions and priorities require only minimal revision:
 - The priorities Bring Communities Together and Encourage Community Involvement have been merged to strengthen the link between people feeling they belong to a community and the potential for people to become involved in influencing decisions
 - The priority Focus on Neighbourhoods has been changed to a cross-cutting issue. Responding to needs at a local level remains a priority but it is considered it can be better addressed through integration across other priority areas.
15. It is intended that the full review of the Corporate Plan will:
 - Determine focussed priorities that are achievable with the Council's resources in the current financial context
 - Enable the Council to clearly articulate the co-operative approach, recognising that the support and partnership of organisations, residents and staff is needed to run services
 - Demonstrate a commitment to community involvement in service design and delivery
 - Assign clear performance measures and targets to monitor success.

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16. Each Service Delivery Unit has a service plan that sets out both how projects to deliver our priorities will be delivered and the operational work of that service. These are placed at the centre of the Council's policy and financial planning framework to inform service priorities and budget decisions.
17. The Council's Corporate Communications Strategy, Let's Talk, communicates the council's aims and achievements to all stakeholders. The Council's approach to participation and consultation is currently being reviewed, along with our equality and diversity action plan, following changes in legislation. Both of these documents will articulate how we ensure that all groups in the community have a voice, can be heard, are consulted and can access council services in a fair and equal way. In May 2009 the Council was assessed as achieving Level 3 of the Equalities Standard for Local Government.
18. The Council set up an Economic Taskforce in early 2009 with partners to offer practical help to local residents and businesses. A number of initiatives have been launched including an income maximisation project to assist our vulnerable residents by increasing people's benefit awareness, reducing levels of debt and increasing people's financial awareness. This work was acknowledged with the Council winning 'Council Partner of the Year' at the first ever national Citizens Advice Bureau Awards. In 2011 the Economic Taskforce will further develop support to people with a focus on a number of partnership initiatives including implementing a 'World of Work' project, promoting the mortgage rescue scheme, working with Connexions on apprenticeship programmes, and delivering support with the Citizens Advice Bureau.
19. The effectiveness of the overall arrangements to monitor performance is informed by:
 - The work of managers within the Council
 - The roles performed by the Monitoring Officer and Chief Financial Officer
 - The work of the Internal Audit Service
 - The Annual Audit and Inspection Letter
 - Reports by other review agencies and inspectorates
 - Performance Management arrangements and related regular reporting.

The Facilitation Of Policy And Decision-Making

20. The Council has an approved Constitution which details how the Council operates, how decisions are made and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The majority of the Council's functions are vested in the Executive. Those Council functions which are not vested in the Executive (mainly planning and development and licensing functions) are taken by various regulatory committees appointed by the Council. Under the Council's Constitution, the Executive meets on a monthly basis and comprises the Leader of the Council and seven other Councillors from the Majority Group. Both the Leader of the Council and each of the seven Councillors have a specific area of responsibility, as their Portfolio. The Portfolio areas are:-
 - Housing
 - Community, Health and Older People
 - Children and Young People, Culture, Sport and Leisure

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- Environment and Regeneration
 - Resources
 - Economy, Enterprise and Transport
 - Safer and Stronger Communities
- The Leader of the Council has Portfolio responsibility for Town Twinning, Modernisation of Local Government (new political structures and the Constitution), Media and Communications, Public Consultation, Partnerships, Members' Services including the Modern Member Programme and the Civic Suite.
21. The Council appoints the Leader and agrees the extent of the seven individual portfolios of executive functions. Major and 'key' decisions are required to be published in advance on the Council's website as part of the Leader's four month 'Forward Plan/Rolling Programme' and will generally be discussed in a meeting open to the public. All decisions must be made within the parameters of the overall policy and budgetary framework, which has been set by full Council. Any decision the Executive wishes to take outside the budgeting or policy framework must be referred to Council for approval.
22. All matters for Member level decision are documented in a standard report format. Reports are produced on a standard template to facilitate understanding and all reports are supported by comprehensive assessment of the legal, financial and other implications of the proposed recommendations. The Strategic Director of Resources (Chief Financial Officer) briefs the Resources Portfolio-Holder on a weekly basis with regard to financial, legal and other resource issues. There is a Scrutiny Overview Committee which forms "topic groups", as necessary, to scrutinise specific issues and service performance. The Committee formally considers budget and policy framework matters before final consideration by the Executive and recommendation to Council. Each month the Committee reviews the decisions taken by the Executive and a 'call-in' procedure is in place should there be concerns regarding the process to decision making by the Executive on a particular matter and which results in a matter being reconsidered by the decision maker. The Council also has a series of regulatory Committees and in 2006 established an Audit Committee. The political management structure is detailed in the Council's Constitution which is subject to periodic review.
23. In accordance with the provisions of the Local Government and Public Involvement in Health Act 2007 the Council was required to adopt new arrangements for its executive governance to come into effect from May 2011. At an Extraordinary meeting of the Council in December 2010 it was agreed that 'a Leader and Cabinet Executive (England) model' prescribed in Section 11 of the Local Government Act 2000 (as amended) be adopted with the following principal elements:
- (a) The Council appoints a Leader for a 4 year term unless he or she is removed from office, or is disqualified or ceases to be a Councillor.
 - (b) The Leader appoints a cabinet (Executive) of between 2 and 9 councillors and allocates any areas of responsibility (portfolios) to them. The Leader also determines the scheme of delegation for the discharge of the executive functions of the Council.
 - (c) The Leader appoints a Deputy Leader from the Cabinet (Executive) whose term of office will be the same as the Leader's save that the Leader can replace

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the Deputy at any time. The Deputy Leader will exercise all the powers of the Leader in their absence.

(d) The Council will be able to remove the Leader by a majority resolution of the Council.

