

2012/13
Financial Report
including
Statement of
Accounts

Ste  ***venage***
BOROUGH COUNCIL

The 2012/13 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 27 June 2013.

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 25th September 2013.

Chair Audit Committee

Resources Portfolio Holder

25th September 2013

25th September 2013



This document 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 Appointed Auditor completes the annual audit. The availability of the accounts for inspection is advertised in the local press.

Contents	Page
Foreword by Strategic Director (Chief Financial Officer)	6
About Stevenage Borough Council	9
<u>Executive Summary</u>	14
Explanatory Foreword	15
<u>Statement of Accounts</u>	27
Movement in Reserves Statement	29
Comprehensive Income and Expenditure Statement	32
Balance Sheet including comparative periods	34
Cash Flow Statement	36
Notes including accounting policies and additional explanatory information	37
Note 1: Accounting policies	37
Note 2: Accounting Standards Issued but not yet adopted	55
Note 3: Critical Judgements in Applying Accounting Policies	55
Note 4: Assumptions made about the future	56
Note 5: Material Items of Income and Expense	58
Note 6: Notes after the Balance Sheet Date	58
Note 7: Adjustments between Accounting Basis and Regulatory Funding Basis	59
Note 8: Transfers to/(from) Earmarked reserves	62
Note 9: Usable Reserves	62
Note 10: Unusable Reserves	64
Note 11: Other Operating Expenditure	69
Note 12: Financing and Investment Income & Expenditure	69
Note 13: Taxation and Non-Specific Grant Income	69
Note 14: Heritage Assets	70
Note 15: Property, Plant and Equipment	72
Note 16: Investment Property	76
Note 17: Intangible Assets	77
Note 18: Financial Instruments	78
Note 19: Inventories	85
Note 20: Short Term Debtors	86
Note 21: Cash and Cash Equivalents	86
Note 22: Assets Held for Sale	86
Note 23: Creditors and Receipts In Advance	87
Note 24: Provisions	87
Note 25: Amounts Reported for Resource Allocation Decisions	90
Note 26: Acquired and Discontinued Operations	94
Note 27: Trading Operations	94
Note 28: Agency Services	94
Note 29: CCTV Partnership	94
Note 30: Member Allowances	94
Note 31: Officers Remuneration	95
Note 32: External Audit Costs	97

Contents contd.	Page
Note 33: Grant Income	98
Note 34: Related Parties	99
Note 35: Capital Expenditure and Capital Financing	100
Note 36: Leases	102
Note 37: Impairment Losses	103
Note 38: Pension	103
Note 39: Contingent Liabilities	110
Note 40: Contingent Assets	110
Note 41: Other Bank Accounts	110
Note 42: Interests in Companies	110
Note 43: Cash Flow Statement - Operating Activities	111
Note 44: Cash Flow Statement – Investing Activities	111
Note 45: Cash Flow Statement – Financing Activities	111
Note 46: Cash Flow Statement – Adjustments for Non Cash Items	112
Note 47: Cash Flow Statement – Adjustments for Investing & Financing items	112
Housing Revenue Account Income and Expenditure Statement	113
Movement on the Housing Revenue Account Statement	114
Note HRA 1: Gross Rent Income	114
Note HRA 2: Housing Subsidy Receivable/payable	114
Note HRA 3: Special Determinations and Transitional Negative Subsidy	115
Note HRA 4: Interest payable and Interest and Investment Income	116
Note HRA 5: Major Repairs Reserve	116
Note HRA 6: Housing Stock Numbers	117
Note HRA 7: Non Current Asset Valuations	117
Note HRA 8: Depreciation, Impairment and Revaluation Gains & Losses of Non Current Assets	118
Note HRA 9: Capital Expenditure, Financing & Receipts	119
Note HRA 10: Rent and Supported Housing Payment Arrears	119
Note HRA 11: Revenue Expenditure Funded from Capital under Statute	120
Note HRA 12: Accounting for Pension Costs in the HRA	120
The Collection Fund Income & Expenditure Account	121
Note CF1: Council Tax	122
Note CF2: National Non-Domestic Rates	123
Note CF3: Contributions to Collection Fund Surpluses	123
<u>Annual Governance Statement</u>	124
<u>Statement of Responsibilities for the Statement of Accounts</u>	157
Glossary of Terms	158

Foreword by Strategic Director (Chief Financial Officer)

Welcome to Stevenage Borough Council's Statement of Accounts for 2012/13. Over the last twelve months we've worked hard towards our ambition of becoming a Co-operative Council. This means the Council working alongside residents and partners to improve the borough. To enable this, it's important that we increase openness around our spending and our decision making. The timely publication of our accounts is a key part of our commitment to transparency and this year we've closed and published our accounts in record time.

This financial year has been a challenging one for all local authorities; in Stevenage we've made savings of £1.77 million from the Council (and a further £0.99 million in 2013/14) with an additional estimated £3.0 million of savings required over the following three years. Our focus, as always, is on delivering the most efficient services which offer the best value for money for Council Tax payers across the borough. However, we need to acknowledge that we cannot make the level of savings we require without making some difficult decisions about how we spend our money and the services we continue to provide.

As a Co-operative Council, we commit to working alongside residents to find these savings. If everybody does their bit, we can make savings in many areas. This approach, alongside a continued focus on more efficient processes, smarter ways of working and new and innovative transformation of our services are at the forefront of our budget plans for the coming years.

The report is prepared in a style to enable readers to understand and interpret the accounting statements. By producing this report, I aim to give electors, local residents, Council Members, partners, stakeholders and other interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts of Stevenage Borough Council for the year ended 31 March 2013 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 2012/13 Code of Practice on Local Authority Accounting.

The Council's financial plans during 2012/13 recognised that local government is facing a very different environment to that which it has operated within in recent times. This is partly due to the Government's priority of eliminating the deficit within the public finances, which is resulting in cuts to grants from Government, but also reflects the Government's new policy agenda. At the same time we need to recognise that society's needs and aspirations have continued to increase and change. Councils cannot deliver services and achieve objectives alone. Councils will need to change, to become much more enterprising, and responsive to their local communities, whilst retaining their role as major employers, service providers and democratically-mandated leaders. These changes will not happen overnight, but the development of future financial plans will be prepared in the context of these changes. We have already started with developing our financial plans for the period 2013/14 – 2016/17.

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

The Council spends over £109 million each year on your behalf providing services for people in the town. Some 51% of the money used 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.

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 2010 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 are instead replaced with more local arrangements to confirm strong governance, financial management and the organisation's 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.

The Council is committed to developing the strategy, alongside meeting the continuing demands of the Government's austerity 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 £8.4 million of savings over the last six years that has been used to solve the Council's underlying budget gap, and to ensure the Council's budget remains in balance supported by a prudent level of reserves.

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 2012/13 the Council spent £10.5 million on the decent homes programme for the Council's housing stock. In terms of General Fund capital investment, the Council faces a challenging period to identify sufficient funding to invest in the town's assets. The Council is working hard to be able to support a prudent level of borrowing whilst the outcome from the recently updated 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.

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

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability the Council is required to produce a set of accounts in order to inform you, as a stakeholder of the Council, that we have properly accounted for all the public money we have received and spent and that the financial standing of the Council is on a secure basis. The Council's Statement of Accounts concentrates on clear and accurate reporting of the financial position of the Council in relation to a particular year. It does not however aim to fulfil the role of an annual report of a company. This would duplicate much of the work already published in other documents produced by the Council, including:

- (a) The Corporate Plan – sets a clear direction for the Council, and a focus for service planning and budget setting.
- (b) An Annual Report summarises achievements against the Council's ambitions and priorities each year, and sets out results for corporate performance indicators.

Local electors and taxpayers have statutory rights to inspect the accounts before the audit is completed and to question the auditors. We advertise the inspection ("deposit") period in the local 'Comet' newspaper and on the Council's internet site. To make the accounts as widely available as possible we publish both the draft and final versions on the internet at www.stevenage.gov.uk/Councilanddemocracy/Counciltaxandfinance/financialmanagement. (Stevenage residents have free internet access at their local libraries and at the Customer Service Centre – Daneshill House). 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, where specific financial publications and reports can be found at www.stevenage.gov.uk/about-the-council/plans-and-performance/financial-management

Members of the public are welcome to attend Council, Executive and Scrutiny 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 Crudgington

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

2011/12		2012/13
	Area and Population	
2,596	Area (hectares)	2,596
81,327*	Population	84,865**
31.33	Population per Hectare	32.69
	Council Tax	
31,694	Number of Chargeable Dwellings	31,918
	Council Tax per Property in Band D	
£188.52	- Stevenage Borough Council	£188.52
£1,118.83	- Hertfordshire County Council	£1,118.83
£147.82	- Hertfordshire Police Authority	£147.82
<u>£1,455.17</u>	Total Council Tax	<u>£1,455.17</u>

Population

The population figures are the projected population as follows:-

*published by the Department for Communities and Local Government as part of the Relative Needs Formula Indicator Data.

**published by the Office of National Statistics sub national population

About Stevenage Borough Council

General information

Stevenage is situated about 30 miles north of London in a highly sustainable location both environmentally, economically and socially. It has excellent road, rail and cycleway links. The town is served by rail services on the East Coast line giving a 22 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 pedestrianised town centre that provides a wide range of shopping facilities, including Marks & Spencer, BHS, Tesco, Wilkinsons, Primark, Boots and a range of fashion retailers. The Council is currently working towards developing a strategy for a major regeneration scheme within the town centre to enhance the range and quality of shopping and more generally improve the available facilities. The Council has invested in environmental enhancements throughout the town, which are due to be delivered in 2013/14. The shopping facilities of the town centre are complemented by the adjacent leisure park (with its bowling, multi-screen cinema and eateries) and the dining and service facilities of the picturesque Old 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 2012/13 include MBDA, Aeroflex, Astrium, AVC, Fujitsu, GlaxoSmithKline, the Lister Hospital and Hertfordshire County Council.

As Britain's first New Town, designated in 1946, Stevenage is in a sustainable location and 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 environmental and landscape quality, which 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.

A series of purpose-designed 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.

About Stevenage Borough Council

Services

The East of England Plan , which proposed major expansion and regeneration of the town, was revoked in January 2013. While the town will continue to grow, the level of growth will be reviewed over the coming year. During the coming year the Council will consult upon the first draft of the new Stevenage Borough Local Plan, setting out long-term planning policy for the town. While the level of growth is significantly smaller than previously planned, the town will continue to expand and 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 health facilities.

The main services provided by the Borough Council are:

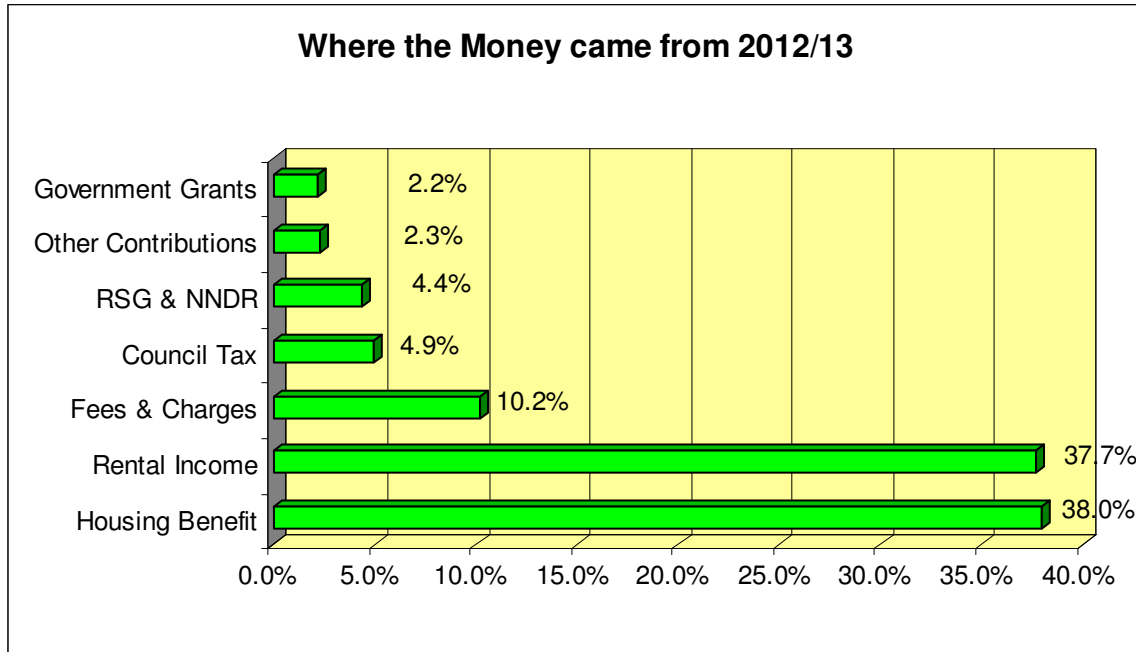
- Refuse Collection and Recycling
- Street Cleansing
- Leisure & Arts Services (including Stevenage Leisure Limited)
- Parks and Open Spaces
- Play & Youth Services
- Environmental Health
- Economic Development & Physical Regeneration
- Building Control and Planning
- Car Parking
- Housing
- Community Services
- Community Safety
- Council Tax Collection (managed by Revenues and Benefits partnership)
- Housing & Council Tax Benefits (managed by Revenues and Benefits partnership)

About Stevenage Borough Council

Gross Revenue Income and Expenditure 2012/13

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

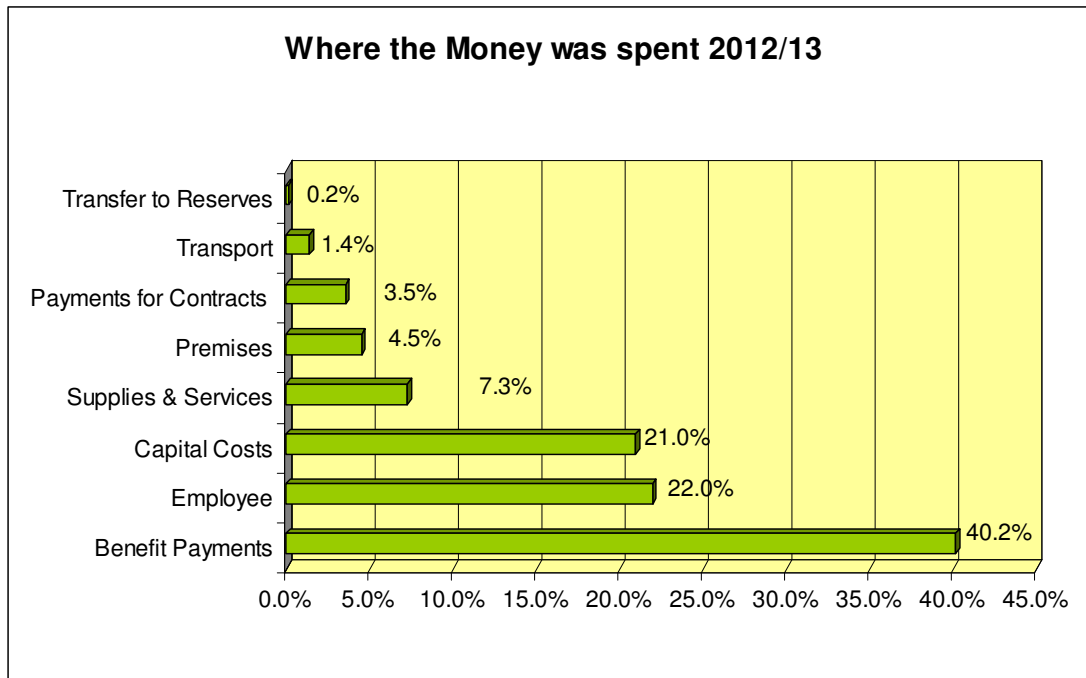
a) Where the money came from



The largest source of income is from housing benefit subsidy (38.0%). The second largest source of income is rents, which includes commercial and housing rents (37.7%). Only 4.9% 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 (40.2%). Employees (22.0%) are the second largest category of expenditure, this includes salary and wage related costs and also costs such as staff advertising, training and insurance. The third largest category are capital costs which relate to debt repayment and depreciation charged to the Housing Revenue Account (21.0%). Supplies and services is the fourth largest category of expenditure equating to 7.3% of total spend.

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 2013

2011/12 £'000		2012/13 £'000
211,282	Cost of Services	9,303
215	Other Operating Expenditure	110
(282)	Financing & Investment Income & Expenditure	6,682
(12,428)	Taxation & Non-Specific Grant Income	(17,767)
198,787	Deficit on Provision of Services	(1,672)
12,735	Other Comprehensive Income & Expenditure	5,827
211,522	Total Comprehensive Income & Expenditure	4,155

Balance Sheet

31 March 2012 £'000		31 March 2013 £'000
	Assets	
581,590	Long Term Assets	586,336
20,248	Current Assets	21,151
(17,664)	Current Liabilities	(18,866)
(263,185)	Long Term Liabilities	(271,787)
320,989	Net Assets	316,834
	Fund Balances & Reserves	
13,368	Usable Reserves	19,697
307,621	Unusable Reserves	297,137
320,989	Total Fund Balances & Reserves	316,834

Explanatory Foreword to the Statement of Accounts

The Council's accounts for the year 2012/13 are set out in The Statement of Accounts for 2012/13 (from page 27). This explanatory forward gives an introduction to the main document and overview of the Council's financial position.

Financial Statements

Core Statements

- **Movement in Reserves Statement** - Which shows the movement in year between the Council's 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 2013 and includes 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 2013.
- **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.

Explanatory Foreword to the Statement of Accounts

Budget – General Fund

The main components of the General Fund Budget for 2012/13 and how these compare with actual income and expenditure are set out below: -

	Original Budget 2012/13	Working Budget 2012/13	Actual 2012/13	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure on Services	76,739	77,058	85,822	8,764
Income	(61,145)	(61,678)	(63,400)	(1,722)
Total Service Expenditure	15,594	15,380	22,422	7,042
Reversal of capital charges to neutralise the impact on the Council Tax Payer	(4,871)	(4,871)	(12,235)	(7,364)
Total Net Operating Expenditure	10,723	10,509	10,187	(322)
Government grants incl. RSG & NNDR	(4,934)	(4,934)	(4,934)	0
Collection Fund Income	(5,546)	(5,546)	(5,546)	0
Net change in reserves for year	243	29	(293)	(322)
Balance brought forward	(3,802)	(3,802)	(3,802)	0
Balance Carried forward	(3,559)	(3,773)	(4,095)	(322)

The working budget was approved by Executive in March 2013 (third quarter monitoring projection). The 2012/13 actual net spend on the General Fund was £322,015 lower than the working budget. Some of the main variances are listed below:

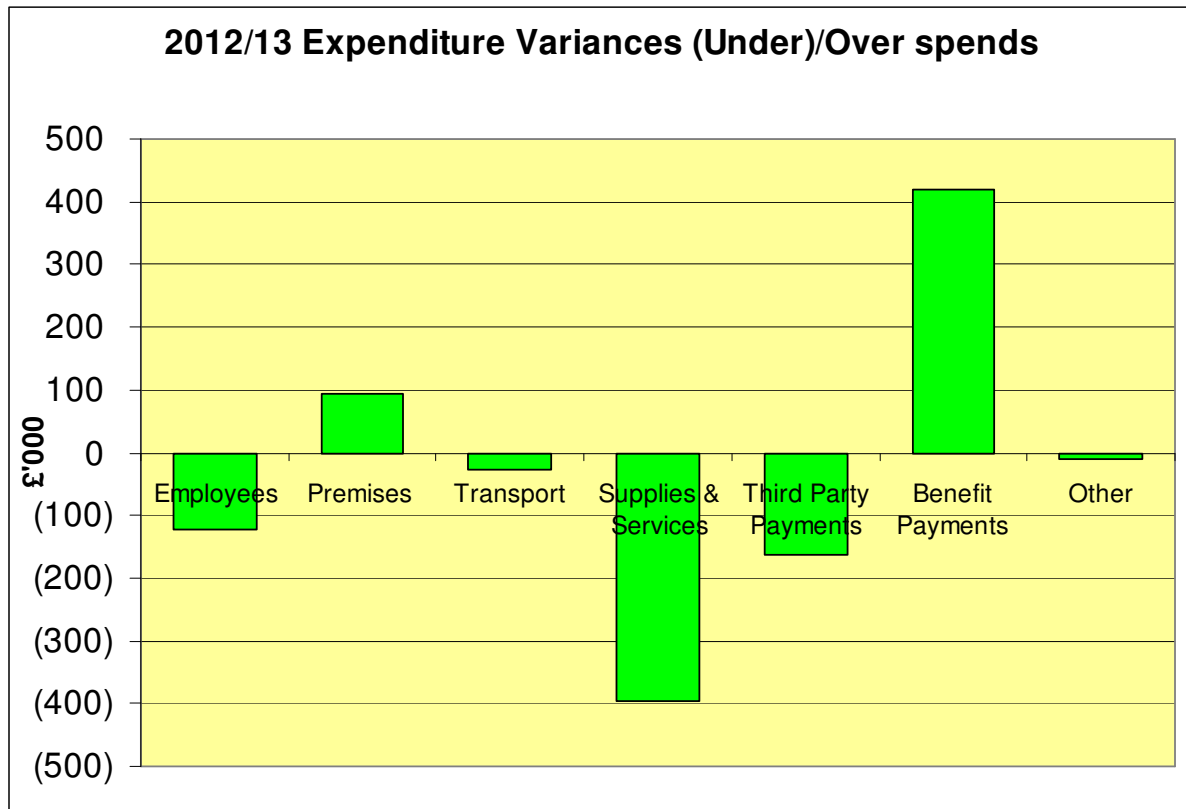
Expenditure:

There was an overspend on expenditure of £8,763,847 however £8,971,021 related to notional capital charges of which the majority were revaluation losses of £6,964,909 for the General Fund assets. Assets are revalued over a rolling five year programme and in 2012/13 a large number of assets were due for revaluation. As part of this process the modern equivalent asset had to be considered as these properties are valued using depreciated replacement cost. These assets would have been valued in 2008 and hence due to the number of assets revalued this year and the consideration of modern equivalent asset a large notional revaluation loss has been charged to the General Fund.

