

The 2003/04 Statement of Accounts was approved at the Statement of Accounts Committee held on 25<sup>th</sup> August 2004

Brian Hall

Leader of the Council



<b>Contents</b>	<b>Page</b>
Foreword by Acting Assistant Chief Executive (Finance).....	2
About Stevenage Borough Council.....	3
Executive Summary.....	7
♦ Explanatory Foreword .....	8
♦ Consolidated Revenue Account .....	11
♦ Housing Revenue Account (H.R.A).....	16
♦ Consolidated Balance Sheet .....	21
♦ Statement of Total Movements in Reserves .....	35
♦ Cash Flow Statement of Revenue and Capital Movements.....	37
♦ Expenditure under Section 137 Local Government Act 1972 .....	40
♦ The Collection Fund Income and Expenditure Account 2003/04 .....	41
♦ Statement on the System of Internal Control .....	44
♦ Statement of Responsibilities for the Statement of Accounts.....	47
♦ Auditor's Report to Stevenage Borough Council.....	48
♦ Statement of Accounting Policies .....	50
♦ Glossary of Terms .....	54

## Foreword by Acting Assistant Chief Executive (Finance)

The Council spends over £70 million pounds each year on your behalf providing Services for people in the town. A lot of the money to pay for these services comes directly from you, in the council tax you pay to us, in the rents for housing and the charges we make for some of our services. Each year, the Council is required to give the residents of Stevenage clear information about its activities and financial management and this is what this document sets out to show.

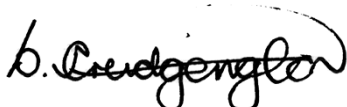
Sound financial management is essential to the Council's well being and this Statement of Accounts outlines how the Council's finances have been managed on your behalf. In January 2004 a team of Audit Commission Inspectors visited Stevenage to assess how the Council was performing under its Comprehensive Performance Assessment (CPA). Five months later they concluded that Stevenage was a "Good" Council that understands the needs of local people and provides a range of quality services. The driving force for CPA is improvement and we are now focusing our attention on improvement in some key areas in order to become an "Excellent" Council. The Improvement Plan will be based around the Council's Corporate Business Strategy – Changing Gear and will be assessed by the Audit Commission towards the end of the year.

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

As in previous years two of the key issues in this respect are in regard to the cessation of the statutory 'negative subsidy' transfer from the HRA to the General Fund and the introduction of the Major Repairs Allowance (MRA) to address housing stock condition issues. The Government has put in place transitional arrangements, which authorities can use to make transfers to cushion General Fund, but the maximum amount of these diminishes year by year.

As well as striking a balance between the needs of the HRA and the General Fund, in both areas the Council has sought to achieve savings and maximise resource deployment opportunities. The Council is a 'debt-free' authority with no outstanding long term borrowing. Balances on financial resources are planned to be used in a phased way to bridge the gap between net expenditure and core resources over the medium term.

The Council will continue to develop these strategies to ensure a sustainable financial position, whilst addressing a range of spend pressures and continual service improvements.



**Scott Crudgington**  
Acting Assistant Chief Executive (Finance)

## 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

2002/03	Area and Population	2003/04
2,606	Area (Hectares)	2,606
79,700	Population	79,700
30.59	Population per Hectare	30.59
	<b>Council Tax</b>	
33,110	Number of Chargeable Dwellings	33,077
	Council Tax per Property in Band D	
139.65	- Stevenage Borough Council	152.22
718.73	- Hertfordshire County Council	849.74
81.01	- Hertfordshire Police Authority	98.28
<u>939.39</u>	<b>Total Council Tax</b>	<u>1,100.24</u>
	<b>Assets</b>	
£1,069.8 million	Insurance Value	£1,180.3 million

#### Loan Debt

The Council became debt free during 2000/01 i.e. had repaid all of its external long term debt before 31st March 2001

## General information

Stevenage is situated about 30 miles north of London, with excellent road and rail links. The town is served by both Inter-City rail services (Kings Cross – Edinburgh) and Network South East rail services giving a 25 minute journey time into Central London. The A1(M) motorway offers good north-south road links, with the town only 20 minutes from the M25. Stevenage has a fully pedestrianised town centre that fulfils a sub regional role and thus provides a wide range of shopping facilities, including Marks & Spencer, Littlewoods, and a Tesco Superstore. In addition to the shopping facilities in the Town Centre there are also facilities in the Old Town and at the three retail parks in town.

The main industrial area is separated from the town centre and residential areas by the railway and is situated on the western side of the town, but with good road and footpath/cycleway links to the town centre and residential areas. The employment base of the town is excellent with a wide range of both large and small businesses.

The larger employers include MBDN, IFR, ABB, Astrium, ICL, John Lewis, Dixons, the District Land Registry, Norwich Union, Glaxo Wellcome, The Lister Hospital and the Council itself.

Stevenage has been planned to facilitate ease of movement. It has a comprehensive road network with a cycleway system and ample car parking facilities. The town centre itself has parking for 3,080 cars.

Stevenage is proud of its landscape that includes 40 old established woodlands, covering a total area of 370 acres. The town has a further 300 acres of public and private playing fields and Fairlands Valley Park that extends to some 112 acres.

Nine residential neighbourhoods have been developed as the town has grown. Within each are a wide variety of dwellings and a range of local facilities including shops, a community centre, and medical and dental facilities. The Borough Council owns a considerable number of residential and commercial properties in the town especially in the newer residential areas. In addition, the town is surrounded by countryside within which a number of villages are located.

