

2014/15
Financial Report
including
Statement of
Accounts

Ste  ***enage***
BOROUGH COUNCIL

The 2014/15 Pre Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of Stevenage Borough Council by the Chief Financial Officer on 30 June 2015.

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 23rd September 2015.

Chair Audit Committee

Resources Portfolio Holder

23rd September 2015

23rd September 2015



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.

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Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2014/15. As a co-operative council we aim to work alongside residents and partners to improve the lives of all those people that live and work in the town. To enable this, it's important that we maintain a high degree of openness around our spending and our decision making. The timely publication of our accounts is a key part of our commitment to this transparency.

The financial environment in which the Council is operating remains challenging, and we continue to face tough economic choices. We are all working hard in Stevenage to continue to deliver effective services despite severe economic constraints. We all have fewer resources and must find creative ways to ensure that front line service quality is not compromised. It is now more important than ever for us to work in partnership with residents, community groups, local businesses and statutory partners.

This financial year has been difficult for all local authorities; in Stevenage we've made General Fund savings of £1.0 million from the Council (and a further £0.7 million in 2015/16) with an additional estimated £2.3 million of savings required between 2014/15 to 2016/17. 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, increased partnership working and new and innovative transformation of our services are at the forefront of our budget plans for the coming years.

We have attempted to prepare these accounts in a style to enable readers to understand and interpret the various financial statements. I aim to give electors, local residents, Council Members, partners, 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 2015 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 2014/15 Code of Practice on Local Authority Accounting.

Foreword by Chief Executive

The Council's financial plans during 2014/15 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 our grant from Government, but also reflects the Government's new policy agenda. At the same time we need to recognise that society's needs and expectations 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 2016/17 – 2018/19.

The Council spends over £111 million each year on your behalf providing services for people in the town. Some 53% 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 wellbeing 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 also underwent a sector led Peer Challenge recently and the following comments were made by the team on the Council's financial management arrangements:

"SBC has a strong approach to financial management and its approach to Priority Based Budgeting has enabled the council to keep Members, staff and Voluntary and Community Sector (VCS) partners well informed. There is clearly a strong, trusting relationship between Members and senior finance staff, with a track record of making savings and good financial management."

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 a medium-term financial strategy and HRA Business Plan, integrating the General Fund, HRA and Capital accounts, which seeks to strike a balance between limited resources and growing expenditure pressures.

Foreword by Chief Executive

The Council is committed to developing this strategy, alongside meeting the continuing demands of the Government's austerity agenda to ensure a sustainable financial position is maintained, 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 any opportunity to deliver efficiencies in the way we work. To assist this, the Council continued the work of the Leader's Services Priority Group through our Priority Based Budgeting Framework to prioritise the Council's services in order to determine future resource allocations and growth. Following this extensive exercise, the Council has identified over £10.24 million of General Fund savings over the last eight 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 balances and 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 2014/15 the Council spent £11.0 million on the decent homes programme and improving the Council's housing stock and £2.7million on providing new homes for Council tenants. 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 Council's asset management strategy is implemented. In addition a new single capital pot allocated reserve has been established alongside a complete review of the Council's capital investment needs over the medium term. This strategy has successfully helped reduce the reliance on borrowing over the next three years.

Councils 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.

Foreword by Chief Executive

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 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
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

| 2013/14 | | 2014/15 |
|-----------|------------------------------------|-----------|
| | Area and Population | |
| 2,596 | Area (hectares) | 2,596 |
| 84,800 | Population* | 87,000 |
| 32.66 | Population per Hectare | 33.51 |
| | Council Tax | |
| 26,713** | Number of Chargeable Dwellings | 27,399 |
| | 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 |
| £1,455.17 | Total Council Tax | £1,455.17 |

* published by the Office of National Statistics sub national population

** 2013/14 was the first year of the local council tax support scheme. Further information on chargeable dwellings and council tax can be found in on page 119 – Notes to the Collection Fund Statement.

About Stevenage Borough Council

General information

Stevenage is situated about 30 miles north of London. The town is well served by rail – with fast services between Stevenage and Kings Cross taking less than 20 minutes. The A1(M) motorway offers good north-south road links, with the town only 20 minutes from the M25. Stevenage has a town centre that provides a wide range of shopping facilities, including Wilko's, Primark, Boots, H&M and a range of other fashion retailers and super markets, a retail park, a leisure park and sports and recreational facilities.

Stevenage has the largest employment area in Hertfordshire. The larger employers in the town include: MBDA, Aeroflex, Airbus Defence and Space, AVC, Fujitsu, GlaxoSmithKline, the Lister Hospital, Hertfordshire County Council and the Stevenage Bioscience Catalyst which is the UK's first open innovation bioscience campus, driving early stage biotech, pharma and medtech developments.

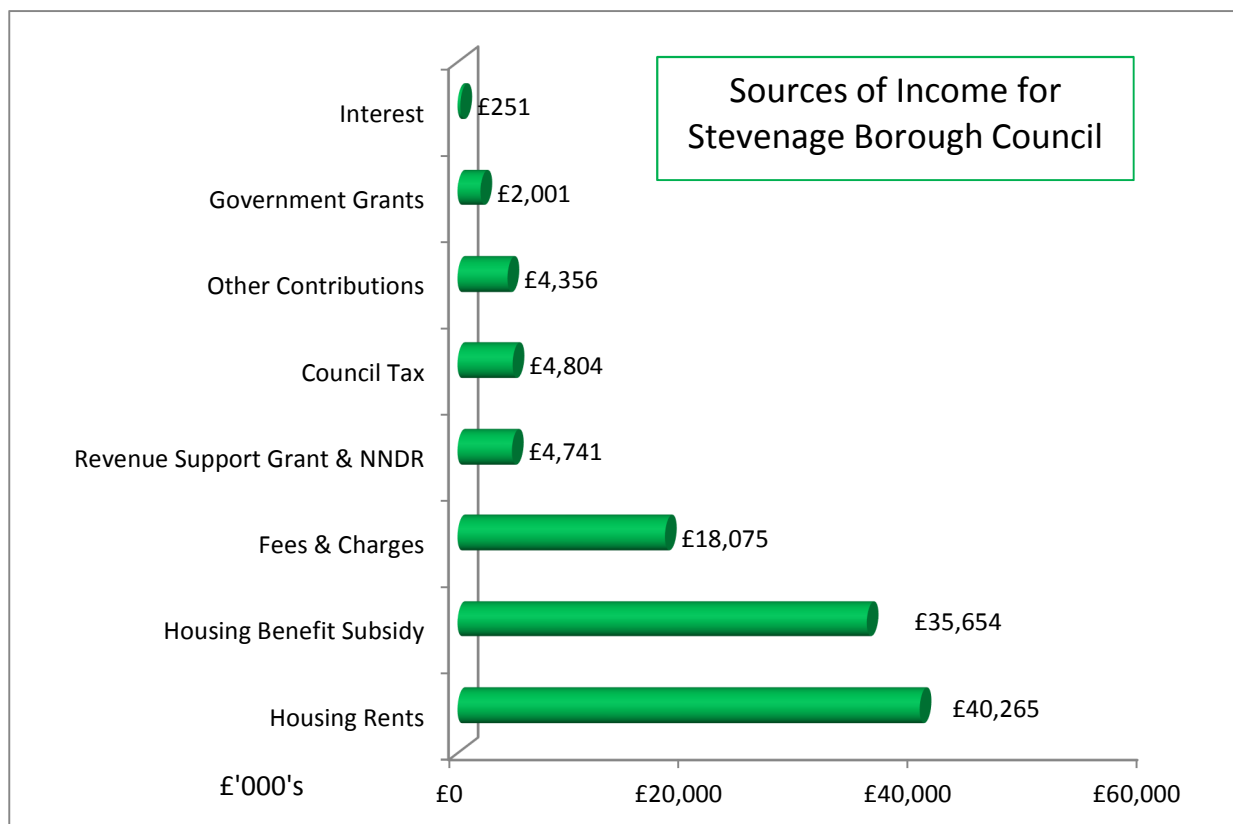
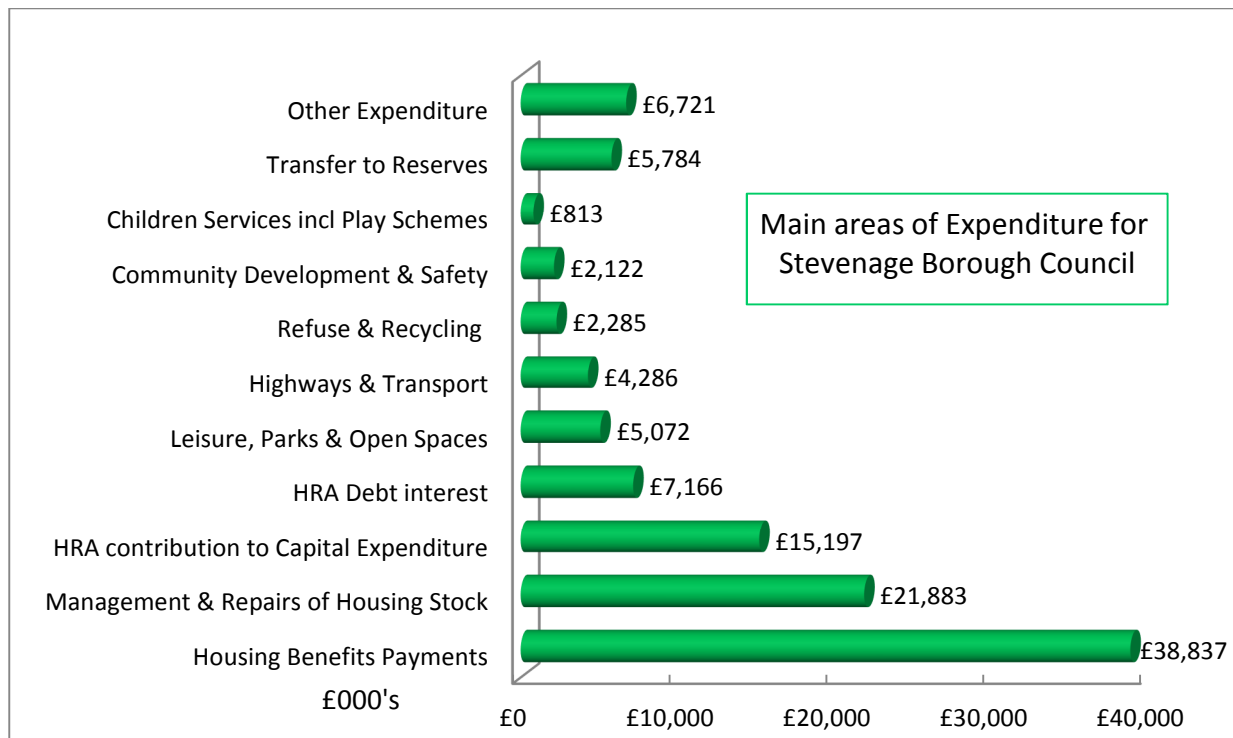
Stevenage Borough Council is currently working with partners to deliver major regeneration schemes within the town centre and the neighbourhoods. Stevenage features prominently in the Hertfordshire Local Enterprise Partnership's Strategic Economic Plan, as a centre of bioscience excellence and as an identified area for housing growth and Town Centre regeneration.

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

Where our money comes from and how we spend it.

The Council provides a wide range of services to the residents of Stevenage including refuse and recycling collections, leisure facilities including children's play schemes and maintenance of the public open spaces in the district. In addition the Council helps to keep the residents safe with responsibility for environmental health issues and ensuring new buildings comply with legislation. The Council also has a responsibility to help homeless families and to administer housing benefit claims. To pay for these services the Council receives money from a number of sources. The following charts show where we receive our income and where we spend it for the residents of Stevenage.

About Stevenage Borough Council



Executive Summary

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

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015.

(full statement on page 33)

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| (19,514) | Cost of Services | (23,967) |
| 348 | Other Operating Expenditure | (1,245) |
| 8,081 | Financing & Investment Income & Expenditure | 4,263 |
| (18,994) | Taxation & Non-Specific Grant Income | (19,563) |
| (30,079) | Deficit on Provision of Services | (40,512) |
| (12,767) | Other Comprehensive Income & Expenditure | (4,882) |
| (42,846) | Total Comprehensive Income & Expenditure | (45,394) |

Balance Sheet

(full statement on page 35)

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---------------------------|---|---------------------------|
| | Assets: | |
| 608,928 | Long Term Assets | 641,263 |
| 36,156 | Current Assets | 55,881 |
| (19,252) | Current Liabilities | (26,866) |
| (266,154) | Long Term Liabilities | (265,205) |
| 359,678 | Net Assets | 405,073 |
| | Fund Balances & Reserves: | |
| 28,677 | Usable Reserves | 48,315 |
| 331,001 | Unusable Reserves | 356,758 |
| 359,678 | Total Fund Balances & Reserves | 405,073 |

Explanatory Foreword to the Statement of Accounts

Revenue Budget and Outturn

The original General Fund budget of £9,705,670 was set at Council on 26th February 2014. Subsequently, Members have approved various budget amendments to take into account service pressures and savings arising in the year resulting in a revised budget of £8,136,900 approved on 10th March 2015 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

| | Original Budget 2014/15 | Working Budget 2014/15 | Actual 2014/15 | Variance to Working Budget |
|--|-------------------------------|------------------------------|-------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Directorate: | | | | |
| Community Services | 4,964 | 5,166 | 4,239 | (927) |
| Housing Services | 1,889 | 2,117 | 2,150 | 33 |
| Environmental Services | 6,727 | 6,682 | 6,167 | (515) |
| Local Community Budgets | 101 | 101 | 100 | (1) |
| Resources | (3,959) | (6,594) | (5,581) | 1,013 |
| Resources – Support* | (16) | 664 | 93 | (571) |
| Total Net General Fund Expenditure | 9,706 | 8,136 | 7,168 | (968) |
| Income: | | | | |
| Council Tax | (4,679) | (4,679) | (4,679) | 0 |
| Transfers to/from collection fund | 28 | 1,166 | 979 | (187) |
| Revenue Support Grant (RSG) | (2,620) | (2,620) | (2,620) | 0 |
| Retained business rates | (1,936) | (2,121) | (2,121) | 0 |
| Total Income from taxation and RSG | (9,207) | (8,254) | (8,441) | (187) |
| Net underspend/transfer to balances | 499 | (118) | (1,273) | (1,155) |
| General Fund Balance Brought Forward | (4,817) | (4,817) | (4,817) | |
| Balance Carried forward | (4,318) | (4,935) | (6,090) | |

**The majority of Resources - Support costs are recharged out to the service area in accordance with CIPFA Reporting Code of Practice*

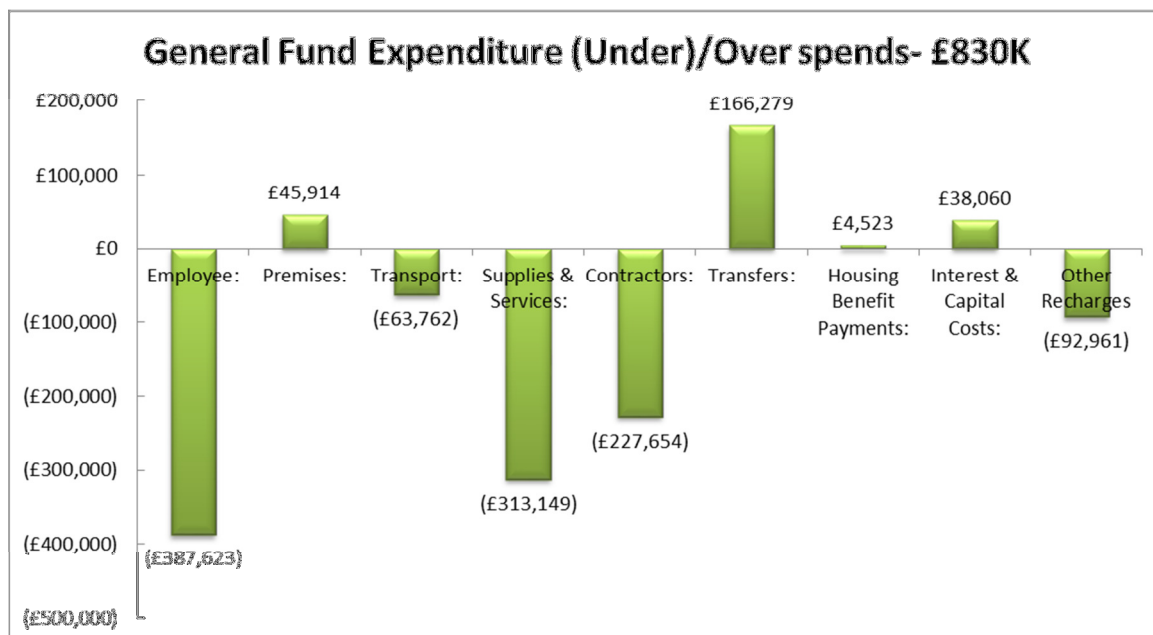
The 2014/15 actual net spend on the General Fund was £968,844 lower than the working budget. Included within this underspend is £281,180 relating to projects which have slipped into 2015/16 and for which a carry forward of budget has been requested.

Explanatory Foreword to the Statement of Accounts

Budget – General Fund contd.

Expenditure:

The remaining net underspend of £687,664 (excluding carry forwards) was predominately relating to underspends on expenditure as shown in the following chart.



Expenditure variances to budget.

The most significant underspend was on employee costs which were complicated by the impact of single status implemented part way through 2014/15. The underspend on supplies and services mainly related to reductions in bad debt and other provisions. The overspend on premises related costs included an amount set aside for roof repairs at the Business Technology Centre which are due to be undertaken in 2015/16. The increase the transfer to provisions was an amount transferred to the allocated Capital Reserve to fund future General Fund capital expenditure.