(e) The 'Local Choice Functions' set out in the Council's current Constitution will be maintained.

(f) For the transitional period between the 3rd day after the elections in May and the Annual Meeting of the Council later that month the present Leader will remain in place and Council's current arrangements (as set out in paragraph 20) will remain in force.

Compliance With Policies, Procedures, Laws And Regulations

24. The Council has structured its processes and procedures for the Executive and Scrutiny Committee/Panels plus other Committees such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. It also appoints officers, qualified to undertake statutory responsibilities such as contained within Section 151 of the Local Government Act 1972, and Section 114 of the Local Government Finance Act 1988 (Chief Financial Officer). The Monitoring Officer, who is the Borough Solicitor, is the Council's senior legal advisor, responsible for reporting to the Council on any act or proposed act by the Executive, or by any Committee, or individual Member or officer that could give rise to a contravention of the law, a code of practice or maladministration. He is also available to provide professional legal advice to Members and officers of the Council.
25. The Council has a duty to ensure that it acts in accordance with the relevant legislation in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contract Standing Orders, which are available to all Members and officers on the Council's Intranet, as well as being available to the public as part of the Constitution. The Financial Regulations and Contract Standing Orders are reviewed at least annually and any proposed amendments are put forward to Council for approval. Heads of Service and senior management carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.
26. To assist in developing a corporate governance framework, key policies and procedures have been brought together to form the corporate backbone of the Council's governance and management control arrangements. Key documents in the Council's corporate backbone include:
 - The Constitution (which includes the Code of Conduct for Members, protocol on Members/officer relations, financial regulations, budget and policy framework, contract standing orders)
 - Members Register of Interests
 - Risk management Policy and Risk Management Guide
 - Communications Strategy
 - Whistle Blowing Policy

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- Corporate Procurement Strategy
 - Performance Management Framework
 - Business Continuity Policy
 - Corporate Improvement Programme.
27. During the year, the Corporate Governance Group has continued to develop the assurance framework around the corporate governance arrangements. A review of the requirements that make up the CIPFA six principles of Corporate Governance has been carried out to identify any weaknesses and Service Based Governance Statements have been compiled that contribute to overall assurance for the 2010/11 Annual Governance Statement.

Receiving And Investigating Complaints From The Public

28. The Council has a robust complaints procedure, which is publicised via the Council's website and in Council buildings. Complaints can be received anywhere in the Council but are coordinated centrally by staff in the Council's Customer Service Centre. Complaints about Members and allegations that a Member has breached the Code of Conduct are dealt with separately by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the statutory scheme in Part 3 Local Government Act 2000 (as amended). Details of the procedure and complaints forms are available on the Council's website and in the Customer Service Centre.

Establishing Clear Channels Of Communication With All Sections Of The Community And Other Stakeholders, Ensuring Accountability And Encouraging Open Consultation

29. The Council regards communication as key to its work and essential in meeting its corporate ambitions and framework of values. It supports the decision-making process and helps to improve service quality and foster good relationships between staff, Members and stakeholders.
30. The Council's Corporate Communications Strategy, Let's Talk, communicates the council's aims and achievements to all stakeholders. Its purpose is to establish and maintain clear and relevant two-way channels of communication in order to create an informed and recognisable profile for Stevenage Borough Council and a positive image of the town as a whole.
31. The Strategy sets out our Communications pledge, which is:
We will communicate clearly, openly, accurately and regularly with our residents, with our partners, and with each other, in order to promote mutual understanding, and give a better service to the people of Stevenage.
32. The Council introduced in April 2009 the Councillor Call for Action arrangements (CCfA). This is designed to resolve service failure issues at a local level, when previous attempts at resolution have been unsuccessful. Additionally a formal Petition Scheme, including provisions for E.Petitions was introduced in 2010.

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Incorporating Good Governance Arrangements In Respect Of Partnerships And Reflecting These In The Council's Overall Governance Arrangements

33. Partnerships are a key component for service provision. The Council is improving governance arrangements of key partnerships. SoStevenage, the local partnership, includes a governance statement in its *Guide to SoStevenage* that sets out risk and performance management arrangements.
34. Following the 2007/08 corporate governance review and the increasing focus on partnership working in the delivery of council services, a Partnerships Toolkit was developed in 2008 to assist in improving and ensuring consistency in our partnership arrangements. The Toolkit offers best practice approaches to the structures, agreements and procedures that should be in place to make partnerships more effective and reduce risk.
35. In summary, the Toolkit sets out guidance on:
 - Governance arrangements
 - Risk management
 - Financial arrangements
 - Communication and engagement
 - Dispute resolution.
36. Work undertaken as part of the development of the Partnership Toolkit, to review the Partnership Register, has led to more robust identification of strategic partnerships. The Council has two major partnerships: Stevenage Leisure Ltd and Stevenage Homes Ltd (SHL), an arms length management organisation that became operational in October 2006. The governance arrangements for both are underpinned by detailed management agreements and from 1 April 2009, a new contract for SLL.
37. The Council is working to set up shared service initiatives with other Hertfordshire Local Authorities. A Shared Internal Audit Service, in partnership with the County Council and other Hertfordshire Districts Councils will go live in June 2011. A business case setting out proposals to deliver a shared Housing Benefits and Local Taxation Service will be reported to both partners' Executive Committees in June 2011. North Hertfordshire District Council, Stevenage and East Hertfordshire Councils committed to delivering a strategic business case for a range of other support services in February 2011.
38. The arrangements for managing these projects and the governance arrangements for the ensuing partnerships are likely to differ. However, there are a number of common principles that apply to all. All project work has been and will be undertaken jointly by the partners in line with good project management practice. Decisions that need to be signed off by Members are signed off concurrently. Partnership governance arrangements are formal and involve both Member and senior management oversight of the partnerships from all participating partners.