## Services

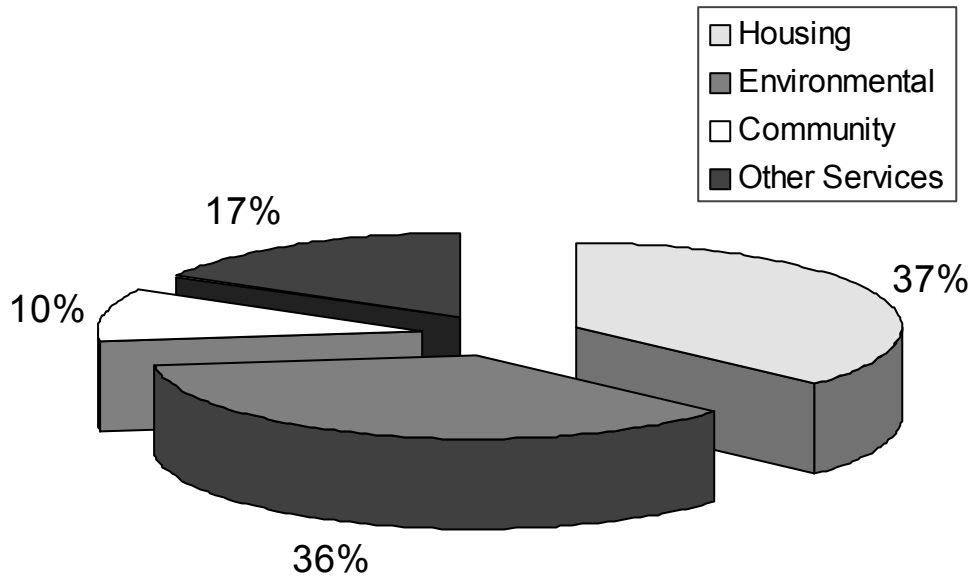
Stevenage Borough Council is one of ten district councils in Hertfordshire. For Electoral purposes, Stevenage is split into 13 areas known as wards. The 39 Councillors who make up the Borough Council are elected by the local Community to represent its interests and decide what services should be provided.

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

The main Services provided by the Borough Council are:

- ◆ Refuse Collection
- ◆ Street Cleansing
- ◆ Leisure & Arts Centres
- ◆ Parks and Open Spaces
- ◆ Environmental Health
- ◆ Economic Development
- ◆ Building Control and Planning
- ◆ Housing
- ◆ Community Services
- ◆ Council Tax Collection

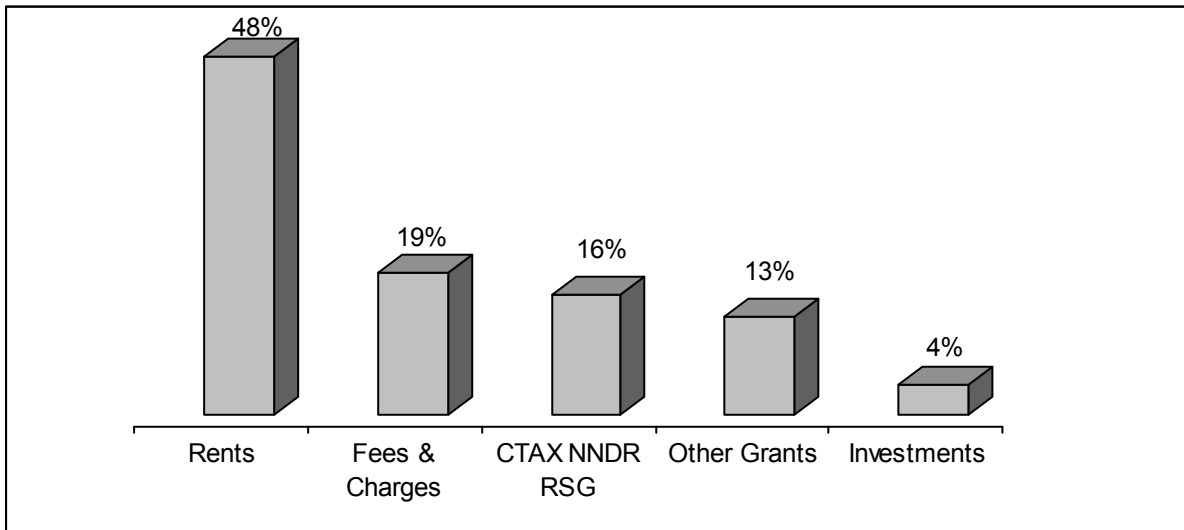
The chart below analyses the gross revenue expenditure over the main services areas provided by the Council.



Other services (17%) includes council tax and non domestic rates collection, housing and council tax benefits administration, commercial property management and expenditure undertaken by the Joint Local Committees.