Explanatory Foreword to the Statement of Accounts

Budget – Housing Revenue Account (HRA)

The original HRA budget of £4,725,610 (surplus) was approved by Special Council on the 21st January 2014. Subsequently, Members have approved various budget amendments to take into account service pressures and savings arising in the year resulting in a revised budget of £4,279,590 (surplus) approved on 10th March 2015 as part of the third quarter budget monitoring report. The final out-turn position for the year against the revised budget is set out below:

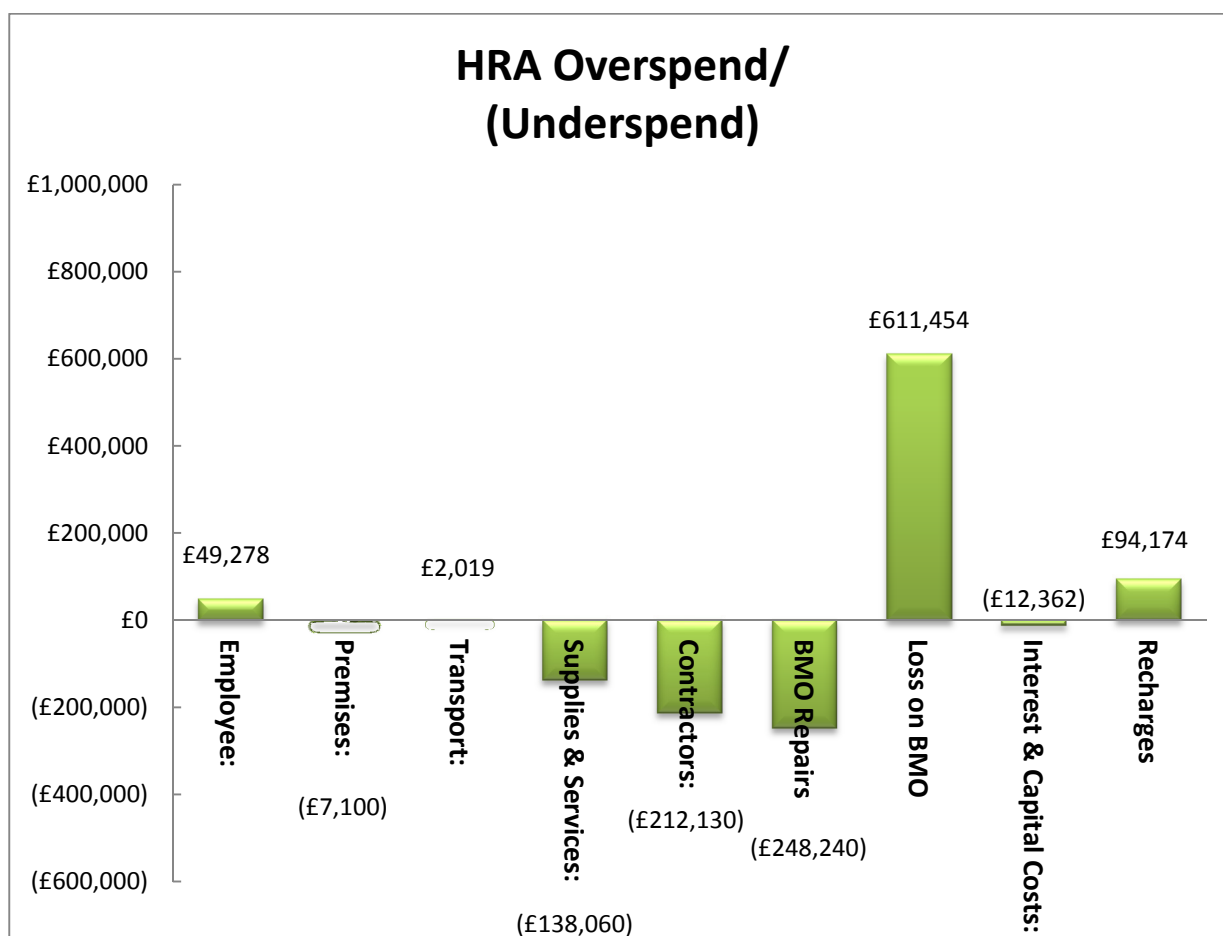
| | Original Budget 2014/15 | Working Budget 2014/15 | Actual 2014/15 | Variance to Working Budget |
|---|-------------------------------|------------------------------|-------------------|----------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Expenditure: | | | | |
| Supervision & Management | 11,370 | 11,128 | 10,770 | (358) |
| Repairs & Maintenance | 5,205 | 6,118 | 6,293 | 175 |
| Other expenditure | 5,138 | 4,903 | 4,820 | (83) |
| Total Expenditure | 21,713 | 22,149 | 21,883 | (266) |
| Income: | | | | |
| Dwelling Rents | (40,599) | (40,553) | (40,572) | (19) |
| Other income | (8,086) | (8,247) | (8,006) | 241 |
| Total Income | (48,685) | (48,800) | (48,578) | 222 |
| Other charges to the HRA | | | | |
| Depreciation | 10,515 | 10,515 | 10,808 | 293 |
| Interest | 7,166 | 7,166 | 7,166 | 0 |
| Other | 4,565 | 4,690 | 4,392 | (298) |
| Total Other charges to the HRA | 22,246 | 22,371 | 22,366 | (5) |
| (Surplus) / Deficit for the year | (4,726) | (4,280) | (4,329) | (49) |
| Balance brought forward | (9,375) | (9,375) | (9,375) | 0 |
| Balance Carried forward | (14,101) | (13,655) | (13,704) | (49) |

Explanatory Foreword to the Statement of Accounts

Budget – Housing Revenue Account (HRA) contd.

The 2014/15 actual net spend on the HRA was a surplus of £4,328,807, £49,217 lower than the working budget. However, included within this underspend is £227,990 relating to projects which have slipped into 2015/16 and for which a carry forward of budget has been requested, which if approved would mean an overspend of £178,773.

The following graph details where the underspend and overspend areas were.



The largest variance related to the cost of the Building Maintenance Organisation (BMO) repair work (to the HRA) increased by £611,454 (after carry forwards requests), this was because the number and value of jobs completed by the BMO reduced in 2014/15, this is a partly compensated by an underspend in HRA repairs budgets of £460,370.

Explanatory Foreword to the Statement of Accounts

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

| | 2013/14 Net Expenditure £'000 | 2014/15 Net Expenditure £'000 | Year on Year Variance £'000 |
|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|
| Central Services to Public | 915 | (282) | (1,197) |
| Cultural Services | 5,046 | 4,132 | (914) |
| Environmental & Regulatory Services | 7,550 | 7,037 | (513) |
| Planning Services | 1,231 | 1,293 | 62 |
| Children's Services | 169 | 90 | (79) |
| Highways & Transport Services | (1,430) | (1,572) | (142) |
| Local Authority Housing (HRA) | (36,567) | (38,616) | (2,049) |
| Other Housing Services | (370) | 23 | 393 |
| Adult Social Care | 1 | 0 | (1) |
| Corporate & Democratic Core | 3,872 | 3,862 | (10) |
| Non Distributed Costs | 70 | 66 | (4) |
| Non Distributed Costs | (19,514) | (23,967) | (4,454) |

Explanations to major variances

Central Services to the Public: In 2014/15 the Council's Single status project was completed. A provision had been set aside to cover expected costs following the implementation of the scheme, all these costs were paid in 2014/15 and the remaining unspent provision was returned to services.

Cultural Services: There were net revaluation gains of £1,629,645 relating to the Council's community and environmental buildings which decreased "net expenditure" reversing out prior year revaluation losses. There is statutory provision to reverse these revaluation gains/losses so changes in asset valuations do not impact on the council tax payer.

Local Authority Housing (HRA): In 2013/14 a debt repayment of £2million was made but there was no planned debt repayment in 2014/15. The next scheduled debt repayment is July 2015.

Explanatory Foreword to the Statement of Accounts

Material Assets Acquired or Liabilities Incurred during 2014/15.

During 2014/15 the Council acquired the Plaza building in Stevenage town centre. This purchase was made for strategic planning reasons. In addition five residential properties were purchased from the open market to increase the housing stock and 12.65 housing units (including three part ownership properties) were purchased from Moat Housing Association.

Transferred services during 2014/15.

An Agency Agreement to carry out Part Two Functions (skip licensing service, carriageway crossover service and enforcement of the Highways Act) transferred back to Hertfordshire County Council (HCC) in October 2014.

Economic Significant Provisions, Contingencies and Write offs

BTC Roof Provision: Areas of roof covering to the Business Technology Centre (BTC) are in need of remedial works to rectify leaks. It is proposed to undertake the necessary works as soon as possible and a provision has been made of £120,000 to cover anticipated costs in 2015/16.

*Business and Technology Centre –
the Council owned
enterprise and innovation centre established to
assist the start-up and growth of businesses*



Council Reserves

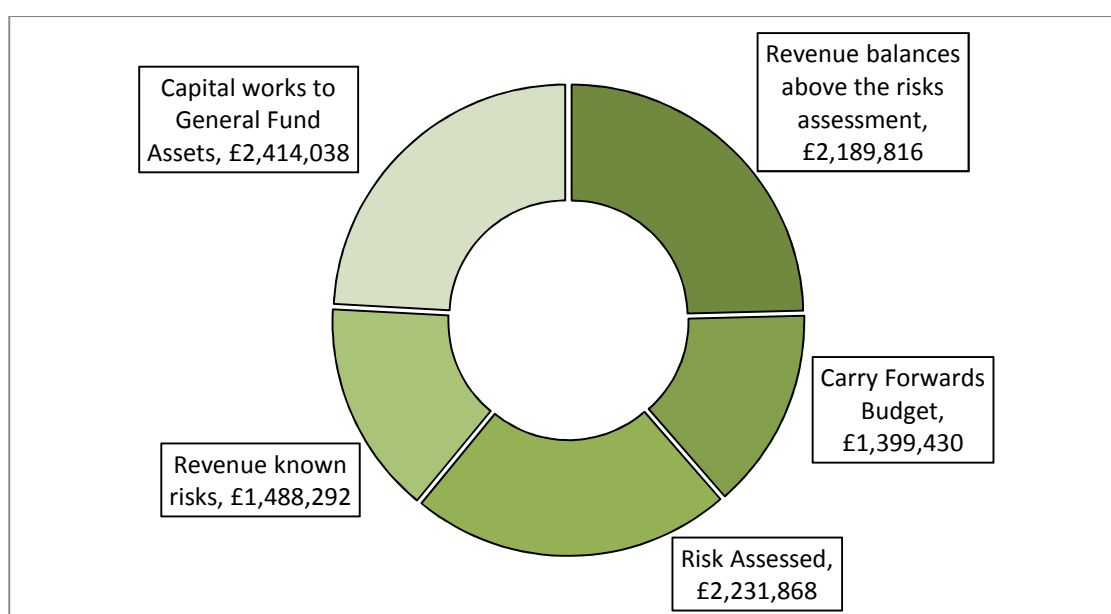
The Council operates two main funds or accounts; a 'General Fund' for services such as refuse, grass cutting etc and a 'Housing Revenue Account' which manages the Council's housing stock. Each fund has its own reserves for capital and revenue expenditure. As at the 31 March 2015 the General Fund had total reserves of £9,992,650 and the HRA had total reserves of £38,322,416. Although the balances may appear relatively high the medium term financial strategy (for the General Fund) and Business Plan (for the HRA) have identified the need to draw down on these balances in the future to enable to maintain a balanced budget. In addition these balances include specific reserves that can only be used for capital expenditure.

Explanatory Foreword to the Statement of Accounts

General Fund Reserves

The Reserves which can be used for “one-off” funding for day to day General Fund services total £6,090,320, however there have been £1,399,430 if approved carry forward spend from 2014/15 to 2015/16. In addition the General Fund also has allocated (earmarked) reserves of £1,488,292 which are ring fenced for specific purposes. The largest (making up 26% of allocated reserves) relates to the regeneration assets reserve to cover future redevelopment costs or unforeseen costs. The General Fund also has reserves it can use to fund works to assets such as buildings and equipment. This money cannot be spent on revenue services. As at 31 March 2015 the General Fund had unallocated capital resources of £2,414,038.

These reserves 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 2014/15. The risk assessment identified General Fund balances of at least £2,231,868 are required, (at the 31 March 2014, £2,626,998). In setting a minimum balance it ensures that there are reserves available 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, including the localisation of Business Rates introduced in 2013/14 which places greater risk and reward on the Council in regard to NDR collection rates and yield.

Furthermore since 2011/12 the Council has seen grant funding reduce by £2,499,000 to 2014/15 and by 2015/16 to £3,263,000 or 52.4% of total grant.

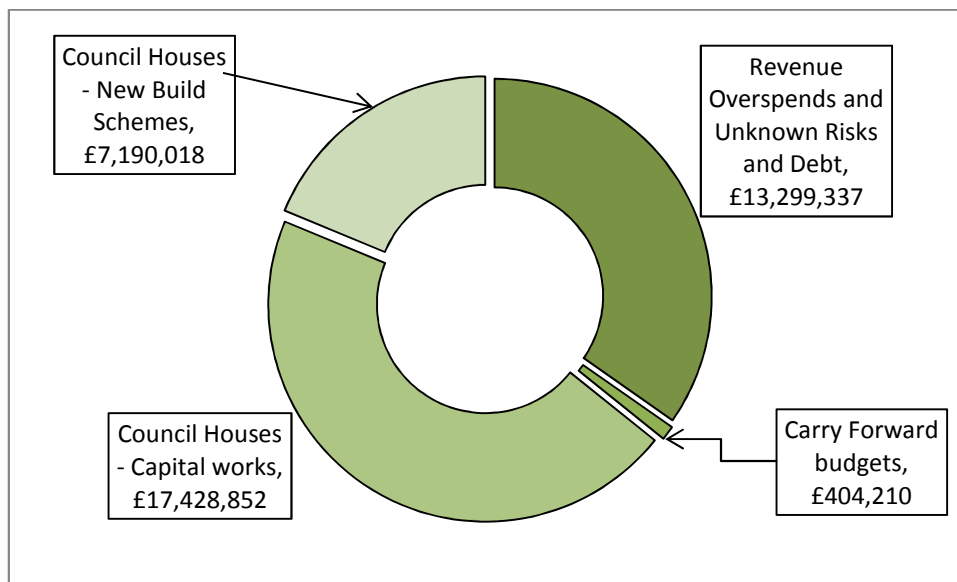
Explanatory Foreword to the Statement of Accounts

General Fund Reserves (contd)

In order to take a longer term view and to change the focus needed for setting prudential budgets, a new approach of Priority Based Budgeting (PBB) was developed for the financial years 2014/15 to 2016/17. As part of this process Officers identified that on-going savings of £3,000,000 were required over the period 2014/15 to 2016/17 to maintain the financial viability of the General Fund.

Housing Revenue Account Reserves

HRA reserves are ring fenced and cannot be used for General Fund expenditure. The Reserves which can be used to support Housing Revenue Account (HRA) total £38,322,000 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 2014/15. The risk assessment identified HRA balances of at least £10,167,208 are required, of which £7,249,000 is required for future loan repayments and capital programmes. As at 31 March 2015 the HRA had loans of £212Million, of which most 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 2015 were £13,703,547 and higher than the risk assessment of balances for 2014/15, however the HRA is subject to significant financial risks including;

Explanatory Foreword to the Statement of Accounts

Housing Revenue Account Reserves (contd)

- Increased Right to Buy (RTB) sales over and above those anticipated in the HRA Business Plan, in 2014/15 there were 97 sales compared to the 76 in 2013/14. Increased sales could mean a significant loss of income to the HRA 30 Year Business Plan.
- Maintaining the housing stock included in the 30 year capital programme (£594 million over 30 years)
- Meeting “new build” targets to ensure that new properties are acquired to help meet local housing needs and maintain the income required to maintain the council’s housing stock

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, of the £24,618,870 available £7,190,018 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, after the discount to tenants (of up to a maximum of £77,000 during 2014/15) is applied.

Borrowing and Capital

As at the 31 March 2015 the Council had external borrowing of £215,520,263, (£215,946,760 at 31 March 2014). The majority of this debt relates to the Housing Revenue Account (HRA) payment to the government on the introduction of Self Financing for the HRA. The HRA business plan has a timetable for the repayment of this debt, £5.5 million scheduled to be repaid in 2015/16.

In 2014/15 the Council spent £21,242,314 on capital projects, of which £16,233,798 was spent on HRA assets and a further £5,008,516 on General Fund assets.

The Council funded £3,388,810 of its capital programme from the sale of assets, (land and Council house sales), which equates to 16%, (7.0% 2013/14) of the total funding.

Usable capital receipts received in year have been reduced by the payment made to the government for ‘pooled receipts’ in relation to right to buy sales.

Explanatory Foreword to the Statement of Accounts

The table below shows resources used to fund the 2014/15 capital programme and the available resources to fund future capital expenditure.

| | Brought Forward £'000 | Received in Year £'000 | Used in Year £'000 | Available to fund future year expenditure £'000 |
|--------------------------------|----------------------------------|-----------------------------------|-------------------------------|--|
| Usable Capital Receipts | 5,916 | 10,394 | (3,389) | 12,921 |
| Major Repairs Reserve | 4,607 | 10,808* | (3,048) | 12,367 |
| Section 106 Receipts (Capital) | 865 | 220 | (257) | 828 |
| Borrowing | 0 | 1,309 | (1,309) | 0 |
| Grants and Other Contributions | 1,708 | 7,869 | (8,778) | 799 |
| TOTAL | 13,096 | 30,600 | (16,781) | 26,915 |

**statutory contribution from the Housing Revenue Account representing depreciation charged in year*

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 2014/15 pension liability is to decrease the value of the Council's reserves by £4,851,000 (£9,153,000, increase in 2013/14). (See also Note 33 Pension).

Significant Changes in Accounting Policies

There have been no significant changes in accounting policies in 2014/15. The reader should note that in previous publications all accounting policies were shown at Note 1 to the Accounts. This year's accounts have been organised so that policies specific to a Note to the Core Statement are shown at the start of the note that they relate to (in a green text box).

Explanatory Foreword to the Statement of Accounts

Other significant events after the reporting date

The Council is the lead authority in the CCTV partnership. In 2013/14 the partner authorities started the incorporation of a new company to conduct the commercial trading affairs of the CCTV Partnership. This new company commenced trading on 1st April 2015. This change is not expected to require any restatement to the 2014/15 Statement of Accounts.

The Council appointed a new Chief Executive (Scott Crudgington) on 1 June 2015 on the retirement of the existing Chief Executive. The appointment was part of an approved savings option which reduced the number of Strategic Directors from three to two, with the Assistant Director (Finance) being appointed as Chief Financial Officer on 1 June 2015.

Introduction to the Statement of Accounts

The Accounts and Audit Regulations (England) 2011 require the Council to produce a "Statement of Accounts" each financial year. Stevenage Borough Council's accounts for the year 2014/15 are set out from page 29 onwards. These accounts have been prepared on an International Financial Reporting Standards Basis and may, by necessity, contain technical terminology. To aid the reader the core statements are supported by explanatory notes and a glossary of terms has been included from page 139 onwards .

Core Financial Statements

Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council analysed into "usable" reserves (those that can be used to fund future expenditure) and "unusable" reserves. The surplus/deficit on the provision of services line shows the true economic cost of providing the Council's services. This is different to the statutory amounts that should be charged to the General Fund and Housing Revenue Account ie the amounts needed to be recovered through council tax and housing rents. The difference is reversed out on the "adjustment between accounting basis and funding basis under regulations" line. Further detail of these adjustments is given in Note 7.

Comprehensive Income & Expenditure Statement shows the "accounting" cost of providing services in year in accordance with International Reporting Standards. This is the accounting cost of providing services in year and differs from the amount "funded" from council tax, government grants and housing rents. The Movement in Reserves Statement shows the adjustments between funding basis and accounting basis.

Introduction to the Statement of Accounts

Balance Sheet shows the value of the Council's assets and liabilities as at the Balance Sheet date. These are matched by the Council's usable and unusable reserves.

Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the reporting period. The statement shows how the Council generates cash and cash equivalents by classifying cash flows as operating, investing and financial activities.

Notes to Core Financial Statements provide additional information in support of the Core Financial Statements listed above.

Supplementary Statements

Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost of providing the Council's housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and other income. The difference in accounting and funding basis is shown in the Movement in Reserves Statement.

Collection Fund Account & Notes shows the collection of council tax and retained non-domestic rates (NDR) and payments to Stevenage Borough Council, Hertfordshire County Council, Police and Crime Commissioner for Hertfordshire and Central Government.

Further Information

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

Email: clare.fletcher@stevenage.gov.uk



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 Assistant Director (Finance) (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 Assistant Director (Finance) (Chief Financial Officer) Responsibilities

The Assistant Director (Finance) (Chief Financial Officer) is responsible for the preparation of the Council'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 (the Code), 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 2015.

In preparation of this statement of accounts, the Assistant Director (Finance) (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 Code.

The Assistant Director (Finance) (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 2015 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2015.

Clare Fletcher
Assistant Director (Finance) (Chief Financial Officer)

Statement of Accounts 2014/15

Movement in Reserves Statement

This statement shows the movement in year of the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit/surplus on the Provision of Services line in the Comprehensive Income and Expenditure Statement shows the true economic cost of providing the Council'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 Council.