The remaining net underspend of £207,174 was an amalgam of different spend classifications as shown in the following chart.

Explanatory Foreword to the Statement of Accounts

Budget – General Fund contd.



The most significant overspend related to an increase in housing benefits paid of £420,291. Benefit subsidy reclaimable did not increase in line with benefit paid because the actual subsidy recoverable was lower than budgeted for. Benefits paid are not 100% reclaimable if they relate to identified overpayments resulting from changes in circumstances.

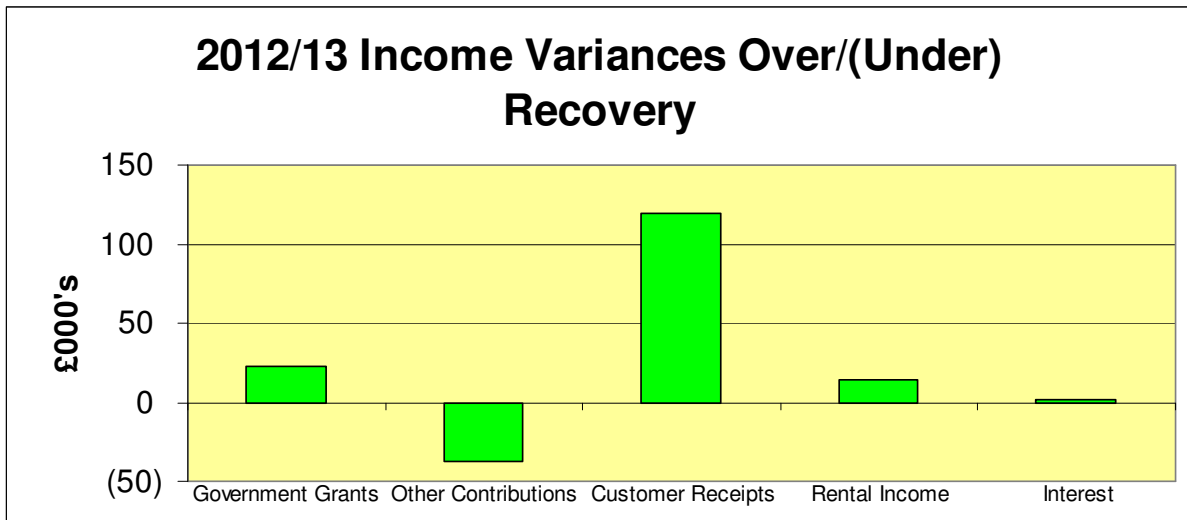
There were net underspends of £397,657 in supplies and services of which £136,371 related to a reduction made for sundry debtors bad debt provision and insurance provision. Some of the underspends identified above relate to projects that are committed but funds were not spent in 2012/13 for which budgets will be requested to be brought forward into 2013/14.

Income:

There was an increase in income of £1,722,408 however £1,602,261 related to capital grant income and notional income for gains on the disposal of assets. These items need to be disclosed as part of the Council's income in the Comprehensive Income and Expenditure Statement but are then subsequently reversed out of the General Fund as they are capital resources and can only be used to support the Council's capital programme. Excluding this income there was a net increase in income achieved for the General Fund of £120,146 as detailed in the following chart.

Explanatory Foreword to the Statement of Accounts

Budget – General Fund contd.



There was an increase in customer receipts of £119,645 of which £78,365 related to higher than budgeted income from the Council's Business Technology Centre.



Explanatory Foreword to the Statement of Accounts

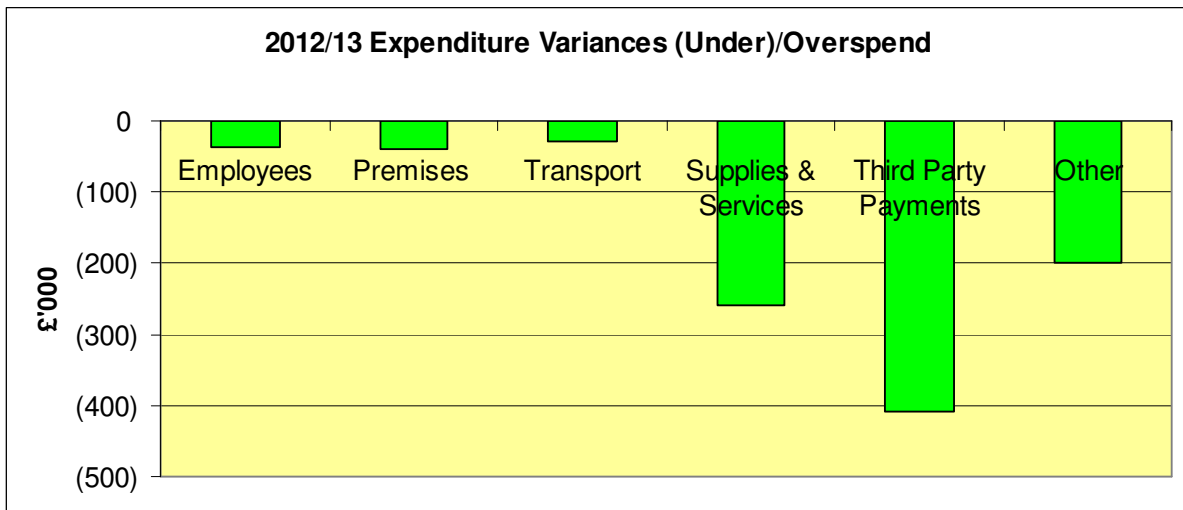
Budget – Housing Revenue Account (HRA)

The main components of the Housing Revenue Account (HRA) for 2012/13 and how these compared with actual income and expenditure are set out below:

	Original Budget 2012/13	Working Budget 2012/13	Actual 2012/13	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure	41,008	38,941	37,339	(1,602)
Income	(40,197)	(40,491)	(45,325)	(4,834)
Net Cost of HRA	811	(1,550)	(7,986)	(6,436)
Reversal of Capital Charges	0	0	5,850	5,850
(Surplus) / Deficit for the year	811	(1,550)	(2,136)	(586)
Balance brought forward	(5,766)	(5,766)	(5,766)	0
Balance Carried forward	(4,955)	(7,316)	(7,902)	(586)

The working budget was approved by Executive in March 2013 and relates to the third quarter monitoring projection. The 2012/13 actual net spend on the HRA was £586,511 lower than the working budget.

There was an underspend on expenditure of £1,601,842 however £622,120 relates to notional capital charges which reversed out prior years revaluation losses of £1,016,498 and higher than budgeted depreciation of £394,378. The remaining underspend of £979,722 is across a number of categories of spend as shown in the chart below.



Explanatory Foreword to the Statement of Accounts

Budget – Housing Revenue Account (HRA) contd.

There were underspends of £258,756 relating to supplies and services of which £96,520 related to projects that have slipped into 2013/14 and for which a carry forward of budget will be requested. £60,864 related to a reduction in materials mainly for the Building Maintenance Organisation. There were underspends of £407,708 relating to third party payments, of which £292,511 related to the following: carry forward requests (£95,500), planned works on council houses built into other contracts (reducing costs by £124,719) and reactive boiler works (reduced costs of £72,292).

Major Variances in Net Spend in the Comprehensive Income and Expenditure Statement

	2011/12 Net Expenditure £'000	2012/13 Net Expenditure £'000	Year on Year Variance £'000
Central Services to Public	1,101	1,113	+12
Cultural Environmental & Planning Services	15,050	18,733	+3,683
Children's Services	61	49	(12)
Highways Roads & Transport Services	(1,142)	1,370	+2,512
Concessionary Travel	(12)	0	+12
HRA Services	(8,060)	(17,004)	(8,944)
Self Financing	199,911	0	(199,911)
Housing Services	(9)	1,084	+1,093
Adult Social Care	11	8	(3)
Corporate & Democratic Core	4,236	3,931	(305)
Non Distributed Costs	135	19	(116)
Cost of Services	211,282	9,303	(201,979)

Explanations to major variances

Cultural, Environmental & Planning Services: In 2012/13 there were revaluation losses relating to the Council's community buildings of £4,337,272. The Council's policy is to revalue non current assets every five years. There is statutory provision to reverse these revaluation losses so they do not impact on the council tax payer.

Highways, Roads & Transport Services: In 2012/13 there were revaluation losses relating to the town centre car parks of £2,627,637, compared to no revaluation losses in 2011/12. There is statutory provision to reverse these revaluation losses so they do not impact on the council tax payer.

Housing Revenue Account (HRA) Services: 2012/13 was the last year the Council paid over a negative subsidy payment (£19.5million) to the government. This was replaced by the Self Financing regime which introduced depreciation as a real cost to the HRA (£9.9million) to be used to finance future investment to the Council's housing stock. Housing rents income

Explanatory Foreword to the Statement of Accounts

Major Variances in Net Spend in the Comprehensive Income and Expenditure Statement contd.

increased £2.4million (7.2%) between 2011/12 and 2012/13 from improved void rates and the applied rent increase of 6.8%.

Self Financing: In 2011/12 the new self financing regime for housing revenue accounts was introduced and the HRA had to make a payment of £199,911,000 to central government.

Housing Services: In 2012/13 housing benefit granted increased by £2,770,854. The Council claimed additional subsidy as a result of the increased spend (£2,285,649), a net increase in cost of £485,205. The contribution to the housing benefit bad debt provision increased from £107,350 in 2011/12 to £654,305 as a higher provision is required as debt ages.

Material Assets Acquired or Liabilities Incurred during 2012/13.

During 2012/13 the Council acquired the freehold 3-29 Town Square for strategic planning reasons.

Transferred services during 2012/13.

There were no transferred services during 2012/13.

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 the change to the calculation of existing use value for social housing (EVU-SH) from 46% vacant possession to 39% vacant possession value. In 2011/12 these revaluation losses were partially reversed as the stock valuation increased (by £7,113,678 in 2011/12). In 2012/13 the valuation of the housing stock increased again which resulted in a further reversal of the 2010/11 revaluation loss (£1,016,498).

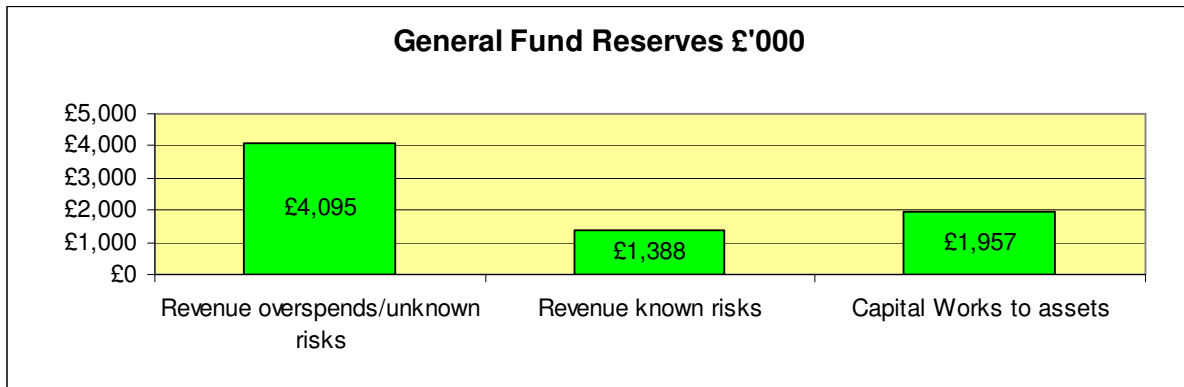
A large number of General Fund properties were revalued this year. These properties were last valued in 2008 and a number of revaluation losses have been reflected in the accounts to recognise the current economic climate and the consideration of modern equivalent asset valuations. These revaluation losses are reversed out in accordance with the statutory requirement so do not impact on the Council tax payer.

Explanatory Foreword to the Statement of Accounts

Council Reserves

As at the 31 March 2013 the Council had total useable reserves of £19,697,230 however these reserves are 'ring fenced' and cannot be spent without regard to their eligibility.

The Council operates two main funds or accounts a 'General Fund' for services such as refuse, grass cutting etc and a 'Housing Revenue Account' which manages the Council's housing stock. The Reserves which can be used to support General Fund Services total £ 7,440,112 and these are summarised below:



As part of the budget setting process the Council undertakes a risk assessment to determine the level of balances required in 2013/14. The risk assessment identified General Fund balances of at least £2,502,815 are required, (at the 31 March 2013, £4,094,809). In setting minimum balances this is to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received.

Local Government finances are going through considerable change and the assessment of balances must not only deal with unplanned spend but also new Government initiatives, in 2013/14 there will be changes to localisation of Business Rates, Council Tax benefit and Welfare reforms which could have a detrimental impact on the General Funds finances. Furthermore since 2011/12 the General Fund has lost £1,444,807 or 23% of Government Support which is set to increase to 26% in 2013/14 and there is uncertainty around the level of further Government Grant cuts. The Officers have identified that on-going savings of £3,000,000 are required over the period 2014/15 to 2016/17 to maintain the financial viability of the Fund.

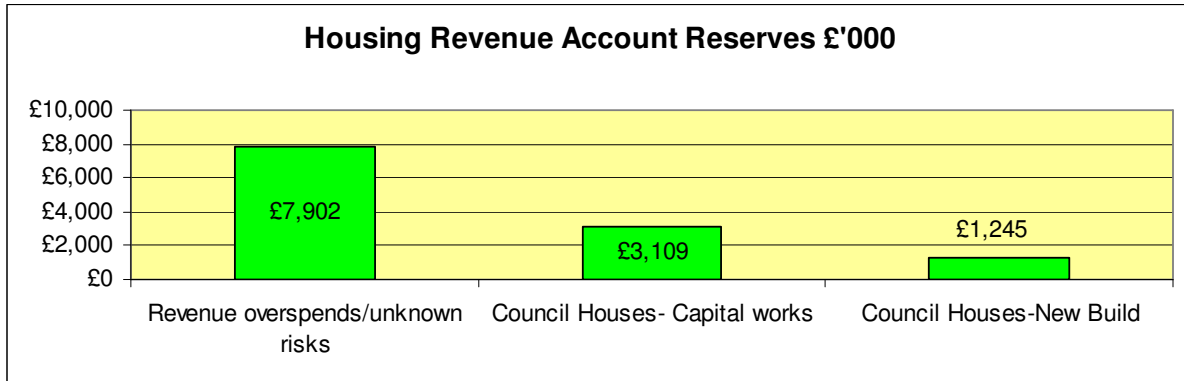
In addition to general balances the General Fund also has earmarked reserves of £1,388,193 which are ring fenced for known expenditure, e.g. up front funding for saving initiatives (Capacity Building Fund).

The General Fund also has reserves it can use to fund works to assets such as buildings and plant. This money cannot be spent on revenue services and the majority of the cash resources have been given for specific capital projects. As at 31 March 2013 the General Fund had capital resources of £1,957,110.

Explanatory Foreword to the Statement of Accounts

Council Reserves (contd.)

The Reserves which can be used to support Housing Revenue Account (HRA) total £12,257,117 and these are summarised below:



As with the General Fund a risk assessment is undertaken on the HRA to determine the level of balances required in 2013/14. The risk assessment identified HRA balances of at least £6,455,944 are required, of which £3,169,000 is required for future loan repayments and capital programmes (at the 31 March 2013, £4,094,809). As at 31 March 2013 the HRA had loans of £214Million, of which the majority related to a one off payment to the Government as a result of the self financing settlement on the 28 March 2012.

The HRA balances as at 31 March 2013 are higher than the risk assessment of balances for 2013/14, however, there are significant financial risks for the HRA including :

- Increased Right to Buy (RTB) sales over and above those anticipated in the HRA Business Plan, in 2012/13 there were 51 sales compared to the 9 in 2011/12 and the sales trend shows no sign of slowing down which could mean a significant loss of income to the HRA 30 Year Business Plan.
- Impact of the universal credit on rent arrears and collection rates from 2013/14 onwards HRA revenue reserves cannot be used to fund General Fund expenditure. The HRA also has reserves it can use to fund capital works to Council houses. As with all capital cash balances this money cannot be spent on revenue services and of the £3,713,111 available £1,245,181 must be used for the provision of new housing (up to 30% of the build cost) or repaid to the Government. These receipts are generated from right to buy sales of which the government takes a proportion up to a fixed amount, once the discount to tenants (of up to £75,000) is applied. The HRA has a 30 year capital programme based on an assessment of the stock which includes Decent Homes works.

Explanatory Foreword to the Statement of Accounts

Borrowing and Capital

As at the 31 March 2013 the Council had external borrowing of £214,145,277 (£217,145,408 in 2011/12). All of this debt related to the Housing Revenue Account (HRA) of which the majority related to the debt taken on 28 March 2012 to enable the payment to be made to central government on the introduction of Self Financing for the HRA. The HRA business plan has a timetable for the repayment of this debt, £3 million being repaid in 2012/13 and a further £2 million scheduled to be repaid at the end of 2013/14.

In 2012/13 the Council spent £27,165,425 on capital projects, of which £16,264,102 was spent on HRA services and a further £10,901,323 on General Fund services.

The Council funded £917,010 of its capital programme from the sale of assets, (land and Council house sales), which equates to 3.8% (2.3% 2011/12) of the total funding. The Council also uses other sources of income to fund its capital programme. Usable capital receipts received in year have been reduced by the payment made to the government for 'pooled receipts'.

The table below shows resources used and available to fund future capital expenditure.

	Brought Forward	Received in Year	Used in Year	Available to fund future year expenditure
	£'000	£'000	£'000	£'000
Usable Capital Receipts	5	3,380	(917)	2,468
Major Repairs Reserve	66	9,958	(8,222)	1,802
Section 106 Receipts (Capital)	903	198	(151)	950
Borrowing	0	8,600	(8,600)	0
Grants and Other Contributions	2,596	3,880	(4,419)	2,057
TOTAL	3,570	26,016	(22,309)	7,277

Explanatory Foreword to the Statement of Accounts

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 2012/13 pension liability is to decrease the value of the Council's reserves by £8,645,262 (£13,638,890, decrease in 2011/12). (See also Note 38 Pension).

Significant Changes in Accounting Policies

There have been no significant changes to accounting policies in 2012/13. One new policy was introduced to detail the accounting treatment for the Local Authority Mortgage Scheme. This policy was agreed with the Council's external auditors prior to implementation and is inline with advice given by Sector (the Council's treasury management advisors). (see also Note 1.26 page 53)

Material Events after the reporting date

From 1st April 2013 the local business rates retention scheme came into existence. The Council now retains an element of the business rates collected whereas previously an element of business rates was paid back to the authority via a fixed annual grant. This change now brings an element of uncertainty to the authorities funding streams. Further information is shown in Note 6, Events after the Balance Sheet date.

Other Events after the reporting date

From 1st April 2013 each authority has responsibility to set a local council tax benefit scheme. The council tax base for 2013/14 has been adjusted to reflect the new benefit scheme and the reduced income arising directly from council tax has been incorporated into the 2013/14 budget setting process. The Council will be partially reimbursed for the resulting loss in council tax income via the Localising Council Tax New Burdens grant from central government. This change will be shown in Note 13 Taxation and Non Specific Grant Income in the 2013/14 Statement of Accounts.