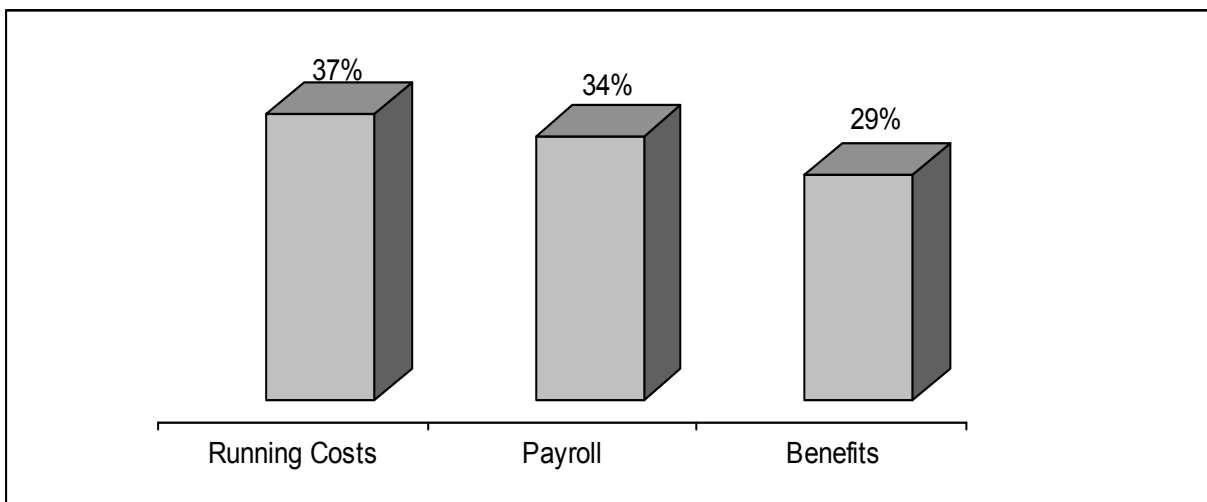
The charts below show in broad terms where the Council's money comes from and what it is spent on.

**a) Where the money comes from**



Specific government grants, which are largely accounted for by the Department For Work and Pensions (DWP) reimbursement in respect of Housing Benefit and Council Tax Benefit, account for some 13% of the Council's total income. The bulk of the Council's income arises from the services the Council provides through rents, fees and charges and from interest on balances. Council Tax collected, NNDR Grant and the Revenue Support Grant contribute a further 16% of the total income.

**b) What the money is spent on**



Running costs such as maintaining buildings, operating vehicles and purchase of supplies and services take up about 37% of the total expenditure. Employees' salaries and wages account for a further 34% of the total. A further 29% of the Council's gross expenditure goes towards meeting benefit payments in the form of rent rebates, rent allowances and council tax benefits.



## Executive Summary

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

### Consolidated Revenue Account for the year ended 31 March 2004

2002/03		2003/04
Net Expenditure £'000	Expenditure on Services	Net Expenditure £'000
51,440	Net Cost of Services	40,571
<u>(35,347)</u>	Income from Trading Surpluses & Balances	<u>(22,195)</u>
16,093	Net Operating Expenditure	18,376
<u>(5,637)</u>	Transfers between reserves and balances	<u>(6,752)</u>
10,456	Amount to be met from Government Grants and Local Tax Payers	11,624
<u>(10,272)</u>	Precepts & Contributions	<u>(10,665)</u>
184	(Surplus) / Deficit for Year	959
<u>(12,476)</u>	Balance at 1 April	<u>(12,292)</u>
<u>(12,292)</u>	Balance at 31 March	<u>(11,333)</u>

### Consolidated Balance sheet as at 31 March 2004

2002/03		2003/04
£'000	Assets	£'000
533,004	Long Term Assets	578,687
46,813	Current Assets	47,489
<u>(9,627)</u>	Current Liabilities	<u>(7,051)</u>
<u>(3,214)</u>	Long Term Liabilities	<u>(22,724)</u>
<b><u>566,976</u></b>	<b>Total Assets Less Liabilities</b>	<b><u>596,401</u></b>
	Fund Balances & Reserves	
382,215	Fixed Asset Restatement Reserve	417,415
152,397	Capital Financing Reserve	163,260
32,364	Other	15,726
<b><u>566,976</u></b>	<b>Total Fund Balances &amp; Reserves</b>	<b><u>596,401</u></b>

## Explanatory Foreword

1. The Council's accounts for the year 2003/04 are set out below. They consist of:

◆ **Consolidated Revenue Account**

- The Council's main revenue account, covering income and expenditure on all services

◆ **Housing Revenue Account**

- Which shows income and expenditure on council housing

◆ **Direct Service Organisation Accounts**

- Which show the trading results of the contractor arm of the organisation, covering most of its manual labour workforce within its Direct Services Organisations (DSO's)

◆ **Consolidated Balance Sheet**

- Which sets out the financial position of the Council at 31 March 2004

◆ **Statement of Total Movements in Reserves**

- Which considers all gains and losses recognised in the financial year

◆ **Cash Flow Statement**

- Which summarises the total movement of the Council's funds

◆ **Collection Fund Account**

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

The Statement of Accounting Policies and various notes support these accounts.

## Budget

2. The main components of the General Fund Budget for 2003/04 and how these compare with actual income and expenditure are set out below: -

	Original Budget	Actual	Difference
	£'000	£'000	£'000
Gross Expenditure on Services	66,182	74,670	8,488
Income	<u>53,404</u>	<u>63,046</u>	<u>(9,642)</u>
Net Expenditure on Services	12,778	11,624	(1,154)
Collection Fund Income	<u>(10,665)</u>	<u>(10,665)</u>	<u>0</u>
Net change in reserves for year	2,113	959	(1,154)
Balance brought forward	(12,292)	(12,292)	0
<b>Balance Carried forward</b>	<b><u>(10,179)</u></b>	<b><u>(11,333)</u></b>	<b><u>(1,154)</u></b>

3. When compared with the original budget net expenditure on services was £1.154 million less than the original forecast. This is the net result of various under and over spends and income variations.
4. This under/overspend resulted in a net use of reserves of £0.959 million compared with the planned £2.113 million.
5. The Council's General Fund balance at 31 March 2004 was £11.333 million.