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 2013 carried forward | | (4,095) | (1,387) | (7,902) | (1,803) | (2,468) | (2,041) | (19,696) |
| Movement in reserves during 2013/14 | | | | | | | | |
| (Surplus) or deficit on provision of services | | 5,216 | 0 | (35,294) | 0 | 0 | 0 | (30,078) |
| Other Comprehensive Expenditure and Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Expenditure and Income | | 5,216 | 0 | (35,294) | 0 | 0 | 0 | (30,078) |
| Adjustments between accounting basis & funding basis under regulations | 7 | (6,804) | 0 | 33,821 | (2,805) | (3,447) | 332 | 21,097 |
| Net (Increase/Decrease) before Transfers to Earmarked Reserves | | (1,588) | 0 | (1,473) | (2,805) | (3,447) | 332 | (8,981) |
| Transfers to/from Earmarked Reserves | 8 | 867 | (867) | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | | (722) | (867) | (1,473) | (2,805) | (3,447) | 332 | (8,981) |
| Balance at 31 March 2014 carried forward | | (4,817) | (2,254) | (9,375) | (4,608) | (5,915) | (1,708) | (28,677) |
| Movement in reserves during 2014/15 | | | | | | | | |
| (Surplus) or deficit on provision of services | | (2,300) | 0 | (38,212) | 0 | 0 | 0 | (40,512) |
| Other Comprehensive Expenditure and Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Expenditure and Income | | (2,300) | 0 | (38,212) | 0 | 0 | 0 | (40,512) |
| Adjustments between accounting basis & funding basis under regulations | 7 | 844 | 0 | 33,883 | (7,758) | (7,199) | 1,102 | 20,872 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | | (1,456) | 0 | (4,329) | (7,758) | (7,199) | 1,102 | (19,640) |
| Transfers to/from Earmarked Reserves | 8 | 182 | (182) | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | | (1,274) | (182) | (4,329) | (7,758) | (7,199) | 1,102 | (19,640) |
| Balance at 31 March 2015 carried forward | | (6,091) | (2,436) | (13,704) | (12,366) | (13,114) | (606) | (48,317) |

Movement in Reserves Statement

| | Note | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|--|------|-------------------------------|---------------------------|----------------------------------|
| Balance at 31 March 2013 carried forward | | (19,696) | (297,137) | (316,833) |
| Movement in reserves during 2013/14 | | | | |
| (Surplus) or deficit on provision of services | | (30,078) | 0 | (30,078) |
| Other Comprehensive Expenditure and Income | | 0 | (12,767) | (12,767) |
| Total Comprehensive Expenditure and Income | | (30,078) | (12,767) | (42,845) |
| Adjustments between accounting basis & funding basis under regulations | 7 | 21,097 | (21,097) | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | | (8,981) | (33,864) | (42,845) |
| Transfers to/from Earmarked Reserves | 8 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | | (8,981) | (33,864) | (42,846) |
| Balance at 31 March 2014 carried forward | | (28,677) | (331,001) | (359,678) |
| Movement in reserves during 2014/15 | | | | |
| (Surplus) or deficit on provision of services | | (40,512) | 0 | (40,512) |
| Other Comprehensive Expenditure and Income | | 0 | (4,883) | (4,883) |
| Total Comprehensive Expenditure and Income | | (40,512) | (4,883) | (45,395) |
| Adjustments between accounting basis & funding basis under regulations | 7 | 20,872 | (20,872) | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | | (19,640) | (25,755) | (45,395) |
| Transfers to/from Earmarked Reserves | 8 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | | (19,640) | (25,755) | (45,395) |
| Balance at 31 March 2015 carried forward | | (48,317) | (356,756) | (405,073) |

Comprehensive Income & Expenditure Statement for the year ended 31 March 2015

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 Council did not acquire any operations in 2014/15. An Agency Agreement to carry out Part Two Functions (skip licensing service, carriageway crossover service and enforcement of the Highways Act) transferred back to Hertfordshire County Council (HCC) in October 2014.

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

| 2013/14 | | | | 2014/15 | | |
|-------------------|--------------|-----------------|---|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 2,442 | (1,527) | 915 | Central Services to the Public | 1,933 | (2,215) | (282) |
| 5,199 | (153) | 5,046 | Cultural and related Services | 4,349 | (217) | 4,132 |
| 12,512 | (4,962) | 7,550 | Environmental & Regulatory Services | 12,204 | (5,167) | 7,037 |
| 1,740 | (509) | 1,231 | Planning Services | 1,754 | (461) | 1,293 |
| 1,064 | (895) | 169 | Children's and Education Services | 1,092 | (1,002) | 90 |
| 2,320 | (3,750) | (1,430) | Highways & Transport Services | 2,421 | (3,993) | (1,572) |
| 5,544 | (42,112) | (36,567) | Local Authority Housing (HRA) | 5,518 | (44,134) | (38,616) |
| 40,737 | (41,107) | (370) | Other Housing Services | 41,273 | (41,250) | 23 |
| 1 | 0 | 1 | Adult Social Care | 0 | 0 | 0 |
| 3,872 | 0 | 3,872 | Corporate & Democratic Core | 3,862 | 0 | 3,862 |
| 70 | 0 | 70 | Non Distributed Costs | 66 | 0 | 66 |
| 75,501 | (95,015) | (19,514) | Cost of Services | 74,472 | (98,439) | (23,967) |
| | | | | Note | | |
| | 348 | | Other Operational Expenditure | 10 | | (1,245) |
| | 8,081 | | Financing & Investment Income and Expenditure | 11 | | 4,263 |
| | (17,637) | | Taxation & Non-Specific Grant Income: Retained Business rates | 13 | | (17,793) |
| | 15,629 | | Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG) | 13 | | 15,934 |
| | (16,986) | | Taxation & Non-Specific Grant Income: Other | 13 | | (17,704) |
| | (30,079) | | Deficit/(surplus) on Provision of Services | | | (40,512) |
| | (1,275) | | Surplus on revaluation of Property, Plant and Equipment assets | | (8,272) | |
| | (11,492) | | Re-measurements of the net defined benefit liability / (asset) | 33 | 3,390 | |
| | (12,767) | | Other Comprehensive Income and Expenditure | | | (4,882) |
| | (42,846) | | Total Comprehensive Income and Expenditure | | | (45,394) |

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. 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) (see also Note 8 to the Accounts).

The second category are **unusable reserves** or those that the authority is not able to use 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 £496,940,000 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 were 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 100 properties could be sold. This would equate to an average balance sheet valuation of £6,107,000.

Balance Sheet

| 31 March 2014 | | | 31 March 2015 | | |
|------------------|--|------|----------------|-------|------------------|
| £'000 | | Note | £'000 | £'000 | £'000 |
| 478,260 | - Council Dwellings | 15 | 496,940 | | |
| 99,020 | - Other Land & Buildings | 15 | 108,178 | | |
| 3,591 | - Vehicles, Plant & Equipment | 15 | 2,800 | | |
| 8,663 | - Other | 15 | 8,974 | | |
| 589,534 | Total Property, Plant & Equipment | | 616,892 | | |
| 745 | Heritage Assets | 14 | 752 | | |
| 16,747 | Investment property | 16 | 19,547 | | |
| 206 | Intangible Assets | 17 | 412 | | |
| 0 | Long Term Investment | 20 | 2,010 | | |
| 1,696 | Long Term Debtors | 20 | 1,650 | | |
| 608,928 | Total Long Term Assets | | | | 641,263 |
| 5,502 | Short Term Investments | 20 | 18,341 | | |
| 1,550 | Assets Held for Sale | 26 | 1,550 | | |
| 196 | Inventories | 25 | 188 | | |
| 9,070 | Short Term Debtors | 23 | 7,536 | | |
| 19,838 | Cash and Cash Equivalents | 21 | 28,266 | | |
| 36,156 | Current Assets | | | | 55,881 |
| (426) | Short Term Borrowing | 20 | (5,926) | | |
| (14,044) | Short Term Creditors | 24 | (16,937) | | |
| (4,782) | Provisions | 27 | (4,003) | | |
| (19,252) | Current Liabilities | | | | (26,866) |
| (1,007) | Long term creditors | 24 | (1,007) | | |
| (215,520) | Long term borrowing | 20 | (209,757) | | |
| (48,762) | Pension Liability | 33 | (53,613) | | |
| (865) | Grants Receipts in Adv - Capital | 13 | (828) | | |
| (266,154) | Long Term Liabilities | | | | (265,205) |
| 359,678 | Net Assets | | | | 405,073 |
| | | | | | |
| 4,817 | General Fund Balance | 8 | 6,090 | | |
| 9,375 | HRA Balance | 8 | 13,704 | | |
| 14,485 | Other Usable Reserves | 8 | 28,521 | | |
| 28,677 | Total Usable Reserves | | | | 48,315 |
| 331,001 | Unusable Reserves | 9 | | | 356,758 |
| 359,678 | Total Reserves | | | | 405,073 |

Cash Flow Statement for the year ended 31 March 2015

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.

| 2013/14 £'000 | | Note | 2014/15 £'000 | 2014/15 £'000 |
|------------------|--|------|------------------|------------------|
| (30,079) | Net (surplus) or deficit on the provision of services | | | (40,512) |
| (8,647) | Adjustments to net surplus or deficit on the provision of services for non cash movements | 37 | | (2,725) |
| | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | | |
| 5,831 | Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement | | 7,681 | |
| 7,527 | Capital Grants received or applied to meet financing | | 8,123 | |
| | | | | 15,804 |
| (25,368) | Net Cash flows from Operating Activities | 38 | | (27,433) |
| | Investing Activities: | | | |
| 25,576 | Purchase of property, plant & equipment, investment property & intangible assets | | 21,145 | |
| 3,000 | Purchase of short term & long term investments | | 17,810 | |
| (5,832) | Proceeds from the sale of property, plant & equipment, investment property & intangible assets | | (7,703) | |
| (2,500) | Proceeds from short-term & long-term investments | | (1,713) | |
| (7,080) | Capital Grants received | | (7,722) | |
| 48 | Other net receipts from investing activities | | (395) | |
| 13,212 | Net cash flows from investing activities | | | 21,422 |
| | Financing Activities: | | | |
| (4,000) | Cash receipts of short & long term borrowing | | 0 | |
| (660) | Other receipts from financing activities | | (499) | |
| 2,131 | Repayments of short and long term borrowing | | (1,024) | |
| 138 | Other payments for financing activities | | (894) | |
| (2,391) | Net cash flows from financing activities | | | (2,417) |
| (14,547) | Net increase or decrease in cash and cash equivalents | | | (8,428) |
| (5,291) | Cash and Cash Equivalents at the beginning of the reporting period | | | (19,838) |
| (19,838) | Cash and Cash Equivalents at the end of the reporting period | | | (28,266) |

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements. Where accounting policies are specific to an area of the accounts they are included with the relevant disclosure note in a green shaded box. Accounting policies which apply across the whole of the accounts are disclosed below:

General Principles *The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position as at the year end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15 supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the 2003 Act.*

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.

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 Statement

1. Cross Cutting Accounting Policies (contd.)

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

- 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.
- 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 (NDR) shall be measured at the full amount receivable (net of any impairment losses).

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.

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies (contd.)

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 also 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 of any future defaults in the mortgage scheme.

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 2014/15 (SeRCOP). The total absorption costing principle is used with the basis for internal charging, 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.

In this way 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.

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.

Borrowing Costs – It is not the Council's Policy to capitalise borrowing costs.

Notes to the Core Financial Statements

2. Accounting Standards issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011-2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

3. Critical judgements in applying Accounting Policies

In applying the accounting policies, 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:

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 materially reduce levels of service provision. The Council has identified a savings target in its General Fund Medium Term Financial Strategy in anticipation of reduced grant funding levels in future years.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

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

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 30 CCTV Partnership).

Within the Council dwellings valuation there are a number of properties which are likely to be sold within the next 12 months under the **Right to Buy Scheme. The Council does not classify these properties as “Held for Sale”** as at the balance sheet date as these properties are not actively marketed and nor is there any certainty as to which properties will be sold. Based on the number of successful applications made last year it is estimated that 100 properties could be sold. This would equate to an average balance sheet valuation of £6,107,000.

The council considers that two commercial properties held in the town centre are not classified as **“Investment Properties”** as they are held for strategic planning purposes and not solely for rental income or capital appreciation. As such they are included under land and buildings on the balance sheet and expenditure and income on these sites is included within cost of services in the Comprehensive Income and Expenditure Statement.

The Council has classified two sites as **“Asset held for Sale”** as it is the Council's intention to sell these assets within the next 12 months although they were not actively being marketed as at the balance sheet date (as per the strict IFRS 5 categorisation requirement for “Assets held for sale”).

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 Council 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 2015 for which there is a significant risk if material adjustment in the forthcoming financial year are shown on the following pages:

Notes to the Core Financial Statements

4. Assumptions made about the future and other major sources of estimation uncertainty (contd)

| 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 Council 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 2014/15 review of the useful lives of the Council's housing stock resulted in an overall increase from 42.28 years on average per property to 42.34 years. It is estimated that the annual depreciation charge for Council houses would decrease by approximately £240,000 for every year that useful lives are increased.</p> |
| Provisions | The Authority has a provision of £715,051 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 2015 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 £71,500 to the provision needed. |
| 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 Council 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 £5,443,000. (see also Note 33 Pensions – sensitivity analysis of actuarial assumptions) |

Notes to the Core Financial Statements

4. Assumptions made about the future and other major sources of estimation uncertainty (contd)

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|----------------------------------|---|---|
| Trade Debtors and Arrears | At 31 March 2015, the Council had a balance of trade debtors of £644,000 of which £466,000 was older than 3 months. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 30% 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 £25,200 in provision. |
| Benefit Overpayments | At 31 March 2015, the Authority had a balance of housing overpayment debtors of £2,753,000. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 84% 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 collection rates were to improve across all years by 10%, an equivalent reduction in impairment of doubtful debts of £557,540 would be required, returning this amount back to the General Fund. |

5. Material Items of Income and Expense

Exceptional/Material 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.

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:

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| | Material Items of Expenditure | |
| | Cultural, Environmental & Planning Services | |
| 1,214 | Stevenage Leisure Limited Contract Payment | 1,210 |
| | Housing Services | |
| 20,643 | Rent Rebate | 20,903 |
| 15,479 | Rent Allowances | 15,374 |
| | Material Items of Income | |
| | Highways, Roads & Transport Services | |
| (3,283) | Car Parks | (3,515) |
| | Housing Services | |
| (20,470) | Rent Rebate Subsidy | (20,576) |
| (15,306) | Rent Allowances Subsidy | (15,078) |
| (2,677) | Garage Rental Income | (2,725) |
| | Financing & Investment Income & Expenditure | |
| (1,962) | Commercial Property Rent | (2,007) |

Material items of capital income and expenditure:

The Council spent £21.3million on its capital programme in 2014/15, this included £10.0million on housing stock, delivering the decent homes programme and major works, £2.3million on providing new homes, £0.7million on HRA disabled adaptations and £5.0million on General Fund assets.

6. Events after the Balance Sheet Date

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

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 14th September 2015 by the Assistant Director (Finance) (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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements have not been adjusted for the following event which took place after the 31 March 2015 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at the 31 March 2015:

A new trading arm of the CCTV partnership has been incorporated and started trading on the 1st April 2015. The CCTV partnership is still in existence to monitor the cameras of the partner authorities; Stevenage Borough Council, Hertsmere District Council, East Hertfordshire District Council and North Hertfordshire District Council.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

*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 revenue service 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.*

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:

Notes to the Core Financial Statements

7. Adjustments between Accounting Basis and Funding Basis under

Regulations (contd.)

The **General Fund Balance** is the statutory fund into which all the receipts of the Council are required to be paid and, out of which, liabilities of the Council 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 General Fund Balances are not available to fund HRA services or vice versa.

The **Housing Revenue Account Balance** reflects the statutory obligation to maintain a revenue account for local authority council 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. The Localism Act 2011 (Part VII) introduced the self-financing regime with Councils now able to keep the rent they collect and use it locally to maintain their social homes. As part of the new regime depreciation is now a cost borne by the HRA and is transferred to the Major Repairs Reserve to finance future capital investment.

The Council is required to maintain the **Major Repairs Reserve (MRR)**, which holds the depreciation and revenue contributions to capital (RCCO) from the HRA and is limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end. Part of the reserve (£7,190,000) can only be used towards the provision of additional council house schemes.

The **Capital Grants Unapplied** Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to capital expenditure. The balance is restricted by grant terms as to the capital expenditure to which it can be applied and/or the financial year in which this can take place.

Notes to the Core Financial Statements

| 2014/15 Adjustments between Accounting Basis and Funding Basis Under regulations | Usable Reserves | | | | | | Unusable Reserves £000 |
|--|---------------------------------|---------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|---------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | |
| | | | | | | | |
| Adjustments involving the Capital Adjustment Account: | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E) | | | | | | | |
| Charges for depreciation & impairment of non current assets | (5,159) | (10,807) | | | | (15,966) | 15,966 |
| Revaluation on Property, Plant & Equipment | 847 | 21,725 | | | | 22,572 | (22,572) |
| Movements in the market value of Investment Property | 3,049 | 0 | | | | 3,049 | (3,049) |
| Amortisation of intangible assets | (23) | 0 | | | | (23) | 23 |
| Capital Grants & Contributions | 1,595 | 6,953 | | | | 8,548 | (8,548) |
| Revenue expenditure funded from capital under statute | (468) | 0 | | | | (468) | 468 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E) | (355) | (7,943) | | | | (8,298) | 8,298 |
| Insertion of items not debited or credited to the CI&E | | | | | | | |
| Statutory provision for the financing of capital investment | 623 | 0 | | | | 623 | (623) |
| Capital Expenditure charged against General Fund and HRA balances | 849 | 4,398 | | | | 5,247 | (5,247) |
| Adjustments involving the Capital Grants Unapplied Account (CGU) | | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 14 | 0 | | | (14) | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | | | 1,116 | 1,116 | (1.116) |
| Adjustments involving the Capital Receipts Reserve (CRR): | | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement | 1,320 | 9,052 | (10,372) | | | 0 | 0 |
| Use of the CRR to finance new capital expenditure | 0 | 0 | 2,410 | | | 2,410 | (2,410) |
| Contribution from CRR to finance the payments to the Government capital receipts pool | (785) | 0 | 785 | | | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon cash receipt | 0 | 0 | (22) | | | (22) | 22 |
| Adjustments involving the Major Repairs Reserve (MRR): | | | | | | | |
| Reversal of the MRR credited to the HRA | | 10,807 | | (10,807) | | 0 | 0 |
| Use of the MRR to Finance new capital expenditure | | 0 | | 3,049 | | 3,049 | (3,049) |
| Adjustments involving the Pension Reserve | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 38) | (5,213) | (313) | | | | (5,526) | 5,526 |
| Employer's pension contributions & direct payments to pensioners payable in year | 3,626 | 0 | | | | 3,626 | (3,626) |
| 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 | 895 | | | | | 895 | (895) |
| 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 | 29 | 11 | | | | 40 | (40) |
| TOTAL ADJUSTMENTS | 844 | 33,883 | (7,199) | (7,758) | 1,102 | 20,872 | (20,872) |

Notes to the Core Financial Statements

| Comparator Year 2013/14 Adjustments between Accounting Basis and Funding Basis Under regulations | Usable Reserves | | | | | | Unusable Reserves £000 |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | |
| Adjustments involving the Capital Adjustment Account: | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E) | | | | | | | |
| Charges for depreciation & impairment of non current assets | (5,038 | (10,206) | | | | (15,244) | 15,244 |
| Revaluation on Property, Plant & Equipment | (39) | 20,289 | | | | (20,250) | 20,250 |
| Movements in the market value of Investment Property | (20) | 0 | | | | (20) | 20 |
| Amortisation of intangible assets | (15) | 0 | | | | (15) | 15 |
| Capital Grants & Contributions | 542 | 6,953 | | | | 7,495 | (7,495) |
| Revenue expenditure funded from capital under statute | (415) | 0 | | | | (415) | 415 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E) | (61) | (5,411) | | | | (5,472) | 5,472 |
| Insertion of items not debited or credited to the CI&E | | | | | | | |
| Statutory provision for the financing of capital investment | 529 | 2,000 | | | | 2,529 | (2,529) |
| Capital Expenditure charged against General Fund and HRA balances | 281 | 4,761 | | | | 5,042 | (5,042) |
| Adjustments involving the Capital Grants Unapplied Account (CGU) | | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 6 | 40 | | | (46) | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | | | 379 | 379 | (379) |
| 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 | 67 | 5,747 | (5,814) | | | 0 | 0 |
| Use of the CRR to finance new capital expenditure | 0 | 0 | 1,673 | | | 1,673 | (1,673) |
| Contribution from CRR to finance the payments to the Government capital receipts pool | (712) | 0 | 712 | | | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon cash receipt | 0 | 0 | (18) | | | (18) | 18 |
| Adjustments involving the Major Repairs Reserve (MRA): | | | | | | | |
| Reversal of the MRA credited to the HRA | | 10,206 | | (10,206) | | 0 | 0 |
| Use of the MRA to Finance new capital expenditure | | 0 | | 7,401 | | 7,401 | (7,401) |
| Adjustments involving the Pension Reserve | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 39) | (5,561) | (546) | | | | (6,107) | 6,107 |
| Employer's pension contributions & direct payments to pensioners payable in year | 3,769 | 0 | | | | 3,769 | (3,769) |
| 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 | (138) | | | | | (138) | 138 |
| 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 | 1 | (11) | | | | (10) | 10 |
| TOTAL ADJUSTMENTS | (6,804) | 33,822 | (3,447) | (2,805) | 332 | (21,098) | 21,098 |

Notes to the Core Financial Statements

8. Other Usable 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 revenue service 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.*

The Council maintains a General Fund Balance and Housing Revenue Account balance (as described in Note 7. In addition there are a number of earmarked (for specific purpose) 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 Priority Based Budget savings programme. This enables the Council to meet its corporate objectives, realising future efficiency gains and to react to external pressures.