Further Information

Further information about the accounts are available from: Assistant Director of Finance, Stevenage Borough Council, Daneshill House, Danestrete, Stevenage, SG1 1HN

Email: clare.fletcher@stevenage.gov.uk

Statement of Accounts 2012/13

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 Statement shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is 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 £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Balance at 31 March 2011 carried forward	(2,721)	(1,385)	(3,685)	(414)	(202)	(3,751)	(12,158)
Movement in reserves during 2011/12							
Surplus or (deficit) on provision of services	6,099	0	192,687	0	0	0	198,786
Other Comprehensive Expenditure and Income	12,735	0	0	0	0	0	12,735
Total Comprehensive Expenditure and Income	18,834	0	192,687	0	0	0	211,521
Adjustments between accounting basis & funding basis under regulations	7 (19,743)	0	(194,768)	348	197	1,235	(212,731)
Net Increase/Decrease before Transfers to Earmarked Reserves	(909)	0	(2,081)	348	197	1,235	(1,210)
Transfers to/from Earmarked Reserves	8 (172)	172	0	0	0	0	0
Increase/Decrease (movement) in Year	(1,081)	172	(2,081)	348	197	1,235	(1,210)
Balance at 31 March 2012 carried forward	(3,802)	(1,213)	(5,766)	(66)	(5)	(2,516)	(13,368)
Movement in reserves during 2012/13							
Surplus or (deficit) on provision of services	11,973	0	(13,645)	0	0	0	(1,672)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	11,973	0	(13,645)	0	0	0	(1,672)
Adjustments between accounting basis & funding basis under regulations	7 (12,440)	0	11,509	(1,737)	(2,463)	475	(4,656)
Net Increase/Decrease before Transfers to Earmarked Reserves	(467)	0	(2,136)	(1,737)	(2,463)	475	(6,328)
Transfers to/from Earmarked Reserves	8 174	(174)	0	0	0	0	0
Increase/Decrease in Year	(293)	(174)	(2,136)	(1,737)	(2,463)	475	(6,328)
Balance at 31 March 2013 carried forward	(4,095)	(1,387)	(7,902)	(1,803)	(2,468)	(2,041)	(19,696)

Movement in Reserves Statement

	Note	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 carried forward		(12,158)	(520,353)	(532,511)
Surplus or (deficit) on provision of services		198,786	0	198,786
Other Comprehensive Expenditure and Income		12,735	0	12,735
Total Comprehensive Expenditure and Income		211,521	0	211,521
Adjustments between accounting basis & funding basis under regulations	7	(212,731)	212,731	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,210)	212,731	211,521
Transfers to/from Earmarked Reserves	8	0	0	0
Increase/Decrease (movement) in Year		(1,210)	212,731	211,521
Balance at 31 March 2012 carried forward		(13,368)	(307,622)	(320,990)
Movement in reserves during 2012/13				
Surplus or (deficit) on provision of services		(1,672)	0	(1,672)
Other Comprehensive Expenditure and Income		0	5,828	5,828
Total Comprehensive Expenditure and Income		(1,672)	5,828	4,156
Adjustments between accounting basis & funding basis under regulations	7	(4,656)	4,656	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(6,328)	10,484	4,156
Transfers to/from Earmarked Reserves	8	0	0	0
Increase/Decrease in Year		(6,328)	10,484	4,156
Balance at 31 March 2013 carried forward		(19,696)	(297,138)	(316,834)

Comprehensive Income & Expenditure Statement for the year ended 31 March 2013

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.

All Council operations are continuing.

The following revenue service expenditure analysis is compliant with the latest accounting code of practice, Service Reporting Code of Practice for Local Authorities (SERCOP).

Comprehensive Income and Expenditure Statement

2011/12			2012/13			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
10,670	9,569	1,101	Central Services to Public	9,537	8,424	1,113
6,076	113	5,963	Cultural Services	8,639	153	8,486
12,538	4,829	7,709	Environmental & Regulatory Services	13,065	4,239	8,826
1,808	430	1,378	Planning Services	1,818	397	1,421
841	780	61	Children's Services	916	867	49
2,303	3,445	(1,142)	Highways Roads & Transport Services	4,846	3,476	1,370
(12)	0	(12)	Concessionary Travel	0	0	0
30,886	38,946	(8,060)	HRA Services	23,177	40,181	(17,004)
199,911	0	199,911	HRA Self Financing	0	0	0
37,313	37,322	(9)	Housing Services	41,157	40,073	1,084
11	0	11	Adult Social Care	8	0	8
4,236	0	4,236	Corporate & Democratic Core	3,931	0	3,931
135	0	135	Non Distributed Costs	19	0	19
306,716	95,434	211,282	Cost of Services	107,113	97,810	9,303
		215	Other Operational Expenditure		11	110
		(282)	Financing & Investment Income and Expenditure		12	6,682
		(12,428)	Taxation & Non-Specific Grant Income		13	(17,767)
		198,787	Deficit/(surplus) on Provision of Services			(1,672)
		(884)	Surplus on revaluation of Non-current Assets			(2,057)
		0	Impairment losses on non-current assets charged to the revaluation reserve			0
		13,619	Actuarial gains/losses on pension assets/liabilities		38	7,884
		12,735	Other Comprehensive Income and Expenditure			5,827
		211,522	Total Comprehensive Income and Expenditure			4,155

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”.

Additional notes to aid the reader regarding the Balance Sheet

* Within the **Council dwellings** valuation of £451,422k there are a number of properties which are likely to be sold within the next 12 months under the Right to Buy Scheme. As at the balance sheet date these properties are not actively marketed and nor is there any certainty as to which properties will be sold. However based on the number of successful applications made last year it is estimated that 75 properties could be sold. This would equate to an average balance sheet valuation of £4,102k

* * **Developer contributions (s106 agreements)** are now shown separately in the balance sheet under capital/revenue grants receipts in advance whereas before they were classified as receipts in advance and included in creditors line of the Balance Sheet with further disclosure in Note 23: Creditors and Receipts in Advance.

Balance Sheet

31 March 2012		31 March 2013	
£'000	Note	£'000	£'000
	Property, Plant & Equipment:		
448,866	- Council Dwellings	451,422	
97,662	- Other Land & Buildings	99,907	
5,203	- Vehicles, Plant & Equipment	4,446	
9,831	- Other	11,047	
561,562	Total Property, Plant & Equipment		566,822
820	Heritage Assets	788	
18,887	Investment property	16,939	
92	Intangible Assets	76	
229	Long Term Debtors	1,711	
581,590	Total Long Term Assets		586,336
5,004	Short Term Investments	5,002	
56	Assets Held for Sale	0	
215	Inventories	221	
8,887	Short Term Debtors	10,637	
6,086	Cash and Cash Equivalents	5,291	
20,248	Current Assets		21,151
(3,230)	Short Term Borrowing	(2,230)	
(11,539)	Short Term Creditors	(13,441)	
(2,895)	Provisions	(3,195)	
(17,664)	Current Liabilities		(18,866)
0	Long term creditors	(1,007)	
(213,915)	Long term borrowing	(211,915)	
(49,270)	Pension Liability	(57,915)	
0	Grants Receipts in Adv - Revenue**	(4)	
0	Grants Receipts in Adv - Capital**	(946)	
(263,185)	Long Term Liabilities		(271,787)
320,989	Net Assets		316,834
3,802	General Fund Balance		4,095
5,766	HRA Balance		7,902
3,800	Other Usable Reserves		7,700
307,621	Unusable Reserves		297,137
320,989	Total Reserves		316,834

Cash Flow Statement for the year ended 31 March 2013

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.

2011/12 £'000		Note	2012/13 £'000
198,787	Net (surplus) or deficit on the provision of services		(1,672)
(5,964)	Adjustments to net surplus or deficit on the provision of services for non cash movements	46	(24,629)
220	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	47	9,627
193,043	Net Cash flows from Operating Activities		(16,674)
13,249	Investing Activities	44	12,079
(204,005)	Financing Activities	45	5,390
2,287	Net increase or decrease in cash and cash equivalents		795
(8,373)	Cash and Cash Equivalents at the beginning of the reporting period		(6,086)
(6,086)	Cash and Cash Equivalents at the end of the reporting period		(5,291)

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. In accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* the accounting policies are disclosed below:

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position as at the year end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) 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 2012/13* and the *Service Reporting Code of Practice 2012/13* supported by *International Financial Reporting Standards*.

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 is categorised as specified in the *Service Reporting Code of Practice for Local Authorities* (SERCOP).

1.2 Accruals of Income and Expenditure (accounting policy updated for 2012/13)

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits of service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption and the value is considered material, they are carried as inventories on the balance sheet.

Notes to the Core Financial Statements

1.2 Accruals of Income and Expenditure contd.

- Expenses in relation to the services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but the cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and non-domestic rates (NNDR) shall be measured at the full amount receivable (net of any impairment losses).

1.3 Exceptional Items

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 Adjustments, Changes in Accounting Policies and Estimates and Errors (accounting policy updated for 2012/13)

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transaction, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Notes to the Core Financial Statements

1.5 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. 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 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

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

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.

Notes to the Core Financial Statements

1.7 Contingent Liabilities and Contingent Assets contd

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.

When a contingent liability is identified the Council will disclose the contingent liability as a note to the core statements (Note 39).

The Council does not recognise any contingent assets due to the uncertainty of economic gain of a contingent asset (Note 40).

1.8 Government Grants and Contributions (accounting policy updated for 2012/13)

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 advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Grants - 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.

Notes to the Core Financial Statements

1.9 Pensions - Local Government Pension Scheme

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

The liabilities of the Hertfordshire Pension Fund 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 estimations of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate.

The assets of the Hertfordshire Pension 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 Comprehensive Income and Expenditure Statement 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.
- 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 Pension Fund – cash paid as employers contributions to the pension fund in settlement of liabilities.

Notes to the Core Financial Statements

1.9 Pensions-Local Government Pension Scheme contd.

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 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 *Service Reporting Code of Practice for Local Authorities* (SERCOP). 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 *Service Reporting Code of Practice for Local Authorities* (SERCOP). 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 SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

1.12 Intangible Non Current Assets

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

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 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

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 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 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 and expenditure on replacing fully depreciated components, works done after this date have not been deemed to add value to the Beacon.

General fund properties are re-valued at 1 April.

The revaluation process is co-ordinated by the Council's Estates Manager K Clark MSc. MRICS. The latest valuation certificates are dated 1 April 2012 (including Housing Dwellings) 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 estimated 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 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. Amounts in excess of £10,000 are categorised as capital receipts. From 1st April 2012 a new government calculation was introduced to apportion right to buy receipts. The Council agreed to participate in the new scheme that enabled a proportion of the receipts to be used for new build provision. Under the new scheme a proportion of the HRA right to buy receipts go to the government. The Council then retains the remainder of the receipts to cover four elements; administration costs, allowable debt, a capped share of the receipt for the local authority, and an allowance for new build provision. There is a duty to use the element retained for new build provision within three years, funding up to a maximum of 30% of the cost of any new build scheme. Other housing receipts such as land may be fully retained by the Council if spent on affordable housing, regeneration or repayment of HRA debt. The capital receipts apportioned to the Council are 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 non-current 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.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment contd

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).

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 property, plant and equipment 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. The Council's housing stock is now accounted for using componentisation since April 2011.

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 non-current 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 non-current assets attributable to the service.

Notes to the Core Financial Statements

1.15 Charges to Revenue For Non-Current Assets contd.

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 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

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 (accounting policy updated for 2012/13)

The Council accounts for leases as finance leases when substantially all the risks and rewards incidental to ownership of the property, plant or equipment (PPE) from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

The Council as Lessee

Finance Leases

PPE held under finance leases is recognised in the Balance Sheet at the commencement date of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability.

Notes to the Core Financial Statements

1.18 Leases (accounting policy updated for 2012/13) contd.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

PPE recognised under finance leases is 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 assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by revenue contributions in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating lease are charged to the CIES as an expense of the service benefitting from the use of the leased PPE. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether PPE or Assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain is matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in

Notes to the Core Financial Statements

1.18 Leases (accounting policy updated for 2012/13) contd

.the Movement in reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When future rentals are received, the element for the capital receipt for the disposal is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not charged against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement on Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income for investment properties is credited to the Other Operating Expenditure line in the CIES.

1.19 Financial Assets

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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.

Notes to the Core Financial Statements

1.19 Financial Assets contd.

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.

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

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.

Notes to the Core Financial Statements

1.21 Financial Liabilities

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 Statement 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). Interest chargeable to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

1.22 Inventories and Long Term Contracts

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.

1.23 Employee accrued benefits payable

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. A provision 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 provision 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 the majority of 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

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 on Capital Programme where scheme changes would require capital receipt funding or borrowing of up to £250,000. Any budget adjustment greater than these thresholds require Council approval.

Notes to the Core Financial Statements

1.24 Segmental Reporting contd.

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.

1.25 Heritage Assets

A heritage asset will be recognised as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and is not being used for operational purposes and where the Council can obtain, at reasonable cost, the valuation of the heritage asset. Where that valuation is material these assets will be recognised as a separate class of asset – heritage asset on the face of the balance sheet. The method of valuation will be appropriate and relevant to they type of heritage assets and the method of valuation will be disclosed as a note to the Statement of Accounts.

Depreciation will not be applied where a heritage assets has an indefinite life, however where there is evidence of physical deterioration or doubts arise as to the authenticity of the asset, the value of the assets will be reviewed. In addition assets held at current value will be reviewed with sufficient frequency as to ensure that the valuation is up to date.

1.26 Local Authority Mortgage Scheme (New accounting policy for 2012/13)

The Local Authority Mortgage Scheme expenditure is classified as a capital cost, and not as an investment. It is therefore excluded from the Council's non-specified investments. This is because the deposit is for the purposes of service delivery, and not for treasury management. The deposits are classified as a long term debtor, and a long term creditor is recognised for the contribution received from Hertfordshire County Council towards the Local Authority Mortgage Scheme. The Council has an earmarked reserve set aside to help meet the cost for any defaults in the mortgage scheme.

1.27 Events after the Balance Sheet Date (Updated accounting policy for 2012/13)

Events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the authorised for issue date are identified into two types: Adjusting events – where the conditions existed at the end of the reporting period and the Statements are adjusted accordingly, and

Non adjusting events, where conditions were not present but if material are disclosed as a note to the accounts.

Events after the authorised for issue date are not reflected in the Statement of Accounts.

Notes to the Core Financial Statements

2. Accounting Standards issued but have not yet been adopted

The Council is required to disclose information relating to the impact of a 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 Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 will adopt the amendments to:

International Accounting Standard (IAS) 1 - Presentation of Financial Statements

IAS 12 - Income Taxes

IAS 19 - Employee Benefits

IFRS 7 - Financial Instruments Disclosures – offsetting financial assets and liabilities.

It is considered that the adoption of amendments to IAS 1 - Presentation of Financial Statements, IAS 12 - Income Taxes and IFRS – Financial Instruments disclosure will have no impact on the Statement of Accounts for 2013/14.

There are a number of significant changes in relation to IAS 19 Employee Benefits which will affect the figure disclosed on expected return on pension assets shown in the Comprehensive Income and Expenditure Statement (CIES) 2012/13 accounts. Advance credit for anticipated outperformance of return on assets will no longer be permitted and an equivalent figure calculated using a discount rate. This change is expected to increase the expense in the CIES.

3. 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 grant funding levels in future years.

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

CCTV partnership: The Council considered that the partnership arrangements of the CCTV control room constitute a jointly controlled operation and as such each authority accounts for its share of the liabilities and assets of the partnership. (See also Note 29 CCTV Partnership)

Notes to the Core Financial Statements

4. 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 Council's Balance Sheet as at 31 March 2013 for which there is a significant risk if material adjustment in the forthcoming financial year are shown on the following pages:

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 2012/13 review of the useful lives of the Council's housing stock resulted in an overall decrease from 43.34 years on average per property to 42.24 years. It is estimated that the annual depreciation charge for Council houses would increase by approximately £200,000 for every year that useful lives are decreased.</p>
Provisions	The Authority has made a provision of £756,851 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 2013 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 £75,000 to the provision needed.
Provisions	The Authority has made a provision of £1,804,376 for the implementation cost arising from the Equal Pay and Single Status agreement.	An increase over the forthcoming year of 10% in the estimated average implementation costs would have the effect of adding £180,400 to the provision needed.

Notes to the Core Financial Statements

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

Pensions Liability	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.	The effect on the pension liability for 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 £4,979,000. (see also Note38 Pensions – sensitivity analysis of actuarial assumptions)
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors of £920,072 of which £625,005 was overdue. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 24.2 % 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.	If arrears were to age by a further year, the Council would be required to set aside a further £17,715 in provision.
Benefit Overpayments	At 31 March 2013, the Authority had a balance of housing overpayment debtors of £1,729,226. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 77% 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.	If collection rates were to improve across all years by 10%, an equivalent reduction in impairment of doubtful debts of £201,700 would be required.

Notes to the Core Financial Statements

5. Material Items of Income and Expense

Material items of revenue income and expenditure are detailed in the table below:

Material Items of Expenditure	2011/12	2012/13
	£000	£000
Central Services		
Council Tax Benefit	7,332	7,357
Cultural, Environmental & Planning Services		
Stevenage Leisure Limited Contract Payment	1,155	1,208
Housing Services		
Rent Rebate	19,218	20,787
Rent Allowances	14,554	15,756
Housing Revenue Account		
HRA self Financing	199,911	0
Material Items of Income		
Central Services		
Council Tax Benefit Subsidy	(7,424)	(7,430)
Highways, Roads & Transport Services		
Car Parks	(2,948)	(3,046)
Housing Services		
Rent Rebate Subsidy	(18,913)	(20,268)
Rent Allowances Subsidy	(14,092)	(15,024)
Garage Rental Income	(2,577)	(2,626)
Financing & Investment Income & Expenditure		
Commercial Property Rent	(2,038)	(2,121)

Material items of capital income and expenditure:

The Council spent £27.2 million on its capital programme in 2012/13, this included £16.3 million on housing stock. The housing spend related predominantly to delivering the decent homes programme and major works (£10.8m) along with £1.4 million on new homes and £0.7 million on disabled adaptations. In addition, the General Fund programme spend was £10.9 million – this included £7.0 million on the purchase of 3-20 Town Square, £1.5 million on the Local Authority Mortgage Scheme (LAMS), funded by the New Homes Bonus grant and a contribution from Hertfordshire County Council and more than £1.0 million on environmental and regeneration schemes mainly funded from our Growth Area Fund budget.

6. 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 13th September 2013 by the Strategic Director (Resources (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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Core Financial Statements

6. Events after the Balance Sheet Date (contd)

From 1st April 2013 new arrangements came into effect relating to the retention of business rates. From this date the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties will fall, in part, to the Council. The value of the Council's share of appeals has been estimated at £1,106,000. As this liability did not exist at the balance sheet date no adjustment has been made in accordance with CIPFA guidance.

7. 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.

The following sets out a description of the reserves that the adjustments are made against:

The General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and, out of which, liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover. Stevenage Borough Council is a housing authority and as such the General Fund Balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve (MRR), which controlled the application of the Major Repairs Allowance (MRA). From 2012/13, the introduction of self financing and the abolition of the subsidy system mean that the MRA will no longer exist. Instead, there will be a requirement for a depreciation charge to the HRA with a corresponding credit to the MRR.

Notes to the Core Financial Statements

2012/13 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance	Housing Revenue Account	Usable Reserves			Total Usable Reserves	Unusable Reserves
			Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£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	(4,973)	(9,959)	0	0	0	(14,932)	14,932
Revaluation losses on Property, Plant & Equipment	(6,964)	1,016	0	0	0	(5,948)	5,948
Movements in the market value of Investment Property	416	0	0	0	0	416	(416)
Amortisation of intangible assets	(15)	0	0	0	0	(15)	15
Capital Grants & Contributions	1,206	4,750	0	0	0	5,956	(5,956)
Revenue expenditure funded from capital under statute	(1,521)	0	0	0	0	(1,521)	1,521
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(91)	(3,421)	0	0	0	(3,512)	3,512
HRA Self financing	0	0	0	0	0	0	0
Statutory provision for the financing of capital investment	152	3,000	0	0	0	3,152	(3,152)
Capital Expenditure charged against General Fund and HRA balances	253	2,493	0	0	0	2,746	(2,746)
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	167	83	0	0	(250)	0	0
Use of the CGU to finance new capital expenditure	0	0	0	0	725	725	(725)
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	262	3,720	(3,982)	0	0	0	0
Use of the CRR to finance new capital expenditure	0	0	917	0	0	917	(917)
Contribution from CRR to finance the payments to the Government capital receipts pool	(622)	0	622	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	0	(20)	0	0	(20)	20
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	0	0	0	0	0
Adjustments involving the Major Repairs Reserve (MRR):							
Reversal of the MRR credited to the HRA	0	9,959	0	(9,959)	0	0	0
Use of the MRR to Finance new capital expenditure	0	0	0	8,222	0	8,222	(8,222)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 38)	(4,308)	(92)	0	0	0	(4,400)	4,400
Employer's pension contributions & direct payments to pensioners payable in year	3,638	0	0	0	0	3,638	(3,638)
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	5	0	0	0	0	5	(5)
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	(45)	(40)	0	0	0	(85)	85
TOTAL ADJUSTMENTS	(12,440)	11,509	(2,463)	(1,737)	475	(4,656)	4,656

Notes to the Core Financial Statements

Comparator Year 2011/12 Accounting Basis and regulations	Year 2011/12 Adjustments between Basis and Funding Basis Under regulations	Usable Reserves					Total Usable Reserves	Unusable Reserves
		General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
		£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	(4,864)	0	0	0	0	(4,864)	4,864
	Revaluation losses on Property, Plant & Equipment	(939)	7,301	0	0	0	6,362	(6,362)
	Movements in the market value of Investment Property	0	0	0	0	0	0	0
	Amortisation of intangible assets	(26)	0	0	0	0	(26)	26
	Capital Grants & Contributions	1,003	139	0	0	0	1,142	(1,142)
	Revenue expenditure funded from capital under statute	(1,162)	0	0	0	0	(1,162)	1,162
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(5)	(468)	0	0	0	(473)	473
	HRA Self financing	0	(199,911)	0	0	0	(199,911)	199,911
	Statutory provision for the financing of capital investment	0	0	0	0	0	0	0
	Capital Expenditure charged against General Fund and HRA balances	142	218	0	0	0	360	(360)
Adjustments involving the Capital Grants Unapplied Account (CGU)								
	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	22	96	0	0	(118)	0	0
	Use of the CGU to finance new capital expenditure	0	0	0	0	1,353	1,353	(1,353)
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	7	794	(801)	0	0	0	0
	Use of the CRR to finance new capital expenditure	0	0	414	0	0	414	(414)
	Contribution from CRR to finance the payments to the Government capital receipts pool	(606)	0	606	0	0	0	0
	Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	23	0	0	0	23	(23)
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	(23)	0	0	(23)	23
Adjustments involving the Major Repairs Reserve (MRA):								
	Reversal of the MRA credited to the HRA	0	(2,719)	0	(6,590)	0	(9,309)	9,309
	Use of the MRA to Finance new capital expenditure	0	0	0	6,938	0	6,938	(6,938)
Adjustments involving the Pension Reserve								
	Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 39)	(16,514)	(423)	0	0	0	(16,937)	16,937
	Employer's pension contributions & direct payments to pensioners payable in year	3,097	280	0	0	0	3,377	(3,377)
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	23	0	0	0	0	23	(23)
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	79	(98)	0	0	0	(19)	19
TOTAL ADJUSTMENTS		(19,743)	(194,768)	196	348	1,235	(212,732)	212,732

Notes to the Core Financial Statements

8. Transfers to/from Earmarked Reserves

This note details the net 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 2012/13.