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Risk Management

39. The Council has an approved Risk Management Policy, and a Risk Management Guide is available to all employees. Strategic and Operational Risk Registers are in place. Both the Strategic and Operational Risk Registers require risks to be scored in terms of their likelihood and impact for inherent and residual risk, a risk owner to be identified and a mitigation strategy to be in place with associated action dates. Strategic risks are linked to the Council's ambitions and priorities. All risks are subject to regular review.
40. During 2010/11 each service has identified both Strategic and Operational risks. The Strategic Risk Register is monitored, on a quarterly basis, by the Council's Strategic Management Board (SMB). The Audit Committee also review the latest Strategic Risk Register as a standing agenda item.
41. The Resources Portfolio Holder is the Council nominated Member Risk Management Champion and assists with embedding risk management in the business of the Council. Portfolio Holders are briefed regularly by the relevant Strategic Director.
42. A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, set up in July 2008, meets quarterly. The group's role is to oversee and review the reporting process and the development of the Council's approach to risk. The Chair of the Audit Committee and the Members' Risk Champion are invited to this group. The Risk Management Group reviews the content of the Strategic Risk Register before it goes to SMB and quality assures the risk management process as summarised below:
 - Considers whether the content of the Strategic Risk Register reflects the risk environment the organisation is facing
 - Identifies new or emerging risks that may require management at corporate level
 - Challenges mitigation actions planned to manage new and existing strategic risks
 - Monitors consistency of risk management across key partnerships
 - Considers quality and content of Operational Risk Registers at least annually
43. The Operational Risks Registers are developed and monitored by the relevant Head of Service. Action plans are developed to mitigate key risks and delivery monitored. Any risks which should be escalated are added to the quarterly review of the Strategic Risk Register and reported to SMB.
44. The Council also requires project risks to be identified for major projects and capital schemes when seeking approval from Executive. Identified risks are added to the Strategic Risk Register where appropriate. Project risks are further defined in Project Initiation Documents and monitored during the implementation phase of projects. A Partnership Toolkit was produced in 2008 which provides guidance on all aspects of effective management of partnerships including the management of risk.
45. During 2008/09, the Council's insurers provided a programme of risk management consultancy to strengthen and embed our risk management arrangements. Training and awareness workshops were held for Heads of Service on the Council's approach to Risk. Further training on risk identification was carried out with Heads of Service in May 2011 and officers are offered one to one training appropriate to need. Officer training is particularly focused on the development of operational level risk registers. Risk management training was carried out with Members as part of the 2009/10 and 2010/11 Modern Member Programmes. We will continue to enhance training to meet particular needs.

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Developing, Communicating and Embedding Codes Of Conduct Detailing the Standards of Behaviour for Members and Officers

46. The standards of conduct and personal behaviour expected of Members and officers of the Council, its partners and the community, are defined and communicated through codes of conduct and protocols. These include:
- Members' Code of Conduct
 - Member/Officer Protocols
 - Members Register of Interests
 - Officers Code of Conduct
 - Anti-Fraud and Corruption Policy
 - Regular performance meetings for staff linked to corporate and service objectives that identify development needs
 - Standards Committee with an independent Chairperson.
47. The statutory process for dealing with complaints about Members is referred to in paragraph 28. The Employee Code of Conduct was revised and reported to Council in February 2011. The code:
- Sets out the general standard of conduct expected of officers
 - Includes a restatement of the law and guidance on officers accepting gifts and hospitality
 - Includes a statement of the statutory requirements (with criminal sanctions for default) for officers to register certain interests.
48. In advance of the MP's expenses scandal, the Council commissioned a review of all Councillor's expenses, allowances and reimbursements. Improvements that have resulted include:
- Clarity on what is reasonably claimable
 - More regular public reporting
 - A revised guide covering Members expenses.

Internal Audit Arrangements

49. Annual audit coverage is determined through a risk assessment, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework. Internal Audit operate to defined standards (CIPFA/IIA). The Chief Internal Auditor reports to the Council's Head of Finance (Deputy Section 151 Officer) and Strategic Director (Chief Financial Officer/Section 151 Officer) and provides updates on internal audit progress and issues at regular Section 151 meetings. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. From 2006/07 this report has been submitted on a yearly basis to the Audit Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control systems of the Council to SMB and Members. Internal Audit review and appraise the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems, providing advice on matters pertaining to risk and control.

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50. The Chief Internal Auditor's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2011. From the Internal Audit work undertaken in 2010/11, the Chief Internal Auditor can provide a moderate level of assurance that the system of internal control which has been in place at Stevenage Borough Council for the year ended 31 March 2011 accords with proper practice. The recommendations for improvement made by the Internal Auditor have a particular focus on the declaration of officer interests, as outlined below - It was recommended that:
- The relevant Strategic Director or Head of Service is made aware of officer interests within their service areas. An assessment of whether action needs to be taken to manage an officer interest and any action taken should be documented.
 - Procedures explaining how officers should be declaring their interests, examples of types of interests that should be declared and arrangements for the management review of the Interest Register should be developed and approved for use.
 - Separate registers for Officer Interests, and Gifts and Hospitality are maintained
 - To ensure adequate separation of duties in the Strategic Director Resources review of the declarations made in the Officer Interests Register, and Gifts and Hospitality Register, an alternative officer reviews any declarations made by the Strategic Director Resources
51. The recommendations made are being reviewed by relevant officers and appropriate plans developed. Delivery of the resulting action plan will be monitored by the Council's Corporate Governance Group.