## Capital

6. In 2003/04 the Council spent £20.543 million on capital projects.
7. Of this actual expenditure £9.833 million was for housing and £10.710 million for other services.
8. The major sources of finance for the 2003/04 capital expenditure plus un-financed 2002/03 expenditure are £15.512 million of capital receipts (the proceeds of the sale of assets), £2.807million from Housing Subsidy (Major Repairs Allowance) and £1.537 million Revenue Contributions.

## Further Information

9. Further information about the accounts is available from:-

The Acting Assistant Chief Executive (Finance)  
Stevenage Borough Council  
Daneshill House  
Danestrete  
Stevenage  
SG1 1HN

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

## Consolidated Revenue Account

For the year ended 31 March 2004

2002/03		Gross	2003/04	Net
Net		Expenditure	Income	Expenditure
Expenditure		£'000	£'000	£'000
	<b>Expenditure on Services</b>			
2,009	Central Services to Public	7,391	5,315	2,076
15,656	Cultural Environmental & Planning Services	25,571	10,838	14,733
848	Highways Roads & Transport Services	3,472	2,699	773
30,129	Housing Services	55,062	34,933	20,129
383	Social Services	722	235	487
2,072	Corporate & Democratic Core	2,294	91	2,203
342	Unapportionable Central Overheads	170	0	170
<b>51,439</b>	<b>Net Cost of Services</b>	<b>94,682</b>	<b>54,111</b>	<b>40,571</b>
(241)	Surplus on Indoor Market - Note 1			(261)
(4,193)	Transfer from AMRA - Note 8			(1,811)
(1,507)	HRA Interest			(1,215)
(27,567)	HRA Notional Interest re Capital Charges			(17,238)
(1,839)	Interest on Balances			(1,670)
<b>16,092</b>	<b>Net Operating Expenditure</b>			<b>18,376</b>
	Appropriations			
915	Transfer from/to HRA balances			(763)
(3,665)	Transfer to/from Major Repairs Reserve (MRR)			(3,860)
(2,771)	Provision for Depreciation			(2,745)
130	Financing of Capital Expenditure			1,537
0	Transfer from DSO's			0
0	Pensions Reserve - Note 12			(593)
(246)	Deferred Charges			(328)
<b>10,455</b>	<b>Amount to be met from Government Grants and Local Taxpayers</b>			<b>11,624</b>
(3,361)	Precept demanded from Collection Fund - Note 2			(4,164)
(122)	Collection Fund Surplus			(125)
(2,982)	Revenue Support Grant			(3,592)
(3,806)	Contribution from Non-Domestic Rate Pool			(2,784)
<b>184</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>			<b>959</b>
(12,476)	Balance at 1 April			(12,292)
(12,292)	<b>Balance at 31st March 2004</b>			(11,333)

## Notes to The Consolidated Revenue Account

### 1. Market Undertaking

The Council operates an indoor market and cafeteria whose financial results were as follows:-

2002/03		2003/04
£'000		£'000
(649)	Income from stall holders and cafeteria takings	(666)
398	Expenditure	405
<u>(241)</u>	<b>Surplus taken to General Fund</b>	<u>(261)</u>

### 2. Collection Fund

The Council Tax is paid into the Collection Fund maintained by the Council. The Council, Hertfordshire County Council and Hertfordshire Police Authority draw from the collection fund the amounts that they have budgeted as required to meet their expenditure (the precept). Stevenage's precept on the Collection Fund for 2003/04 was £4.164 million (£3.806 million in 2002/03).

### 3. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended by Section 36 of the Local Government and Housing Act 1989) enabled a local authority to spend up to £1.90 per head of relevant population for the benefit of people in their area on activities or projects not specifically authorised by other legal powers. Expenditure amounted to £143,583 in 2003/04 (£123,614 in 2002/03). Section 137 is mostly used to provide school milk and grants to certain voluntary bodies serving the community. On 18 October 2000, some of the provisions covered by section 137 were repealed and new power granted in the Local Government Act 2000 to promote well-being in the area.

### 4. Agency Services

The Council has traditionally carried out certain work on an agency basis for which it is fully reimbursed, together with a contribution towards administrative costs. The principal area of work is as highways agent for Hertfordshire County Council. The Highways Agency agreement terminated in September 2002. The Environmental Services Department continues to supervise work carried out on the district's highways including central reservations and highway verge grass cutting. Total expenditure in 2003/04 was £150,706 (2002/03 £974,401).

**Notes to The Consolidated Revenue Account**

**5. Publicity**

Section 5 of the Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity. Publicity is defined in the Act and refers to any communication in whatever form addressed to the public at large or to a section of the public. Total expenditure in 2003/04 was £502,099 (2002/03 £526,379). 2003/04 expenditure is summarised below: -

2002/03 £'000		2003/04 £'000
98	Marketing	72
151	Staff Advertising	157
277	Other Publicity	244
<b>526</b>	<b>Total</b>	<b>473</b>

**6. Minimum Revenue Provision**

The authority is required to calculate the minimum revenue provision to be set aside for the redemption of external debt. The method of calculating the provision is defined by statute and relates to the authority's debt less investments. From 1998/99 the authority had a negative debt position (debt free March 2001) and a Minimum Revenue Provision is therefore not required.