Earmarked Reserve:	31 March 2011	Net Movement in Year	31 March 2012	Net Movement in Year	31 March 2013
	£'000	£'000	£'000	£'000	£'000
Capacity Building	251	(82)	169	206	375
De-minimus Capital Expenditure	195	(55)	140	23	163
Interest Equalisation	294	74	368	(368)	0
Performance Reward Grant	236	(106)	130	(71)	59
Single Status	62	(34)	28	2	30
Housing & Planning Delivery Grant	347	(27)	320	0	320
New Homes Bonus	0	53	53	243	296
ICT	0	5	5	75	80
Town Square	0	0	0	61	61
LAMS (Local Authority Mortgage Scheme)	0	0	0	4	4
Total Earmarked Reserves	1,385	(172)	1,213	175	1,388

9. Usable Reserves

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

- **Capacity Building Reserve**

This reserve pump primes strategic or organisational changes within the Council e.g. the delivery of the savings programme and to support the changes arising from welfare reforms. This enables the Council to meet its corporate objectives, realising future efficiency gains and to react to external pressures.

- **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 2012/13 is £5,000. Expenditure below this value is classified as revenue rather capital, (de-minimus level).

Notes to the Core Financial Statements

9. Usable Reserves contd.

- **Interest Equalisation Reserve.**

This reserve was set up to meet the cost of adverse interest rate movements on the General Fund's investments. The Council's investments have been used in preference to external borrowing and the impact of interest rate fluctuations on investments does not now require a separate earmarked reserve. The balances in this reserve were returned to the General Fund's non specific balances and there is a nil balance as at 31 March 2013.

- **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 transferred to an earmarked reserve. The monies have been allocated to schemes by the Stevenage Local Strategic Partnership (SoStevenage).

- **Single Status Reserve**

The Council is working towards implementing single status for all employees. 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 cost of transferring staff from the existing scheme to the new scheme.

- **Housing and Planning Delivery Grant Reserve**

The Council received 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.

- **New Homes Bonus Reserve**

The New Homes Bonus scheme commenced in April 2011. The scheme gives Councils a financial reward for new homes and properties brought back into use. The grant may be used to fund any expenditure. This reserve has been established to enable the proper consideration of schemes, that could be funded from this grant, for approval by Members.

- **Information and Communication Technology Reserve**

This reserve was approved as part of the 2011/12 budget setting process to enable the purchase of ICT equipment.

- **Town Square Reserve**

This reserve contains the ring fenced surplus/deficit for the asset and will be used to cover any future fluctuations in costs or rental stream, any balances remaining will be used to help repay any debt outstanding and to contribute towards the regeneration costs for the Town Centre.

Notes to the Core Financial Statements

9. Usable Reserves contd.

- **Local Authority Mortgage Scheme (LAMs) Reserve**

This reserve was set up to cover the potential for any mortgage defaults on the Local Authority Mortgage Scheme introduced in 2012. The reserve contains investment income generated from the deposits placed over and above the Council's average interest rate earned for the year.

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 8 Transfers to/from Earmarked Reserves.

10. 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.

31 March 2012 £'000		31 March 2013 £'000
(27,583)	Revaluation Reserve	(27,408)
(329,332)	Capital Adjustment Account	(327,767)
(248)	Deferred Capital Receipts Reserve	(229)
49,270	Pension Reserve	57,915
(65)	Collection Fund Adjustment Account	(70)
337	Accumulated Absences Account	422
<u>(307,621)</u>	Total Unusable Reserves	<u>(297,137)</u>

Note 10.1 : 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.

Notes to the Core Financial Statements

10. Unusable Reserves contd.

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.

2011/12 £'000		2012/13	
		£'000	£'000
(27,248)	Balance as at 1 April		(27,583)
(875)	Upward revaluation of assets	(7,300)	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,244	
(875)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2,056)
539	Difference between fair value depreciation and historic cost depreciation	613	
1	Accumulated gains on assets sold or scrapped	25	
0	Adjustment between Capital Adjustment Account and Revaluation Reserve	1,593	
540	Amount written off to the Capital Adjustment Account		2,231
(27,583)	Balance as at 31 March		(27,408)

Note 10.2 : 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 7 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

10. Unusable Reserves contd.

Capital Adjustment Account:

2011/12 £'000 (528,693)		2012/13	
		£'000	£'000 (329,332)
	Balance as at 1 April		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement		
14,173	Charges for depreciation & impairment of non-current assets	14,932	
(6,175)	Revaluation (gains)/losses on Property, Plant & Equipment	5,948	
199,911	Self Financing - Housing Revenue Account	0	
26	Amortisation of Intangible Assets	16	
1,162	Revenue expenditure funded from capital under statute	1,521	
473	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	3,512	
209,570			25,929
0	Adjusting amounts written out of the Revaluation Reserve		(2,231)
209,570	Net written out amount of the cost of non-current assets consumed in the year		23,698
	Capital financing applied in the year		
(415)	Use of the Capital Receipts Reserve to finance new capital expenditure	(917)	
(6,939)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,222)	
(1,142)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(5,956)	
(1,353)	Application of grants to capital financing from the Capital Grants Unapplied Account	(725)	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(3,152)	
(360)	Capital expenditure charges against the General Fund and HRA balances.	(2,746)	
(10,209)			(21,718)
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(415)
(329,332)	Balance as at 31 March		(327,767)

Notes to the Core Financial Statements

10. Unusable Reserves contd.

Note 10.3 : 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.

2011/12 £'000		2012/13 £'000
(272)	Balance as at 1 April	(248)
24	Amounts received in year & available for funding	19
<u>(248)</u>	Balance as at 31 March	<u>(229)</u>

Note 10.4 : Pension Reserve: The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to the pension fund or eventually pays any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid 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 38 Pension)

2011/12 £'000		2012/13 £'000
35,631	Balance as at 1 April	49,270
13,639	Amount by which Reserve is adjusted for changes in Pension Scheme Liabilities	8,645
<u>49,270</u>	Balance as at 31 March	<u>57,915</u>

Notes to the Core Financial Statements

10. Unusable Reserves contd.

Note 10.5 : 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.

2011/12 £'000		2012/13 £'000
(88)	Balance as at 1 April	(65)
	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	(5)
23		
<u>(65)</u>	Balance as at 31 March	<u>(70)</u>

Note 10.6 : 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/ from the Account.

2011/12 £'000		2012/13 £'000	
317	Balance as at 1 April		337
(318)	Settlement or cancellation of accrual made at the end of the preceding year	(337)	
338	Amounts accrued at the end of the current year	422	
	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		85
20			
<u>337</u>	Balance as at 31 March		<u>422</u>

Notes to the Core Financial Statements

11. Other Operating Expenditure

2011/12 £,000		2012/13 £,000
606	Payments to the Government Housing Capital Receipts Pool	622
(391)	Gains/losses on the disposal of non current assets	(512)
<u>215</u>	Total	<u>110</u>

12. Financing and Investment Income and Expenditure

2011/12 £'000		2012/13 £'000
1,197	Interest payable & similar charges	7,061
948	Pensions interest cost & expected return on pensions assets	1,682
(651)	Interest receivable & similar income	(75)
752	Expenditure in relation to investment properties and changes in their fair value	2,718
(2,187)	Income in relation to investment properties and changes in their fair value	(4,480)
(341)	Surplus on trading operations	(224)
<u>(282)</u>	Total	<u>6,682</u>

13. Taxation and Non Specific Grant Income

2011/12 £,000		2012/13 £,000
(5,493)	Council Tax Income	(5,551)
(4,075)	Non domestic rates	(4,840)
(1,599)	Non ringfenced government grants	(1,170)
(1,261)	Capital grants and contributions	(6,206)
<u>(12,428)</u>	Total taxation and Non Specific Grant Income	<u>(17,767)</u>

Notes to the Core Financial Statements

14. Heritage Assets

Assets that are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Recognition and measurement: heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements the asset will not be recognised on the balance sheet. Where heritage assets are not recognised in the balance sheet appropriate disclosure is made in the notes to the financial statements.

Acquisitions of heritage assets will be recognised at cost. However, where an asset is donated or acquired for less than fair value the asset will be recognised at valuation.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Depreciation and impairment are relevant to heritage assets except where the asset has an indefinite life, in which case depreciation is not required. Where there is evidence of physical deterioration or doubts arise as to authenticity of an asset, the value of the asset will be reviewed. Assets held at current value will be reviewed with sufficient frequency as to ensure that the valuation is up to date.

The Council's collections of heritage assets are categorised as follows:

Town Square including Clock Tower: This was classified as a heritage asset for 2011/12.

The town square includes the water feature and clock tower. The clock tower being a grade II listed building.

Museum Collection: The museum collections include paintings, local history archives, Roman coin hoard from Chells, clocks, Vincent Motorbike, a bible from 1754 and a Chalice from 1572 from St Mary's in Aston. These items are reported as at their insurance valuation.

The Council maintains an inventory of this collection however there is no readily available valuation of individual items. The Council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. Items that form the museum collection are deemed to have indeterminate lives, therefore the Council does not consider it appropriate to depreciate these assets.

Notes to the Core Financial Statements

14. Heritage Assets contd.

Statues and Sculptures: The Council has a number of statues and sculptures around the borough which were gifted by the Commission for New Towns to the Stevenage Development Corporation which is now Stevenage Borough Council.

Public Art and Cultural Artefacts: The Council has a number of public art works around the borough, however does not hold readily available valuations.

There is no readily available valuation held by the Council for statues, sculptures, public work of art or cultural artefacts as no definitive market value for these types of assets exist as they are not normally traded. The Council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of these assets, as such the Council has not recognised these assets on the balance sheet.

War memorial: The Council has a war memorial classified as a heritage asset in 2011/12 and is valued at historic cost on the balance sheet.

Civic Regalia: The Council holds civic regalia for use by the mayor and mayoress for official ceremonial purposes. These are reported at insurance valuation. Due to the nature of these assets the Council does not deem it appropriate to depreciate these assets.

Archaeological Sites including Six Hills Burial Site: The Council does not consider that reliable cost or valuation information can be obtained for its archaeological site at Six Hills Burial site. This is because of the diverse nature of the asset held and lack of comparable market values, consequently the Council does not recognise these assets on the balance sheet.

Historical valuations and valuation method of heritage assets is shown below.

Heritage Assets	Town	Museum	War	Civic	Total
Method of valuation	Square	Collection	Memorial	Regalia	Heritage
Cost or Valuation	£833,204		£19,608		£852,812
Valued at Insurance		£200,000		£52,650	£252,650
Valuation	<u>£833,204</u>	<u>£200,000</u>	<u>£19,608</u>	<u>£52,650</u>	<u>£1,105,462</u>

Notes to the Core Financial Statements

14. Heritage Assets contd.

Heritage Assets: Five-Year Summary of Transactions

It is not practicable to produce a five-year summary of transactions as knowledge of the cost of acquisitions, disposals and current value is largely unknown as they were gifted by the Commission for New Towns to the Stevenage Development Corporation Commission which is now Stevenage Borough Council.

	Town Centre	War Memorial	Exhibits	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	832	20	200	52	1,104
Additions	3	0	0	0	3
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0
At 31 March 2013	835	20	200	52	1,107

Accumulated Depreciation & Impairment

At 1 April 2012	(282)	(3)	0	0	(285)
Depreciation charge	(33)	(1)	0	0	(34)
At 31 March 2013	(315)	(4)	0	0	(319)
Net Book Value					
At 31 March 2013	520	16	200	52	788
At 31 March 2012	550	17	200	52	819

15. Property, Plant and Equipment

Non Current Asset Valuation: The freehold and leasehold Council properties are valued by the Council's In-House Valuer in accordance with International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and interpreted by the current CIPFA Code of Practice for Local Authority accounting. The valuations are made in accordance with the RICS Valuation – Professional Standards, 8th Edition as published by the Royal Institution of Chartered Surveyors, in so far as that is consistent with the IFRS standards and CIPFA interpretation and except that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are re-valued at each 1 April as part of a continuous rolling programme of valuation. Properties classified as Investment Property (IP) are reviewed every year and those classified Property Plant and Equipment (PPE) every five years by the Council's Estates Manager K Clark MSc. M.R.I.C.S.

Notes to the Core Financial Statements

15. Property, Plant and Equipment contd.

The rolling programme was recently amended to include valuations on opening balance in line with common practice. Properties classified IP are valued on the basis of Fair Value, which is interpreted as being the Market Value of the legal interest held. Properties classified PPE are valued on the basis of Existing Use Value (EUV) and the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount. For those PPE properties where there is no market-based evidence to support the use of EUV to arrive at Fair Value, the Depreciated Replacement Cost (DRC) approach has been used and this year all those properties last valued in 2008 on the DRC approach have been re-valued as at 1 April 2012 having regard to RICS GN 6, titled "Depreciated Replacement Cost (DRC) method of Valuation for Financial Reporting". RICS GN6 requires Modern Equivalent (ME) to be considered if properties are valued using the DRC method and this has been applied to this year's review. For this purpose, the Council appointed the DVS property Specialists for the Public Sector (the commercial arm of the Valuation Office Agency) to assist in the provision of the 2012/13 review of the DRC valuations last carried out in 2008.

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

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 East of England Development Agency (EEDA) in accordance with a formula. There is no intention on the part of the Council to dispose of this asset.

The following table shows the movement in valuations of property, plant and equipment. The disclosure note differs from that published in the prior year in that the "cost or valuation" (gross book value) figure for Council dwellings is now disclosed after accumulated depreciation has been excluded. This treatment now brings consistency in approach across all asset types for this disclosure note. It does not effect any net book valuations nor does it affect any asset valuations shown in the balance sheet for this year or prior years.

Notes to the Core Financial Statements

15 Property, Plant and Equipment contd.

Movement of Property, Plant and Equipment in 2012/13

	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 1 April 2012	457,874	107,757	19,916	4,183	3,054	3,407	581	596,772
Additions	14,702	7,680	963	189	132	0	1,351	25,017
Accumulated Depreciation & Impairment written off to cost/valuation	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	2,057	0	0	0	0	0	2,057
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,411)	(14,554)	0	0	0	0	0	(18,965)
Derecognition - Disposals	(3,731)	(7)	(260)	0	0	0	0	(3,998)
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Properties	0	2,459	0	0	0	0	0	2,459
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2013	464,434	105,392	20,619	4,372	3,186	3,407	1,932	603,342
Accumulated Depreciation & Impairment								
At 1 April 2012	(9,008)	(10,095)	(14,713)	(1,162)	(227)	(5)	0	(35,210)
Depreciation charge	(9,741)	(2,979)	(1,720)	(346)	(90)	(20)	0	(14,896)
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,427	0	0	0	0	0	0	5,427
Depreciation written out to Revaluation Reserve	0	7,589	0	0	0	0	0	7,589
Assets reclassified (to)/from Investment Properties	0	0	0	0	0	0	0	0
Derecognition - Disposals	310	0	260	0	0	0	0	570
Derecognition - Other	0	0	0	0	0	0	0	0
At 31 March 2013	(13,012)	(5,485)	(16,173)	(1,508)	(317)	(25)	0	(36,520)
Net Book Value								
At 31 March 2013	451,422	99,907	4,446	2,864	2,869	3,382	1,932	566,822
At 1 April 2012	448,866	97,662	5,203	3,021	2,827	3,402	581	561,562

Notes to the Core Financial Statements

15. Property, Plant and Equipment contd.

Comparative movements of Property, Plant and Equipment in 2011/12.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2011	444,416	109,343	20,396	4,234	2,208	3,152	1,438	585,187
Additions	13,210	1,146	922	790	0	313	1,035	17,416
Accumulated Depreciation & Impairment written off to cost/valuation	0	(1,644)	(183)	0	0	0	0	(1,827)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	621	0	0	0	0	0	621
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,487)	(1,219)	0	0	0	0	(2,706)
Derecognition - Disposals	(477)	(7)	0	0	0	0	0	(484)
Derecognition - Other	725	0	0	0	0	0	0	725
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	(215)	0	(841)	846	(58)	(1,892)	(2,160)
At 31 March 2012	457,874	107,757	19,916	4,183	3,054	3,407	581	596,772
Accumulated Depreciation & Impairment								
At 1 April 2011	(7,607)	(8,055)	(12,987)	(1,244)	(160)	0	0	(30,053)
Depreciation charge	(9,017)	(3,684)	(1,909)	(172)	(70)	(7)	0	(14,859)
Depreciation written out to the Surplus/Deficit on Provision of Services	7,607	1,644	183	0	0	0	0	9,434
Depreciation written out to Revaluation Reserve	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	2	0	2
Derecognition - Disposals	9	0	0	0	0	0	0	9
Assets Derecognised - Reclassified	0	0	0	254	3	0	0	257
At 31 March 2012	(9,008)	(10,095)	(14,713)	(1,162)	(227)	(5)	0	(35,210)
Net Book Value								
At 31 March 2012	448,866	97,662	5,203	3,021	2,827	3,402	581	561,562
At 31 March 2011	436,809	101,234	7,459	2,392	2,049	3,153	1,439	554,535

Notes to the Core Financial Statements

16. 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.

2011/12 £,000		2012/13 £,000
2,146	Rental Income from Investment Property	2,121
(753)	Less Direct Operating expenses arising from investment	(775)
<u>1,393</u>	Net gain	<u>1,346</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. During the year ten property blocks were transferred from the investment property category to land and buildings as they no longer met the investment property criteria. The following table summaries the movement in the fair value of investment properties over the year.

2011/12 £,000		2012/13 £,000
17,553	Balance at start of year	18,887
	Additions:	
84	Subsequent expenditure	123
0	Disposals	(27)
0	Net gains/losses from fair value adjustments	415
	Transfers:	
1,250	From Property, Plant & Equipment	0
0	To Property, Plant & Equipment	(2,459)
<u>18,887</u>	Balance at end of year	<u>16,939</u>

In 2012/13 the Council purchased 3-29 Town Square, although a commercial building this purchase was made for strategic planning reasons and is not held for investment income and therefore is not classified as an investment property, but included under land and buildings.

17. 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.

Notes to the Core Financial Statements

17. Intangible Assets contd.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £15,726 charged to revenue in 2012/13 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:

2011/12 £000's		2012/13 £000's
119	Balance as at 1st April	92
188	Gross carrying amounts	188
(70)	Accumulated amortisation	(96)
<u>118</u>	Net carrying amount at start of year	<u>92</u>
(26)	Amortisation for the period	(16)
<u>92</u>	Net carrying amount at year end	<u>76</u>
	Comprising:	
188	Gross carrying amounts	188
(96)	Accumulated amortisation	(112)
<u>92</u>		<u>76</u>

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

Notes to the Core Financial Statements

18. 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 2012 complies fully with the code of practice.

During the course of the year the use of AAA rated Money Market Funds was approved by the Council. The continuing banking crisis which has seen credit rating downgrades to the majority of commercial and high street banks has made it increasingly difficult to place the Council's surplus cash balances without compromising credit risk (exposure to the risk of the counterparty defaulting) and/or market risk (interest rate risk whereby the interest on an investment falls below market value).

The introduction of AAA rated Money Market funds has provided an outlet which has both reduced counter party exposure while maintaining the extremely high credit rating of the Council's investment portfolio and also providing greater returns than would be possible if investing in the only available central government account (Debt Management Office, (DMO)).

Notes to the Core Financial Statements

18. Financial Instruments contd.

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.