- **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. All monies have been allocated to schemes by the Stevenage Local Strategic Partnership (SoStevenage).

- **Single Status Reserve**

The Council introduced a new pay and grading structure on the 1st July 2014. This required evaluation and moderation of jobs and this reserve provided the resources to bring the new pay and grading model into place. The Council also had a provision for cost of transferring staff from the existing scheme to the new scheme. As the scheme is now in place the Reserve is no longer required and any balances were transferred back to General Fund and HRA balances in 2014/15.

- **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.

Notes to the Core Financial Statements

8. Other Usable Reserves (contd)

- **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 fund one off schemes approved by Members and funded from grant.

- **Regeneration Assets Reserve.**

This reserve contains the ring fenced surplus/deficit for the 3-29 Town Square (purchased in 2013) and the Plaza (purchased in 2014) 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.

- **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. There have been no defaults at the time of publishing the accounts.

- **Capital Reserve**

This reserve was set up in 2013/14 as part of the Council's Integrated Financial Planning Process and will fund prioritised capital projects.

- **Welfare Reform Reserve**

This reserve supports the Revenues and Benefits partnership and other Council services from the on-going impact of the Welfare Reforms agenda.

- **NDR Collection Fund Reserve**

This reserve has been set up in 2013/14 to meet any adverse impact on the General Fund arising from annual movements in the surplus or deficit from retained business rates.

- **Commercialisation Reserve**

The Council uses the 'targeted commercialisation agenda' to help support the General Fund budget and so alleviate the need to cut services to meet all its projected budget gap. This fund was set up in 2014/15 to pump prime initiatives.

Notes to the Core Financial Statements

8. Other Usable Reserves (contd).

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement.

A more detailed breakdown showing the amounts set aside from the General Fund and HRA balances to specific earmarked reserves is shown below. This sets out amounts used to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

| Earmarked Reserve: | 31 March 2014 £'000 | Transfer to Reserve (to fund future years expenditure) £'000 | Transfer from Reserve (to fund in year expenditure) £'000 | Net movement in year £'000 | 31 March 2015 £'000 |
|--|---------------------------|--|---|-------------------------------------|---------------------------|
| General Fund | | | | | |
| Capacity Building | 185 | 0 | 0 | 0 | 185 |
| Performance Reward Grant | 22 | 0 | (22) | (22) | 0 |
| Housing & Planning Delivery Grant | 170 | 0 | 0 | 0 | 170 |
| New Homes Bonus | 745 | 1,029 | (1,573) | (544) | 201 |
| Town Square | 362 | 357 | (86) | 271 | 633 |
| LAMS (Local Authority Mortgage Scheme) | 16 | 12 | 0 | 12 | 28 |
| Capital Reserve | 510 | 525 | (88) | 437 | 947 |
| Commercialisation | 0 | 100 | | 100 | 100 |
| Welfare Reform | 83 | 0 | (83) | (83) | 0 |
| NNDR collection Fund | 161 | 172 | (161) | 11 | 172 |
| Total Earmarked Reserves | 2,254 | 2,195 | (2,013) | 182 | 2,436 |

9. Unusable Reserves

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

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---------------------------|------------------------------------|---------------------------|
| (28,032) | Revaluation Reserve | (35,493) |
| (352,021) | Capital Adjustment Account | (374,254) |
| (213) | Deferred Capital Receipts Reserve | (191) |
| 48,762 | Pension Reserve | 53,613 |
| 69 | Collection Fund Adjustment Account | (826) |
| 433 | Accumulated Absences Account | 393 |
| (331,001) | Total Unusable Reserves | (356,758) |

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

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

The Reserve only contains revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2013/14 £'000 | | 2014/15 £'000 | £'000 |
|------------------|---|------------------|-----------------|
| (27,408) | Balance as at 1 April | | (28,032) |
| (1,726) | Upward revaluation of assets | (8,300) | |
| 450 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 28 | |
| (1,276) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (8,272) |
| 636 | Difference between fair value depreciation and historic cost depreciation | 803 | |
| 16 | Accumulated gains on assets sold or scrapped | 8 | |
| 653 | Amount written off to the Capital Adjustment Account | | 811 |
| (28,032) | Balance as at 31 March | | (35,493) |

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

9.2 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 additions to 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.



Stevenage Town Centre Gardens

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

Capital Adjustment Account:

| 2013/14 £'000 (327,767) | | £'000 | 2014/15 £'000 (352,021) |
|-------------------------------|--|----------|-------------------------------|
| | Balance as at 1 April | | |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement | | |
| 15,246 | Charges for depreciation & impairment of non-current assets | 15,966 | |
| (20,252) | Revaluation losses on Property, Plant & Equipment | (22,573) | |
| 16 | Amortisation of Intangible Assets | 23 | |
| 416 | Revenue expenditure funded from capital under statute | 469 | |
| 5,473 | 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 | 8,298 | |
| 899 | | | 2,183 |
| (653) | Adjusting amounts written out of the Revaluation Reserve | | (811) |
| 246 | Net written out amount of the cost of non-current assets consumed in the year | | 1,372 |
| | Capital financing applied in the year | | |
| (1,688) | Use of the Capital Receipts Reserve to finance new capital expenditure | | (2,604) |
| (7,402) | Use of the Major Repairs Reserve to finance new capital expenditure | | (3,050) |
| (7,372) | Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | | (8,548) |
| (487) | Application of grants to capital financing from the Capital Grants Unapplied Account | | (484) |
| (2,529) | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | | (623) |
| (5,042) | Capital expenditure charged against the General Fund and HRA balances. | | (5,247) |
| (24,520) | | | (20,556) |
| 20 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement | | (3,049) |
| (352,021) | Balance as at 31 March | | (374,254) |

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

9.3 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.

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| (229) | Balance as at 1 April | (213) |
| 16 | Amounts received in year & available for funding | 22 |
| (213) | Balance as at 31 March | (191) |

9.4 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 Council makes employer's contributions to the pension fund or eventually pays any pensions 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 Council 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. (See also Note 33 Pension)

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| 57,915 | Balance as at 1 April | 48,762 |
| (11,491) | Re-measurements of the net defined benefit liability/(asset) | 3,390 |
| 6,107 | Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account | 5,526 |
| (3,769) | Employers' pension contributions and direct payments to pensioners payable in the year | (4,065) |
| 48,762 | Balance as at 31 March | 53,613 |

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

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

| 2013/14 £'000 (70) | | 2014/15 £'000 69 |
|--------------------------|---|------------------------|
| | Balance as at 1 April | |
| 139 | Amount by which council tax-income and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (895) |
| 69 | Balance as at 31 March | (826) |

9.6 The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund and HRA 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 and HRA balance is neutralised by transfers to/ from the Account.

| 2013/14 £'000 422 | | 2014/15 £'000 433 | 2014/15 £'000 433 |
|-------------------------|---|-------------------------|-------------------------|
| | Balance as at 1 April | | |
| (422) | Settlement or cancellation of accrual made at the end of the preceding year | (433) | |
| 433 | Amounts accrued at the end of the current year | 393 | |
| 11 | 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 | | (40) |
| 433 | Balance as at 31 March | | 393 |

Notes to the Core Financial Statements

10. Other Operating Expenditure

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| 711 | Payments to the Government Housing Capital Receipts Pool | 785 |
| (363) | Gains/losses on the disposal of non current assets | (2,030) |
| 348 | Total | (1,245) |

11. Financing and Investment Income and Expenditure

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| 7,235 | Interest payable & similar charges | 7,249 |
| 2,599 | Pensions interest cost & expected return on pensions assets | 1,989 |
| (169) | Interest receivable & similar income | (262) |
| 745 | Expenditure in relation to investment properties and changes in their fair value | 695 |
| (2,084) | Income in relation to investment properties and changes in their fair value | (5,198) |
| (245) | Surplus on trading operations (Note 12) | (210) |
| 8,081 | Total | 4,263 |

12. Trading Operations

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

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--------------------------------------|------------------|
| (434) | Income from stall holders | (413) |
| 190 | Expenditure | 203 |
| (244) | Surplus taken to General Fund | (210) |

Notes to the Core Financial Statements

13. Taxation and Non Specific and Specific Grant Income

Government Grants and Contributions

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.

| 2013/14 £,000 | | 2014/15 £,000 |
|------------------|--|------------------|
| (4,744) | Council Tax Income | (4,856) |
| (17,637) | Non domestic rates retained income | (17,793) |
| 15,629 | Non domestic rates expenditure (tariff payment to DCLG) | 15,934 |
| (4,700) | Non ringfenced government grants | (4,285) |
| (7,542) | Capital grants and contributions | (8,563) |
| (18,994) | Total | (19,563) |

Notes to the Core Financial Statements

13. Taxation and Non Specific and Specific Grant Income (contd)

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

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| | Grants, Contributions credited to Taxation and Non Specific Grant Income | |
| 3,378 | Revenue Support Grant | 2,620 |
| 2,008 | NDR Receipt from Pool | 1,860 |
| 109 | Council Tax Reform | 116 |
| 822 | New Homes Bonus | 1,029 |
| 55 | Council Tax Freeze Grant | 61 |
| 1 | Local Services Support Grant | 0 |
| 7 | High Street Innovation Fund | 0 |
| 266 | Disabled Facilities Grant | 271 |
| 0 | Local Authority Mortgage Scheme | 0 |
| 113 | NDR administration Grant | 113 |
| 160 | S31 Grant | 287 |
| 6,953 | Decent Homes Grant | 6,953 |
| 25 | Waste Performance Efficiency Grant | 0 |
| 23 | Safer Stronger Community Grant | 0 |
| 16 | Unfunded Burdens Grant | 16 |
| 298 | Other Capital Contributions | 1,339 |
| 16 | Other Government grants | 42 |
| 14,250 | Total Grants, Contributions credited to Taxation and Non Specific Grant Income | 14,707 |
| | Credited to Services | |
| 36,550 | Department of Work and Pensions Grants for rebates | 36,747 |
| 0 | Discretionary Housing Payments | 183 |
| 518 | Supporting People Programme Grant | 0 |
| 12 | Police Commissioner Elections | 0 |
| 37,080 | Total Grants, Contributions credited to Services | 36,930 |

The Council has not received any material donations in 2014/15.

Notes to the Core Financial Statements

14. 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.*

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council'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 that valuation is material these assets will be recognised as a separate class of asset – heritage asset on the face of 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 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.

Notes to the Core Financial Statements

14. Heritage Assets (contd)

Reconciliation of the carrying value of Heritage assets held by the Council

| Cost or Valuation | Town Centre £'000 | War Memorial £'000 | Exhibits £'000 | Civic Regalia £'000 | Total £'000 |
|--|-------------------------|--------------------------|-------------------|---------------------------|----------------|
| At 1 April 2014 | 833 | 20 | 200 | 44 | 1,097 |
| Additions | 0 | 33 | 0 | 9 | 42 |
| At 31 March 2015 | 833 | 53 | 200 | 53 | 1,139 |
| Accumulated Depreciation & Impairment | | | | | |
| At 1 April 2014 | (346) | (5) | 0 | 0 | (351) |
| Depreciation charge | (34) | (2) | 0 | 0 | (36) |
| At 31 March 2015 | (380) | (7) | 0 | 0 | (387) |
| Net Book Value | | | | | |
| At 31 March 2015 | 453 | 46 | 200 | 53 | 752 |
| At 31 March 2014 | 487 | 15 | 200 | 43 | 745 |

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

Town Square including Clock Tower: 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, 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.

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.

Notes to the Core Financial Statements

14. Heritage Assets (contd)

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 and is valued at historic cost on the balance sheet. In 2014/15 restoration work to enhance the war memorial was completed.

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.

| Method of valuation | Heritage Assets | | | | Total Heritage Assets |
|-------------------------------|-----------------|-------------------|--------------|---------------|-----------------------|
| | Town Square | Museum Collection | War Memorial | Civic Regalia | |
| Cost or Valuation | £833,204 | | £19,608 | | £852,812 |
| Valued at Insurance Valuation | | £200,000 | | £43,650 | £243,650 |
| | £833,204 | £200,000 | £19,608 | £43,650 | £1,096,462 |

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.

Notes to the Core Financial Statements

15. Property, Plant and Equipment

Property, Plant and Equipment (PPE) – Updated 2014-15

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 and valuations: *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 the manner intended.*

Valuations of the Council's freehold and leasehold properties are co-ordinated 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 with the exception 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. The rolling programme was recently amended to include valuations on opening balance in line with common practice. Non Current Assets are then carried in the Balance Sheet using the following measurement bases:

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

Notes to the Core Financial Statements

15. Property, Plant and Equipment (contd)

Property, Plant and Equipment – Updated 2014-15 (contd)

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. In 2012 properties last valued in 2008 on the DRC approach were 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 was applied to last year's review.

In regard to property assets the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount.

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. In addition should current valuations of similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be re-valued. 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:

- 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.

New council house properties, either constructed or acquired at market value, are re-valued downwards on completion to recognise that Council Dwellings are valued on the balance sheet at existing use value-social housing (39% of the market value).

Notes to the Core Financial Statements

15. Property, Plant and Equipment (contd)

Property, Plant and Equipment – Updated 2014-15 (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. The Council's housing stock was valued by external valuers Jones Lang La Salle, who are a firm of chartered surveyors.

The revaluation process is co-ordinated by the Council's Estates Manager J Herbert MRICS. The latest valuation certificates are dated 1 April 2014 (including Housing Dwellings) and revaluations are carried out by both the Council's in-house professional staff and a private firm of Chartered Surveyors.

A review is undertaken at year end to ensure valuations undertaken on 1st April are still appropriate as at the balance sheet date.

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.

Notes to the Core Financial Statements

15. Property, Plant and Equipment (contd)

Property, Plant and Equipment – Updated 2014-15 (contd)

Depreciation: 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. 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 |
| Vehicles, plant and equipment | 3-7 years |
| Computer 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 has been accounted for using componentisation since April 2011.

Notes to the Core Financial Statements

15. Property, Plant and Equipment (contd)

Property, Plant and Equipment – Updated 2014-15 (contd)

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.

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.

Depreciation charged to the Housing Revenue Account (HRA) is not reversed out and is now a cost to the HRA. HRA depreciation transferred to the Major Repairs Reserve to fund future HRA capital investment

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 was a prohibited transfer period of five years which expired on the 26 May 2014 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.

Impairment Losses

During 2014/15 (as in 2013/14) the Council did not incur any losses as a result of impairment.

The table overleaf shows the movement in valuations of property, plant and equipment.

Notes to the Core Financial Statements

15. Property, Plant and Equipment (contd).

Movement of Property, Plant and Equipment in 2014/15

| | 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 2014 | 490,036 | 106,490 | 21,087 | 4,685 | 3,192 | 2,295 | 806 | 628,591 |
| Additions | 15,551 | 3,617 | 480 | 382 | 0 | 0 | 447 | 20,477 |
| 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 | 3,937 | 0 | 0 | 0 | 0 | 0 | 3,937 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 15,969 | 110 | 0 | 0 | 0 | 5 | 0 | 16,084 |
| Derecognition - Disposals | (8,950) | (105) | 0 | 0 | 0 | 0 | 0 | (9,055) |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in Cost or Valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2015 | 512,606 | 114,049 | 21,567 | 5,067 | 3,192 | 2,300 | 1,253 | 660,034 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2014 | (11,776) | (7,470) | (17,496) | (1,873) | (408) | (34) | 0 | (39,057) |
| Depreciation charge | (10,652) | (3,472) | (1,271) | (394) | (91) | (38) | 0 | (15,918) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to Revaluation Reserve | 5,755 | 5,067 | 0 | 0 | 0 | 0 | 0 | 10,822 |
| Assets reclassified (to)/from Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 1,007 | 4 | 0 | 0 | 0 | 0 | 0 | 1,011 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2015 | (15,666) | (5,871) | (18,767) | (2,267) | (499) | (72) | 0 | (43,142) |
| Net Book Value | | | | | | | | |
| At 31 March 2015 | 496,940 | 108,178 | 2,800 | 2,800 | 2,693 | 2,228 | 1,253 | 616,892 |
| At 1 April 2014 | 478,260 | 99,020 | 3,591 | 2,812 | 2,784 | 2,261 | 806 | 589,534 |

Notes to the Core Financial Statements

15. Property, Plant and Equipment (contd).

Preceding movements of Property, Plant and Equipment in 2013/14.

| | 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 2013 | 464,434 | 105,392 | 20,619 | 4,372 | 3,186 | 3,407 | 1,932 | 603,342 |
| Additions | 15,263 | 1,662 | 654 | 313 | 6 | 470 | 5,343 | 23,711 |
| Accumulated Depreciation & Impairment written off to cost/valuation | 0 | 0 | 0 | 0 | 0 | (63) | 0 | (63) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 368 | 0 | 0 | 0 | (271) | 0 | 97 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 9,622 | (20) | 0 | 0 | 0 | (23) | 0 | 9,579 |
| Derecognition - Disposals | (5,982) | (51) | (186) | 0 | 0 | (5) | 0 | (6,224) |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | (470) | 0 | (470) |
| Assets reclassified (to)/from Held for Sale | 230 | (61) | 0 | 0 | 0 | (1,550) | 0 | (1,381) |
| Other movements in Cost or Valuation | 6,469 | (800) | 0 | 0 | 0 | 800 | (6,469) | 0 |
| At 31 March 2014 | 490,036 | 106,490 | 21,087 | 4,685 | 3,192 | 2,295 | 806 | 628,591 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2013 | (13,012) | (5,485) | (16,173) | (1,508) | (317) | (25) | 0 | (36,520) |
| Depreciation charge | (10,001) | (3,220) | (1,507) | (365) | (91) | (29) | 0 | (15,213) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 10,667 | 1 | 0 | 0 | 0 | 6 | 0 | 10,674 |
| Depreciation written out to Revaluation Reserve | 0 | 1,176 | 0 | 0 | 0 | 2 | 0 | 1,178 |
| Assets reclassified (to)/from Held for Sale | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Derecognition - Disposals | 570 | 5 | 184 | 0 | 0 | 0 | 0 | 759 |
| Assets Derecognised - Reclassified | 0 | 50 | 0 | 0 | 0 | 12 | 0 | 62 |
| At 31 March 2014 | (11,776) | (7,470) | (17,496) | (1,873) | (408) | (34) | 0 | (39,057) |
| Net Book Value | | | | | | | | |
| At 31 March 2014 | 478,260 | 99,020 | 3,591 | 2,812 | 2,784 | 2,261 | 806 | 589,534 |
| At 31 March 2013 | 451,422 | 99,907 | 4,446 | 2,864 | 2,869 | 3,382 | 1,932 | 566,822 |

Notes to the Core Financial Statements

16. 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.

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.

| 2013/14 £,000 | | 2014/15 £,000 |
|------------------|--|------------------|
| 16,939 | Balance at start of year | 16,747 |
| | Additions: | |
| 0 | Subsequent expenditure | 6 |
| | Disposals | (255) |
| (23) | Net gains/(losses) from fair value adjustments | 3049 |
| | Transfers: | |
| 61 | From Property, Plant & Equipment | 0 |
| (230) | To Property, Plant & Equipment | 0 |
| 16,747 | Balance at end of year | 19,547 |

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. Nor does the Council have any contractual obligations to repair, maintain or enhance the investment properties with the exception of a very small proportion of the Council's investment property portfolio where the leases are internal repairing leases and the Council is responsible for the external fabric of the building

In 2014/15 the Council purchased a building known as "The Plaza" in Stevenage town centre. Although a commercial building this purchase was made for strategic planning reasons

Notes to the Core Financial Statements

16. Investment Property (contd)

and not held for investment income and therefore is not classified as an investment property, but included under land and buildings on the balance sheet.