**7. Officer's Emoluments**

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were:

2002/03 Number	Remuneration Band	2003/04 Number
1	£50,000 - £59,999	5
2	£60,000 - £69,999	1
1	£70,000 - £79,999	2
1	£80,000 - £89,999	1

**8. Asset Management Revenue Account**

Transactions in the Asset Management Revenue Account are as follows:

2002/03 £'000		2003/04 £'000
	<b>Income</b>	
(7,965)	Capital Charges to General Fund	(6,108)
(33,743)	Capital Charge to HRA	(23,905)
(458)	Transfer from grants/contributions deferred account	(747)
	<b>Expenditure</b>	
0	Expected Return on Pension Assets	(3,267)
8,947	Provision for Depreciation	9,412
1,459	Interest due to Housing Revenue Account	1,174
0	External Interest Charges	0
27,567	Interest re HRA Capital Charges	17,238
0	Interest on Pension Liability	4,392
<b>(4,193)</b>	<b>Total</b>	<b>(1,811)</b>

**9. Members' Allowances**

Total expenditure on Members' allowances in 2003/04 was £438,492 (£411,580 in 2002/03)

**10. The Euro**

The Council incurred no significant expenditure in respect of the Euro in 2003/04. Although it continues to monitor the position no future expenditure commitments have been made.

**11. Building Control Account**

Under the Building Act 1984 The Secretary of State issued Statutory Instrument 1998/3129 which requires a local authority to prepare a statement setting out the turnover and profits/losses of the building control account. In 2003/04 the Council generated a surplus of £40,542 on a turnover of £193,670.

**12. Appropriations from Pensions Reserve**

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not be payable until the employees retire, the Council has a commitment to make payments which need to be disclosed at the time these benefits are earned. The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council. This is a funded scheme in which the Council and its employees make contributions into the Pension Fund at a level calculated to balance the liabilities with the investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by the employees, rather than when the benefits become payable. The charge against Council Tax is based on the cash payable in the year, therefore the charge against the Net Cost of Services is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account in the year:



	<b>2003/04</b>	<b>2002/03</b>
	<b>£000</b>	<b>£000</b>
<i>Net Cost of Services:</i>		
Current Service Costs	1,402	1,570
Past service costs	353	200
 <i>Net Operating Expenditure:</i>		
Interest cost	4,392	4,230
Expected return on scheme assets	(3,267)	(3,810)
 <i>Amounts to be met from Government grants &amp; local taxation:</i>		
Movement on Reserve	(593)	(180)
 <i>Actual amount charged against council tax for pensions in the year:</i>		
Employers' contributions payable to the scheme	2,287	2,010

Note 20 to the Consolidated Balance Sheet gives details of the assumptions made in estimating the figures included above. The effect of the prior year comparatives given above is reflected in the opening Pensions Liability and Pensions Reserve.

## Housing Revenue Account (H.R.A)

### Operating Account for the year ended 31 March 2004

2002/03 £000's		Notes	2003/04 £000's
	<b>Income</b>		
	Gross Rental Income		
26,700	- Dwelling rents	1	26,065
92	- Non-dwellings rents		120
275	Charges for Services & Facilities		261
1,243	HRA Subsidy Receivable	2	1,056
175	Contributions towards expenditure		775
58	Housing Benefit Transfers from General Fund		50
<b>28,543</b>	<b>Sub Total Income</b>		<b>28,327</b>
	<b>Expenditure</b>		
	Repairs, Maintenance & Management		
5,386	- Repairs & Maintenance		4,612
5,020	- Supervision & Management		5,379
30	Rents, Rates, Taxes & Other Charges		(68)
12,836	Rent Rebates	3	13,074
2,937	Transitional Negative Subsidy Transfer to General Fund	4	2,570
316	Increase in Provision for Bad & Doubtful Debts		293
27,567	Cost of Capital Charge	5	17,238
	Depreciation of Fixed Assets		
6,155	- on Dwellings	6	6,614
21	- on Other Assets	6	53
99	Debt Management Costs		101
<b>60,367</b>	<b>Sub Total Expenditure</b>		<b>49,866</b>
<b>31,824</b>	<b>Net Cost of Service</b>		<b>21,539</b>
(27,567)	Adjusting Transfer from AMRA	5	(17,238)
(1,507)	HRA Investment Income	7	(1,215)
<b>2,750</b>	<b>Net Operating Expenditure/(Income)</b>		<b>3,086</b>
	<b>Appropriations</b>		
0	Revenue Contributions to Capital Outlay	8	1,537
(3,665)	Transfer to/(from) Major Repairs Reserve MRR	9	(3,860)
<b>(915)</b>	<b>Sub Total</b>		<b>763</b>
	<b>Housing Revenue Account Balance</b>		
(1,472)	(Surplus)/Deficit at beginning of Year		(2,387)
(915)	(Surplus)/Deficit for Year		763
<b>(2,387)</b>	<b>(Surplus)/Deficit at end of Year</b>		<b>(1,624)</b>

## Notes to The Housing Revenue Account (H.R.A.)

### 1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.93% of lettable properties were vacant. In 2002/03 the figure was 1.62%. Average rents were £58.24 a week in 2003/04. 2002/03 was a 53 week year for Rent Income purposes.