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	Historical	Historical	Estimated	Estimated
	at 31 March 2013 £'000	experience of default %	experience adjusted for market conditions at 31 March 2013 %	maximum exposure to default & uncollectability 31 March 2013 £'000	maximum exposure to default & uncollectability 31 March 2012 £'000
	A	B	C	(AxC)	
Banks & Building Societies	11,569	0	0	0	0
Other Counter parties	0	0	0	0	0
Trade Debtors	920	18%	18%	165	144
Total	12,489			165	144

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 2013.

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 £626,005 of the £920,072 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

Notes to the Core Financial Statements

18. Financial Instruments contd.

Age of Sundry Debt	Estates Services £'000	Direct Services (incl Recycling) £'000	Planning £'000	Other £'000	Total Trade Debtors £'000	Benefit Related £'000	Total Debtors £'000
Within term	31	29	3	231	294	84	378
Over Term:							
2-12 months	94	23	3	108	228	589	817
> 1 year < 2 years	37	1	1	52	91	435	526
>2 years	100	2	3	202	307	621	928
Total trade debtors over term	231	26	7	362	626	1,645	2,271
Total Trade Debtors 31 March 2013	262	55	10	593	920	1,729	2,649
Total Trade Debtors 31 March 2012	285	112	11	439	847	1,388	2,235

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 2013 Deferred Capital Receipts were £229,629, (31 March 2012, £249,817).

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.

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.

Notes to the Core Financial Statements

18. Financial Instruments contd.

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 £211,915,000; however, within its Treasury Management Strategy (approved February 2013), the 2012/13 operational boundary for external debt is £232,183,000. This included an allowance for General Fund and HRA borrowing which was not taken up.

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 2013), if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on investments	(243)
Impact on Comprehensive Income & Expenditure Statement	(243)
Share of overall impact credited to the HRA	156
Impact on Movement in Reserves Statement	(87)

The impact of a 1% reduction in interest rates would be as above but with movements being reversed. The above represents that the cost will be less than the 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 invest in equity shares and does not have any shareholdings.

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

18. Financial Instruments contd.

	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Investments				
Loans and Receivables	0	0	5,004	5,002
Total	0	0	5,004	5,002
Debtors (including Cash and Bank)				
<i>Loans and Receivables comprising:</i>				
Mortgages	225	208	15	13
Car Loans	4	3	1	1
Housing Rents Leaseholders	0	0	707	1,382
Other debtors	0	0	4,177	3,822
Cash & Bank	0	0	6,086	5,291
Local Authority Mortgage Scheme	0	1,500	0	0
Total Debtors	229	1,711	10,986	10,509
Borrowings				
Financial liabilities at amortised cost	213,915	211,915	3,230	2,230
Total Borrowings	213,915	211,915	3,230	2,230
Creditors				
Receipts in Advance	0	0	846	1,007
Sundry Creditors	0	0	4,808	8,281
Local Authority Mortgage Scheme	0	1,007	0	0
Total Creditors	0	1,007	5,654	9,288

* Developer contributions (s106 agreements) are now shown separately in the balance sheet under capital/revenue grants receipts in advance and are therefore no longer within the Receipts in Advance total.

Notes to the Core Financial Statements

18. 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 2012	31 March 2013	31 March 2012	31 March 2013
Financial Assets	£'000	£'000	£'000	£'000
Investments	174	203	174	203
Available for sale	0	0	0	0
Other	16	16	16	16
Total	190	219	190	219

	Interest Payable		Net cost for year	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
Financial Liabilities	£'000	£'000	£'000	£'000
Borrowing - PWLB	724	7,189	724	7,189
Borrowing - Local Authorities	0	0	0	0
Other	11	17	11	17
Total	735	7,206	735	7,206

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

18. Financial Instruments contd.

The financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet. Their fair values are calculated as follows:

Financial Assets:

	31 March 2012		31 March 2013	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Investments				
Fixed term loans & receivables	0	0	0	0
Variable term loans & receivables	11,569	11,569	11,657	11,657
Total	11,569	11,569	11,657	11,657

The fair value will be the same as the market value, as all investments held at the balance sheet date were liquid.

Financial Liabilities:

	31 March 2012		31 March 2013	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Loan Debt				
Fixed term financial liabilities	217,145	227,975	214,145	235,549
	217,145	227,975	214,145	235,549

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

19. Inventories

	Grounds Maintenance £'000	Building Maintenance £'000	Fuel £'000	Tyres £'000	Other £'000	Total £'000
Balance as at 1 April 2011	0	0	7	0	39	46
Purchases	174	66	488	62	203	993
Recognises as an expense in the year	(102)	0	(472)	(56)	(194)	(824)
Balance at 31 March 2012	72	66	23	6	48	215

Balance as at 1 April 2012	72	66	23	6	48	215
Purchases	169	47	476	58	145	895
Recognises as an expense in the year	(167)	(50)	(477)	(59)	(136)	(889)
Balance at 31 March 2013	74	63	22	5	57	221



Notes to the Core Financial Statements

20. Short Term Debtors

31 March 2012 £'000		31 March 2013 £'000	% change on year
1,341	Central Government Bodies	3,135	134%
2,309	Other Local Authorities	1,911	-17%
707	Housing Rents & Leaseholders	1,382	95%
337	Collection Fund	372	10%
1	Car Loans	1	0%
4,192	Other Debtors	3,836	-9%
8,887	Total	10,637	20%

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

21. Cash and Cash Equivalents

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

31 March 2012 £'000		31 March 2013 £'000
9	Cash held by the Authority	9
(8)	Bank Current Accounts	(1,373)
6,085	Investment Cash Equivalents	6,655
6,086	Total Cash & Cash Equivalents	5,291

22. Assets held for sale

	2011/12		2012/13	
	Current Assets £'000	Non- Current Assets £'000	Current Assets £'000	Non- Current Assets £'000
Balance outstanding at start of year	0	0	0	56
Transfers from surplus assets	0	56	0	0
Assets sold	0	0	0	(56)
Balance Outstanding at year end	0	56	0	0

Notes to the Core Financial Statements

23. Creditors and Receipts in Advance

Creditors

31 March 2012 £'000		31 March 2013 £'000	% change on year +/-
1,471	Central Government Bodies	835	-43%
2,612	Other Local Authorities	2,173	-17%
0	Stevenage Homes Limited	0	0%
4,809	Other Entities & Individuals	8,281	72%
8,892	Total	11,289	27%

Receipts in Advance

31 March 2012 £'000		31 March 2013 £'000	% change on year +/-
0	Government Departments	0	0%
0	Other Local Authorities	23	N/A
653	Housing	758	16%
190	Tenants (redecorating scheme)	253	33%
93	Collection Fund	111	19%
865	Developer Contributions (s106)*	0	N/A
846	Other Entities & Individuals	1,007	16%
2,647	Total	2,152	17%

* Developer contributions (s106 agreements) are now shown separately in the balance sheet under capital/revenue grants receipts in advance and are therefore no longer included in the disclosure note for Receipts in Advance.

The Council has one long term creditor, Hertfordshire County Council, this relates to a payment for the Local Authority Mortgage Scheme of £1,000,000 plus interest due on this advance. This advance plus accumulated interest will be repayable at the end of the scheme.

24. 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.

Notes to the Core Financial Statements

24. Provisions contd.

	Insurance Provision £'000	Implementation of Single Status £'000	Accumulated Absences Provision £'000	Organisation change £'000	Municipal Mutual Insurance £'000	Other Provisions £'000	Total £'000
Balance as at 31 March 2011	(719)	(820)	(318)	(507)	0	(101)	(2,465)
Additional Provisions made in 2011/12	(699)	(535)	(20)	(189)	0	(37)	(1,480)
Amounts Used in 2011/12	512	0	0	509	0	22	1,043
Unused Amounts reversed in 2011/12	0	0	0	0	0	7	7
Balance as at 31 March 2012	(906)	(1,355)	(338)	(187)	0	(109)	(2,895)
Additional Provisions made in 2012/13	(533)	(449)	(85)	(7)	(72)	(41)	(1,187)
Amounts Used in 2012/13	682	0	0	194	0	11	887
Balance as at 31 March 2013	(757)	(1,804)	(423)	0	(72)	(139)	(3,195)

As at the 31 March 2013 the Council had provisions totalling £3,194,614, of which £756,851 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	31	31	31	Year on year change (lower)/ higher %
	March 2011 £'000	March 2012 £'000		
Public Liability	547	738	655	-11%
Employers Liability	20	50	10	-80%
Motor	2	5	6	20%
General Properties	18	10	9	-10%
Housing Properties	132	103	77	-25%
Total	719	906	757	-16%

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 £449,422 in 2012/13 for implementation costs which will potentially be spent with the introduction of the scheme.

Notes to the Core Financial Statements

24. 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: This provision was established to meet the costs arising from service efficiencies (identified as part of the 2012/13 budget setting process) that led to staff redundancies. In 2012/13 all of the provision was used. No provision is required for 2013/14.

Municipal Mutual Insurance (MMI) Provision: MMI suffered substantial losses between 1990 and 1992 and these losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI went in to "run off", and ceased to renew or take on new general insurance work. If a solvent "run off" can not be achieved the Council may have to repay part of the claims already settled. The scheme administrator has reviewed the assets and liabilities since 13th November 2012 and has concluded that a levy should be set initially at 15%. As such the Council has set up a MMI provision for 15% of Council's historic insurance claims with MMI.

Other Provisions: All other provisions are individually insignificant.



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 2012/13

	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	(13,759)	(1,025)	(1,529)	(5,933)	(325)	0	(1,415)	(39,829)	(63,815)
Government grants	(8,017)	(25)	(35,991)	(686)	(3)	0	0	(518)	(45,240)
Total Income	(21,776)	(1,050)	(37,520)	(6,619)	(328)	0	(1,415)	(40,347)	(109,055)
Employee expense	724	1,561	468	4,607	5,714	0	3,679	8,365	25,118
Other service expenses	4,158	7,262	38,703	14,783	4,900	154	(7,373)	22,931	85,518
Support service recharges	5,062	532	1,581	(2,442)	(10,286)	0	5,109	6,914	6,470
Total Expenditure	9,944	9,355	40,752	16,948	328	154	1,415	38,210	117,106
Net Expenditure	(11,832)	8,305	3,232	10,329	0	154	0	(2,137)	8,051

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

Service Income and Expenditure 2011/12 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	(6,810)	(942)	(1,129)	(6,102)	(1,436)	1	(2,103)	(38,575)	(57,096)
Government grants	(7,812)	0	(33,685)	(88)	(47)	0	0	(548)	(42,180)
Total Income	(14,622)	(942)	(34,814)	(6,190)	(1,483)	1	(2,103)	(39,123)	(99,276)
Employee expense	841	1,533	548	4,724	6,107	0	3,738	3,382	20,873
Other service expenses	2,176	4,133	34,616	11,083	5,895	136	(6,859)	31,487	82,667
Support service recharges	6,194	653	1,697	(2,103)	(10,497)	82	5,225	2,174	3,425
Total Expenditure	9,211	6,319	36,861	13,704	1,505	218	2,104	37,043	106,965
Net Expenditure	(5,411)	5,377	2,047	7,514	22	219	1	(2,080)	7,689

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

2011/12 £000		2012/13 £000
7,689	Net expenditure in the Service Analysis	8,051
20	Net expenditure of services and support services not included in the Analysis	85
191,078	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(9,808)
0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
198,787	Cost of Services in Comprehensive Income and Expenditure Statement	(1,672)

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

2012/13 Reconciliation from Subjective analysis to Deficit on Provision of Services	Service Analysis £000	Services and Support Services not in the Analysis £000	Amounts not reported to management for decision making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees charges and other service income	(54,068)	0	2,287	(51,781)	(2,164)	(53,945)
Surplus or deficit on trading ventures	(224)	0	224	0	(224)	(224)
Interest and investment income	(9,521)	0	75	(9,446)	(75)	(9,521)
Council tax precept & surplus	0	0	0	0	(5,551)	(5,551)
Government grants and contributions	(45,240)	0	1,075	(44,165)	(12,216)	(56,381)
Total income	(109,053)	0	3,661	(105,392)	(20,230)	(125,622)
Employee expenses	25,118	85	0	25,203	1,682	26,885
Other service expenses	68,496	0	4,699	73,195	380	73,575
Support Service recharges	6,471	0	0	6,471	0	6,471
Depreciation, amortisation and impairment	9,958	0	0	9,958	0	9,958
Interest payments	7,061	0	(7,061)	0	7,061	7,061
Payments to Housing Capital Receipts Pool	0	0	(622)	(622)	622	0
Gain or Loss on Disposal of Non-Current Assets	0	0	490	490	(490)	0
Total expenditure	117,104	85	(2,494)	114,695	9,255	123,950
Surplus or deficit on the provision of services	8,051	85	1,167	9,303	(10,975)	(1,672)

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

2011/12 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	(54,337)	0	1,130	(53,207)	(2,187)	(55,394)
Surplus or deficit on trading ventures	(341)	0	341	0	(341)	(341)
Interest and investment income	(2,419)	0	0	(2,419)	0	(2,419)
Council tax precept & surplus	0	0	0	0	(5,493)	(5,493)
Government grants and contributions	(42,180)	0	1,601	(40,579)	(6,935)	(47,514)
Total income	(99,277)	0	3,072	(96,205)	(14,956)	(111,161)
Employee expenses	20,872	20	104	20,996	0	20,996
Other service expenses	71,511	0	202,105	273,616	753	274,369
Support Service recharges	3,427	0	0	3,427	0	3,427
Depreciation, amortisation and impairment	9,663	0	0	9,663	0	9,663
Interest payments	1,493	0	(1,493)	0	1,493	1,493
Payments to Housing Capital Receipts Pool	0	0	(606)	(606)	606	0
Gain or Loss on Disposal of Non-current Assets	0	0	391	391	(391)	0
Total expenditure	106,966	20	200,501	307,487	2,461	309,948
Surplus or deficit on the provision of services	7,689	20	203,573	211,282	(12,495)	198,787

Notes to the Core Financial Statements

26. Acquired and Discontinued Operations

The Council did not acquire or discontinue any operations in 2012/13.

27. Trading Operations

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

2011/12		2012/13
£'000		£'000
(491)	Income from stall holders	(448)
150	Expenditure	224
<u>(341)</u>	Surplus taken to General Fund	<u>(224)</u>

28. Agency Services

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £335,555 in 2011/12 (£327,771 in 2011/12).

The Council provides four Children's Centres under an agency agreement with Hertfordshire County Council for which the Council was reimbursed £829,254 in 2012/13 (£761,148 in 2011/12).

29. CCTV Partnership

The Council has one jointly controlled operation 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 £447,230 in 2012/13. (£452,362 in 2011/12). Payments made outside the scheme for Mayoral Allowances totalled £16,347 in 2012/13, (£11,422 in 2011/12).

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
	£	£	£	£	£	£
Remuneration 2012/13						
Chief Executive	114,732	525	7,176	122,433	25,041	147,474
Strategic Director (Resources)	94,073	869	2,644	97,586	19,943	117,529
Strategic Director (Environment)	82,536	354	0	82,890	17,498	100,388
Strategic Director (Community)	82,536	450	836	83,822	17,498	101,320
Borough Solicitor	65,570	104	128	65,802	13,901	79,703
Total remuneration in 2012/13	439,447	2,302	10,784	452,533	93,881	546,414
Remuneration 2011/12						
Chief Executive	114,732	660	7,571	122,963	33,285	156,248
Strategic Director (Resources)	94,073	1,142	1,534	96,749	25,682	122,431
Strategic Director (Environment)	79,551	429	0	79,980	21,717	101,697
Strategic Director (Community)	79,551	659	406	80,616	21,717	102,333
Borough Solicitor	65,570	235	64	65,869	17,901	83,770
Total remuneration in 2011/12	433,477	3,125	9,575	446,177	120,302	566,479

Notes to the Core Financial Statements

31. Officers Remuneration contd.

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

Officer remuneration includes redundancy and severance payments made to officers on termination of employment during the year.

2011/12 *	Remuneration Band	2012/13
Number of employees		Number of employees
3	£50,000 - £54,999	5
6	£55,000 - £59,999	2
3	£60,000 - £64,999	3
2	£65,000 - £69,999	3
0	£70,000 - £74,999	1
2	£75,000 - £79,999	0
0	£80,000 - £84,999	2
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
1	£95,000 - £99,999	2
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£115,000 - £119,999	0
1	£120,000 - £124,999	1
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	0
20	Total	19

* In December 2011 the management of the Council's housing stock was transferred from Stevenage Homes Limited to the Council. Following the transition and subsequent restructure a number of positions were made redundant. This increased the number of staff paid over £50,000 during 2011/12 as a result of these management changes as officer remuneration includes termination payments.

Notes to the Core Financial Statements

31. Officers Remuneration contd.

The number of exit packages with total costs per band and total costs of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments) 2012/13	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £19,999	5	4	9	£86,683
£20,000 - £89,999	2	2	4	£191,032
Total	7	6	13	£277,715

Exit package cost band (including special payments) 2011/12	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £19,999	18	6	24	£252,492
£20,000 - £59,999	10	2	12	£405,974
£60,000 - £250,000	3	0	3	£373,904
Total	31	8	39	£1,032,370

32. External Audit Costs

The Council has incurred fees in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections. The estimated fees payable for audit work in respect of the 2012/13 financial year are shown in the table below.

2011/12 £'000	Fees Payable	2012/13 £'000
141	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	84
41	Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	19
(11)	Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(8)
171		95

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.

	2011/12 £'000	2012/13 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,259	94
NNDR Receipt from Pool	4,075	4,840
Council Tax Reform	0	119
New Homes Bonus	85	580
Council Tax Freeze Grant	136	137
Local Services Support Grant	71	101
High Street Innovation Fund	0	100
Disabled Facilities Grant	285	300
Local Authority Mortgage Scheme	0	1,000
Lottery Fund	390	52
Decent Homes Grant	0	4,750
Football Foundation	50	17
Safer Stronger Community Grant	48	25
Unfunded Burdens Grant	0	13
Other Capital Contributions	536	88
Total Grants, Contributions credited to Taxation and Non Specific Grant Income	6,935	12,216
Credited to Services		
NNDR admin Grant	107	110
Small Business Rate Relief New Burden Grant	3	3
Department of Work and Pensions Grants for rebates	41,143	43,398
Discretionary Housing Payments	25	39
Local Housing Allowance	3	0
DWP Atlas Project	45	0
Supporting People Programme Grant	548	518
Safer Food Better Business	3	3
Working Together Programme	14	0
Police Commissioner Elections	0	90
Other Grants	0	3
Total Grants, Contributions credited to Services	41,891	44,164

The Council has received £950,371 of developer contributions for which conditions have yet to be met and where schemes have yet to be implemented. As such, in accordance with the Code of Practice on Local Authority Accounting, the income from these contributions has not been recognised in the CIES but is held on the Balance Sheet under Grants Receipts in Advance— Revenue (£3,784) or Grants Receipts in Advance – Capital (£946,587) until the conditions have been met. Previously developer contributions have been disclosed in Note 23: Creditors and Receipts in Advance.

The Council has not received any material donations in 2012/13.

Notes to the Core Financial Statements

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.

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 (HCC) amounted to £478,903 (2011/12, £507,931). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 38 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 2012/13 is shown in Note 30 Members Allowances.

During 2012/13 the Council made no payments to Stevenage Homes Limited as the Council took direct control of the management of the council housing stock from 1 December 2011 (see also Note 42 Interest in Companies). Last year payments up to and including 30 November 2011 are listed in the following table:

2011/12	Payments made to Stevenage Homes Limited	2012/13
8,710,147	Management Fee	0
691,685	Capital Management Fee	0
989,887	Building Maintenance Operation (BMO)	0
135,687	Other	0
10,527,406		0

Conversely no payments (£1,635,664 in 2011/12) 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 £1,520,788 contract payment was paid to Stevenage Leisure Limited (2011/12 £1,699,782) and £1,195,182 paid to other organisations (2011/12 £1,112,324), either as grants or services received. With reference to all of these organisations out of the 39 Members, 37 Members declared interests through either the Register of Interests or 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 2012/13 one meeting was held at which one expression of interest was 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 2012/13, the Chief Executive and Strategic Directors declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972. The Strategic Director Resources did not take part in any discussion, decision or administration relating to the Stevenage Leisure Limited contract payments.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, 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

2011/12		2012/13
£'000		£'000
17,004	Opening Capital Financing requirement	224,647
	<i>Capital investment :</i>	
17,421	Property, Plant & Equipment	24,828
84	Investment Property	123
0	Heritage Assets	3
0	Infrastructure Assets	189
199,911	HRA Self financing payment	0
0	Local Authority Mortgage Scheme	1,500
436	Revenue expenditure funded from Capital under statute	521
<u>217,852</u>		<u>27,164</u>
	<i>Sources of Finance :</i>	
(415)	Capital Receipts - general	(917)
(2,495)	Government Grants & Other Contributions	(6,681)
(6,939)	Major Repairs Reserve	(8,221)
0	Sums set aside from Revenue:	
(360)	Direct revenue contributions	(2,746)
0	MRP and Loan Principal	(3,152)
<u>(10,209)</u>		<u>(21,717)</u>
<u>224,647</u>	Closing Capital Financing requirement	<u>230,094</u>

As at 31 March 2013 significant commitments for major projects already underway included:-

	£'000
Decent Homes and major repairs	8,732
New Build Schemes (Council Housing)	4,794
Arts & Leisure Centre cooling system	328
Golf Course	60
Swimming pool changing rooms refurbishment	52
Total	13,966

(As at 31 March 2012 significant commitments for major capital projects totalled £10,109,000)

Notes to the Core Financial Statements

36. Leases

Operating Leases

Plant and Equipment: In 2012/13 the Council had use of multi functional printing devices and vehicle leases assigned to the Council from Stevenage Homes Ltd. The amount paid under these arrangements in 2012/13 was £231,492 (2011/12 £92,487).