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.

| 2013/14 £,000 | | 2014/15 £,000 |
|------------------|---|------------------|
| 2,084 | Rental Income from Investment Property | 2,149 |
| (724) | Less direct operating expenses arising from Investment Property | (695) |
| 1,360 | Net gain | 1,454 |

17. Intangible Assets

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 on a straight line basis to the Information Communications Technology (ICT) service revenue account and then recharged out across the service headings in the Comprehensive Income and Expenditure Statement over the economic life of the asset to reflect the pattern of consumption of benefits. 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

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 ICT 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.

HRA intangible assets are depreciated in accordance with the council's policy but the charge is not reversed out but forms part of the transfer to the Major Repairs Reserve.

Notes to the Core Financial Statements

17. Intangible Assets (contd)

The intangible assets include a number of services such as 'business objects' which is a report and project modelling tool. There was a total amortisation of £31,301 for all intangible assets charged to revenue in 2014/15. There are no items of capitalised software that are individually material to the financial statements. The movement on Intangible Asset balances during the year is as follows:

| 2013/14 £000's | | 2014/15 | |
|-------------------|---------------------------------------|---------|------------|
| | | £000's | £000's |
| | Balance as at 1 April | | |
| 225 | Gross carrying amounts | | 370 |
| (148) | Accumulated amortisation | | (164) |
| 77 | Net carrying amount at 1 April | | 206 |
| | Additions: | | |
| 145 | Purchases | 237 | |
| (16) | Amortisation for the period | (31) | |
| 129 | | | 206 |
| 206 | Balance at 31 March | | 412 |
| | Comprising: | | |
| 370 | Gross carrying amounts | | 607 |
| (164) | Accumulated amortisation | | (195) |
| 206 | | | 412 |

18. Capital Expenditure and Capital Financing

Revenue Expenditure Funded From Capital Resources Under Statute – General

Fund 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 is made: the amounts charged are then reversed out so that there is no impact on the Council Tax payer.

No such expenditure was incurred by the HRA in 2014/15.

Notes to the Core Financial Statements

18. Capital Expenditure and Capital Financing (contd)

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.

| RESTATED | | | |
|-----------------|---|-----------------|--|
| 2013/14 | | 2014/15 | |
| £'000 | | £'000 | |
| 230,096 | Opening Capital Financing requirement | 229,397 | |
| | <i>Capital investment :</i> | | |
| 22,848 | Property, Plant & Equipment | 19,779 | |
| 0 | Investment Property | 6 | |
| 0 | Heritage Assets | 41 | |
| 313 | Infrastructure Assets | 377 | |
| 225 | Assets under construction | 560 | |
| 416 | Revenue expenditure funded from Capital under statute | 479 | |
| 23,802 | | 21,242 | |
| | <i>Sources of Finance :</i> | | |
| (111) | Capital Receipts - general | (2,258) | |
| (1,577) | Capital Receipts - New Build | (347) | |
| (7,860) | Government Grants & Other Contributions | (9,033) | |
| (7,402) | Major Repairs Reserve | (3,049) | |
| | Sums set aside from Revenue: | | |
| (5,021) | Direct revenue contributions | (5,247) | |
| (2,530) | MRP and Loan Principal | (623) | |
| (24,501) | | (20,557) | |
| 229,397 | Closing Capital Financing requirement | 230,082 | |
| | <i>Explanation of movement in year:</i> | | |
| 0 | Increase in underlying need to borrow (supported by government financial assistance) | 0 | |
| (699) | Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance) | (685) | |
| (699) | Increase/(decrease) in Capital Financing requirement | (685) | |

Notes to the Core Financial Statements

18. Capital Expenditure and Capital Financing contd.

The closing 2013/14 CFR has been restated to remove the principal repayment of General Fund debt that had been included in the 2013/14 calculation in error. The adjustment has increased the opening 2014/15 CFR requirement by £131,893,

As at 31 March 2015 significant commitments for major projects already underway included:-

| | £'000 |
|----------------------------------|---------------|
| Decent Homes and major repairs | 13,395 |
| Archer Road Neighbourhood Centre | 1,922 |
| Skate Park construction | 122 |
| Total | 15,439 |

(As at 31 March 2014 significant commitments for major capital projects totalled £13,126,000)



New homes at Wedgewood Way provided for Stevenage Borough Council tenants in 2013/14.

Notes to the Core Financial Statements

19. Leases

*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 dependent 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.*

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.

Notes to the Core Financial Statements

19. Leases

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 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.

Notes to the Core Financial Statements

19. Leases

Operating Leases

Plant and Equipment: In 2014/15 the Council had use of multi-functional printing devices. The Council also had vehicle leases (assigned to the Council in December 2011 when Stevenage Homes Ltd ceased trading). During 2014/15 40 of these vehicles were bought out with 13 vehicles remaining under lease arrangements. The annually amount charged under these arrangements in 2014/15 was £124,601 (2013/14 £209,447). Future lease payments due are shown in the table below:

| 31 March 2014 | | | Lease Costs Payable | 31 March 2015 | | |
|-------------------|-------------------------------|----------------|---|-------------------|-------------------------------|----------------|
| Printers £'000 | Assigned Vehicles £'000 | Total £'000 | | Printers £'000 | Assigned Vehicles £'000 | Total £'000 |
| 16 | 108 | 124 | Not later than one year | 33 | 44 | 77 |
| 33 | 22 | 55 | Later than one year and not later than five years | 25 | 7 | 32 |

Property: Council as Lessor - the authority currently leases 360 premises which include 184 shops, 36 workshops, 13 public houses, 11 surgeries and 116 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2014/15 was £3,115,444, (2013/14 £3,028,197).

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

| 31 March 2014 £'000 | Future minimum lease payments | 31 March 2015 £'000 |
|---------------------------|---|---------------------------|
| 2,972 | Not later than one year | 3,017 |
| 11,980 | Later than one year and not later than five years | 12,068 |
| 44,587 | Later than five years | 45,254 |

Finance Leases : Property, Plant, and Equipment: There were no assets held under finance leases by the Council as at 1 April 2014. 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

20. Financial Instruments

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 (the Council does not directly hold such assets)*

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.

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.

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

Notes to the Core Financial Statements

20. Financial Instruments (contd)

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 (25th February 2015) 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 2014 complies fully with the code of practice.

Following the banking crisis which saw credit rating downgrades to the majority of commercial and high street banks 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).

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 Council's counter party limits were reviewed in 2014/15 due to higher cash balances being held and a two tier limit was approved with a maximum limit of £7,000,000 to one institution or banking group, reducing to £5,000,000 when overall cash balances fall below £30,000,000. Further details on the Council's Treasury Management Strategy can be found on the Stevenage Borough Council's website.

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.

Notes to the Core Financial Statements

20. Financial Instruments (contd)

| | Amount at 31 March 2015 £'000 | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2015 % | Estimated maximum exposure to default & uncollectability 31 March 2015 £'000 | Estimated maximum exposure to default & uncollectability 31 March 2014 £'000 |
|-------------------------------|--|---|--|---|--|
| Financial Institutions | A | B | C | (AxC) | |
| Banks & Building Societies | 20,641 | 0 | 0 | 0 | 0 |
| Other Local Authorities | 15,825 | 0 | 0 | 0 | 0 |
| Other Counter parties | 12,525 | 0 | 0 | 0 | 0 |
| Trade Debtors | 644 | 20% | 20% | 129 | 165 |
| Total | 49,635 | | | 129 | 165 |

The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2015. The calculation is based on the age of the trade debtor and debt type. The Council does not generally allow credit for customers, such that £466,000 of the £644,000 trade debtors balance has passed its due date for payment. The past due amount can be analysed by age and service in the following table

| Age of Sundry Debt | Estates Services £'000 | Direct Services (incl Recycling) £'000 | Planning £'000 | Other £'000 | Total Trade Debtors £'000 | Housing Related £'000 | Total Debtors £'000 |
|--|------------------------------|--|-------------------|----------------|------------------------------------|-----------------------------|---------------------------|
| less than 3 months | 59 | 92 | 13 | 14 | 178 | 778 | 956 |
| Over Term: | | | | | | | |
| 3-6 months | 21 | 6 | 7 | 12 | 46 | 478 | 524 |
| 6 months - 1 year | 20 | 2 | 5 | 25 | 52 | 399 | 451 |
| over 1 year | 168 | 1 | 8 | 191 | 368 | 1,610 | 1,978 |
| Total trade debtors over term | 209 | 9 | 20 | 228 | 466 | 2,487 | 2,953 |
| Total Trade Debtors 31 March 2015 | 268 | 101 | 33 | 242 | 644 | 3,265 | 3,909 |
| Total Trade Debtors 31 March 2014 | 262 | 55 | 10 | 288 | 615 | 2,034 | 2,649 |

Notes to the Core Financial Statements

20. Financial Instruments contd.

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses, which form the main element of Mortgages under Long Term Debtors. As at 31 March 2015 Deferred Capital Receipts were £191,368, (31 March 2014, £213,675).

These figures do not include debt relating to Council Tax or Non-domestic Rates as these are considered to be statutory debts. Debt relating to Council house rents is disclosed in Note HRA2 Rent and Supported Housing Arrears.

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

Interest rate risk: The Council 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 Council. 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 fixed term investment/borrowing cost/income will remain constant.

Notes to the Core Financial Statements

20. 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 £209,757,000; the 2015/16 Treasury Management Strategy (approved February 2015), allows an operational boundary for external debt of £225,894,000.

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 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 2015), 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 | (462) |
| Impact on Comprehensive Income & Expenditure Statement | (462) |
| Share of overall impact credited to the HRA | 402 |
| Impact on Movement in Reserves Statement | (60) |

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, other than the rate at which borrowing which has not yet been physically taken could be borrowed at in future.

Price risk The Council does not invest in equity shares and does not have any shareholdings. (The Municipal Bond purchased in 2014/15 (£10,000) is not held for trading purposes but to support and have access to preferential borrowing rates from the Municipal Bond Agency, set up by the Local Government Association. As such this transaction has been classed as a long term investment.)

Foreign exchange risk: The Council 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: Councils 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

20. Financial Instruments contd.

The following categories of financial instruments are carried in the Balance Sheet:

| | Long Term | | Current | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 31 March 2014 £'000 | 31 March 2015 £'000 | 31 March 2014 £'000 | 31 March 2015 £'000 |
| Investments | | | | |
| Investment (LGA Municipal Bond) | 0 | 10 | 0 | 0 |
| Loans and Receivables | 0 | 2,000 | 5,502 | 18,341 |
| Total Investments | 0 | 2,010 | 5,502 | 18,341 |
| Debtors (including Cash and Bank) | | | | |
| <i>Loans and Receivables comprising:</i> | | | | |
| Mortgages | 195 | 150 | 12 | 34 |
| Car Loans | 1 | 0 | 1 | 1 |
| Housing Rents Leaseholders | 0 | 0 | 632 | 580 |
| Other debtors | 0 | 0 | 6,351 | 5,466 |
| Cash & Bank | 0 | 0 | 19,826 | 28,266 |
| Local Authority Mortgage Scheme | 1,500 | 1,500 | 0 | 0 |
| Total Debtors | 1,696 | 1,650 | 26,822 | 34,347 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | 215,520 | 209,757 | 426 | 5,926 |
| Total Borrowings | 215,520 | 209,757 | 426 | 5,926 |
| Creditors | | | | |
| Receipts in Advance | 0 | 0 | 2,284 | 1,888 |
| Sundry Creditors | 0 | 0 | 7,290* | 7,495 |
| Local Authority Mortgage Scheme | 1,007 | 1,007 | 0 | 0 |
| Total Creditors | 1,007 | 1,007 | 9,574 | 9,384 |

* Previously published as 7,269 – now correctly restated as 7,290 (no change to previously published total)

There is one car loan which was given to a member of staff.

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|------------------------|------------------------------|------------------------|
| 4 | Balance at start of the year | 3 |
| 0 | Loan Raised | 1 |
| (1) | Loan Repaid | (3) |
| 3 | Closing Balance | 1 |
| 3 | Nominal Value at year end | 1 |

Notes to the Core Financial Statements

20. Financial Instruments contd.

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

| 31 March 2014 | | | 31 March 2015 | | |
|--|---|---------------|--|---|---------------|
| Financial Liabilities Measured at Amortised Cost £000 | Financial Assets: Loans and Receivables £000 | Total £000 | Financial Liabilities Measured at Amortised Cost £000 | Financial Assets: Loans and Receivables £000 | Total £000 |
| 7,235 | 0 | 7,235 | 7,245 | 0 | 7,245 |
| 7,235 | 0 | 7,235 | 7,245 | 0 | 7,245 |
| 0 | (169) | (169) | 0 | (263) | (263) |
| 0 | (169) | (169) | 0 | (263) | (263) |
| 7,235 | (169) | 7,066 | 7,245 | (263) | 6,982 |

| | | | |
|---|--------------|--------------|--------------|
| Interest Expense | 7,245 | 0 | 7,245 |
| Total expense in Surplus or Deficit on the Provision of Services | 7,245 | 0 | 7,245 |
| Interest income | 0 | (263) | (263) |
| Total income in Surplus or Deficit on the Provision of Services | 0 | (263) | (263) |
| Net gain/(loss) for the year | 7,245 | (263) | 6,982 |

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

20. 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:

| 31 March 2014 | | 31 March 2015 | |
|--------------------------|---------------------|-----------------------------------|---------------------|
| Carrying amount £'000 | Fair Value £'000 | Carrying amount £'000 | Fair Value £'000 |
| | | Investments | |
| 3,000 | 3,000 | Fixed term loans & receivables | 15,826 |
| 21,933 | 21,933 | Variable term loans & receivables | 33,166 |
| 24,933 | 24,933 | Total | 48,992 |
| | | Loan Debt | |
| 215,947 | 220,204 | Fixed term financial liabilities | 215,683 |
| 215,947 | 220,204 | Total | 215,683 |

The fair value of loan debt is higher than the carrying amount because the council's portfolio of loans includes fixed rate loans where the prevailing rates at the Balance Sheet date are lower than the interest rate payable. The fair value includes the premium that would be payable should the council reschedule its debt.

21. Cash and Cash Equivalents

Cash and Cash Equivalents are represented by notes and coins held by the Council and deposits available on demand. Cash Equivalents are represented by short-term, 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.

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

| 31 March 2014 £'000 | 31 March 2015 £'000 |
|---------------------------|---------------------------|
| 10 | 10 |
| 396 | (394) |
| 19,432 | 28,650 |
| 19,838 | 28,266 |

Notes to the Core Financial Statements

22. Other Bank Accounts

The Council administers a bank account in respect of the Mayors' Charity. The balance on this account as at 31 March 2015, which has not been included in the Balance Sheet, was £4,326 (as at the 31 March 2014, £3,281). This account is used to fund various charitable donations and events.

23. Short Term Debtors

The Council's debtors (net of the provision for bad and doubtful debts) are as follows:

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|------------------------|------------------------------|------------------------|
| 804 | Central Government Bodies | 269 |
| 372 | Other Local Authorities | 296 |
| 632 | Housing Rents & Leaseholders | 580 |
| 898 | Collection Fund | 926 |
| 6,364 | Other Debtors | 5,465 |
| 9,070 | Total | 7,536 |

Notes to the Core Financial Statements

24. Creditors and Receipts in Advance

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. An accrual is made for the cost of holiday entitlement (or any form of leave e.g. flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following year, being the year in which the employee takes the benefit. Stevenage Borough Council policy states that no more than five days annual leave should be carried over into the next financial year unless permission is granted in exceptional circumstances. The flexi time scheme is available to 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.

| 31 March 2014 £'000 | | 31 March 2015 £'000 | £'000 |
|------------------------------|----------------------------------|------------------------|---------------|
| | Creditors: | | |
| 2,084 | Central Government Bodies | 5,473 | |
| 931 | Other Local Authorities | 532 | |
| 433 | Accumulated leave | 393 | |
| 6,858 | Other Entities & Individuals | 7,103 | |
| 10,306 | Total Creditors | | 13,501 |
| | Receipts in Advance: | | |
| 71 | Other Local Authorities | 125 | |
| 560 | Housing | 643 | |
| 227 | Tenants (redecorations scheme) | 226 | |
| 596 | Collection Fund | 554 | |
| 2,284 | Other Entities & Individuals | 1,888 | |
| 3,738 | Total Receipts in Advance | | 3,436 |
| 14,044 | Total | | 16,937 |

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

Notes to the Core Financial Statements

25. Inventories

Inventories (stock) 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 or current replacement cost, however, the effect of the different treatment is not significant. Work in progress on uncompleted jobs is valued at cost price.

| | Grounds Maintenance £'000 | Building Maintenance £'000 | Fuel £'000 | Tyres £'000 | Other £'000 | Total £'000 |
|--------------------------------------|---------------------------------|----------------------------------|---------------|----------------|----------------|----------------|
| Balance as at 1 April 2014 | 75 | 44 | 15 | 4 | 58 | 196 |
| Purchases | 233 | 66 | 452 | 53 | 121 | 925 |
| Recognises as an expense in the year | (235) | (66) | (446) | (57) | (129) | (933) |
| Written off balances | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2015 | 73 | 44 | 21 | 0 | 50 | 188 |

26. Assets held for sale

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.

A reasonable assessment can be made of General Fund disposals. However, for HRA 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.

Notes to the Core Financial Statements

26. Assets held for sale (contd)

Disposals and Non-Current Assets Held For Sale (contd)

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. With the introduction of Self-financing in April 2012 a new government calculation was introduced to apportion right to buy receipts due from sales of the Council's housing stock. The Council agreed to participate in the new scheme that enabled the Council to retain a proportion of the receipts that can only 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 individual new build scheme. Other housing receipts from land may be fully retained by the Council if spent on affordable housing, regeneration or repayment of HRA debt. The capital receipts retained by the Council are required to be credited to the Capital Receipts Reserve and used for capital expenditure.

The written-off value of disposals for General Fund and HRA assets is not a charge against council tax or tenants, 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 / Housing Revenue Account 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

26. Assets held for sale (contd)

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---------------------------|---------------------------------|---------------------------|
| 0 | Balance at start of year | 1,550 |
| 1,550 | Transfers from surplus assets | 0 |
| 0 | Assets sold | 0 |
| 1,550 | Balance at year end | 1,550 |

27. 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 at the balance sheet date of the expenditure required to settle the obligation.

Where payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed and 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 (Note23).

As at the 31 March 2015 the Council had provisions totalling £4,003,154 of which £715,051 related to insurance claims (31 March 2014, £4,781,920, of which £856,348 related to insurance).

Notes to the Core Financial Statements

27. Provisions (contd)

The **insurance provision** provides for excesses relating to known claims as analysed in the following table;

| 31 March 2014 £'000 | Claim Type | 31 March 2015 £'000 |
|------------------------|---------------------|------------------------|
| 799 | Public Liability | 608 |
| 32 | Employers Liability | 39 |
| 2 | Motor | 1 |
| 10 | General Properties | 24 |
| 13 | Housing Properties | 43 |
| 856 | Total | 715 |

Single Status Provision: Following the signing of the Single Status Agreement in 1997, the Council has been actively working to implement the scheme. This scheme was completed and implemented in July 2014 and as such the provision is no longer required.

Organisational Change Provision: This provision was established to meet the costs arising from service efficiencies (identified as part of the budget setting process and service reviews).

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. In 2013/14 a payment was made with a further provision for 13% of Council's historic insurance claims with MMI.

NDR Appeals Provision: Business Rate Payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency (VOA). From 1 April 2013 onwards, in the event that the appeal is successful, the Council is responsible for repaying its share of Business Rate income to the ratepayer. This provision has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2015.

BTC Roof Provision: Following a survey of the roof structure at the Business Technology Centre repairs are required. This provision has been established to cover the anticipated costs in 2015/16.

Other Provisions: All other provisions are individually insignificant.