### 2. Housing Subsidy System

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

#### Notional Subsidy Calculation

2002/03			2003/04	
£'000	£'000		£'000	£'000
		<b>Notional Expenditure</b>		
8,354		Management and Maintenance	8,507	
<u>0</u>		Other Reckonable Expenditure	<u>0</u>	
	8,354			8,507
		<b>Less Notional Income</b>		
(23,940)		Rents	(24,362)	
<u>(1,641)</u>		Interest	<u>(1,424)</u>	
	(25,581)			(25,786)
	<u>(17,227)</u>	<b>Negative Subsidy Entitlement</b>		<u>(17,279)</u>
	5,503	Major Repairs Allowance		5,396
	<u>(11,724)</u>	Negative Subsidy Entitlement (inc MRA)		<u>(11,883)</u>
	12,967	Rent Rebate Reimbursement		12,939
	<u>1,243</u>	<b>Overall Subsidy Position</b>		<u>1,056</u>

### 3. Rent Rebates Granted

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Some 51.75% of the Council's tenants receive help with the cost of rent.

4. Under section 80(2) of the Local Government and Housing Act 1989 the Housing Revenue Account was required to make a transfer to the General Fund of an amount equal to the level of negative subsidy. With effect from April 2001 transitional measures allow a transfer to continue on a reducing basis up until 2009/10, funded from the Major Repairs Allowance.

**5. Cost of Capital Charge**

The cost of Capital Charge is calculated as 3.5% of the value of HRA Assets. The charge is shown as expenditure to the HRA within the net cost of service to reflect the value of assets being utilised within the HRA during the year. The charge is reversed out below the Net Cost of Service and does not therefore impact on rent levels.

**6. Depreciation of Assets**

Depreciation of Fixed Assets is shown here in respect of HRA Dwellings & Other Assets. The calculation of the depreciation charge for dwellings separates the valuation of property between land and dwellings and depreciates the dwellings over their anticipated useful life.

**7. HRA Investment Income**

The interest credited here is in respect of interest on reserved receipts, revenue balances and mortgages.

**8. Revenue Contributions to Capital Outlay (RCCO)**

Revenue Contributions to Capital Outlay of £1.537 million were made from the Housing Revenue Account in 2003/04.

**9. Major Repairs Reserve**

Authorities are required to operate a Major Repairs Reserve.

2002/03			2003/04	
£000's	£000's		£000's	£000's
	0	<b>Opening Balance as at 1st April</b>		0
		<b>Transfers to the MRR -</b>		
(6,155)		Depreciation of HRA Dwellings	(6,614)	
<u>(21)</u>	(6,176)	Depreciation of other HRA Assets	<u>(53)</u>	(6,667)
		<b>Transfers from MRR -</b>		
	2,511	Financing of HRA Capital Expenditure		2,807
		To HRA Appropriations -		
2,937		Transitional Negative Subsidy Transfer	2,570	
55		Interim Measures Transfer to HRA	20	
<u>673</u>	3,665	Depreciation in excess of MRA & other HRA Assets	<u>1,270</u>	3,860
	<u>0</u>	<b>Closing Balance as at 31 March</b>		<u>0</u>

**10. Housing Stock Numbers**

The stock movement can be summarised as follows:-

<b>2002/03</b>		<b>2003/04</b>
9,285	Stock as at 1st April	8,969
(316)	Less Sales/Disposals	(225)
0	Add: acquisitions/LSSO Surrenders	0
<hr/>		
<b>8,969</b>	<b>Stock at 31st March</b>	<b>8,744</b>
<hr/>		
5,709	Houses	5,581
3,260	Flats	3,163
<hr/>		
<b>8,969</b>	<b>Total</b>	<b>8,744</b>
<hr/>		

**11. Housing Stock Valuations**

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

As at 1 April 2003	£446,430,000
As at 31 March 2004	£491,741,000
The Vacant Possession value of the dwellings as at 1 April 2003 was	£932,893,000

The valuation of the dwellings in the Balance Sheet is on the basis of Existing Use as Social Housing with secure tenancies. 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.

**12. Capital Expenditure, Financing & Receipts**

Capital Expenditure and Financing within the HRA in 2003/04 can be summarised as follows:-

<b>2002/03</b>		<b>2003/04</b>
<b>£000's</b>		<b>£000's</b>
	Capital Expenditure	
8,960	Major Repairs & Improvements	8,709
633	Disabled Adaptations	530
258	Equipment	153
<u>9,851</u>		<u>9,392</u>
	The Capital Expenditure was financed as follows:	
7,780	Capital Receipts	5,297
2,511	Major Repairs Allowance	2,807
0	Revenue Contributions	1,537
(1,381)	Unfinanced (BF)	(941)
941	Unfinanced (CF)	692
<u>9,851</u>		<u>9,392</u>

Total Capital Receipts in 2003/04 from the sale of property within the HRA can be summarised as follows :-

<b>2002/03</b>		<b>2003/04</b>
<b>£000's</b>		<b>£000's</b>
15,499	Right to Buy Sales	14,954
110	Right to Buy Mortgage Repayments	157
237	Other Land & Property	132
<u>15,846</u>		<u>15,243</u>

**13. Rent Arrears**

During the year 2003/04 rent arrears as a proportion of gross rent income were 3.96% (4.2% in 2002/03).