Audit Committee

52. An Audit Committee was first established in May 2006 and its duties include advising and commenting on:-

Internal Audit matters including:

- the Annual Internal Audit Plan
- the adequacy of management response to Internal Audit reports and recommendations
- the Chief Internal Auditor's Annual Report and opinion
- summaries of specific internal audit reports

External Audit matters including:

- the External Auditor's plans for auditing and inspecting the Council
- the Annual Audit and Inspection Letter from the external auditor
- the report to those charged with governance
- proposals from the Audit Commission over the appointment of the External Auditor
- scope and depth of external audit work

- anti-fraud and corruption issues including the Council's policies on anti-fraud and corruption, and 'whistle-blowing'
- The Council's Constitution in respect of Contract Standing Orders and Financial Regulations
- The Council's Risk Management arrangements

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- The Council's arrangements for delivering value for money
 - The Council's Annual Governance Statement
 - The Statement of Accounts and related Capital Determinations
53. The Audit Committee is an advisory committee of the Council. It has been constituted in line with best practice recommendations from CIPFA guidance. In 2010/11 the Audit Committee comprised six appropriately skilled Council Members, including only one Executive Member, two Members from opposition groups and one Member from the Scrutiny Overview Committee. The Committee is further supported by an independent representative who, in addition to independence also brings further financial/accounting professional skills. The Chair of the Audit Committee is neither a member of the Executive nor a member who serves on any Scrutiny body. The Committee has received specific training by our external auditors and in-house training on the Statement of Accounts.
54. The operation of the Audit Committee has been particularly effective. As such it has, in itself, significantly contributed to further strengthening the Council's overall systems of Internal Control.
55. The structure and role of Audit Committees is currently the subject of a consultation relating to the future of local public audit. The Department for Communities and Local Government is seeking views on options that relate to the role of the Audit Committee, particularly with regard to the appointment of external auditors. The Council will monitor developments and advise on legislative changes in due course.

Ensuring Economic, Efficient and Effective Use of Resources

56. The Council continues to review and develop its budgetary monitoring and control processes to ensure that financial resources are used to their best advantage. Financial Planning is underpinned by Service Planning with increased expenditure in any service being identified as part of the Service and Financial Planning process, starting with the MTFs in July and then formal approval (forward plan bid) as part of the annual budget setting process in February. In year pressures will be reported to SMB and Executive as part of the quarterly monitoring process for approval, with any mitigating actions. Key to the Service Planning process is a requirement to demonstrate planning for continuous improvement, over several years. The Service Planning process is cascaded throughout the organisation as part of the Performance Management Framework. This culminates in plans being prioritised through to front line service provision through Performance Development Meetings (PDMs) as part of the management review processes for all members of staff. The effectiveness of these processes is recognised in the Council's achievement of Investors in People (IiP) status. Effective Workplace Planning also forms a key part of the Council's processes to seek to ensure effective use of resources. The Council's Corporate Plan is supported by the individual service plans and this ensures that improvements are in line with the Council's corporate priorities. Economic and effective use of resources is subject to review through the work of both Internal and External Audit.

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57. The Council provided a number of online and face to face opportunities for people to contribute to the budget consultation exercise in 2010/11. From September until January there was a dedicated area on the Council's website that brought information together in one place about all the avenues available for people to get involved. As well as providing information about meetings and events, it included links to the Council's Facebook and Twitter pages, a link to the online community forum and an opportunity to complete a short online questionnaire. A community consultation event (the Community Conference) took place on 11 September 2010 to seek residents' views and ideas on how the Council could respond to the financial challenges it is facing. In December 2010 the consultation event Café Choice took place in a marquee in the town centre and provided residents with an opportunity to give their views on the savings proposals.
58. The Council continues to be strongly committed to the principles of Best Value (BV) and continuous improvement. The BV methodology takes into account the requirements of the Government efficiency and collaboration agendas. An essential part of Internal Audit's role is to make recommendations, where appropriate, through Management Action Plans, to ensure measures are taken to improve and strengthen the efficiency and effectiveness of the Council's Services.
59. The current unprecedented financial context the Council faces requires ever more focus on budgetary control to ensure that the Council delivers maximum effectiveness and efficiency with the resources available in times of economic constraint.
60. To support the Council's commitment to efficient and effective use of its resources, special SMB meetings were convened to challenge savings options and forward plan bids to ensure they were aligned to the Council's priorities. SMB and the Executive Portfolio Holders supported by officers then challenged the package of savings and forward plan bids. Consultation with external groups also took place. This whole process will assist the Council in seeking to ensure continuous improvement in its achievement of Value for Money.

Financial Management

61. Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer.
62. Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and the role in the Council demonstrates the five principles that define the core activities and behaviours of the role. The Chief Financial Officer is:
 - A member of the Strategic Management Board
 - Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and decision align to the Council's financial strategy.
 - A key lead on the promotion and delivery of good financial management of the Council, so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
 - Directs a finance team that is resourced to be fit for purpose
 - Professionally qualified and suitably experienced.

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63. The systems of internal financial control provide reasonable but not absolute assurance that finances must be safeguarded, that transactions are authorised and properly recorded, so that material errors or irregularities are either prevented or would be detected within a timely period.
64. Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structure including appropriately skilled, trained or qualified staff, and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council. In particular, the Council's processes in 2010/11 include the following:
- The setting of detailed annual budgets, Council Tax and Housing Rents
 - Regular monitoring of actual income and expenditure against the annual budgets
 - Specific detailed monitoring of the Council's salaries budget
 - Availability of financial information at all times online 'live' within the Council's Financial Information system (Integra)
 - Production of monthly reports for budget managers
 - The detailed use of Commitment Accounting processes
 - A quarterly budget monitoring process for the General Fund, HRA and Capital Programme, reporting to the Council's Executive
 - Production of monthly Key Budget Indicators (KBI) reports to SMB
 - Already defined capital expenditure guidelines as outlined in the Capital Strategy;
 - Detailed monitoring of the Council's Capital Schemes through the Corporate Capital Review Group (CCRG) and reported on to Executive
 - Continuous reviews, updating and reporting of the Council's General Fund and HRA Medium term Financial Strategies and the monitoring of finances against the Medium Term Plans and Capital Strategies
 - Provision of financial training for Audit Committee Members to equip them to perform their roles in respect of financial management responsibilities, in relation to the Statement of Accounts.
65. The Council has enhanced its treasury management arrangements following the Icelandic Banks collapse in line with the CIPFA Revised Treasury Management Code and Guidance. This includes training of key staff and Members, improved information and regular reviews by Councillors in both Executive and Scrutiny functions (Audit Committee), and above all ensuring the security of the Council's investments.
66. The controls created by management are evaluated to ensure that Council ambitions are being achieved:
- Shape our community
 - Regenerate Stevenage
 - Create sustainable communities
 - Move towards excellence.
67. The Council's financial management arrangements consists of a number of interrelated strands, as set out in paragraphs 68 to 72:

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68. Financial Regulations – The regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Executive, Portfolio Holders and officers. They also set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services, including standing orders for contracts.
69. Medium Term Financial Planning – The Council publishes in its Budget Book revenue and capital projections for the next few years. The projections are reviewed and updated on at least an annual basis. The in year and the five year forecast are reviewed as part of the quarterly monitoring process, (key indicators - monthly, General Fund, HRA, Capital and Balance Sheet - quarterly). The Council has a well established Capital Strategy which measures the performance of its capital sources. This has involved deferring and deleting £8million from the capital programme as a result of declining in year capital receipts, while still supporting the Council's ambitions and priorities. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.
70. Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2009/10 the Council was able to identify a savings package of some £1.65million for 2011/12, which while still focussing on efficiency savings included some service reductions. The Forward Plan bids were geared to help the residents of Stevenage affected by the recession.
71. Budget Management and reporting – The management of budget over and under spends and the impact on the Council's financial reserves, is implemented via the quarterly budget monitoring process. Budget variances and reasons for the variance are reported to SMB and then to the Executive for approval. The financial impact on future years is also highlighted together with the impact on current financial reserves. This then feeds into the risk management assessment of the Council's reserves which is designed to manage areas of known budget risk, the planning for predictable budget peaks and the identification of change management issues. The budget management process also reviews the progress of savings and forward plan bids together with carry forward budgets.
72. Officers are provided with information enabling them to manage their budgets. All budgets are assigned to responsible officers. Additionally, key budget control information is produced on a monthly basis for SMB and Heads of Service and periodically to Members.

Performance Management

73. The Council introduced a Balanced Scorecard for reporting performance information, from April 2008. The Scorecard includes a comprehensive set of key performance indicators (including all national indicators selected for local monitoring). The scorecard is reviewed annually to ensure the measures are robust. The system:
 - Requires Heads of Service to verify performance results entered by responsible officers before submission
 - Produces an audit report for any amendments made to data outside the reporting window

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- Allows formal quarterly reporting to Members of Executive on the Council's performance
 - Includes data quality status for individual indicators
 - Sets out the trend of results that enables a comparison of quarterly results over time and year on year.
74. The Scorecard is presented to Executive on a quarterly basis by the Chief Executive.
75. The Scorecard provides a balanced view of performance across the Council, providing a status on performance within service delivery areas that is based on robust performance data which aids decision making. Performance Reviews are held between Strategic Directors and relevant Heads of Service, where performance is not reaching target, or where there are data quality concerns.
76. An Annual Report is published that sets out the Council's achievements against the ambitions and priorities in the Corporate Plan, reporting progress over the last year against planned objectives and setting out future plans. Where a future target has been revised from that originally identified in the Corporate Plan, the reasons for the adjustment is explained.
77. The Council has systems in place to measure customer satisfaction in the Customer Service Centre (CSC). This was developed further during 2008/09, with the introduction of Gov-metric – which allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's web site in real time.

Stevenage Homes Ltd

78. On 1 October 2006, the Council established an Arms Length Management Organisation (ALMO), Stevenage Homes Ltd (SHL), to manage and maintain the Council's Housing Stock. The Board of SHL have overall responsibility for the Company and the provision of Housing Services for the Council's tenants. SHL, as a Company, has its own External and Internal Auditors and reports on its own systems of internal control, in line with its governance arrangements. The Company is a significant partner for the Council and as such, is included within the Council's 'Group Accounts' in the Statement of Accounts. The effect of the establishment of SHL and the Council's system of internal control, is managed in the following ways:-
- The Council invested appropriate resources and expertise into the establishment of SHL in the period prior to 'go-live' on 1 October 2006
 - Part of the rationale for establishing SHL was that concentrated management focus on the Housing Service should bring about overall improvement in the Service and its associated controls
 - Relevant Housing staff and management and appropriate support staff (including Finance and Human Resources staff) were transferred to SHL under TUPE arrangements. As such, the organisation was established with experienced and appropriately qualified expertise to deliver the Service and maintain internal control.
 - The constitutional and procedural relationships between the Council and SHL are detailed in the Management Agreement