Notes to the Core Financial Statements

27. Provisions (contd)

| | Insurance Provision £'000 | Implementation of Single Status £'000 | Organisation change £'000 | Municipal Mutual Insurance £'000 | BTC Roof Provision £'000 | NDR Appeals £'000 | Other Provisions £'000 | Total £'000 |
|--|---------------------------------|---|---------------------------------|--|--------------------------------|-------------------------|------------------------------|----------------|
| Balance as at 31 March 2013 | (757) | (1,804) | 0 | (72) | 0 | 0 | (139) | (2,772) |
| Additional Provisions made in 2013/14 | (607) | (70) | (348) | (40) | 0 | (1,430) | (138) | (2,633) |
| Amounts Used in 2013/14 | 508 | 0 | 0 | 65 | 0 | 0 | 50 | 623 |
| Unused Amounts reversed in 2013/14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at 31 March 2014 | (856) | (1,874) | (348) | (47) | 0 | (1,430) | (227) | (4,782) |
| Additional Provisions made in 2014/15 | (271) | 0 | (423) | 0 | (120) | (2,026) | 2 | (2,838) |
| Amounts Used in 2014/15 | 412 | 928 | 319 | 0 | 0 | 521 | 5 | 2,185 |
| Unused Amounts reversed in 2014/15 | 0 | 946 | 0 | 0 | 0 | 486 | 0 | 1,432 |
| Balance as at 31 March 2015 | (715) | 0 | (452) | (47) | (120) | (2,449) | (220) | (4,003) |

Notes to the Core Financial Statements

28. Amounts Reported for Resource Allocation Decisions

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.

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.

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

- no General Fund 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). Depreciation charged to the HRA is a cost to the HRA and is considered in the HRA Business Plan and Medium Term Financial Strategy.
- 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.

Notes to the Core Financial Statements

28. Amounts Reported for Resource Allocation Decisions contd.

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 2014/15

| | Resources | Community Services | Housing Services | Environmental Services | Support Services | Local Community Budgets | Trading Services | Housing Revenue Account | Total |
|---------------------------------------|-----------------|--------------------|------------------|------------------------|------------------|-------------------------|------------------|-------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees charges and other service income | (7,208) | (1,208) | (2,214) | (6,591) | (1,520) | 0 | (1,523) | (43,847) | (64,111) |
| Government grants | (19,830) | (10) | (36,314) | (7) | (13) | 0 | 0 | (497) | (56,671) |
| Total Income | (27,038) | (1,218) | (38,528) | (6,598) | (1,533) | 0 | (1,523) | (44,344) | (120,782) |
| Employee expense | 282 | 1,798 | 564 | 4,597 | 6,454 | 0 | 3,729 | 9,189 | 26,613 |
| Other service expenses | 16,320 | 3,002 | 38,622 | 10,397 | 5,586 | 100 | (7,289) | 20,368 | 87,106 |
| Support service recharges | 4,855 | 657 | 1,491 | (2,227) | (10,415) | 0 | 5,083 | 10,458 | 9,902 |
| Total Expenditure | 21,457 | 5,457 | 40,677 | 12,767 | 1,625 | 100 | 1,523 | 40,015 | 123,621 |
| Net Expenditure | (5,581) | 4,239 | 2,149 | 6,169 | 92 | 100 | 0 | (4,329) | 2,839 |

Notes to the Core Financial Statements

28. Amounts Reported for Resource Allocation Decisions contd.

Service Income and Expenditure 2013/14 Preceding period 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 | (7,824) | (1,048) | (1,880) | (6,451) | (1,020) | 0 | (1,382) | (41,704) | (61,309) |
| Government grants | (19,157) | (23) | (36,551) | (10) | (43) | 0 | 0 | (518) | (56,302) |
| Total Income | (26,981) | (1,071) | (38,431) | (6,461) | (1,063) | 0 | (1,382) | (42,222) | (117,611) |
| Employee expense | 329 | 1,684 | 514 | 4,769 | 6,703 | 0 | 3,692 | 8,730 | 26,421 |
| Other service expenses | 16,721 | 3,885 | 38,290 | 11,048 | 5,469 | 126 | (7,661) | 21,324 | 89,202 |
| Support service recharges | 5,321 | 682 | 1,521 | (2,501) | (11,001) | 0 | 5,345 | 10,695 | 10,062 |
| Total Expenditure | 22,371 | 6,251 | 40,325 | 13,316 | 1,171 | 126 | 1,376 | 40,749 | 125,685 |
| Net Expenditure | (4,610) | 5,180 | 1,894 | 6,855 | 108 | 126 | (6) | (1,473) | 8,074 |

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to amounts included in the Comprehensive Income and Expenditure Statement.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 8,075 | Net expenditure in the Service Analysis | 2,839 |
| 10 | Net expenditure of services and support services not included in the Analysis | (40) |
| 70 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 0 |
| 4,142 | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | (26,766) |
| 12,297 | Cost of Services in Comprehensive Income and Expenditure Statement | (23,967) |

Notes to the Core Financial Statements

28. Amounts Reported for Resource Allocation Decisions contd.

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus/Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2014/15 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 | (61,574) | 0 | 2,349 | (59,225) | 0 | (59,225) |
| Surplus or deficit on trading ventures | (210) | 0 | 210 | 0 | (210) | (210) |
| Interest and investment income | (2,329) | 0 | 262 | (2,067) | (5,460) | (7,527) |
| Council tax precept & surplus | 0 | 0 | 0 | 0 | (4,856) | (4,856) |
| NNDR retained income | 0 | 0 | 18,055 | 18,055 | (18,055) | 0 |
| Government grants and contributions | (56,670) | 0 | 1,673 | (54,997) | (12,263) | (67,260) |
| Total income | (120,783) | 0 | 22,549 | (98,234) | (40,844) | (139,078) |
| Employee expenses | 26,614 | (40) | (366) | 26,208 | 1,989 | 28,197 |
| Other service expenses | 69,046 | 0 | (4,567) | 64,601 | 696 | 65,297 |
| Support Service recharges | 9,904 | 0 | 0 | 9,904 | 0 | 9,904 |
| Depreciation, amortisation and impairment | 10,808 | 0 | (22,143) | (11,335) | 0 | (11,335) |
| Interest payments | 7,249 | 0 | (7,872) | (623) | 7,249 | 6,626 |
| NNDR Tariff payment | 0 | 0 | (15,934) | (15,934) | 15,934 | 0 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | (785) | (785) | 785 | 0 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 2,354 | 2,354 | (2,354) | 0 |
| Total expenditure | 123,621 | (40) | (49,313) | 74,268 | 24,298 | 98,566 |
| Surplus or deficit on the provision of services | 2,838 | (40) | (26,764) | (23,966) | (16,546) | (40,512) |

Notes to the Core Financial Statements

28. Amounts Reported for Resource Allocation Decisions contd.

| 2013/14 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 | (58,811) | 0 | 2,175 | (56,636) | 0 | (56,636) |
| Surplus or deficit on trading ventures | (244) | 0 | 244 | 0 | (244) | (244) |
| Interest and investment income | (2,254) | 0 | 169 | (2,085) | (2,254) | (4,339) |
| Council tax precept & surplus | 0 | 0 | 0 | 0 | (4,744) | (4,744) |
| NNDR retained income | 0 | 0 | 17,860 | 17,860 | (17,637) | 223 |
| Government grants and contributions | (56,301) | 0 | 1,321 | (54,980) | (12,226) | (67,206) |
| Total income | (117,610) | 0 | 21,769 | (95,841) | (37,105) | (132,946) |
| Employee expenses | 26,422 | 10 | (305) | 26,127 | 2,600 | 28,727 |
| Other service expenses | 71,759 | 0 | (5,515) | 66,244 | 745 | 66,989 |
| Support Service recharges | 10,061 | 0 | 0 | 10,061 | 0 | 10,061 |
| Depreciation, amortisation and impairment | (21,604) | 0 | 11,988 | (9,616) | 0 | (9,616) |
| Interest payments | 7,235 | 0 | (7,764) | (529) | 7,235 | 6,706 |
| NNDR Tariff payment | 0 | 0 | (15,629) | (15,629) | 15,629 | 0 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | (711) | (711) | 711 | 0 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 379 | 379 | (379) | 0 |
| Total expenditure | 93,873 | 10 | (17,557) | 76,326 | 26,541 | 102,867 |
| Surplus or deficit on the provision of services | (23,737) | 10 | 4,212 | (19,515) | (10,564) | (30,079) |

Notes to the Core Financial Statements

29. Agency Services

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £401,427 in 2014/15 (£338,532 in 2013/14).

The Council provided four Children's Centres under an agency agreement with Hertfordshire County Council for which the Council was reimbursed £941,944 in 2014/15 (£865,377 in 2013/14). 2014/15 was the last year of this agency agreement.

30. 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 Hertsmeres 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. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV Partnership. This new company, Hertfordshire CCTV Partnership Ltd, started trading on the 1st April 2015.

31. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £432,563 in 2014/15. (£433,039 in 2013/14). Payments made outside the scheme for Mayoral Allowances totalled £12,638 in 2014/15, (£10,538 in 2013/14).

Notes to the Core Financial Statements

32. 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 2014/15 | | | | | | |
| Chief Executive | 114,732 | 806 | 6,699 | 122,237 | 30,195 | 152,432 |
| Strategic Director (Resources) | 94,543 | 710 | 1,830 | 97,083 | 23,498 | 120,581 |
| Strategic Director (Environment) | 85,948 | 481 | 0 | 86,429 | 21,362 | 107,791 |
| Strategic Director (Community) | 85,948 | 815 | 530 | 87,293 | 21,362 | 108,655 |
| Borough Solicitor | 65,888 | 0 | 265 | 66,153 | 16,375 | 82,528 |
| Total remuneration in 2014/15 | 447,059 | 2,812 | 9,324 | 459,195 | 112,792 | 571,987 |
| Remuneration 2013/14 | | | | | | |
| Chief Executive | 114,732 | 612 | 3,669 | 119,013 | 30,421 | 149,434 |
| Strategic Director (Resources) | 94,073 | 843 | 1,350 | 96,266 | 24,167 | 120,433 |
| Strategic Director (Environment) | 85,521 | 594 | 0 | 86,115 | 21,970 | 108,085 |
| Former Strategic Director (Community) | 7,127 | 25 | 0 | 7,152 | 1,838 | 8,990 |
| Strategic Director (Community) | 41,497 | 340 | 0 | 41,837 | 10,550 | 52,387 |
| Borough Solicitor | 65,570 | 0 | 64 | 65,634 | 16,845 | 82,479 |
| Total remuneration in 2013/14 | 408,520 | 2,414 | 5,083 | 416,017 | 105,791 | 521,808 |

* "Other emoluments" includes election duty payments.

Notes to the Core Financial Statements

32. 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.

| 2013/14 Number of employees | Remuneration Band | 2014/15 Number of employees |
|-----------------------------------|---------------------|-----------------------------------|
| 1 | £50,000 - £54,999 | 1 |
| 2 | £55,000 - £59,999 | 1 |
| 7 | £60,000 - £64,999 | 10 |
| 1 | £65,000 - £69,999 | 1 |
| 2 | £70,000 - £74,999 | 1 |
| 2 | £75,000 - £79,999 | 0 |
| 0 | £80,000 - £84,999 | 0 |
| 1 | £85,000 - £89,999 | 2 |
| 0 | £90,000 - £94,999 | 0 |
| 1 | £95,000 - £99,999 | 1 |
| 0 | £100,000 - £104,999 | 0 |
| 0 | £105,000 - £109,999 | 0 |
| 0 | £110,000 - £114,999 | 0 |
| 1 | £115,000 - £119,999 | 0 |
| 0 | £120,000 - £124,999 | 1 |
| 18 | Total | 18 |

Notes to the Core Financial Statements

32. 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.

| 2014/15 | | | | |
|--|-----------------------------------|-----------------------------------|--|--|
| Exit package cost band (including special payments) | 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 | 8 | 0 | 8 | £65,667 |
| £20,000 - £39,999 | 9 | 0 | 9 | £297,307 |
| Total | 17 | 0 | 17 | £362,973 |

| 2013/14 | | | | |
|--|-----------------------------------|-----------------------------------|--|--|
| Exit package cost band (including special payments) | 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 | 2 | 2 | 4 | £56,877 |
| £20,000 - £39,999 | 2 | 0 | 2 | £65,157 |
| £40,000 - £99,999 | 3 | 0 | 3 | £182,939 |
| Total | 7 | 2 | 9 | £304,973 |

Notes to the Core Financial Statements

33. Pension

Pensions - Local Government Pension Scheme

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

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 2013 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 the following components:

Service costs comprising:

- 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 (CI&E) as part of Non Distributed Costs.
- Net Interest on the net defined benefit liability (asset), ie net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CI&ES this is calculated by applying the discount rate used to measure defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments .

Remeasurements comprising:

- The return on plan assets- excluding amounts included in the net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

Notes to the Core Financial Statements

33. Pension contd.

Pensions-Local Government Pension Scheme contd.

- *Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve and Other comprehensive Income and Expenditure.*

Contributions paid to the Hertfordshire Pension Fund – cash paid as employers contributions to the pension fund in settlement of liabilities.

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.

Participation in Pension Schemes

The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council. 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.

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.

Notes to the Core Financial Statements

33. Pension contd.

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.

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| | Cost of service | |
| 3,438 | Current service costs | 3,472 |
| 70 | Past service costs | 66 |
| | Financing and Investment Income & Expenditure | |
| 7,421 | Interest costs | 6,600 |
| (4,822) | Interest income on plan assets | (4,611) |
| 6,107 | Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services | 5,527 |
| | Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | |
| (1,882) | Return on plan assets (excluding the amount included in the net interest expense) | (11,245) |
| (5,099) | Actuarial gains and losses arising on changes in demographic assumptions | 0 |
| 929 | Actuarial gains and losses arising on changes in financial assumptions | 15,935 |
| (5,439) | Other Actuarial gains and losses | (1,429) |
| (5,384) | Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | 8,788 |
| | Movement in Reserves Statement | |
| (6,107) | Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code | (5,527) |
| | Actual amount charged against the General Fund Balance for pensions in the year | |
| 3,769 | Employer's contributions payable to the scheme | 4,066 |

Notes to the Core Financial Statements

33. Pension contd.

Pension Assets & Liabilities recognised in the Balance Sheet

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| 108,064 | Opening fair value of Scheme assets | 113,100 |
| 4,822 | Interest Income | 4,611 |
| | Re-measurement gain/(loss) | |
| 1,884 | The return on plan assets, excluding the amount included in the net interest expense | 11,116 |
| 3,769 | Contributions from employer | 4,066 |
| 880 | Contributions from employees into the scheme | 991 |
| (6,319) | Benefits paid | (6,079) |
| 113,100 | Closing fair value of scheme assets | 127,805 |

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| 165,979 | Opening Balance | 161,862 |
| 3,438 | Current Service Cost | 3,472 |
| 7,421 | Interest Cost | 6,600 |
| 880 | Contributions from Scheme participants | 991 |
| | Re-measurement gain/(loss) | |
| (5,099) | Actuarial gains/(losses arising from changes in demographic assumptions | 0 |
| 929 | Actuarial gains/(losses arising from changes in financial assumptions | 15,935 |
| (5,437) | Other | (1,429) |
| 70 | Past service costs | 66 |
| (6,319) | Benefits paid | (6,079) |
| 161,862 | Closing balance | 181,418 |
| (48,762) | Net Pension Liability | (53,613) |

Basis for Estimating Assets and 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 LLP, 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 2013.

Notes to the Core Financial Statements

33. Pension contd.

Fair value of Employers assets (at bid values unless otherwise stated)

| Asset category | Period Ended 31 March 2014 | | | | Period Ended 31 March 2015 | | | |
|------------------------------------|--|--|----------------|-------------------|--|--|----------------|-------------------|
| | Quoted prices in active markets £'000 | Quoted prices not in active markets £'000 | Total £'000 | % of Total Assets | Quoted prices in active markets £'000 | Quoted prices not in active markets £'000 | Total £'000 | % of Total Assets |
| Equity Securities: | | | | | | | | |
| Consumer | 11,389 | 0 | 11,389 | 10% | 11,285 | 0 | 11,285 | 9% |
| Manufacturing | 13,031 | 0 | 13,031 | 13% | 13,369 | 0 | 13,369 | 10% |
| Energy and Utilities | 5,024 | 0 | 5,024 | 4% | 3,689 | 0 | 3,689 | 3% |
| Financial Institutions | 12,283 | 0 | 12,283 | 11% | 11,487 | 0 | 11,487 | 9% |
| Health and Care | 1,737 | 0 | 1,737 | 2% | 1,895 | 0 | 1,895 | 1% |
| Information Technology | 1,954 | 0 | 1,954 | 7% | 7,938 | 0 | 7,938 | 6% |
| Other | 1,290 | 0 | 1,290 | 1% | 942 | 0 | 942 | 1% |
| Debt Securities: | | | | | | | | |
| Corporate Bonds (investment grade) | 9,375 | 0 | 9,375 | 8% | 0 | 0 | 0 | 0% |
| UK Government | 6,967 | 0 | 6,967 | 6% | 0 | 0 | 0 | 0% |
| Other | 2,394 | 0 | 2,394 | 2% | 0 | 0 | 0 | 0% |
| Private Equity: | | | | | | | | |
| All | 0 | 4,585 | 4,585 | 4% | 0 | 5,294 | 5,294 | 4% |
| Real Estate: | | | | | | | | |
| UK Property | 0 | 4,379 | 4,379 | 4% | 0 | 0 | 0 | 0% |
| Overseas Property | 0 | 2,484 | 2,484 | 2% | 0 | 0 | 0 | 0% |
| Investment Funds and Unit Trusts: | | | | | | | | |
| Equalities | 17,209 | 0 | 17,209 | 16% | 18,364 | 0 | 18,364 | 14% |
| Bonds | 2,758 | 0 | 2,758 | 2% | 34,090 | 0 | 34,090 | 27% |
| Commodities | 480 | 0 | 480 | 0% | 554 | 0 | 554 | 1% |
| Infrastructure | 0 | 0 | 0 | 0% | 0 | 114 | 114 | 0% |
| Other | 5,983 | 0 | 5,983 | 5% | 401 | 15,290 | 15,691 | 12% |
| Derivatives: | | | | | | | | |
| Interest Rate | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Foreign Exchange | 0 | 98 | 98 | 0% | 0 | (277) | (277) | 0% |
| Cash and Cash Equivalents: | | | | | | | | |
| All | 3,680 | 0 | 3,680 | 3% | 3,370 | 0 | 3,370 | 3% |
| Totals | 95,554 | 11,546 | 107,100 | 100% | 107,384 | 20,421 | 127,805 | 100% |

Notes to the Core Financial Statements

33. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

| 2013/14 | | 2014/15 |
|---|---|---------|
| Long Term expected rate of return on assets in the scheme: | | |
| 4.1% | Equity investments | 3.1% |
| 4.1% | Bonds | 3.1% |
| 4.1% | Property | 3.1% |
| 4.1% | Cash | 3.1% |
| Mortality Assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| 22.3 | Men | 22.3 |
| 24.5 | Women | 24.5 |
| Longevity at 65 for future pensioners: | | |
| 24.3 | Men | 24.3 |
| 26.7 | Women | 26.7 |
| Other Assumptions: | | |
| 2.6% | Rate of inflation | 2.1% |
| 3.9% | Rate of increase in salaries | 3.5% |
| 4.5% | Expected return on scheme assets | 3.1% |
| 4.1% | Rate for discounting scheme liabilities | 3.1% |
| 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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis that follows has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period. In calculating the impact for each change in assumption it is assumed that the other assumptions remain unchanged. In practice it is likely that changes in assumptions would be interrelated.

Notes to the Core Financial Statements

33. Pension contd.

| Change in assumptions at year ended 31 March 2015 | Approximate % increase to Employer Liability | Approximate monetary amount increase (£'000) |
|---|--|--|
| 0.5% decrease in Real Discount Rate | 9 | 17,118 |
| 1 year increase in member life expectancy | 3 | 5,443 |
| 0.5% increase in salary increase rate | 2 | 3,997 |
| 0.5% increase in pension increase rate | 7 | 12,898 |

The total contributions for current service cost expected to be made to the Pension Scheme in the year to 31 March 2016 is estimated at £4,095,000.