<b>2002/03</b>		<b>2003/04</b>
<b>£'000</b>		<b>£'000</b>
1,322	Arrears at 31 March	1,232
182	Amounts written off during the year	180

The bad debts provision stood at £334,000 at 31 March 2004

## Consolidated Balance Sheet

### As at 31 March 2004

2002/03 £'000		Notes	2003/04	
			£'000	£'000
	<b>Net Fixed Assets</b>			
446,430	Council Dwellings	1 - 2	479,691	
85,700	Other	1 - 2	98,297	
<u>532,130</u>				577,988
0	Deferred Charges	3	0	
695	Long Term Debtors - Mortgages		569	
179	- Car Loans		130	
				<u>699</u>
<u>533,004</u>	<b>Total Long Term Assets</b>			578,687
	<b>Current Assets</b>			
139	Stock and work in progress	4	161	
7,874	Debtors	5	8,275	
38,800	Investments	6	41,033	49,469
	<b>Current Liabilities</b>			
0	Borrowing repayable within 12 months		0	
(9,126)	Creditors	7	(8,436)	
(501)	Cash Overdrawn		(595)	(9,031)
<u>37,186</u>	<b>Net Current Assets</b>			40,438
<u>570,190</u>	<b>Total Assets less Current Liabilities</b>			619,125
0	Long term borrowing	8	0	
(2,396)	Government Grants Deferred	9	(2,057)	
(26,822)	Pensions Liability	20	(20,013)	
(818)	Deferred capital receipts	10	(654)	(22,724)
<u>540,154</u>	<b>Total Assets less Liabilities</b>			<u>596,401</u>

## Consolidated Balance Sheet as at 31st March 2004 cont.

2002/03 £'000		Notes	2003/04 £'000
	<b>Fund Balances &amp; Reserves</b>		
12,292	General Fund		11,333
2,387	Housing Revenue Account		1,624
780	Other Reserves	11	850
13,441	Usable Capital Receipts	12	18,784
1,218	Collection Fund	13	938
382,215	Fixed Asset Restatement Reserve	14	417,415
152,397	Capital Financing Reserve	15	163,260
2,246	Contributions Unapplied		2,210
(26,822)	Pensions Reserve	20	(20,013)
<u>540,154</u>	<b>Total Equity</b>		<u>596,401</u>



## Notes to Consolidated Balance Sheet

## 1. Fixed Assets

Movements in fixed assets during the year were as follows:

	Council	Other	Infra-Structure	Vehicles	Community Investment	Total
	Dwellings	Land & Buildings	Structure	Plant & Machinery	Assets Properties	
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value B/fwd 01/04/03	452,585	56,959	2,455	5,315	6,716	544,132
Valuation Change/Ex-Diminimus	0	44	0	51	0	120
Revaluation Adjusted	39,570	3,741	0	0	0	45,020
Additions/Enhancements	9,319	5,978	394	2,044	635	18,803
Disposals	(15,169)	(52)	0	0	0	(15,358)
<b>Gross Book Value at 31/03/04</b>	<b>486,305</b>	<b>66,670</b>	<b>2,849</b>	<b>7,410</b>	<b>7,351</b>	<b>592,717</b>
<i>Depreciation:</i>						
Accumulated B/fwd 01/04/03	6,155	2,074	201	3,349	223	12,002
Revaluation Adjustment	(6,155)	(532)	0	0	0	(6,687)
Current Year	6,614	1,724	165	683	227	9,414
<b>Accumulated at 31/03/04</b>	<b>6,614</b>	<b>3,266</b>	<b>366</b>	<b>4,032</b>	<b>450</b>	<b>14,729</b>
<b>Net Book Value at 31/03/04</b>	<b>479,691</b>	<b>63,404</b>	<b>2,483</b>	<b>3,378</b>	<b>6,901</b>	<b>577,988</b>

**Notes to consolidated balance sheet**

**1. Fixed Assets Continued**

**Fixed Asset Valuation**

The freehold and leasehold properties which comprise The Authority's properties were valued at 1st April 1994 by the Authority's Valuer in accordance with the Statement of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors except that not all properties were inspected. This was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are revalued at each 1st April as part of the continuous rolling revaluation which aims to cover all assets over a 5 year period by the Council's Estates Manager J. Angell B.A. M.R.I.C.S

Properties regarded as operational were valued on the basis of Open Market Value for Existing Use (OMVEU) or, where this could not be assessed because there was no market at Depreciated Replacement Cost (DRC).

Depreciation

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

Council Dwellings	50 years
Operational Buildings	Up to 50 years
Computer Equipment	3-5 years
Vehicles Plant and & Other Equipment	3-5 years

Depreciation is charged on opening gross book value on a straight line basis

An analysis of Fixed Assets at 31 March 2004 is:-

<b>2002/03</b>		<b>2003/04</b>
<b>Nos</b>		<b>Nos</b>
1	Leisure Centre (Incorporating Theatre)	1
1	Swimming pool	1
258.7Ha	Parks, Playing Fields, Woodlands, Open Spaces, Commons	258.7Ha
1	Football Stadium	1
1	Horticultural Centre	1
14.7Ha	Allotments	14.7Ha
1	Golf Course	1
1	Museum	1
14	Community Centres	14
1	Market - Covered	1
2	Cemeteries	2
18	Car Parks	18
6	Civic Offices (Daneshill House/Housing Area Offices)	6
365	Commercial Land and Properties	355
1	Depots	1
8,969	Council Housing	8,744