31 March 2012		31 March 2013		
Lease Costs Payable		Printers	Assigned Vehicles	Total
£'000		£'000	£'000	£'000
238	Not later than one year	33	167	200
197	Later than one year and not later than five years	83	47	130

Property: Authority as Lessor - the authority currently leases 281 premises which include 194 shops, 16 workshops, 12 public houses, 11 surgeries and 48 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2012/13 was £2,428,893 (2011/12 £2,379,748).

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

2011/12	Future minimum lease payments	2012/13
£'000		£'000
2,364	Not later than one year	3,017
9,455	Later than one year and not later than five years	12,068
35,497	Later than five years	45,256

Finance Leases : Property, Plant, and Equipment: There were no assets held under finance leases by the Council as at 1 April 2012. This is with the exception of de minimis lease arrangements in respect of Timebridge and Westgate car park. 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 2012/13 the Council did not incur any losses as a result of impairment. Nor did it incur any impairment losses in 2011/12.

38. 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

38. Pension contd.

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £46,639,000 (loss of £38,636,000 to 31 March 2012).

2011/12 £'000		2012/13 £'000
	Cost of service	
2,314	Current service costs	2,699
135	Past service costs	19
	Financing and Investment Income & Expenditure	
6,387	Interest costs	6,859
(5,439)	Expected return on scheme assets	(5,177)
3,397	Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services	4,400
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
10,750	Actuarial gains and losses	7,884
2,869	Acquired deficit from SHL	0
17,016	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	12,284
	Movement in Reserves Statement	
(17,016)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(4,400)
	Actual amount charged against the General Fund Balance for pensions in the year	
3,377	Employer's contributions payable to the scheme	3,639

Notes to the Core Financial Statements

38. Pension contd.

Assets & Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:-

2011/12 £'000		2012/13 £'000
(110,238)	1 April	(143,398)
(2,314)	Current Service Cost	(2,699)
(20,348)	Liabilities acquired from transfer of SHL	0
(6,387)	Interest cost	(6,859)
(712)	Contributions by Scheme participants	(843)
(7,945)	Actuarial Gains & Losses	(16,761)
4,681	Benefits paid	4,600
(135)	Past service costs	(19)
(143,398)	31 March	(165,979)

Reconciliation of the fair value of the scheme assets:-

2011/12 £'000		2012/13 £'000
74,607	1 April	94,129
17,480	Assets acquired from transfer of SHL	0
5,439	Expected rate of return	5,177
(2,805)	Actuarial Gains & losses	8,751
3,377	Employer contributions	3,764
712	Contributions by Scheme participants	843
(4,681)	Benefits paid	(4,600)
94,129	31 March	108,064

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 £13,945,000 (2011/12 £2,641,000).

Notes to the Core Financial Statements

38. Pension contd.

Scheme History

	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Fair Value of Assets	108,064	94,129	74,607	72,248	55,449
Present Value of Liabilities	(165,979)	(143,399)	(110,238)	(136,996)	(87,775)
Surplus / (Deficit) in Scheme	(57,915)	(49,270)	(35,631)	(64,748)	(32,326)

The liabilities show the underlying commitments the Council has in the long term to pay post employment (retirement) benefits. The total liability of £57,915,000 (2011/12 £49,269,805) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet net worth of £316,833,674 (2011/12 £320,988,961).

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 for current service costs expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £3,329,000.

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 Stevenage Borough Council's 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

38. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

2011/12		2012/13
	Long Term expected rate of return on assets in the scheme:	
6.2%	Equity investments	4.5%
4.0%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
21.0	Men	21.0
23.8	Women	23.8
	Longevity at 65 for future pensioners:	
22.9	Men	22.9
25.7	Women	25.7
2.5%	Rate of inflation	2.8%
4.8%	Rate of increase in salaries	5.1%
5.5%	Expected return on scheme assets	4.5%
4.8%	Rate for discounting scheme liabilities	4.5%
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

38. Pension contd.

Change in assumptions at year ended 31 March 2013	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	9	15,538
1 year increase in member life expectancy	3	4,979
0.5% increase in salary increase rate	2	3,594
0.5% increase in salary increase rate	7	11,799

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 2013:

2011/12			2012/13	
Bid Value as at 31 March 2012	Scheme assets as a % of total scheme assets		Bid Value as at 31 March 2013	Scheme assets as a % of total scheme assets
£'000	%		£'000	%
64,949	69	Equity Investments	76,726	71
16,943	18	Bonds	19,451	18
5,648	6	Property	5,403	5
6,589	7	Cash	6,484	6
94,129	100		108,064	100

Notes to the Core Financial Statements

38. Pension contd.

History of Actuarial gains and losses and experienced 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 2013 :-

	2012/13		2011/12		2010/11		2009/10		2008/09	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between expected & actual return on assets	8,751	8	(2,805)	(3)	(1,443)	(2)	13,029	18	(20,655)	(37)
Difference between expected and actual losses on liabilities	(16,758)	(10)	(7,933)	(6)	18,788	17	(44,805)	(33)	7,551	9
Actuarial Gain/(Loss) as at 31 March	(8,007)		(10,738)		17,345		(31,776)		(13,104)	
Experienced adjustments on assets	8,751	9	(2,813)	(3)	(1,443)	(2)	13,029	18	(20,655)	(37)
Experienced adjustments on liabilities	245	0	(4,774)	(3)	7,435	7	0	0	0	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 (email contact : pensions.team@hertsc.gov.uk)

Notes to the Core Financial Statements

39. Contingent Liabilities

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

- The Council has made no provision for any costs associated with any legal claims that may arise as a result of the implementation of Single Status.
- An area of land at Shephall View owned by the Council allocated for residential development in the District Plan is currently the subject of an application by a local resident to be registered as a Town Green under Section 15 of the Commons Act 2006. If this application is successful, the land will be revalued downwards to reflect loss of development potential. No provision has been made for this contingency.
- A claim has been lodged with the Council for remedial building works, required as a result of root damage caused by a tree protected by a Tree Preservation Order (and hence not covered by the Council's insurance policy). The Council has made no provision for this claim.

40. Contingent Assets

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

41. Other Bank Accounts

The Council administers bank accounts in respect of the Mayors' Charity. The balance on this account as at 31 March 2013, which have not been included in the Balance Sheet, was £3,144 (as at the 31 March 2012, £5,061 and as at 31 March 2011, £1,305). This account is used to fund various charitable donations and events.

42. Interests in Companies

The Council was the sole shareholder in Stevenage Homes Limited (SHL) which was limited by Guarantee, an Arms Length Management Organisation formed on 1 October 2006 to manage the Council's housing stock. In return, SHL was paid a management fee.

In September 2011, the Council made a decision to return housing management services undertaken by Stevenage Homes Limited (SHL) to the Council having regarded the results of the conclusions and recommendations of the Housing Options Appraisal Steering Group. As a result, on 1 December 2011 SHL staff transferred back to the Council and Stevenage Homes Limited (SHL) ceased trading (see also note 26).

Notes to the Core Financial Statements

43. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items:-

2011/12 £'000		2012/13 £'000
(196)	Interest received	(219)
735	Interest paid	7,205
539		6,986

44. Cash Flow Statement – Investing Activities

2011/12 £'000		2012/13 £'000
17,674	Purchase of property, plant & equipment, investment property & intangible assets	20,883
7,250	Purchase of short term & long term investments	0
6	Other payments for investing activities	1,506
(848)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(4,002)
(10,250)	Proceeds from short-term & long-term investments	(31)
(583)	Other receipts from investing activities	(6,277)
13,249	Net cash flows from investing activities	12,079

45. Cash Flow Statement – Financing Activities

2011/12 £'000		2012/13 £'000
(199,911)	Cash receipts of short & long term borrowing	0
(4,165)	Other receipts from financing activities	
0	Repayments of short and long term borrowing	3,000
71	Other payments for financing activities	2,390
(204,005)	Net cash flows from financing activities	5,390

Notes to the Core Financial Statements

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

2011/12 £'000	Non Cash Items	2012/13 £'000
(8,390)	Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement	(20,283)
(104)	Removal of IAS Pension entries in the Comprehensive Income & Expenditure Statement	(761)
(20)	Removal of (increase)/decrease in accumulated absences	85
(473)	Removal of carrying amount of assets disposed	(3,512)
(411)	Contributions to/(from) provision	(385)
0	Other non cash items movements	415
	Items on an accrual basis	
28	Add/(less) (decrease)/increase in stock	5
3,110	Add/(less) (decrease)/increase in debtors	934
296	Add/(less) (increase)/decrease in creditors & receipts in advance	(1,127)
<u>(5,964)</u>		<u>(24,629)</u>

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

2011/12 £'000	Investing & financing activities included in net surplus or deficit on provision of services	2012/13 £'000
826	Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement	4,043
0	Capital Grants received or applied to meet financing	6,206
<u>(606)</u>	Other payments in respect of property	<u>(622)</u>
<u>220</u>		<u>9,627</u>

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.

2011/12 £000's		Notes	2012/13 £000's
	Expenditure		
5,394	Repairs & Maintenance		5,006
10,058	Supervision & Management		8,981
45	Rents, Rates, Taxes & Other Charges		30
12,929	Negative HRA Subsidy Payable / (Receivable)	HRA 2	(23)
2,197	Depreciation, Impairment & Revaluation Gains & Losses of Non-Current Assets	HRA 8	8,942
70	Debt Management Costs		0
193	Movement in the allowance for bad debts		241
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code Settlement payment to Government for HRA self financing	HRA 3	0
<u>199,911</u>			<u>0</u>
230,797	Total Expenditure		23,177
	Income		
(34,315)	Dwelling rents	HRA 1	(36,788)
(1,139)	Non-dwellings rents		(357)
(2,520)	Charges for Services & Facilities		(2,098)
(972)	Contributions towards expenditure		(938)
<u>(38,946)</u>	Total Income		<u>(40,181)</u>
<u>191,851</u>	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement		<u>(17,004)</u>
797	HRA Services share of Corporate & Democratic Core		1,006
<u>192,648</u>	Net cost for HRA services		<u>(15,998)</u>
(342)	Gain on sale of HRA Non-Current Assets		(304)
579	Interest payable & similar charges		7,190
(106)	Interest & Investment Income	HRA 4	(135)
(235)	Capital grants & Contributions receivable		(4,833)
143	Pension Interest and expected return on pension assets	HRA 12	435
<u>192,687</u>	(Surplus)/Deficit for the year on HRA services		<u>(13,645)</u>

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.

2011/12 £000's		Note	2012/13	
			£000's	£000's
(3,685)	Balance on the HRA at the end of the previous year			(5,766)
192,687	Deficit for the year on the HRA Income & Expenditure Statement		(13,645)	
(192,222)	Adjustment between accounting basis and funding basis under statute	7	11,509	
465	Net (increase)/decrease before transfers to or from reserves		(2,136)	
(2,546)	Transfers to/from reserves	7	0	
(2,081)	(Increase)/Decrease in year on the HRA			(2,136)
(5,766)	Balance on the HRA at the end of the year			(7,902)

Notes to the Housing Revenue Account (HRA)

HRA 1. Gross Rent Income

Dwelling rents as shown on the HRA Income and Expenditure Statement is the total rent income due, excluding service charges and after an allowance is made for voids etc. During the year 0.52% of lettable properties were vacant (in 2011/12 figure was 0.55%). Average rents were £86.43 a week in 2012/13 (£80.45 in 2011/12).

HRA 2. Housing Subsidy Receivable/Payable

Under the Local Government and Housing Act 1989 subsidy was calculated on a notional account that is constructed from specified debits and credits. Levels of notional expenditure and income on certain items were based on allowances and increases specified by the Government. 2011-12 was the last year of HRA subsidy system and has been replaced with Housing Revenue Account Self Financing however there was a small adjustment to the final year's claim with an additional £23,042 being recognised as income in 2012/13.

The following table summarises the basic elements used in the calculation.

Notes to the Housing Revenue Account (HRA)

HRA 2. Housing Subsidy Receivable/Payable contd.

Notional Subsidy Calculation

2011/12			2012/13	
£'000	£'000		£'000	£'000
14,121		Notional Expenditure		
	14,121	Management and Maintenance	0	0
		Less Notional Income		
(34,138)		Rents	0	
(67)		Interest	0	
	(34,205)			0
	(20,084)	Housing Subsidy Withdrawal		0
	6,590	Major Repairs Allowance		0
	(13,494)	Negative Subsidy Entitlement (incl. MRA)		0
		Special Determination		
	72	Self Financing Interest Payments		0
	507	Special Determination		0
	(12,915)	Overall Subsidy Position for year		0
	(14)	Adjustment on 2010/11 subsidy*		0
	0	Adjustment on 2011/12 subsidy**		23
	(12,929)	Negative HRA Subsidy payable as shown on HRA Income & Expenditure Statement		23

* adjustment for 2010/11 subsidy: Additional subsidy payable by the Council arose from a late change to the interest due on HRA investments.

** adjustment for 2011/12 subsidy: Accrued interest payment not made in 2012/13 following DCLG decision on Capital Financing Requirement used for calculating negative subsidy due from the Council.

HRA 3. Special Determinations and Transitional Negative Subsidy Transfer

In 2011/12 the Housing Revenue Account was granted a Special Determination of £506,913 payable through the subsidy system. The subsidy system was abolished by the government and replaced with the self financing regime in April 2012 and therefore there will be no future Special Determinations given to the HRA through the subsidy system.

Notes to the Housing Revenue Account (HRA)

HRA 4. Interest payable and Interest and Investment Income

The HRA will pay interest on borrowings and receive interest on revenue balances and mortgage loans given. In 2012/13 the HRA paid interest of £7,189,216 on PWLB loans taken out at the inception of Self Financing.

The interest received by the HRA is in respect of interest revenue balances and mortgages.

	2011/12 £'000	2012/13 £'000
Interest on receipts*	58	0
Interest on revenue balances	35	122
Interest on mortgages	13	13
	106	135

*interest on receipts was part of the subsidy arrangement which was subsequently abolished on the introduction of the Self Financing regime.

HRA 5. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve

2011/12			2012/13	
£'000	£'000		£'000	£'000
	(414)	Opening Balance as at 1st April		(66)
		Transfers to the MRR -		
(9,018)		Depreciation of HRA Dwellings	(9,741)	
(292)		Depreciation of other HRA Assets	(217)	
	(9,310)			(9,958)
		Transfers from MRR -		
	6,939	Financing of HRA Capital Expenditure		8,222
		To HRA Appropriations -		
2,719		Depreciation in excess of MRA & other HRA Assets	0	
	2,719			0
	(66)	Closing Balance as at 31 March		(1,802)

Notes to the Housing Revenue Account (HRA)

HRA 6. Housing Stock Numbers

The stock movement can be summarised as follows:-

2011/12 No.		2012/13 No.
8,280	Stock as at 1st April	8,271
(9)	Less Right to Buy Sales	(51)
0	Conversions/other	34
<u>8,271</u>	Stock at 31st March	<u>8,254</u>
5,364	Houses	5,384
<u>2,907</u>	Flats	<u>2,870</u>
<u>8,271</u>	Total	<u>8,254</u>

The stock numbers disclosed above are properties that are in management and available to let. A total of 34 units have been returned from "out of management". This figure includes 31 units in the hostel.

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 31 March 2012	£ 448,865,548
As at 31 March 2013	£ 451,422,051
The Vacant Possession value of the dwellings as at 1 April 2012 was	£ 1,153,543,625

Notes to the Housing Revenue Account (HRA)

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 2012	31 March 2013
Vehicles Plant & Equipment	£458,587	£501,506

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 and the component parts of the dwellings over their anticipated useful life.

2011/12 £000's		2012/13 £000's
	Depreciation	
9,018	HRA Dwellings	9,741
292	Other Assets	217
	Revaluation gain	
(7,113)	HRA Assets	(1,016)
2,197	Total	8,942

Notes to the Housing Revenue Account (HRA)

HRA 9. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2012/13 is summarised as follows:

2011/12 £'000		2012/13 £'000
	Capital Expenditure	
199,911	HRA Payment for Self financing	0
12,377	Major Repairs & Improvements	14,019
833	Disabled Adaptations	683
71	Equipment	211
0	Assets under construction	1,351
213,192		16,264
	The Capital Expenditure was financed as follows:	
56	Capital Receipts	656
6,939	Major Repairs Reserve	8,222
5,929	Borrowing (Decent Homes)	0
199,911	Borrowing - Unsupported for Self financing	0
357	Contributions	7,386
213,192		16,264

Total Capital Receipts in 2012/13 from the sale of property within the HRA can be summarised as follows :-

2011/12 £'000		2012/13 £'000
(791)	Right to Buy Sales	(3,720)
(15)	Right to Buy Mortgage Repayments	(19)
(12)	Other Land & Property *	(1)
(818)		(3,740)

*Includes repayment of Right to Buy discounts

HRA 10. Rent and Supported Housing Payment Arrears

During the year 2012/13 rent arrears as a proportion of gross rent income were 3.4% (3.1% in 2011/12).

2011/12 £'000		2012/13 £'000
1,182	Arrears at 31 March	1,365
83	Amounts written off during the year	109

The bad debts provision stood at £640,756 at 31 March 2013 (£508,520 at 31 March 2012).

Notes to the Housing Revenue Account (HRA)

HRA 11. Revenue Expenditure Funded from Capital under Statute.

There was no HRA expenditure in 2012/13 relating to revenue expenditure funded from capital under statute.

HRA 12. Accounting for Pension Costs in the HRA

Note 39 of the core financial statements gives a detailed explanation to the accounting requirements for pension costs. The following transactions were made in the HRA in 2012/13 to reflect its share of the pension fund transactions in the year.

2011/12 *		2012/13
£'000		£'000
	Cost of service	
265	Current service costs	698
15	Past service costs	5
	Financing and Investment Income & Expenditure	
963	Interest costs	1,774
(820)	Expected return on scheme assets	(1,339)
423	Total Post Employment Benefit Charged to the HRA Income and Expenditure Statement	1,138
	Movement on the HRA Statement	
423	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	1,138
462	Employer's contributions payable to the scheme	1,164

* In 2011-12 staff transferred back to the Council from Stevenage Homes Limited and only a part year apportionment of costs were made to the HRA.

The Collection Fund Statement 2012/13

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.

The Collection Fund Income and Expenditure Account 2012/13

2011/12			2012/13	
£'000	INCOME	Notes	£'000	£'000
44,661	National Non-Domestic Rates (NNDR) Pool	CF 2	45,626	
35,285	Council Tax	CF 1	35,537	
7,332	Council Tax Benefit	CF 1	7,357	
87,278				88,520
	EXPENDITURE			
	Precepts and Demands:-			
32,220	Hertfordshire County Council		32,433	
5,429	Stevenage Borough Council		5,465	
4,257	Hertfordshire Police Authority		4,285	
41,906				42,183
	National Non-Domestic Rates			
44,554	Payment to National Pool		45,516	
107	Cost of Collection Allowance		110	
44,661				45,626
217	Movement in provision for Doubtful Debts			46
	Contributions -Towards previous year's estimated collection fund surpluses			
927	Hertfordshire County Council		483	
87	Stevenage Borough Council		82	
119	Hertfordshire Police Authority		64	
1,133				629
87,917				88,484
(639)	Surplus/(Deficit) for the year			36
1,138	Surplus/(Deficit) as at 1 April			499
499	Surplus/(Deficit) as at 31 March	CF 3		535

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; (28,988.00 for 2012/13, 28,797.44 for 2011/12). The basic amount of Council tax for a band D property £1,455.17 (£1,455.17 for 2011/12) 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	0	1,460	6,054	20,871	3,161	2,948	838	415	12	35,759
Exemptions		(54)	(220)	(298)	(52)	(38)	(14)	(3)	(5)	(684)
Disabled Relief	1	4	73	(63)	8	(17)	0	(5)	(1)	0
Discounts (25%)	0	1044	3,828	6,694	803	459	98	60	0	12,986
Discounts (50%)	0	0	7	10	2	3	9	6	3	40
Discounts (90%)	0	6	38	40	4	5	3	1	0	97
Equated Value Discount	0	257.35	967.75	1,690.75	201.65	115.65	27.75	14.75	0.30	3,275.95
Effective Properties	1.00	1,148.40	4,948.70	18,890.50	2,920.85	2,820.25	794.70	388.90	4.50	31,917.80
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	0.56	765.6	3,848.99	16,791.56	2,920.85	3,446.97	1,147.90	648.17	9	29,579.6
Council Tax Base										
										Band D equivalent multiplied by collection rate of 98%
										28,988.00

Notes to the Collection Fund Statement

CF 1. Council Tax (cont)

The income chargeable of £48,272,850 in 2012/13 is from the following sources:

2011/12 £		2012/13 £
35,285,332	Billed to Council Tax Payers	35,747,804
7,331,564	Council Tax Benefits	7,357,348
<u>5,331,585</u>	Exemptions, Discounts, etc.	<u>5,167,698</u>
<u>47,948,481</u>		<u>48,272,850</u>

CF 2. National Non-Domestic Rates

The Government specifies an amount (43.3p in 2011/12 and 45.8p in 2012/13) 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 45.0p in 2012/13 (42.6p in 2011/12). 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 £45,515,810 in 2012/13 (£44,554,285 2011/12). The rateable value for the Council's area is £111,723,160 at 31 March 2013 (£111,398,085 at 31 March 2012). 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 2013 was £535,393. 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 calculated in proportion to the respective precept made as at 31 March 2013 is as follows:

2011/12 £		2012/13 £
64,650	Stevenage Borough	69,360
50,683	Hertfordshire Police Authority	54,387
<u>383,693</u>	Hertfordshire County Council	<u>411,646</u>
<u>499,026</u>	Total	<u>535,393</u>

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

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

Annual Governance Report

Introduction

1 Scope of Responsibility

- 1.1 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.
- 1.2 In discharging this overall responsibility, Stevenage Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 1.3 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.
- 1.4 This Statement explains how the Council has complied with the code and also meets the statutory requirements in section 4(3) of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.
- 1.5 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.