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- SHL has established appropriate constitutional and governance arrangements, including its own Audit Committee
 - SHL's responsibilities for the Housing Service, the objectives and priorities, are detailed in the annually published Delivery Plan
 - Monitoring arrangements between the Council and SHL have been established and reviewed on an ongoing basis
79. Upon establishment, SHL adopted in the first instance many of the Council's policies and procedures and subsequent review of these is generally subject to consultation with the Council. Policies and procedures adopted include:
- Financial Regulations and Contract Standing Orders
 - Housing Services policies and procedures
 - Performance management arrangements
 - Risk management approach
80. Many of SHL's main financial processes continue to be provided in liaison with the Council through Service Level Agreements (SLAs). SHL reviewed its SLAs with the Council during 2008/09, as the needs of the Company and Council have changed. Some SLAs such as internal audit and procurement have ceased, however a significant number continue to be value for money and economies of scale have been maintained.
81. SHL have procured and appointed their own internal auditors, however the Council's Internal Audit Service continue to provide audit work to SHL through an SLA in the following areas: Procurement, National Indicators, National Fraud Initiative, IT Audit and Key Financial Systems.
82. SHL adopted the Council's financial systems and financial planning, budget setting, monitoring procedures. SHL finances have been subject to regular monitoring between the Council and SHL.
83. The Council is undertaking a Housing Options Appraisal Project during 2011/12 to consider the future options for managing council homes in Stevenage. The project will look at whether the housing management should continue to be carried out at arms length by SHL or directly by the Council. A steering group is directing the project that comprises elected Members and staff of the Council and tenant representatives, and representatives from the Board of SHL. This group will ensure that the project is carried out effectively.

Review Of Effectiveness Of Systems Of Internal Audit

84. The Accounts and Audit Regulations 2011 came into force from 31 March 2011. Paragraph 6 (3) states, "A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its system of Internal Audit".
85. To comply with the Accounts and Audit Regulations, a self assessment against the standards in the CIPFA Code of Practice for Internal Audit in Local Government in the UK was undertaken by the Chief Internal Auditor.

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86. The self assessment concluded that the system of Internal Audit at Stevenage Borough Council is effective. In addition, the External Audit Opinion confirmed that the Internal Audit service complied with the CIPFA Code of Practice.
87. The 2009/10 Annual Governance Statement reported that 96% of the planned days in the 2009/10 audit plan were delivered in year against a target of 95%. There has been further improvement in performance compared to last year, with the delivery of 98% of the 2010/11 planned audit days against a target of 95%.

Review Of Effectiveness of Internal Control

88. Stevenage Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
89. The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework within the Council are:
- Internal Audit's independent risk based review and appraisal of the adequacy, reliability and effectiveness of internal controls within corporate systems. The Annual Internal Audit Report and Assurance Statement provide an overall opinion on the adequacy of the Council's internal control environment and identifies any significant areas of weakness
 - Ongoing review by the monitoring officer of the business and decisions taken, which includes an assurance that the Council has acted lawfully and that agreed standards have been met
 - Annual service planning, to align service development against strategic goals
 - Ongoing review and action identified by the Corporate Governance Group and officers assigned with responsibility for co-ordinating Corporate Governance arrangements
 - Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services
 - The Audit Committee agrees the annual audit plan and receives, considers and challenges Internal Audit reports including the Annual Internal Audit Report and Assurance Statement, and External Audit reports including the Annual Audit and Inspection Letter. The Committee also considers reports on risk management, fraud issues and other governance issues
 - Annual audit of the Council's Statement of Accounts and supporting systems by the external auditors leading to their opinion as published in the Statements.
 - Annual reviews and updates of the Council's financial procedures
 - Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
 - Ongoing review of strategic, operational and project risks and the actions required to mitigate identified risks
 - Self assessment of the corporate governance arrangements against the CIPFA/SOLACE framework for good governance.

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- The work of the Standards Committee in promoting and maintaining high standards of conduct by Councillors and co-opted Members
- Annual self assessment declarations on the adequacy of the governance framework in departments, which include action plans to address significant weaknesses in internal control arrangements.

Significant Governance Issues For Improvement

90. The following significant internal control and governance issues were identified in the 2009/10 Governance Statement for delivery in 2010/11. Progress on the action plan is outlined below:

Governance principle	Ref	Action	Responsible Officer	Target Date	Progress
Carried forward from 2009/10 Action Plan					
Principle 2	1	Review job description for Chief Executive as part of vacancy management procedures.	Head of Human Resources	June 2010	Completed CE interim appointment is ongoing. The Job Description has been reviewed in light of Deputy CE Job Description review.
	2	Refocus officer training programme to better support the development needs of the organisation.	Head of Human Resources	March 2011	Completed All corporate training has been revisited by the Training team. A revised officer training programme has been developed and is being rolled out.
Principle 3	3	Present a report on indemnities for independent Members of the Standards Committee to Council.	Borough Solicitor	July 2010	Completed No indemnities to report to date. In addition, following abolition of Standards Committee in 2012, there will no longer be a requirement to report.
	4	Present a report on the findings of the 2009/10 review of the Standards Committee to Council.	Borough Solicitor	October 2010	No longer applicable Periodic review of the Standards Committee is carried out. Due to the status of the Standards Committee a report is not required for Council. The 2008/09 Annual Return to the Standards Board for England reported to Standards Committee

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Governance principle	Ref	Action	Responsible Officer	Target Date	Progress
					15 July 2009. The Standards Board for England have now removed the requirement to report.
	5	Review Officer declaration of interest scheme following ratification of the Bribery Act.	Borough Solicitor	March 2011	Completed Revised Code of Conduct, referring to changes in regards to officer declaration scheme, adopted by Council in February 2011.
	6	Revise officer Code of Conduct	Borough Solicitor	March 2011	Completed A revised Code of Conduct was adopted by Council in February 2011 for inclusion in Section 5 of the Council's Constitution (with effect from 24 February 2011)
Identified through the Internal Audit of the Corporate Governance Process					
Principle 3	7	It is recommended that the Local Code of Governance is approved by Council; considered at the same time as the approval of the Annual Governance Statement. The Local Code of Governance should be updated to include: The date it was last reviewed by the Borough Solicitor; The date of the next review; and The date it was adopted by Council.	Borough Solicitor	July 2010	In progress: Report prepared for submission June 2011 following submission of the 2010/11 AGS to the Audit Committee.
Principle 5	8	It is recommended that a periodic circular is sent to all managers requesting details of all employees who are studying for	Training and Development Manager (Head of Human Resources)	June 2010	Completed: A register of employees studying for qualifications funded by SBC has been developed. Checks for consistencies are being