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@hertsccl.gov.uk)



New apartments at Kilby Road, Stevenage

Notes to the Core Financial Statements

34. Related Parties

The Council is required to disclose material transactions with related. 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 28 Reporting for Resource Allocation Decisions and in Note 13 Taxation and Non Specific and Specific Grant Income.

Other Public Bodies: Payments between the Council and Hertfordshire County Council (HCC) amounted to £478,578 (2013/14, £584,777). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 33 Pension and Note 13 Taxation and Non Specific and Specific 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 2014/15 is shown in Note 31 Members Allowances.

A contract payment of £1,519,698 was paid to Stevenage Leisure Limited (2013/14 £1,439,628) and £1,154,694 was paid to other organisations (2013/14 £1,228,096), either as grants or services received. With reference to all of these organisations of the 39 Members, 38 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 2014/15 seven meetings were held at which eleven expressions of interest were declared. The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies. This is available for public inspection at the Council offices. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2014/15, 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.

Notes to the Core Financial Statements

35. Contingent Liabilities and Assets

Contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either the obligation cannot be measured reliably or where it is not probable that an outflow of resources will be required. Contingent liabilities will not be recognised in the balance sheet but will be disclosed separately as a note to the accounts.

A **contingent asset** arises from a past event that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control.

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

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 claims that may arise as a result of the current legal claim to included overtime in the calculation holiday entitlement.
- An area of land 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.
- Business Rate payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency. The Council has made a provision for appeals lodged including a percentage for those that may be withdrawn. However the provision does not include an allowance for future appeals not yet made.

Notes to the Core Financial Statements

36. 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 2014/15 financial year are shown in the table below.

| 2013/14 £'000 | Fees Payable | 2014/15 £'000 |
|------------------|--|------------------|
| 85 | Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year. | 84 |
| 14 | Fees payable to Grant Thornton for the certification of grant claims and returns for the year. | 12 |
| (12) | Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor for the year. | (9) |
| 2 | Fees payable in respect of other services provided by Grant Thornton | 26 |
| 89 | | 113 |

37. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|-------------------|------------------|
| (174) | Interest received | (196) |
| 7,369 | Interest paid | 7,251 |
| 7,195 | | 7,055 |

Notes to the Core Financial Statements

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

| 2013/14 £'000 | Non Cash Items | 2014/15 £'000 |
|---------------------------|--|------------------|
| 4,989 | Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement | 9,632 |
| (2,338) | Removal of IAS Pension entries in the Comprehensive Income & Expenditure Statement | 1,461 |
| 10 | Removal of increase/(decrease) in accumulated absences | (40) |
| (5,493) | Removal of carrying amount of assets disposed | (8,298) |
| 0 | Contributions to/(from) provision | 779 |
| (1,587) | Other non cash items movements | 0 |
| Items on an accrual basis | | |
| (25) | Add/(less) increase/(decrease) in stock | (8) |
| (1,467) | Add/(less) increase/(decrease) in debtors | (2,756) |
| (2,736) | Add/(less) increase/(decrease) in creditors & receipts in advance | (3,495) |
| <u>(8,647)</u> | | <u>(2,725)</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. The Council charges 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.

| 2013/14 £000 | Note | 2014/15 £000 |
|-----------------|---|-----------------|
| | Expenditure | |
| 6,320 | Repairs & Maintenance | 7,624 |
| 9,006 | Supervision & Management | 8,477 |
| 79 | Rents, Rates, Taxes & Other Charges | 82 |
| 10,207 | Depreciation & Impairment of Non-Current Assets HRA 6 | 10,799 |
| (20,290) | Revaluation (Gains) & Losses of Non-Current Assets HRA 6 | (21,730) |
| 222 | Movement in the allowance for bad debts | 266 |
| 5,544 | Total Expenditure | 5,518 |
| | Income | |
| (38,575) | Dwelling rents HRA 1 | (40,265) |
| (348) | Non-dwellings rents | (431) |
| (2,179) | Charges for Services & Facilities | (2,435) |
| (1,009) | Contributions towards expenditure | (1,003) |
| (42,111) | Total Income | (44,134) |
| (36,567) | Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement | (38,616) |
| 879 | HRA Services share of Corporate & Democratic Core | 981 |
| (35,688) | Net income for HRA services | (37,635) |
| (337) | Gain on sale of HRA Non-Current Assets | (1,109) |
| 7,177 | Interest payable & similar charges HRA 3 | 7,166 |
| (110) | Interest & Investment Income HRA 3 | (211) |
| (6,993) | Capital grants & Contributions receivable | (6,953) |
| 656 | Pension Interest and expected return on pension assets | 530 |
| (35,295) | Surplus for the year on HRA services | (38,212) |

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.

| 2013/14 £000 | | Note | 2014/15 £000 | 2014/15 £000 |
|-----------------|---|------|-----------------|-----------------|
| (7,902) | Balance on the HRA at the end of the previous year | | | (9,375) |
| (35,295) | Surplus for the year on the HRA Income & Expenditure Statement | | (38,212) | |
| 33,822 | Adjustment between accounting basis and funding basis under statute | 7 | 33,883 | |
| (1,473) | (Increase)/Decrease in year on the HRA | | | (4,329) |
| (9,375) | Balance on the HRA at the end of the year | | | (13,704) |

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 0.45% of lettable properties were vacant (in 2013/14 figure was 0.64%). Average rents were £96.01 a week in 2014/15 (£91.16 in 2013/14).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2014/15 rent arrears as a proportion of gross rent income were 2.5% (3.1% in 2013/14).

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|-------------------------------------|------------------|
| 1,315 | Arrears at 31 March | 1,137 |
| 155 | Amounts written off during the year | 336 |

The bad debts provision stood at £638,275 at 31 March 2015 (£708,336 at 31 March 2014).

Notes to the Housing Revenue Account (HRA)

HRA 3. Interest payable and Interest and Investment Income

The HRA will pay interest on borrowings and receive interest on revenue balances and mortgage loans given.

| 2013/14 £'000 | Interest Receivable | 2014/15 £'000 |
|------------------|------------------------------|------------------|
| 97 | Interest on revenue balances | 199 |
| 12 | Interest on mortgages | 12 |
| 109 | | 211 |

| 2013/14 £'000 | Interest Payable | 2014/15 £'000 |
|------------------|-----------------------------|------------------|
| 6,524 | PWLB loans (Self Financing) | 6,513 |
| 653 | Decent Homes borrowing | 653 |
| 7,177 | | 7,166 |

HRA 4. Housing Stock Numbers

The stock movement can be summarised as follows:-

| 2013/14 No. | | 2014/15 No. |
|----------------|-------------------------------|----------------|
| 8,254 | Stock as at 1st April | 8,218 |
| (76) | Less Right to Buy Sales | (97) |
| 39 | New Build and Acquisitions | 18 |
| 2 | Transferred from General Fund | 0 |
| (1) | Conversions/other | (2) |
| 8,218 | Stock at 31st March | 8,137 |
| 5,340 | Houses | 5,270 |
| 2,878 | Flats | 2,867 |
| 8,218 | Total | 8,137 |

The stock numbers disclosed above are properties that are in management and available to let.

Notes to the Housing Revenue Account (HRA)

HRA 5. 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 2014 | £ 478,260,689 |
| As at 31 March 2015 | £ 496,939,653 |
| The Vacant Possession value of the dwellings as at 31 March 2015 was | £ 1,274,204,000 |

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:

| 31 March 2014 | | 31 March 2015 |
|--------------------------|----------------------------|----------------------|
| 161,858 | Assets Under construction | 468,102 |
| 487,921 | Vehicles Plant & Equipment | 596,688 |
| 649,779 | Total | 1,064,790 |

Notes to the Housing Revenue Account (HRA)

HRA 6. 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 HRA non-current assets. The calculation of the depreciation charge for dwellings separates the valuation of property between land and dwellings. Dwellings are subsequently split into their component parts and with each component being depreciated over their respective anticipated useful life.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--------------------------------|-----------------|
| | Depreciation | |
| 10,001 | HRA Dwellings | 10,654 |
| 206 | Other Assets | 153 |
| | Impairment | |
| 0 | HRA Dwellings | 0 |
| | Revaluation gain/(loss) | |
| (20,289) | HRA Assets | (21,730) |
| (10,082) | Total | (10,923) |

HRA 7. Major Repairs Reserve (MRR)

| 2013/14 | | 2014/15 | |
|----------|--|----------|----------|
| £'000 | £'000 | £'000 | £'000 |
| | (1,802) | | (4,607) |
| | Opening Balance as at 1st April | | |
| | Transfers to the MRR - | | |
| (10,001) | Depreciation of HRA Dwellings | (10,654) | |
| (206) | Depreciation of other HRA Assets | (154) | |
| | (10,207) | | (10,808) |
| | Transfers from MRR - | | |
| | Financing of HRA Capital Expenditure | | 3,049 |
| | 7,402 | | |
| | (4,607) | | (12,366) |
| | Closing Balance as at 31 March | | |

Notes to the Housing Revenue Account (HRA)

HRA 8. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2014/15 is summarised as follows:

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| | Capital Expenditure | |
| 14,450 | Major Repairs & Improvements | 12,489 |
| 5,118 | New Council Housing | 2,329 |
| 813 | Disabled Adaptations | 733 |
| 253 | Equipment | 291 |
| 162 | Assets under construction | 393 |
| 20,796 | | 16,235 |
| | The Capital Expenditure was financed as follows: | |
| 1,584 | Capital Receipts | 1,353 |
| 7,402 | Major Repairs Reserve | 3,049 |
| 6,953 | Government Grants | 6,953 |
| 4,857 | Contributions | 4,878 |
| 20,796 | | 16,233 |

Total Capital Receipts in 2014/15 from the sale of property within the HRA can be summarised as follows :-

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|----------------------------------|------------------|
| (5,748) | Right to Buy Sales | (8,973) |
| (15) | Right to Buy Mortgage Repayments | (22) |
| (1) | Other Land & Property * | (204) |
| (5,764) | | (9,199) |

* receipt in 2014/15 relates to the purchase of remaining element of a low start shared ownership property. These sales are not part of the right to buy scheme.

HRA 9. Revenue Expenditure Funded from Capital under Statute.

There was no HRA expenditure in 2014/15 relating to revenue expenditure funded from capital under statute.

The Collection Fund Statement 2014/15

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 of council tax from taxpayers and distribution to Hertfordshire County Council and Hertfordshire Police and the collection of NDR from businesses and distribution to the Government and Hertfordshire County Council.

| 2013/14 | | | 2014/15 | | |
|--|------------------------|-----------------|---------------------|------------------------|-----------------|
| Council Tax £000 | Business Rates £000 | Total £000 | Council Tax £000 | Business Rates £000 | Total £000 |
| (36,762) | | (36,732) | | | |
| | |) | | | |
| | (49,110) | (49,110) | | | |
| | 432 | 432 | | | |
| (36,762) | (48,678) | (85,440) | | | |
| | | | | | |
| 26,030 | 4,465 | 30,495 | | | |
| 3,632 | | 3,632 | | | |
| 4,633 | 17,860 | 22,493 | | | |
| | 22,325 | 22,325 | | | |
| | | | | | |
| | 113 | 113 | | | |
| 116 | 7 | 123 | | | |
| 25 | 889 | 914 | | | |
| | 3,576 | 3,576 | | | |
| | | | | | |
| 1,626 | 0 | 1,626 | | | |
| 21 | | 21 | | | |
| 27 | 0 | 27 | | | |
| | 0 | 0 | | | |
| 36,110 | 49,235 | 85,345 | | | |
| | | | | | |
| (652) | 557 | (95) | | | |
| (535) | 0 | (535) | | | |
| (1,187) | 557 | (630) | | | |
| Income | | | | | |
| Council Tax Receivable | | | (37,714) | | (37,714) |
| Council Tax Benefits | | | | | 0 |
| Business Rates Receivable | | | | (48,386) | (48,385) |
| Transitional Payment Protection receivable | | | | 247 | 247 |
| Total income | | | (37,714) | (48,139) | (85,853) |
| Expenditure | | | | | |
| Precepts, Demands and Shares | | | | | |
| Hertfordshire County Council | | | 27,772 | 4,514 | 32,286 |
| Hertfordshire Police Authority | | | 3,669 | | 3,669 |
| Stevenage Borough Council | | | 4,680 | 18,054 | 22,734 |
| Central Government | | | | 22,568 | 22,568 |
| Charges to Collection Fund | | | | | |
| Costs of collection | | | | 112 | 112 |
| Write offs of uncollectable amounts | | | 112 | 1,185 | 1,297 |
| Increase/(decrease) for impairment | | | 117 | (188) | (71) |
| Increase/(decrease) in provision for appeals | | | | 2,547 | 2,547 |
| Contribution in regard to previous year deficit/surplus | | | | | |
| Hertfordshire County Council | | | 740 | (276) | 464 |
| Hertfordshire Police Authority | | | 98 | | 98 |
| Stevenage Borough Council | | | 124 | (1,104) | (980) |
| Central Government | | | | (1,380) | (1,380) |
| Total expenditure | | | 37,312 | 46,032 | 83,344 |
| Movement on fund balance (deficit/(surplus)) | | | (402) | (2,107) | (2,509) |
| Balance at beginning of year | | | (1,187) | 557 | (630) |
| Balance at end of year | | | (1,589) | (1,550) | (3,139) |

Notes to the Collection Fund Statement 2014/15

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 Stevenage Borough 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. In 2013/14 the local council tax support scheme was introduced and the band D equivalents were reduced to take into account the loss of income ; (24,822.90 for 2014/15, 24,573.36 for 2013/14). The basic amount of Council tax for a band D property £1,455.17 for 2014/15 (£1,455.17 for 2013/14) 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 | 1,480 | 6,080.8 | 21,004 | 3,225.7 | 3,018 | 862 | 419 | 14 | 36,103.5 |
| Exemptions | | (24) | (115) | (139) | (15) | (15) | (4) | (9) | (5) | (326) |
| Disabled Relief | 0 | 7 | 72 | (63) | 10 | (20) | (1) | (3) | (2) | 0 |
| Discounts (25%) | 0 | 1,023 | 3,880 | 6,465 | 798 | 483 | 111 | 58 | 0 | 12,818 |
| Discounts (50%) | 0 | 1 | 7 | 12 | 2 | 2 | 6 | 9 | 4 | 43 |
| Discounts (10%) | 0 | 36 | 85 | 92 | 16 | 9 | 6 | 0 | 0 | 244 |
| Council Tax Support Scheme | 3.27 | 436.61 | 1673.13 | 3,063.74 | 302.95 | 71.42 | 14.54 | 4.75 | 0 | 5,570.41 |
| Effective Properties | -3.27 | 766.54 | 3,382.67 | 16,106.81 | 2,715.65 | 2,788.93 | 811.11 | 383.25 | 5.00 | 26,956.69 |
| Proportions | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | |
| Band D Equivalents | -1.82 | 511.03 | 2,630.97 | 14,317.16 | 2,715.65 | 3,408.69 | 1,171.60 | 638.75 | 10.00 | 25,402.04 |
| Council Tax Base | | | | | | | | | | |
| Band D equivalent multiplied by collection rate of 97.72% | | | | | | | | | | 24,822.90 |

Notes to the Collection Fund Statement 2014/15

CF 1. Council Tax (cont)

The income chargeable of £48,325,695 in 2014/15 is from the following sources:

| 2013/14 | | 2014/15 |
|--------------------|------------------------------|--------------------|
| £36,645,792 | Billed to Council Tax Payers | £37,602,367 |
| £6,746,106 | Local Council Tax Scheme | £6,159,840 |
| £4,629,205 | Exemptions, Discounts, etc. | £4,563,488 |
| £48,021,103 | | £48,325,695 |

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 48.2p in 2014/15 (47.1p in 2013/14) by which local businesses pay rates calculated by multiplying their rateable value by this amount (subject to the effects of transitional arrangements). The equivalent amount for small businesses was 47.1p in 2014/15 (46.2p in 2013/14). The rateable value for the Council's area is £111,512,233 at 31 March 2014 (£112,394,835 at 31 March 2014). The rateable value changes throughout the year due to increases and decreases in assessments.

In 2013/14 the business rate retention scheme was introduced by the Local Government Finance Act 2012. This scheme enables local authorities to retain a proportion of the business rates generated in their areas. Income generated by business rates is shared between the billing authority (Stevenage Borough Council), Central Government, and Hertfordshire County Council as shown in the Collection Fund Statement below. Liabilities and provisions arising from the NNDR collection fund are also shared between the three and recognised in their accounts.

CF 3. Allocation of Collection Fund (surpluses)/deficits

The Council Tax surplus is allocated in proportion to the respective precepts, whereas the NDR surplus is allocated on fixed apportionment of Central Government 50%, Stevenage BC 40%, and Hertfordshire County Council 10%.

| 2013/14 | | | 2014/15 | | |
|---------------------|-----------------|-------------------|----------------------------------|---------------------|---------------------|
| Council Tax | Business Rates | Total | Council Tax | Business Rates | Total |
| (£ 912,334) | £55,661 | (£ 856,673) | Hertfordshire County Council | (£1,221,498) | (£1,376,513) |
| (£ 120,538) | | (£ 120,538) | Hertfordshire Police Authority | (£161,384) | (£161,384) |
| (£ 153,725) | £222,646 | (£ 68,921) | Stevenage Borough Council | (£205,820) | (£825,881) |
| | £278,308 | £278,308 | Central Government | (£775,077) | (£775,077) |
| (£1,186,597) | £556,615 | (£629,982) | (£1,588,702) | (£1,550,153) | (£3,138,855) |

In accompaniment to the Statement of Accounts:

Statement of Internal Control – Annual Governance Report

Annual Governance Statement 2014/15

What is Corporate Governance?

Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to help ensure the organisation runs effectively and can be held to account for its actions.

Stevenage Borough Council has adopted a local Code of Corporate Governance that sets out a commitment to corporate governance and how the approved code will be developed and implemented.

The local Code embraces the CIPFA/SOLACE* Framework, 'Delivering Good Governance in Local Government', which is consistent with principles set out in 'proper practice' for the public sector.

(* CIPFA – Chartered Institute of Public Finance and Accountancy, SOLACE – Society of Local Authority Chief Executives and Senior Managers)

The Council's responsibility in relation to Corporate Governance

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.

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.

As referred to in the section, 'What is Corporate Governance', 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.

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, which requires all relevant bodies to prepare an Annual Governance Statement.

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 authority's 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.

How do we know our arrangements are working?

The Governance Framework

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 cost effective services.

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.

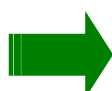
Stevenage Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by external auditors and other review agencies and inspectorates.

The Governance Framework outlined in the 'Stevenage Borough Council Governance Framework 2014/15 and in this Statement has been in place at the council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

The Council's Governance Framework in summary

Assurance Required Upon

- Contribution to delivery of Community Strategy
- Delivery of Corporate Plan priorities
- Priority Based Budgeting and Integrated Financial Planning Framework
- Economic, effective and efficient delivery of services
- Democratic decision making process and accountability
- Roles, responsibilities and standards of conduct and behaviour of Members and officers
- Performance monitoring arrangements
- Management of risk
- Stakeholder engagement
- Effectiveness of internal controls to ensure compliance with laws & regulations, internal policies & procedures



Sources of Assurance

Collectively referred to as the Council's Corporate Backbone, key sources of assurance include:

- The Constitution (which includes the Code of Conduct for Members, an Employee Code of Conduct, protocol on Member/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
- Anti-Fraud and Whistle Blowing Policy
- Corporate Procurement Strategy
- Business Continuity Policy and Plans



Governance monitoring and assurance arrangements

To monitor and maintain the effectiveness of the Council's governance arrangements and drive continuous improvement:

- Corporate Governance Group meet at least four times per year to consider the assurance framework from the perspective of the six core principles of corporate governance in the CIPFA/SOLACE Framework (The six core principles are set out on page 128).
- In addition, Corporate Governance Group carry out an annual review of the requirements that make up six core principles of corporate governance in the CIPFA/SOLACE Framework to consider levels of compliance and submit the assessment to the Audit Committee.
- At service level, assurance of compliance with the principles and requirements of good governance requires all Heads of Service to complete, certify and return a Service Assurance Statement each year.
- Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates) require inclusion in the Statement, and the Head of Assurance Annual Report.