2 The Purpose of The Governance Framework

- 2.1 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 its communities. 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 services and value for money.

Annual Governance Report

- 2.2 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.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

3 The Governance Framework

- 3.1 Corporate Governance Group now forms Part B of Corporate Risk and Governance Group. The Corporate Risk Group and Corporate Governance Group were merged to form part A and Part B of this group from April 2013. The aim of bringing the groups closer together is to enhance the links between risks and governance arrangements, drive continuous improvement of the Council's governance framework and develop the assurance framework with a focus on the CIPFA six core principles of corporate governance.
- 3.2 In addition, 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 2012/13 Annual Governance Statement.
- 3.3 The key elements of the systems and processes that comprise the Council's governance arrangements are summarised in sections 4 to 19.
- 3.4 At the end of each section, any identified improvement actions have been summarised. These actions are set out in the Action Plan at section 21 with planned delivery timescale.

Governance Arrangements

4 Establishing and Monitoring the Achievement of Objectives

Establishing objectives

The Council's vision for the town and strategic ambitions and associated priorities are set out in the Corporate Plan. The Plan links with the Stevenage Community Strategy which is produced in liaison with the Council's strategic partners on SoStevenage, the Local Partnership.

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. As part of the Performance Management Framework, programme governance arrangements are in place to monitor delivery.

Annual Governance Report

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 and advise any necessary changes of focus to reflect:

- Local Government Legislation
- Results of Community Consultation
- Analysis of local data and demographics

In response to emerging changes in Local Government Legislation and the economic environment, an interim review of the Corporate Plan was carried out during 2010/11. The review indicated that a new corporate plan needed to be developed to reflect the changed economic landscape. In addition the Council adopted a set of co-operative principles that recognise that the support and partnership of organisations, residents and staff is needed to run services. It was agreed that the new Corporate Plan would reflect this co-operative approach.

The Council's new Corporate Plan was developed in 2012/13 and will be submitted to Council for approval in July 2013.

The plan:

- Reflects a streamlined approach consisting of clear and focussed improvement priorities that are achievable with the Council's resources in the current financial context
- Clearly articulates the co-operative approach, recognising that the support and partnership of organisations, residents and staff is needed to run services
- Demonstrates a commitment to community involvement in service design and delivery
- Will assign clear performance measures and targets to monitor success.

The Council is currently developing a programme ('Forward Together') aimed at changing the organisation to deliver against the corporate plan in a world of reducing resources.

In January 2011, the Council launched its new Cooperative Principles, which promote and support the close working relationships the Council has with the town's residents and organisations. The principles were communicated to the public in the Annual Report 2011 and through development of a co-operative Council commitment document in 2012. In addition, the principles were communicated to staff by the Chief Executive at (roadshow) presentations in February 2013 and through promotion of co-operative posters across the Council. More information is provided in Section 11 of this Statement.

Monitoring the achievement of objectives

Arrangements to monitor performance include quarterly monitoring of:

- The Corporate Improvement Programme
- Balanced Scorecard results
- Strategic Risk

Further detail on the Performance Management Framework is set out in section 17.

Annual Governance Report

Residents' views on priority activity and perceived outcomes are established through local consultation.

During 2012/13, consultation and participation activity has included:

- Three Café Choice events – in the town centre in October 2012, December 2012 and March 2013
- Review of Resident Involvement
- Housing Leaseholder Satisfaction survey
- Housing customer conference in June 2013 with 79 attendees
- Council Tax consultation through a variety of methods incorporating views from 1085 residents in total
- Survey on sheltered housing
- Survey on Housing Allocations policy
- Community Safety perceptions of young people consultation focus at Café Choice
- Consultation on draft strategies including the Corporate Social Responsibility strategy and draft community strategy

In May 2009 the Council was assessed as 'achieving status' of the Equalities Standard for Local Government. Following changes in legislation, our equality and diversity action plan was developed in 2011/12 and refreshed in 2012/13, outlining a programme of activity to implement improvements to our equalities and diversity arrangements across the Council.

A self assessment to establish the Council's state of play on equalities and diversity practice has been initiated during 2012/13 and will be completed in 2013/14. This will help inform the direction of travel and further activities required by the Council to improve and develop equalities and diversity.

Our approaches to consultation and engagement and ensuring equalities and diversity, 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. For further information on consultation, please see section 8.

The effectiveness of the overall arrangements to monitor performance is also informed by:

- The work of managers within the Council
- The roles performed by the Monitoring Officer and Chief Financial Officer
- The work of the Shared Internal Audit Service
- The Annual Audit and Inspection Letter
- Reports by other review agencies and inspectorates
- Performance management arrangements and related regular reporting.

Improvement Activity: The Council considers the governance processes in place to 'Establish and Monitor the Achievement of Objectives' robust and no significant improvement actions are identified.

Annual Governance Report

5 The Facilitation of Policy and Decision-Making

Constitution

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.

Executive

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:-

- Children and Young People, Culture, Sport and Leisure
- Community, Health and Older People
- Economy, Enterprise and Transport
- Environment and Regeneration
- Housing
- Resources
- 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.

The Council appoints the Leader who then appoints the Executive and identifies their Portfolio areas. 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.

Decision-making

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. Strategic Directors meet with their relevant Portfolio Holders on a regular basis to brief them on all aspects within their remit.

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.

Annual Governance Report

Overview and Scrutiny

The Council has seven Development & Scrutiny Committees that mirror the Executive portfolios in terms of their remit. The Committees undertake scrutiny studies on topics/services they decide upon for themselves, and also assist Portfolio Holders in developing new policies. Relevant Committees formally consider budget and policy framework matters before final consideration by the Executive and recommendation to Council. The decisions of the Executive are sent to all Scrutiny Members 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.

Compliance with recent legislation

The Council's Constitution and administrative procedures have been amended to take account of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. Arrangements have been put in place to ensure that details of Key Decisions to be taken are published 28 days in advance of the decisions being taken. The same applies to decisions to be taken by the Executive in private. Copies of Background Documents (or links thereto) are now also published with each Executive agenda.

Improvement Activity:

The Council considers the governance processes in place to 'Facilitate Policy and Decision-Making' robust and no significant improvement actions are identified.

6 Compliance With Policies, Procedures, Laws And Regulations

Governance Structure

The Council has structured its processes and procedures for the Executive and Scrutiny Committees 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.

Regulation Guidance

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.

Annual Governance Report

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, an Employee Code of Conduct, protocol on Members/officer relations, financial regulations, budget and policy framework, contract standing orders)
- Members' Register of Interests
- Corporate Plan
- Corporate Improvement Programme.
- Risk Management Policy and Risk Management Guide
- Performance Management Framework
- Communications Strategy
- Whistle Blowing Policy
- Corporate Procurement Strategy
- Business Continuity Policy

Improvement Activity:

The Council considers the governance processes relating to 'Compliance with Policies, Procedures, Laws and Regulations' robust and no significant improvement actions are identified.

7 Receiving and Investigating Complaints from the Public

Complaints relating to Service Delivery

During 2011/12 and 2012/13 Stevenage Borough Council and Stevenage Homes followed independent robust complaints policies and procedures. Following the successful transfer of Stevenage Homes to the Council on 1 December 2011 the Customer Focus team has initiated work to develop a new process based on best practice from both organisations. The new policies and procedures will be rolled out across the Council during 2013/14. The new process will bring together and enable learning from complaints, compliments and customer feedback including ideas, comments and suggestions. Complaints can be received anywhere in the Council but are centrally co-ordinated by the Customer Focus team. The new consultation and engagement e-platform will be used to strengthen the customer feedback and complaints mechanisms and support the new arrangements.

On completion of this project the Customer Focus team will conduct reviews across the Council Service Delivery Units to improve accessibility and ensure quality of customer care.

Complaints regarding Member Conduct

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 a scheme devised pursuant to Chapter 7 of the Localism Act 2011.

Annual Governance Report

Improvement Activity:

Whilst the Council considers the governance processes for 'Receiving and Investigating Complaints' provide sufficient assurance, they have not been reviewed for several years. Activity to review and develop the process started in 2012/13 as indicated above and summarised below:

Action: Complete relevant strands of the Customer Focus Strategy in relation to Customer Access Reviews. (Ref 2 of Action Plan at section 21)

8 Establishing Clear Channels of Communication with all Sections of the Community and other Stakeholders, Ensuring Accountability and Encouraging Open Consultation

Communication

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.

The Council's Corporate Communications Strategy, Let's Talk, sets out the process to ensure the Council communicates its aims and achievements to all stakeholders. The purpose of the strategy is to determine how the Council will 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.

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.

A Communications Forward Plan is maintained and submitted to Strategic Management Board monthly to ensure that robust communication is carried out across all Council services and with key stakeholders.

Consultation

A review of the Council's approach to consultation and engagement commenced 2012/13. A summary of progress to date is set out below:

- Residents have been consulted through two Café Choice events in the town centre on their views about where, when and how they would like the Council to engage with them.
- A consultation and engagement strategy outlining the principles by which the Council will engage with residents and key stakeholders has been developed taking account of feedback from staff and residents.
- The consultation needs of the Council have been mapped as well as views of key service managers and heads of service to begin development of a specification for an online e-consultation gateway tool which should decrease costs and improve quality of consultation across the Council.

Annual Governance Report

- The mapping of the aggregated cost of consultation across the Council has been initiated and will be used to develop a clear business case for the online e-gateway.
- An update of the consultation and engagement guidance and toolkit documents has been initiated.

These activities have informed the online e-gateway and the Council's commitment to consultation and engagement as outlined in the new strategy. The strategy will be signed off by Executive in June 2013.

Councillor Call for Action

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 and although this is no longer a statutory requirement the facility remains in place.

Improvement Activity:

Whilst the Council considers the governance processes for 'Communication with All Sections of the Community and Other Stakeholders, Ensuring Accountability and Encouraging Open Consultation' provide sufficient assurance, the consultation framework is currently being reviewed as outlined above.

Action The draft consultation and engagement strategy is scheduled for consideration by Executive in June 2013. (Ref 3 of Action Plan at section 21)

9 Incorporating Good Governance Arrangements in Respect of Partnerships and Reflecting these in the Council's Overall Governance Arrangements

'Significant Partnership' Governance

Partnerships are a key component for service provision. The Council has two significant partnerships:

- SoStevenage, the local partnership
- Stevenage Leisure Limited (SLL)

In addition, there are emerging significant partnerships through shared services.

SoStevenage includes a governance statement in its *Guide to SoStevenage* that sets out risk and performance management arrangements. The terms of reference and Guide to SoStevenage are refreshed annually and ratified at the SoStevenage Annual Forum each January.

The SoStevenage Board consists of 42 members across the public, private and voluntary and community sectors. We are currently two years through the three year term for Board members and elections will need to be held to reconfirm Board membership for January 2014.

The SoStevenage partnership consists of a number of theme partnerships as outlined in the SoStevenage Guide. These partnerships are reviewed as appropriate to ensure effectiveness, good governance and accountability. A review into the SoStevenage Board and Executive frequency and function in 2011 highlighted the positive perceptions amongst partners of the current Board and Executive structure, frequency and purpose. The SoSafe partnership was reviewed and streamlined in early 2011. During 2012/13 work began to

Annual Governance Report

review membership and function of the Action for the Environment partnership. This work will continue through to 2013/14. Work will also be carried out in 2013/14 to review the Social Inclusion Partnership and the Business Forum to increase their effectiveness.

The governance arrangements for SLL are subject to contractual arrangements and underpinned by a detailed management agreement.

The Council's Corporate Risk Group monitors consistency of risk management across key partnerships as identified in section 10.

In addition to the governance processes above, the Council is a leading partner in the development of the Community Strategy, liaising with SoStevenage partners regarding the setting of priorities and actions for delivery, and seeking the partnership's agreement for implementation.

Shared Service arrangements

During 2011/12, the Council established shared service arrangements with other Hertfordshire local authorities as outlined below:

- A Shared Internal Audit Service (SIAS) went live from July 2011
- A Housing Benefits and Local Taxation Service shared with East Herts District Council went live from the end of March 2012.

During 2012/13 Stevenage, East Herts and North Herts Councils worked together on a draft business case to explore whether shared support services was a viable option for them in relation to:

- ICT
- Human Resources and Payroll
- Facilities Management; and
- Print services

Following North Herts decision to withdraw from shared services arrangements for reasons local to them, Stevenage Borough Council and East Herts Council have reviewed arrangements for the two authorities and agreed to proceed, seeking a formal decision for the following shared services from July 2013:

- ICT
- Print and Graphic design
- Business Improvement

In addition, informal shared service arrangements are being pursued covering payroll and facilities management services focused upon shared procurement and shared use of a common payroll system.

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.

Annual Governance Report

Partnership Governance Guidance

A Partnership Toolkit is available to all staff on the Council's Intranet -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.

In summary, the Toolkit sets out guidance on:

- Governance arrangements
- Risk management
- Financial arrangements
- Communication and engagement
- Dispute resolution

Improvement Activity:

The Council considers the governance processes in place relating to 'Incorporating Good Governance Arrangements in respect of 'Partnerships and reflecting these in the Council's Overall Governance' robust and no significant improvement actions are identified. However, as indicated, the Council is pursuing further shared service arrangements with other Hertfordshire authorities.

The Council hope that sharing services may provide an opportunity for improvements to the sustainability and resilience of services in scope, delivering a level of quality and efficiency that is not achievable individually.

10 Risk Management

Policy and Direction

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. Any residual risk score of 10 or above (a 'High' or 'Very High' level risk) is deemed outside the Council's risk appetite (above tolerable level). A clear process of escalation for risks above 'tolerable' level is outlined in risk management guidance for officers. Strategic risks are linked to the Council's ambitions and priorities. All risks are subject to regular review.

During 2012/13 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.

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.

Corporate Risk Group

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.

Annual Governance Report

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
- Considers the Council's risk appetite

Operational Risk Management

Operational risk 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 to strategic level are added to the quarterly review of the Strategic Risk Register and reported to SMB. A report on the status of operational risk registers is submitted to Strategic Management Board on a quarterly basis. The report identifies when operational risk registers for each service delivery unit were last reviewed and provides an indication of the quality of the register, based on local assessment by the Performance and Improvement Team.

In addition, a process of peer review was introduced during 2012/13 to help to embed operational risk management and enhance the quality of operational risk management.

Project Risk Management

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 by project managers during the implementation phase of projects.

Training

Since 2008/09, the Council's insurers (Zurich) have provided a programme of risk management consultancy to strengthen and embed our risk management arrangements. Zurich has provided regular training and awareness workshops to Heads of Service on the Council's approach to risk. The Council has supported this with in-house training and the offer of one to one training appropriate to need. Officer training is now particularly focused on risk identification and the development of operational level risk registers. Between April 2012 and April 2013, training has been provided for Housing services, Environmental services, Housing, Community and Communications and Leisure services.

Risk management training has been provided for Members annually since 2009/10 as part of the Modern Member Programmes.

We will continue to enhance training to meet particular needs.

Annual Governance Report

Improvement Activity:

The Council considers the governance processes in place in relation to 'Risk Management' robust, and no significant improvement actions are identified. The Shared Internal Audit Service assessment of risk management arrangements for 2011/12 achieved a 'substantial assurance' rating. A follow-up audit on the 2012/13 arrangements concluded that any appropriate actions to enhance risk management arrangements had been implemented and no further actions were identified.

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

Member Codes and Protocols

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
- The appointment of an independent person as defined in Chapter 7 of the Localism Act 2011.

In 2011, in advance of the MPs' 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.

Later audits have not identified any necessary further improvements.

Complaints regarding Members

The Members' Code of Conduct was revised pursuant to Chapter 7 of the Localism Act 2011 and approved by Council in July 2012. Complaints about Members and allegations that a Member has breached the Code of Conduct are dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer).

Officer Code of Conduct

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 re-statement 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.

Annual Governance Report

During 2012/13, measures have been taken to increase awareness of the code using the Council's staff magazine, 'Link'.

Organisation's Values

The Council has committed to the values of co-operative working through its membership and leadership of the national co-operative Council's network. The principles were communicated to the public in the Annual Report 2011 and through development of a co-operative Council commitment document in 2012. In addition, the principles were communicated to staff at Chief Executive (road show) presentations in February 2013 and through promotion of co-operative posters across the Council. However, further communication with staff is necessary throughout 2013/14 to ensure that the principles are widely applied and embedded in corporate culture. Co-operative Council communications is one of a number of communications campaigns that will be undertaken by the Corporate Communications team in 2013/14.

Improvement Activity:

Whilst the Council considers the governance processes in place to 'Develop, communicate and embed Codes of Conduct detailing standards of behaviour for Members and officers' sufficient, the Council's cooperative principles are not fully embedded in corporate culture. An action to address this is set out below:

Action: Continue to communicate change of values to co-operative principles to enhance understanding (Ref 4 of Action Plan at section 21)

12 Member and Officer Capacity and Capability

The Council has a number of ongoing measures and work streams in place to ensure member and officer capacity and capability. These include:

- A member development programme
- A staff learning and development programme
- An apprenticeship programme
- Proactive management of sickness absence
- A project to implement the National Single Status Agreement in respect of pay and reward
- An confidential employee assistance service, available to all employees, offering counselling, financial and legal advice
- A comprehensive Occupational Health Service with access to physiotherapy and psychological services, as necessary
- A proactive employee relations service which ensures that performance and disciplinary matters are resolved promptly and effectively provides advice and support for service restructures, TUPE transfers etc.
- A comprehensive Health and Safety Service which ensures the health, safety and well-being of all employees to enable them to do carry out their roles effectively and safely.

During 2012/13, following the transfer of staff to the Council from Stevenage Homes Ltd and the joining together of two Human Resources Services, the Human Resources & Organisational Development Service (HR & OD) has been operating an interim structure pending the outcome of a proposal to establish shared support services with East Herts and North Herts Councils as it was not prudent to undertake a formal restructure before the outcome of this proposal was known. This interim structure meant that there was no Head

Annual Governance Report

of Service in post between June 2012 and January 2013, and a number of posts were either left vacant, or filled on a short-term basis, resulting in a significant backlog of work.

In January 2013, agreement was reached that the shared services proposal would not go ahead in respect of HR & OD and the Council was therefore in a position to take steps to establish a permanent structure for the HR & OD Service. An interim Head of Service was appointed from February 2013 and in March 2013, the Council's Strategic Management Board gave approval to proposals for a permanent structure for the service. A consultation process was launched with staff affected during the same month. This was quickly followed by the appointment of a permanent Head of HR & OD.

The permanent structure will be finalised by the end of October 2013. The HR & OD Service will be structured into four teams to support member and officer capacity and capability as follows:

Strategic HR & OD (Head of HR & OD)

Development and implementation of Council-wide HR & OD strategy.

Learning and Development

Leadership and management development.

Workforce development.

Performance Development Management (PDM) policy and process.

Investors in People.

Apprenticeship programme.

Induction.

Employee Resourcing

Recruitment (including safeguarding).

Pay and reward (post implementation of Single Status).

Workforce planning.

On-line HR manager/employee self service.

HR system.

Business Partnering and Policy Development

Employment policy.

Employee relations work.

Strategic and professional HR advice and support.

Health and Safety

Compliance with Health and Safety legislation.

Professional advice in respect of best health and safety practice.

Annual Governance Report

Improvement Activity:

The Council considers that the governance processes in place to monitor and develop 'Member and officer capacity and capability' are sufficient when implemented. However, as a result of the interim structure in place for HR during 2012/13, corporate induction has been in a period of review and no formal corporate induction events have been carried out. The corporate induction programme was discussed with Strategic Management Board in March 2013 and is due to recommence, with a target for all staff recruited this year to attend induction training by end of June 2013.