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Governance principle	Ref	Action	Responsible Officer	Target Date	Progress
		qualifications funded by the Council. The employee's name, job title, qualification, cost and expected completion date should be entered on to a register.			carried out, and any necessary policy revision is being considered.
Principle 5	9	It is recommended that regular checks are carried out by HR on the status of employees studying for a qualification, and once a qualification has been completed a copy of the qualification certificate is retained on the employee file.	Training and Development Manager (Head of Human Resources)	September 2010	Completed: A register of employees studying for qualifications funded by SBC has been developed. Regular checks on status will continue.
Principle 5	10	It is recommended that a completeness check on all employee files at Daneshill House and Cavendish Road is carried out.	Pay and Rewards Manager (Head of Human Resources)	October 2010	Completed: The completeness checks have been carried out.
Principle 5	11	PDM documentation is updated to include an annual review of Job Descriptions and Person Specifications by management and the review findings are reported to HR.	Training and Development Manager (Head of Human Resources)	September 2010	No longer applicable: Single Status implementation has allowed for a review or refresh of all 400 posts within SBC and SHL.
Significant actions identified through the review of the council's governance process against the six core principles (where not reflected in rows above)					
Principle 1	12	Scope Customer Focus Strategy projects.	Head of Customer Service and Business Improvement	June 2010	Completed A strategic review of the Customer Focus strategy was conducted by Senior Management Board on 14 September 2010 and is regularly reviewed with the Programme Sponsor.
Principle 2	13	Carry out a review of the Council's Service Planning	Performance and Improvement Manager	January 2011	Completed The Service Plan template has been

STATEMENT OF ACCOUNTS 2010/11

Governance principle	Ref	Action	Responsible Officer	Target Date	Progress
		Process during 2010/11, effective for 2011/12 plans.	(Head of Customer Service and Business Improvement)		reviewed and timeline for completion and monitoring process agreed by Strategic Management Board on 29 March 2011.
Principle 3	14	Review of the Council's appraisal process.	Head of Human Resources	January 2011	Deferred Due to Single Status (complete harmonisation of terms and conditions), officer appraisal and proposed competency framework will be reviewed and launched following implementation of harmonised pay which is expected in mid-2011/12
Principle 4	15	Review and enhance the Council's programme and project management procedures and documentation. Project documentation to include consideration of: – Risk – Climate change impact.	Performance and Improvement Manager (Head of Customer Service and Business Improvement)	August 2010	Completed The requirement for consideration of risks has been added to the Project Concept & Definition Templates. Associated guidance recommends that climate change impact is considered at this stage. A Project Management Toolkit is also being developed which will include further guidance on consideration of the impact of climate change during the life of the project.
Principle 6	16	Improve compliance monitoring of Equalities Impact Assessments.	Communications and Partnerships Manager (Head of Strategic Housing, Partnerships and Communications)	March 2011	Completed Initial analysis of actions identified in Impact assessments has been completed. A new Equalities template and support material has been developed and training for relevant officers scheduled.

STATEMENT OF ACCOUNTS 2010/11

Governance principle	Ref	Action	Responsible Officer	Target Date	Progress
No significant internal control and governance issues were identified as part of the 2009/10 review of service based governance.					

91. Significant internal control and governance issues identified as part of the 2010/11 review of the Governance Statement are set out in the table below. The recommendations have been aligned to the six core principles of corporate governance:

- Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Principle 5: Developing the capacity and capability of Members and officers to be effective
- Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

Governance principle	Ref	Action	Responsible Officer	Target Date
There is only one deferred action from 2010/11 to take forward and this is identified at Ref 4				
Delivery of governance actions identified through the 2010/11 Internal Audit of the Corporate Governance will be monitored throughout the year by the Council's Corporate Governance Group.				
Significant actions identified through the review of the council's governance process against the six core principles are set out below:				
Principle 1	1	Carry out Housing Options Feasibility Study	Head of Housing, Communications and Partnerships	September 2011
Principle 1	2	Complete relevant strands of the Customer Focus Strategy in relation to arrangements to deal with failure in service delivery	Head of Customer Services and Business Improvement	Timeline subject to prioritisation of Strategy delivery
Principle 4	3	Complete relevant strands of the Customer Focus Strategy in relation to handling complaints	Head of Customer Services and Business Improvement	Timeline subject to prioritisation of Strategy delivery
Principle 5	4	Implement a competency based framework for Job Descriptions, Person Specifications and associated appraisals	Head of Human Resources and Development	March 2012
Principle 5	5	Refresh and update the Council's People Strategy and Succession Planning Policy	Head of Human Resources and Development	March 2012

STATEMENT OF ACCOUNTS 2010/11

Governance principle	Ref	Action	Responsible Officer	Target Date
Principle 6	6	Review and implement the Council's consultation and engagement framework	Head of Housing, Communications and Partnerships	November 2011
No significant internal control and governance issues were identified as part of the 2010/11 review of service based governance.				

92. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Management Board, relevant officers and the Audit Committee. As outlined above plans to address weaknesses and ensure continuous improvement of the system are in place.
93. We propose over the coming year to take steps to address the above matters, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
 Date ... 23rd June 2011
 Cllr Sharon Taylor
 Leader of Stevenage Borough Council

Signed
 Date ... 27 June 2011
 Nick Parry
 Chief Executive of Stevenage Borough Council

Statement of Responsibilities for the Statement of Accounts

Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

- To make arrangements for proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director (Chief Financial Officer);
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

The Strategic Director's (Chief Financial Officer) Responsibilities

The Strategic Director (Chief Financial Officer) is responsible for the preparation of the authority's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparation of this statement of accounts, the Strategic Director (Chief Financial Officer) has:

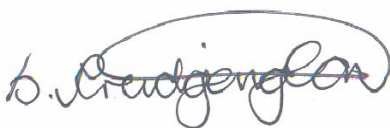
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority SORP.