All of these mechanisms of review contribute to overall assurance for the 2014/15 Annual Governance Statement.

The detailed governance arrangements in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts are set out in the 'Stevenage Borough Council Governance Framework 2014/15', which was reported to our Audit Committee in June 2015. This Annual Governance Statement summarises key elements of those arrangements, sources of assurance, enhancement activity carried out in 2014/15 and planned enhancement actions.

|  | Assurances Received |  | Opportunities to Enhance Governance |
|---|---|---|--|
| | <ul style="list-style-type: none"> • Corporate Governance Group reviews of CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government' Principles (Annual Report to 23 March 2015 Audit Committee) • Scrutiny Reviews • Internal Audit Reports • Head of Assurance Annual Assurance (page 126-127) • External Audit Reports | | <ul style="list-style-type: none"> • Implement the new balances and payments system that will improve the current access arrangements available to customers (part of the Changing Channels Programme - The second phase of the Programme aims to establish online Customer Accounts. The delivery date is still to be scoped) • A comprehensive review of current corporate procurement & contract management arrangements has been undertaken. The resulting recommendations and related resource implications from this review will be considered by Strategic Management Board in the near future. Further to this relevant staff will receive contract management training (two levels of training; basic and advanced) |

Assurance: Internal Audit Arrangements

Annual Audit Coverage

Delivery of the Council's Internal Audit provision was transferred to the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council from the 1 July 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.

SIAS operates to defined professional standards (CIPFA/IIA) and 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) providing updates on internal audit progress and issues at regular liaison meetings. The Head of Assurance provides an independent opinion on the adequacy and effectiveness of the system of internal control. Since 2006/07 this report has been submitted on an annual basis to the Audit Committee. The main responsibility of SIAS is to provide assurance and advice on the internal control systems of the council to both Management and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems by providing advice on matters pertaining to risk and control.

The Head of Assurance's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2015. From the internal audit work undertaken in 2014/15 the Shared Internal Audit Service (SIAS) can provide Substantial 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:



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 employed at Stevenage Borough Council is effective. SBC's External Auditors have confirmed that they place reliance on the work of the Shared Internal Audit service in providing their service to Stevenage Borough Council.

The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS' performance against the performance indicator relating to planned days delivery since the service was introduced.

| Area of Activity | Target | 12/13 | 13/14 | 14/15 |
|---|--------|-------|-------|-------|
| Planned Days percentage of actual billable days against planned chargeable days completed | 95% | 97% | 99% | 97% |

The CIPFA/SOLACE Core Principles of Governance

The council achieves good standards of governance by applying the CIPFA/SOLACE Principles of Governance set out in the 'Delivering Good Governance in Local Government' Framework as summarised below:

Principle 1

Focussing on the purpose of the authority and setting a clear vision and the outcomes the Council aims to achieve for the community

Principle 2

Members and officers working together, with clearly defined functions and roles, to achieve the Council's Vision.

Principle 3

Demonstrating the values of good governance by promoting values for the authority and upholding high standards of conduct and behaviour.

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and identifying and managing risks.

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.

A summary of how we achieve compliance with these principles is set out on the following pages. Key enhancements to arrangements are indicated in the Corporate Calendar set out on pages 133 to 138.

Setting a Clear Vision - The Council's Vision and Priorities

The vision:

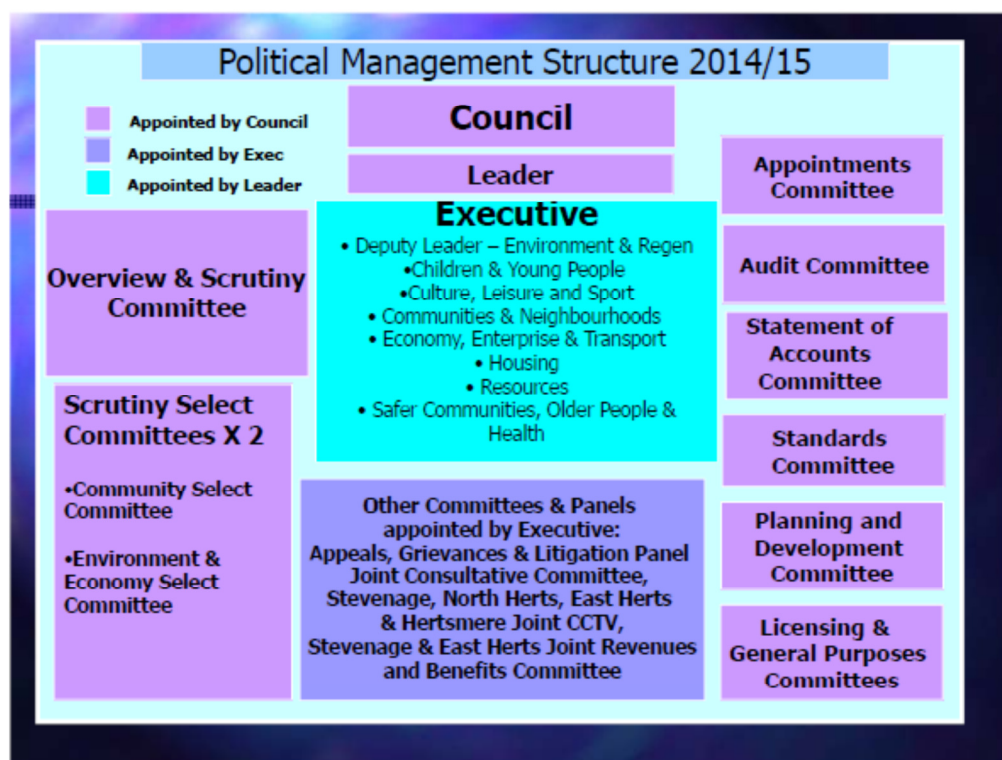
Stevenage: a prosperous town with vibrant communities and improved life chances.

Outcomes we wish to achieve and priorities for improvement:

| Outcome | Priorities |
|-----------------------|---|
| A Vibrant Town | <ul style="list-style-type: none"> Improve the economy and encourage financial resilience Regenerate the town centre and neighbourhoods |
| A Quality Environment | <ul style="list-style-type: none"> Provide affordable homes and housing growth Help people feel safe |
| An Excellent Council | <ul style="list-style-type: none"> Deliver value for money Put residents first |

Clearly Defined Functions and Roles - The Council's Political Management Structure

All Councillors meet together as the Council. Meetings are generally open to the public and feature a main topical debate item. 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 Monitoring Officer ensures that the Constitution remains fit for purpose, that legal requirements are met and that the public interest is paramount in all decision making. The Diagram below shows the Council's political structure for 2014/15:



Clearly Defined Functions and Roles - The Council's Financial Governance Arrangements

Compliance with Financial management legislation and guidance

Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer. 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 2014/15 include the following:

- The setting of detailed annual budgets, Council Tax, Housing Rents and Capital Programme (published in the Budget Book)
- Review of the 30 Year Housing Revenue Account (HRA) Business Plan
- Regular Treasury Management officer meetings to ensure compliance with the Treasury Management Strategy.
- Production of financial information for budget managers on a commitment basis
- A quarterly budget monitoring process for the General Fund, HRA and Capital Programme, reporting to the Council's Executive and Council (as appropriate)
- Continuous reviews and reporting of the Council's General Fund and HRA Medium Term Financial Strategies
- The Capital Strategy has been reviewed and the resources for the Capital Programme have also been reviewed, minimising impact of borrowing on the General Fund
- During 2014/15, the Capital Strategy was zero based for 2015/16 onwards with all capital bids scored against organisational priorities.

The council's framework of internal financial control is supported by Financial Regulations\ Contract Standing Orders – The regulations provide the framework for managing the council's financial affairs. They set out the procedures that the council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services.

Treasury Management

Treasury Management meetings are regularly held between the Treasury Team and the Assistant Director (Finance) and there is a Member Treasury Management Steering Group which is updated and debates any potential in year changes to the Strategy, (e.g. Use of Money Market funds) prior to formal inclusion in the Strategy.

The Values of Good Governance - Organisational Values

SBC has adopted six organisational values. These are underpinned by a behaviour framework for staff. The values are included in all staff development programmes, in the appraisal and personal development process, and in all HR policies.



Managing Risk - The Council's Risk Governance Arrangements

Risk Governance

The council consider and counter risk across a broad range of areas. The Anti-fraud and Corruption Policy is available on the council's Internet and a Whistle-blowing Policy is available to all staff on the council's Intranet and is made available to Contractors. Data Protection and Information Security responsibilities for staff, and processes for the management of both electronic and manual records are outlined on the council's Intranet.

Risk Management Policy and Direction

The council has an approved Risk Management Policy, and a Risk Management Guide is available to all employees. In addition, in 2012/13, the 'pocket, Risk Management Guide' was launched that provides Members with guidance in identifying and assessing risks to inform the decision making process.

Strategic risks are linked to the council's priorities and the Strategic Risk Register is reviewed by Corporate Risk Group and monitored, on a quarterly basis, by Strategic Management Board and is then reviewed by the Audit Committee 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.

Operational risk registers are developed and monitored by the relevant Head of Service. Action plans are developed to mitigate key risks and delivery monitored.

Risk Governance

Aligning Risk to Council Strategy and Performance

- Monitor performance against:
- > Council priorities
 - > Internal Control arrangements
 - > Audit Recommendations

Risk Identification and prioritisation

- > Identify risks to delivery of outcomes
- > Evaluate potential likelihood and impact of risk

Risk Mitigation

- > Identify mitigation already in place
- > Agree additional mitigation actions

Risk Monitoring

Identification of strategic risks and mitigation activity considered by Corporate Risk Group and Strategic Management Board quarterly and presented to Audit Committee

Risk Based Internal Audit Planning

Shared Internal Audit Service liaise with the Council's Audit Champion (Assistant Director Finance), having consideration for the Strategic Risk Register content, to set the Audit Plan for the year ahead.

In addition, a process of operational risk peer challenge at Director Management Meetings introduced in 2012/13 helps to embed and enhance the quality of operational risk management. Any risks identified for escalation to strategic level are added to the quarterly review of the Strategic Risk Register and reported to Strategic Management Board.

A Corporate Risk Management Group led by the Strategic Director (Resources) during 2014/15, with representation from each directorate, 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.

Member and Officer Capacity and Capability - The Council's Risk Governance Arrangements

The council has a number of ongoing measures and work streams in place to ensure member and officer capacity and capability.

A new Appraisal Policy and Procedure has been introduced, and all managers and staff have been trained in its use. The council's values and associated behaviour framework are encompassed within the appraisal process.

Member training has covered areas such as:

- An IT drop-in session on the use of new hardware and software
- 'Realising the Potential' of Overview and Scrutiny
- An overview of Housing Management
- The Housing Revenue Account Business Plan
- Treasury Management and Statement of Accounts training
- 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.

Engaging with Local People and other Stakeholders

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 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.

Consultation

The council's approach to consultation and engagement was reviewed in 2013 and a new consultation strategy developed and approved by Executive.

The council will be carrying out a range of consultation activities in the summer 2015 to inform its priorities and budget-setting. This will include a town-wide postal residents' survey, activities at the town's annual family event, Stevenage Day, and focus groups with various Voluntary and Community Sector groups and vulnerable communities.

Corporate Governance Calendar 2014/15

2014

April

Corporate Governance Group carried out a **proactive review of principles three and six** of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

As a result of **consideration of the Data Transparency Code at Corporate Governance Group** an implementation group was established to assist the authority to meet publication requirements.

Corporate Governance Group considered the Data Quality Policy and recommended minimal review to ensure that the policy reflects the need for shared services to consider aligned data quality objectives.

To meet a Principle Five Governance Enhancement Requirement for 2014/15:

Routeway Induction training implemented following development throughout 2014/15

May

Annual Council agree the political management structure of the Council and the Council's Constitution for the year ahead.

June

Corporate Governance Group carried out a **proactive review of principle four** of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

Audit Committee recommend 2013/14 Annual Governance Statement to Statement of Accounts Committee. Six actions to enhance governance arrangements are identified for delivery by March 2015. (see page 20 of the Stevenage Borough Council Governance Framework 2014/15)

Head of Assurance confirms to Audit Committee the 'fitness for purpose' of Internal Audit to carry out the work that informs the assurance opinion for 2013/14.

Head of Assurance advises Audit Committee of substantial assurance opinion for both the Council's financial and non-financial systems for 2013/14.

Corporate Governance Calendar 2014/15

2014

July

Annual Scrutiny Report outlining the work carried out by Overview and Scrutiny Committee and the Select Committees during 2013/14 **submitted to Council**

Harmonisation of pay and conditions implemented following evaluation

To meet a Principle One Governance Enhancement Requirement for 2014/15:

'Your Say' system for logging compliments and complaints implemented.

The system enables a report outlining 'Learning from complaints' and a trends/theme analysis to be presented to Strategic Management Board.

August

Special Council focussing on the Regeneration of the Town Priority

September

Corporate Governance Group carried out a **proactive review of principles one, two and five** of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

Corporate Governance Group monitored progress of delivery of service governance actions for 2014/15 and actions to enhance compliance with CIPFA/SOLACE Principle requirements

New Leadership and Development Programme for Senior Management Team commenced.

Audit Committee advised of Anti-Fraud activity during 2013/14 in **Annual Anti-Fraud Report**

To meet a Principle Five Governance Enhancement Requirement for 2014/15:

New appraisals process launched aligned to the Council's new Values with a schedule of training for staff - A new Values and Behaviours booklet was provided to staff.

Corporate Governance Calendar 2014/15

2014

October

Business Continuity Exercises carried out with the Property and Estates service, Leisure and Environmental Health service, and Legal and Constitutional Services. The exercises provide an opportunity for Heads of Service to ensure that Business Continuity Plans are fit for purpose.

To meet a Principle Five Governance Enhancement Requirement for 2014/15:

Values, Inclusion and Behaviours training took place for all staff October/November – The training aimed to enhance awareness of the impact of behaviour and the importance of an inclusive culture.

November

Overview and Scrutiny Committee consider draft Community Safety Strategy prior to submission to Executive Committee and Council in February 2015 (Required as part of Budget and Policy Framework).

External Auditors advise Audit Committee of Annual Audit Letter 2013/14.

Business Continuity Exercises carried out with the Planning, Regeneration and Transport service, and Business and Technology Services. The exercises provide an opportunity for Heads of Service to ensure that Business Continuity Plans are fit for purpose.

December

Corporate Governance Group commence annual review of the Council's compliance with the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government' six principle requirements.

Overview and Scrutiny Committee consider Housing Revenue Account Draft Budget Proposals 2015/16 and Rent Setting, and Draft Council tax Support Scheme 2015/16 prior to submission to Executive Committee and Council in January 2015 (Required as part of Budget and Policy Framework).

Business Continuity Exercises carried out with Business Strategy, Communities and Customer Service to ensure that the Business Continuity Plan is fit for purpose.

Corporate Governance Calendar 2014/15

2015

January

Overview and Scrutiny Committee consider 2015/16 Draft Capital Forward Plan and Five Year Capital Strategy Update prior to submission to Executive Committee and Council in February 2015 (Required as part of Budget and Policy Framework).

Overview and Scrutiny Committee consider Draft 2015/16 Council tax Setting and General Fund Budget prior to submission to Executive Committee and Council in February 2015 (Required as part of Budget and Policy Framework).

February

Council approve appointment of Scott Crudgington (current Strategic Director Resources) as Chief Executive commencing 1 June 2015.

Capital Strategy zero based for 2015/16 onwards. All capital bids will now be scored against organisational priorities.

March

Audit Committee note the self-assessment of compliance against the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government' six principle requirements (including additional consideration of the new International Corporate Governance Framework, 'Good Governance in the Public Sector')

Overview and Scrutiny Committee consider proposals for the spend of the New Homes Bonus, as detailed by the Leader of the Council at the meeting of 25 February 2015 (Required as part of Budget and Policy Framework).

Following the appointment of the current Strategic Director Resources as Chief Executive from 1 June, Appointments Committee approve appointment of Assistant Director Finance as S151 officer commencing 1 June

Letter to all staff issued with payslips reminding staff of legal requirement to register certain interests and of officer code of conduct.

Internal Audit of corporate risk management arrangements achieves 'full assurance' for areas assessed.

Corporate Governance Calendar 2014/15

2015

April

New Shared Anti-Fraud Service launched (Full implementation scheduled for June to coincide with DWP Local Authority transfer plans for the Single Fraud Investigation Centre)

Corporate Governance Group carried out a **proactive review of principles three and six** of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

Corporate Governance Group consider governance improvement actions for inclusion in Annual Governance Statement

Internal Audit of corporate governance arrangements achieves 'full assurance' for areas assessed.

May

Annual Council agree the political management structure of the Council and the Council's Constitution for the year ahead.

June

New Chief Executive, Scott Crudgington, commences.

To partially meet a Principle Two Governance Enhancement Requirement for 2015/16:

Contract Management training (basic level) took place for relevant staff The training aimed to provide an overview and understanding of the basic principles of contract and relationship management.

Corporate Governance Calendar 2014/15**2015****July**

Annual Scrutiny Report outlining the work carried out by Overview and Scrutiny Committee and the Select Committees during 2014/15 **submitted to Council**

Corporate Governance Group carried out a **proactive review of principles four and five** of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

Executive adopt the Stevenage Central Framework as the basis for the development of planning policy and as a blueprint for the regeneration of the town centre and wider central area.

August

Members of **Corporate Governance Group** consider CIPFA/SOLACE consultation on revised Framework for 'Delivering Good Governance in Local Government' that builds on the International Framework: Good Governance in the Public Sector.

Planned Improvement Activity for 2015/16:

Significant internal control and governance issues identified as part of the 2014/15 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 identified in the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government':

- 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 self-assessment of six principles has been scored at seven or below
- The action applies to more than one requirement in the six principles local self-assessment
- Analysis of Service Based Assurance Statements identifies a common concern
- The Shared Internal Audit Service has advised a concern that requires an action to address it included in the Annual Governance Statement.

| Governance principle | Action Ref | Action | Responsible Officer | Target Date |
|----------------------|------------|---|--|----------------|
| Principle 1 | 1 | Implement the new balances and payments system that will improve the current access arrangements available to customers (part of the Changing Channels Programme) (Implementation of the 'Online Gateway' is now linked to the second phase of the Changing Channels Programme to establish online Customer Accounts. The delivery date for Customer Accounts is still to be scoped) | Head of Business Strategy, Community and Customer Services | September 2015 |
| Principle 2 | 2 | Delivery of standalone contract management training sessions (two levels of training; basic and advanced) (In addition, a comprehensive review of current corporate procurement & contract management arrangements has been undertaken. The resulting recommendations and related resource implications from this review will be considered by Strategic Management Board in the near future.) | Assistant Director Finance | June 2015 |

Approval of Statement:

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. Areas to enhance the governance framework already addressed are summarised in the Corporate Calendar set out on pages 133 to 138 and outlined in the tables on pages 20 to 21 of the Council's Governance Framework 2014/15. Areas to be addressed and ensure continuous improvement are set out in the table above on page 139.

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
Leader of Stevenage Borough Council

Signed

Date

Scott Crudgington
Chief Executive of Stevenage Borough Council

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.

Amortisation

The measure of the cost or revalued amount of benefits of the intangible 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.

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.

Glossary of Terms

Capital Receipts

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

Capital Financing Costs

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

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

Glossary of Terms

applied where dwellings are occupied by only one adult. Rebates are available to those Council Tax payers meeting the Government's criteria.

Debt Charges

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

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).

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.

Interest on Balances and from Investments

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

Glossary of Terms

Non Domestic Rates (NDR)

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. NDR is collected by Stevenage Borough Council who then redistributes the income to Hertfordshire District Council and Central Government.

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.

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.

Glossary of Terms

Revenue Expenditure

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

Retrospective Restatement

Retrospective restatement of the financial statements will occur where there has been a change in accounting policy (unless there are specific transitional arrangements) or where material Prior Period errors have been identified. Correcting the recognition, measurement and disclosure amounts of elements of the financial statements as if a prior period error had never accorded. 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).