Action: Revised Induction Programme to be delivered during 2013/14 and induction modules to be developed tailored to staff needs. (Ref 5 of Action Plan at section 21)

The implementation of Single Status is currently in progress to harmonise terms and conditions. Though it is recognised that a review of the performance appraisal process may enhance meaningful performance dialogue for all staff with their managers, activity to develop the Council's People Strategy and competency based framework will be scheduled following implementation of Single Status to ensure appropriate alignment of policies and procedures.

13 Internal Audit Arrangements

Annual Audit Coverage

The Council's Internal Audit service was transferred to the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council from the 1 June 2011. 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 Head of Assurance reports to the Council's Assistant Director 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 Audit Champion meetings. The Head of Assurance 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 Service 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.

2012/13 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2013. From the internal audit work undertaken in 2012/13 the Shared Internal Audit Service (SIAS) can provide Moderate assurance on the adequacy and effectiveness of the Council's control environment. The assurance is broken down between financial and non-financial systems as follows:

- **Assurance opinion on financial systems:** SIAS overall opinion is Substantial Assurance; whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk
- **Assurance opinion on non-financial systems:** SIAS overall opinion is Moderate Assurance; whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.

Annual Governance Report

The 2011/12 Annual Governance Statement highlighted some particular recommendations relating to governance for declaration of officer interests. A follow-up audit was carried out by the Shared Internal Audit Service in 2012/13. The resulting report indicated that where appropriate, activity to address the recommendations has now been implemented as summarised below:

Recommendation	Status February 2013
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	Implemented: The Strategic Director (Resources) reviews the Register each month and passes any relevant information on to appropriate Strategic Director / Head of Service. Details of his actions are recorded.
Procedures for the management review of the Interest Register should be developed and approved for use.	Implemented: The Officer Code of Conduct sets out details of the rules regarding declaration of interests.
Separate registers for Officer Interests, and Gifts and Hospitality are maintained	No further action: The Council receives very few declarations of interests that to retain two separate registers would be inefficient.
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	Implemented: Declarations made by the Strategic Director resources would be referred to the Chief Executive.

Improvement Activity: The Council considers that the 'internal Audit Arrangements' are robust and no significant improvement actions have been identified.

14 Audit Committee

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 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'

Annual Governance Report

- The Council's Constitution in respect of Contract Standing Orders and Financial Regulations
- The Council's Risk Management arrangements
- The Council's arrangements for delivering value for money
- The Council's Annual Governance Statement
- The Statement of Accounts and related Capital Determinations

The Audit Committee is an advisory committee of the Council. It has been constituted in line with best practice recommendations from CIPFA guidance. In 2012/13 the membership of the Audit Committee includes one Executive Member and two Opposition Members. The Chair is neither on the Executive, nor serves on a Scrutiny Committee. The Committee is further supported by an independent representative who, in addition to independence also brings further financial/accounting professional skills. The Committee has received specific training by our external auditors and in-house training on the Statement of Accounts and Treasury Management. 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.

The structure and role of Audit Committees was subject to the consultation on the review of local public audit arrangements published in March 2011. The consultation set out options for independent audit committees to appoint auditors. Following consultation, the Department for Communities and Local Government (CLG) published a draft Local Audit Bill in July 2012 setting out a vision for the new Local Audit Framework. The draft Bill identifies that bodies will appoint their own (eligible) auditors and sets out the requirements of that process. In summary:

- The requirement for local bodies to take into consideration the advice of an independent panel before making the appointment of their auditor.
- This independent 'auditor panel' must consist of a majority of independent members, and have an independent chair.

Appointment of the auditor will be made by the full Council on the advice of an Independent Auditor Appointment Panel.

Consultation on the Draft Bill was carried out between July and August 2012. In January 2013, a Committee appointed by the Government to conduct pre-legislative scrutiny of the Draft Local Audit Bill published its findings. The Government responded to a variety of recommendations made by the Committee at the end of April 2013. In relation to a recommendation for the performance of the new audit framework to be included in the Government's post-implementation review, the Government has committed to undertake a post-implementation review of the new audit framework once it is in operation and the impact in terms of costs and benefits to the public sector.

The Council currently has a contract with Grant Thornton for the provision of External Audit Services. This arrangement continues until 2016/17.

Improvement Activity:

The Council considers that the operation of the 'Audit Committee' is robust and no significant improvement actions have been identified.

Annual Governance Report

15 Ensuring Economic, Efficient and Effective Use of Resources

Budget Process

The Council has continued 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 identifying budget pressures as part of the Service and Financial Planning process, starting with the Medium Term Financial Strategy in July and then formal approval (growth bid) as part of the annual budget setting process in February, (January for the Housing Revenue Account). In year pressures will be reported to SMB and Executive, as part of the quarterly monitoring process for approval, with any mitigating actions.

Identification of savings is Member led and focussed on the alignment of financial resource to corporate direction and delivery of service priorities, creating a clear link to the Council's corporate plan.

Savings and growth options are reviewed by a cross party group (Leaders Services Priority Group) before approval by the Executive and Council. Options that are approved as part of the budgetary process have implementation plans where appropriate and staff related options are co-ordinated by Human Resources.

The Council are currently reviewing the budget implementation process, developing a new methodology to enable the delivery of the necessary £3m savings over the next three years that results from the projected reduction in government funding and other economic pressures.

Economic and effective use of resources is subject to review through the work of both Internal and External Audit.

Consultation to inform Use of Resources

The Council provided a number of online and face to face opportunities for people to contribute to the budget consultation exercise in 2012/13:

Face to face

- Engagement with voluntary and community sector groups currently in receipt of community funding, and engagement with the youth Council and other youth related stakeholders relating to specific 2013/14 budget proposals.
- A Café Choice event was held in the town centre to consult on the Council's key priorities for improvement as outlined in the draft Corporate Plan 2013-2018. These priorities inform the Council's policy framework from 2013/14 to 2018 and therefore drive the Council's medium term budget setting process.

Online

- Opportunities for people to contribute to the budget consultation exercise were provided through a dedicated area on the Council's website that brings 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 comment specifically on the 2013/14 budget proposals.

Annual Governance Report

Feedback that the Council received as part of the community engagement process will continue to be fed into the budget setting process. Information about how the community have been, and can continue to be, involved in the process will be included in any communications around the proposals.

A quantitative survey of residents across the town is being planned during 2013 to help inform the Medium Term Financial Strategy. This will enable residents to input into any strategic discussions around longer-term budget savings and the future shape of the Council.

Continuous Improvement

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.

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. The 2011/12 Annual Audit Letter stated that 'The Council has a good track record in managing expenditure against budget. This reflects good performance in challenging times'.

To support the Council's commitment to efficient and effective use of its resources, special Challenge Board meetings were convened throughout the year to review the process for savings, and growth. Identifying potential opportunities for efficiencies with a view to challenging Heads of Service on their total resources not just on options submitted for consideration, while ensuring options were aligned to the Council's priorities. SMB and the Executive Portfolio Holders supported by officers then challenged the package of savings and growth bids. The Leaders Services Priority Group (a cross-party group) reviewed the savings and the Council's Medium Term Financial Strategy (MTFS) and the assumptions underpinned within it and associated policies e.g. Fees and Charges Strategy. The Council are currently developing a new methodology to enable the delivery of the necessary £3m savings over the next three years that results from the projected reduction in government funding and other economic pressures. This whole process will assist the Council in seeking to ensure continuous improvement in its achievement of value for money.

Improvement Activity:

The Council considers that the governance processes in place to ensure the 'Economic, Effective and Efficient Use of Resources' are robust and no significant improvement actions are identified.

Annual Governance Report

16 Financial Management

Compliance with Financial management legislation and guidance

Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer.

Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) - 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.

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.

Framework of Management Information

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 2012/13 include the following:

- The setting of detailed annual budgets, Council Tax, Housing Rents and Capital Programme
- Review of the 30 Year Housing Revenue Account (HRA) Business Plan to reflect the new HRA self financing regime
- Regular Treasury Management officer meetings to ensure compliance with the Treasury Management Strategy.
- 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

Annual Governance Report

- 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
- The Capital Strategy has been reviewed and has been replaced by a 15 year investment need which comes into force 1 April 2013 and replaces the current 5 year strategy.
- 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.

Treasury Management

The Council enhanced its treasury management arrangements following the Icelandic Banks collapse in line with the CIPFA Revised Treasury Management Code and Guidance. This included 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. The implementation of these arrangements refreshed the Council's focus on the importance of financial security, liquidity and yield from investments, security being the most important. Officer Treasury Management meetings are regularly held between the Treasury Team and the Assistant Director (Finance) and there is an Member Treasury Management Steering Group which is updated and debates any potential changes to the Strategy, (e.g. Use of Money Market funds) prior to formal inclusion in the Strategy.

Financial management arrangements

The Council's financial management arrangements consist of a number of interrelated strands:

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.

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 document has now been replaced by the 15 Year Investment Need for the Council's assets. Over the last few years more than £8million has been deferred/deleted from the capital programme as a result of declining in year capital receipts, while still supporting the Council's ambitions and priorities. The 15 year Capital Investment Need has identified that from 2015/16 there is a shortfall in resources which officers are currently reviewing. The Investment Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group. The Leaders Services Priority Group is to review the Investment Need identified for 2014/15 onwards during the 2013/14 financial year.

Annual Governance Report

Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2010/11 the Council was able to identify a savings package of some £1.65million for 2011/12, with a further £0.73million in 2012/13. The Council has achieved General Fund savings of some £8.4million since 2007/08. However a further £3million is required over the period 2014/15 to 2016/17.

Budget Management and Reporting –Budget variances and reasons for the variance are reported to SMB quarterly initiating the quarterly budget monitoring process to manage budget over and under spends and the impact on the Council’s financial reserves. Following senior management scrutiny, reports are submitted to the Executive for approval. The financial impact on future years is highlighted in the reports together with the impact on current financial reserves. This then feeds into the risk management assessment of the Council’s provisions and 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.

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.

Improvement Activity:

The Council considers the governance processes for ‘Financial Management’ robust, as supported by audit reports and no significant improvement actions are identified.

17 Performance Management – Objectives And Service Delivery

Corporate Improvement Programme

The portfolio of projects agreed to deliver the Council’s ambitions and priorities (or meet legislative change) form the Council’s Corporate Improvement Programme. All projects on the programme are agreed by either SMB or the relevant Director. The Corporate Improvement Programme consists of two tiers of projects:

Tier 1 – capacity to deliver and progress monitored by Strategic Management Board quarterly

Tier 2 – capacity to deliver and progress monitored by Directors quarterly.

The monitoring arrangements put in place for the Corporate Improvement Programme create a structured process of managing change. It enables the organisation to maintain an effective balance of organisational change and ‘business as usual’ with the capacity that is available.

Annual Governance Report

Balanced Scorecard

The Council introduced a Balanced Scorecard for reporting performance information, from April 2008. 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 to aid 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. The scorecard is reviewed annually to ensure the suite of measures is appropriate and 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
- 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.

During 2012/13, the Scorecard was presented to Executive on a quarterly basis by the Chief Executive. This process has been reviewed and from quarter four 2012/13, results will be presented to Leader's Briefing on a quarterly basis by the Chief Executive.

Annual Report

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.

Customer Satisfaction

The Council has systems in place to measure customer satisfaction in the Customer Service Centre (CSC). Systems were developed further during 2008/09, with the introduction of Govmetric, which allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's website in real time.

In 2011/12, the Council received the Govmetric Award for Council of the Year 2011 recognising both the high levels of customer satisfaction achieved and the high levels of feedback through Govmetric attained from customers. In 2012/13, the Customer Services team have yet again got the seal of approval from Govmetric –The team was awarded a runner up Gold Star for excellent customer services in recognition of their commitment to attaining customer feedback.

Improvement Activity: The Council considers the governance processes for the 'Performance Management of Objectives and Service Delivery' robust and no significant improvement actions have been identified.

Annual Governance Report

18 Review of Effectiveness of Systems of Internal Audit

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".

To comply with the Accounts and Audit Regulations, a self assessment against the newly implemented Public Sector Internal Audit Standards for Internal Audit in Local Government in the UK was undertaken by the Head of Assurance.

The self-assessment concluded that the system of Internal Audit at Stevenage Borough Council is effective. External Audit have confirmed that they place reliance on the work of the Shared Internal Audit service provided at Stevenage Borough Council.

The 2011/12 Annual Governance Statement reported that 92% of the planned audit days were completed by 31 March 2012, no target was set by the SIAS Board due to it being a transitional year for the service. The performance in 2012/13 has improved, with the delivery of 97% of the planned days by 31 March 2013 against a target of 95%.

Improvement Activity: The self assessment concluded that the system of Internal Audit at Stevenage Borough Council is effective.

19 Review of Effectiveness of Internal Control

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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the [Head of Assurance's](#) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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 (see section 13, page 20)
- Identification and appropriate review and communication of the authority's vision, ambitions and priorities
- Annual service planning processes, to align service development against strategic goals
- 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
- 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

Annual Governance Report

- 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.
 - 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.

In March 2013, Internal Audit assigned 'Limited Assurance' to two audits relating to the contract management associated with the delivery of roofing reparations and other capital enhancements.

The 2013/14 Internal Audit Plan includes follow up audit activity to provide assurance to Audit Committee Members on the implementation status of outstanding recommendations and actions.

Improvement Activity: The self assessment concluded that the system of Internal Control at Stevenage Borough Council is effective. Any activity to address high priority recommendations made by Internal Audit as a result of their assessment of internal control process is monitored by the Audit Committee.

Progress on delivering improvement activity

20 Progress on 2012/13 Action Plan

The following significant internal control and governance issues were identified in the 2011/12 Governance Statement for delivery in 2012/13. Progress on the action plan is outlined below:

Governance principle	Section and Ref	Action	Responsible Officer	Target Date	Progress
Progress against the significant actions for 2011/12 identified through the review of the Council's governance process against the six core principles at March 2011 is set out below:					
Principle 1	Ref section 7	Complete relevant strands of the Customer Focus Strategy (in particular Customer Access Review Project)	Head of Customer Services and Business Improvement (responsibility transfers to Head of Housing Community and Communications from June 2013)	June 2013	(Action partially completed during 2011/12 and 2012/13) Partial Completion - Carried Forward to 13/14 (see action ref 2 in 13/14 plan) On completion of the action below the Customer Focus team will conduct reviews across the Council Service Delivery Units to improve accessibility and ensure quality of customer care.
Principle 4	Ref Section 7	Complete relevant strands of the Customer Focus Strategy (in particular review of Corporate Complaints procedures)	Head of Customer Services and Business Improvement (responsibility transfers to Head of Housing Community and Communications from June 2013)	March 2013	Carried Forward to 13/14 (see action ref 1 in 13/14 plan) Following the successful transfer of Stevenage Homes to the Council on 1 December 2011 the Customer Focus team has initiated work to develop a new process based on best practice from both organisations. The new policies and procedures will be rolled out across the Council during 2013/14.

Governance principle	Section and Ref	Action	Responsible Officer	Target Date	Progress
Progress against the significant actions for 2011/12 identified through the review of the Council's governance process against the six core principles at March 2011 is set out below:					
Principle 6	Ref Section 8	Draft report on revised Consultation and Engagement Framework to Executive	Head of Housing, Community and Communications	July 2012	Action revised (see action ref 3 in 13/14 plan) A consultation policy framework and consultation and engagement strategy are in development. The draft strategy has been developed in consultation with key stakeholders to ensure a range of views have been considered. A consultation toolkit is currently in development and completion is anticipated June 2013.
Principle 3	Ref Section 11	Communicate change of values of cooperative principles to staff	Head of Housing, Community and Communications	July 2012	Complete Cooperative Principles communication to staff: - Posters promoting co-operative working have been developed and displayed in Council buildings - Chief Executive Road shows in February 2013 made reference to the Council's cooperative approach. A further programme of internal communication activities is being developed. (see action ref 4 in 13/14 plan) Cooperative Principles communication to the community: - Initially communicated in the 2012 Annual Report - Council's co-operative commitment document is available on the Council's website. - New draft Corporate Plan includes the co-operative principles and ethos. - New Stevenage Community Strategy includes the SoStevenage partnership's co-operative principles.
No significant actions were identified through the Internal Audit of the Corporate Governance Process 2011/12.					
No significant internal control and governance issues were identified as part of the 2011/12 review of service based governance, leading to actions for 2012/13.					

In addition to the actions assigned for delivery in 2012/13, additional improvement activity, for delivery following the implementation of Single Status (harmonisation of pay and rewards) was identified to enhance arrangements relating to Member and officer capacity and capability:

Governance Principle	AGS Section	Action	Responsible Officer	Comment
Principle 5	Section 12	Implement a competency based framework for Job Descriptions, Person Specifications and associated appraisals	Head of Human Resources and Development	<p>The implementation of an officer appraisal and proposed competency framework has been deferred by the Council's Strategic Management Board, as consideration and introduction is not appropriate until after implementation of Single Status (complete harmonisation of terms and conditions).</p> <p>Consideration will be given to the appropriate way forward once Single Status has been implemented.</p> <p>The implementation of Single Status will address some common competencies through associated grading.</p>
Principle 5	Section 12	Refresh and update the Council's People Strategy (to include consideration of future workforce requirements)	Head of Human Resources and Development	<p>The development of the Council's People Strategy has been deferred by the Council's Strategic Management Board, as revisions need to consider the implementation of Single Status (complete harmonisation of terms and conditions).</p>

Planned Improvement Activity

21 Significant Governance Improvement Actions Planned

Significant internal control and governance issues identified as part of the 2012/13 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

Actions are deemed 'significant' if any of the following applies:

- The related requirement in the local assessment of six principles has been scored at seven or below
- The action applies to more than one requirement in the six principles local assessment
- Analysis of Service Based Assurance Statements identifies a common concern
- The action is in response to a high risk recommendation advised for inclusion as a result of internal audit activity.

These improvement actions are also set out in the relevant section throughout this report.

Governance principle	Section and Ref	Action	Responsible Officer	Target Date
Significant actions identified through the review of the Council's governance process against the six core principles for 2011/12 are set out below:				
Principle 4	Section 7, Action 1	Complete relevant strands of the Customer Focus Strategy (in particular review of Corporate Complaints procedures)	Head of Housing, Community and Communications	March 2014
Principle 1	Ref section 7, Action 2	Complete relevant strands of the Customer Focus Strategy (in particular Customer Access Review Project)	Head of Housing, Community and Communications	On completion of the action above the Customer Focus team will conduct access reviews across the Council Service Delivery Units to improve accessibility and ensure quality of customer care.
Principle 6	Ref Section 8, Action 3	Draft Consultation and Engagement Strategy to Executive	Head of Housing, Community and Communications	June 2013
Principle 3	Ref Section 11, Action 4	Continue to communicate change of values to co-operative principles to enhance understanding	Head of Housing, Community and Communications	June 2013
Principle 5	Ref Section 12, Action 5	Revised Induction Programme to be delivered during 2013/14 and induction modules to be developed tailored to staff needs.	Head of Human Resources Organisational Development	March 2014
Activity in response to high risk recommendations relating to the contract management associated with the delivery of roofing reparations and other capital enhancements referred to in section 19 will be monitored by the Audit Committee.				
No significant internal control and governance issues were identified as part of the 2012/13 review of service based governance.				
Delivery of governance actions agreed through the 2012/13 Internal Audit of Corporate Governance will be monitored throughout the year by the Council's Corporate Governance Group.				

Annual Governance Report

Approval of Statement

22 Approval of Statement by Chief Executive and Leader of the Council

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, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed are outlined in the tables above at sections 20 and 21 respectively.

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
Cllr Sharon Taylor OBE
Leader of Stevenage Borough Council

Signed
Date
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 2013.

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 2013 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2013.

Scott Crudgington
Strategic Director (Chief Financial Officer)

Glossary of Terms

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
- The actuarial assumptions have changed

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

Independent external auditors that provide an audit opinion as to whether the Statement of Accounts shown are true and fair.

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).

Glossary of Terms

Capital Financing Costs

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

Capital Financing Costs

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

CIPFA

Chartered Institute of Public Finance and Accountancy. The principal accounting body dealing with local government finance.

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.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. An example of a community asset would be parks.

Contingent Asset

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 events not wholly within the Council's control.

Contingent Liability

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

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.

Glossary of Terms

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.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost or revalued amount of benefits of the non current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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.

Earmarked Reserve

These are funds that are set aside for a specific purpose, or a particular service, or type of service.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fees and Charges

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

Glossary of Terms

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.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Heritage Assets

Assets that are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

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).

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.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

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

Glossary of Terms

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.

Net Book Value

The amount at which non-current assets are included in the balance sheet. This would be either the asset's historic cost or current value less the cumulative amount provided for depreciation.

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.

Public Works Loan Board (PWLB)

A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

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.

Related Parties

For a relationship to be treated as a related party relationship there has to be some element of control or influence by one party over another, or by a third party over the two parties.

Glossary of Terms

Revenue Contributions to Capital Outlay

Contributions from revenue to finance capital expenditure.

Revenue Expenditure

The day to day running costs incurred by the Council in providing its services.

Direct Revenue Financing

Resources provided from an authority's revenue budget to finance the cost of capital projects.

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.

Surplus

An excess of income over expenditure (or assets over liabilities).