The Strategic Director (Chief Financial Officer) has also:

- Kept proper accounting records which were up-to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Chief Financial Officer

I certify that this Statement of Accounts has been prepared in accordance with Regulation 8 of the Accounts and Audit Regulations (England) 2011 and present true and fair view of the financial position of the Authority as at 31 March 2011 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2011.



Strategic Director (Chief Financial Officer)

Glossary of Terms

Agency Services

Services which are provided by the Council for another Local Authority or public body and the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out.

Appointed Auditors

External auditors of local authorities appointed by the Audit Commission. They may be from the Commission's own operations directorate or from the major accountancy firms.

Area Based Grant

Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Balances

In general, the surplus or deficit on any account at the end of the financial year. Often used to refer to an available surplus, which has accumulated over a number of past years.

Budget

A statement defining in financial terms, the Council's policies over a specified period of time.

Original Budget the estimate for a financial year approved by the Council before the start of the financial year.

Working Budget – an updated revision of the original budget for the financial year approved at Executive Meetings and/or Council Meetings throughout the year

Capital Expenditure

Expenditure on the acquisition of assets or works which have a long term value to the Council, either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure which does not fall within this definition must be charged to a revenue account.

Capital Receipts

The proceeds from the disposal of land or other assets which can be used to finance new capital expenditure (but not revenue spending). The Local Government Act 2003 introduced new provisions whereby a proportion of local authority housing capital receipts must be paid into the Government's National Pool (75% for council houses and 50% for HRA land).

Capital Financing Costs

A charge to services to reflect the cost of assets used in the provision of the service.

Glossary of Terms

Collection Fund

Every billing authority (District/Borough Council) is required to maintain a Collection Fund into which is paid the Council Tax and National Non-Domestic Rates collected from the tax/rate payers. Payments are made from the Fund to the precepting authorities (County Council, Police Authority and District/Borough Council) whilst National Non-Domestic Rates income is passed to the Government.

Council Tax

The property based tax by which Local Authorities and Police Authorities, raise revenue from the local community. All domestic properties have been valued and placed within eight bandings to which is applied the local rate assessed by the relevant authorities. A discount on charges is applied where dwellings are occupied by only one adult. Rebates are available to those Council Tax payers meeting the Government's criteria.

Debt Charges

The repayment of money borrowed from a third party. These payments usually include repayment of part of the loan as well as interest. Also known as capital financing costs or loan charges.

Direct Service Organisation (D.S.O.)

A DSO is a work force employed by a Local Authority to carry out such tasks as grounds maintenance.

Fees and Charges

Income arising from the provision of services e.g. parking facilities, building control.

Formula Grant Allocation

The Central Government Grant towards the cost of services provided by Local Authorities. It is paid directly into each authority's General Fund and was previously called Revenue Support Grant.

General Fund

The main revenue fund of the Council. Day to day spending on services is met from this fund. Spending on the provision of Council housing, however, must be charged to the separate Housing Revenue Account.

Housing Revenue Account (HRA)

A separate account dealing with expenditure and income arising from the letting of Council dwellings. Expenditure includes supervision and management costs, repairs and capital financing charges. Income includes rent, Government subsidies and investment interest. It is now "ring fenced" (i.e. the transfer of amounts between the HRA and the General Fund is restricted by legislation).

Glossary of Terms

Housing Subsidy

The subsidy payable by Central Government towards council housing costs. It consists of five main elements – management and maintenance, capital financing charges, rent income, rebates and the Major Repairs Allowance.

Infrastructure Assets

Expenditure on assets whose value is recoverable, e.g. roads footpaths, and bridges.

Interest on Balances and from Investments

The interest accrued by investing the day to day surplus on the authority's cash flow and balances in hand.

Major Repairs Allowance (MRA)

An element of Housing Subsidy must be transferred to a Major Repairs Reserve and used only for the refurbishment of the Council's own housing stock

National Non Domestic Rates (NNDR)

A levy on businesses based on a notional rate in the pound (multiplier) set by Central Government and multiplied by the 'rateable value' (RV) of the premises they occupy. The amount depends on the RV assigned to the property by the District Valuer and the multiplier, which is uniform across the whole country. Increases in the multiplier are limited to no more than increases in the Retail Price Index. NNDR is collected by billing authorities on behalf of the Government who then redistributes the income among all Local Authorities and Police Authorities on the basis of population.

Overheads

Administration costs e.g. finance, personnel, information technology together with other central costs which cannot be allocated direct to services such as general expenses.

Precepts

Sums levied by District/Borough, County and Parish Councils and Police Authorities on the Collection Funds of billing authorities (Districts and Boroughs) and forming part of the overall demand for Council Tax.

Rateable Value

A value on all non-domestic properties subject to National Non-Domestic Rates (NNDR). The value is based on a notional rent that the property could be expected to yield and revaluations take place every five years.

Direct Revenue Financing

Resources provided from an authority's revenue budget to finance the cost of capital projects. There were no contributions to fund capital expenditure in 2009/10.

Glossary of Terms

Revenue Expenditure

Expenditure on day-to-day items including salaries and wages, contract payments, general running expenses and where relevant, any capital financing charges .

Retrospective Restatement

Retrospective restatement of the financial statements will occur where there has been a change in accounting policy (unless there are specific transitional arrangements) or where material Prior Period errors have been identified. Correcting the recognition, measurement and disclosure amounts of elements of the financial statements as if a prior period error had never occurred. This is achieved by restating the comparative amounts for prior period(s) presenter in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net worth for the earliest prior period presented .