Notes to consolidated balance sheet

Fixed Assets Continued.  
Expenditure on Fixed Assets

2002/03 £'000		2003/04 £'000
1,194	Leisure Centres	269
158	Swimming Pool Ridlins Pavilion	92
87	Parks	177
45	Play	183
192	Golf	306
270	Fairlands Valley Park	80
34	Bedwell Community Centre (SRB)	307
353	Renovation Grants	296
637	Parking Facilities	472
52	Recycling	4,838
	Environmental Improvements	63
15	Community Safety	158
872	Office Accommodation	197
11	Commercial Properties	2,181
359	Indoor Market	79
535	Information Technology	329
	Vehicles	571
9,910	Housing	9,833
156	Other	112
<b>14,880</b>	<b>Total</b>	<b>20,543</b>

The capital expenditure was financed as follows:-

11,666	Capital Receipts	15,512
2,511	Housing Subsidy, Major Repairs Allowance	2,807
963	Contributions	409
107	Grants	144
130	Revenue Contributions	1,537
(1,882)	Unfinanced (BF)	(1,385)
1,385	Unfinanced (CF)	1,519
<b>14,880</b>	<b>Total</b>	<b>20,543</b>

**Notes to consolidated balance sheet**

**1. Fixed Assets Continued**

As at 31<sup>st</sup> March 2004 significant commitments for major projects already underway included:-

	<b>£'000</b>
Fairlands Valley Park improvements	103
Ridlins Pavilion	772
Indoor Market Refurbishment	206
Decent Homes	2,268

**2. Leases**

The Council's policy is generally to acquire vehicles and equipment through operating leases. The capital value of assets acquired during the year under operating leases was approximately £609,000 and the total capital value of all lease agreements at 31 March 2004 was approximately £3,688,000. Lease rental payments for the year amounted to £748,523 (2002/03 £735,134). Outstanding obligations in respect of operating leases at 31 March 2004 were £1,692,399 (31 March 2003 £1,676,942).

**3. Deferred Charges**

	31 March 2003	Expenditure	Tfr to CFR*	31 March 2004
	£'000	£'000	£'000	£'000
Improvement Grants	0	328	328	0

\* Capital Financing Reserve

**4. Stocks and Work-in-Progress**

31 March 2003		31 March 2004
£'000		£'000
	Stocks:	
88	Central Stores	98
51	Other	63
139	<b>Total</b>	161

## Notes to consolidated balance sheet

## 5. Debtors

31 March 2003 £'000		31 March 2004 £'000
128	Mortgages	87
94	Car Loans	89
2,052	Government Departments	1,125
915	Other Local Authorities	138
1,437	Housing Rents	1,477
1,654	Collection Fund	3,822
60	Temporary Investment interest	256
2,564	Other Debtors	2,511
(1,030)	Provision for Bad Debts	(1,230)
<b>7,874</b>	<b>Sub-Total</b>	<b>8,275</b>

## 6. Investments

The investments consist of temporary deposits as follows:-

31 March 2003 £'000		31 March 2004 £'000
0	Money Markets	1,000
1,875	Local Authorities	0
8,200	Banks	15,050
4,500	Building Societies	0
24,225	Fund Manager	24,983
<b>38,800</b>	<b>Total</b>	<b>41,033</b>

At 31 March 2004 the externally managed fund totalled £24.983m being the initial sum of £20m plus £4.983m accrued interest.

## 7. Creditors

31 March 2003 £'000		31 March 2004 £'000
48	Employees	48
215	Government Departments	98
396	Inland Revenue	416
285	Other Local Authorities	294
316	Housing Rents	596
2,143	Collection Fund	1,764
5,723	Sundry Creditors	5,220
<b>9,126</b>	<b>Inland Revenue</b>	<b>8,436</b>

## Notes to consolidated balance sheet

### 8. Long Term Borrowing

The Council became debt free during 2000/01 i.e. had repaid all of its external long term debt before 31 March 2001.

### 9. Government Grants Deferred

Government grants and other contributions are required to be credited here and written off to the asset management revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

### 10. Deferred Capital Receipts

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.

### 11. Other Reserves

	<b>1 April 2003 £'000</b>	<b>Receipts in year £'000</b>	<b>Payments in year £'000</b>	<b>31 March 2004 £'000</b>
Insurance Fund	619	34		653
Renewals Fund	(108)	353	310	(65)
House Purchase	77	6	14	69
Other	192	26	25	193
<b>Total</b>	<b>780</b>	<b>419</b>	<b>349</b>	<b>850</b>

The Insurance Fund provides against possible future uninsured losses.

The Renewals Fund provides for the payment of lease rentals for the acquisition of vehicles, funded through notional depreciation charges on vehicles and also provides for the upfront costs associated with the recycling scheme to be charged to revenue by annual amounts.

The House Purchase Suspense Account is used to smooth variations in interest rates and holds the surplus arising from the operation of the house purchase scheme.

Other reserves include various overhead and on-cost accounts.

### 12. Usable Capital Receipts Unapplied

Capital receipts from the disposal of assets are held until such time as they are used to finance new capital expenditure. As the Council is now debt free, it is no longer required to set aside part of its receipts for debt repayment. £18.784 million of usable capital receipts remain unapplied as at 31 March 2004.

**Notes to consolidated balance sheet**

**13. Collection Fund**

The Collection Fund is a statutory fund in which the Council records transactions for council tax, business rates and residual community charges. The balances on the Fund due to the Council, Hertfordshire Police Authority and the County Council are £127,940 £84,667 and £732,514 respectively. The balance available to the Council will be used to reduce the Council Tax in future years.

**14. Fixed Asset Restatement Reserve (FARR)**

The Fixed Asset Restatement Reserve represents the balance of surpluses or deficits arising on the periodic revaluation of fixed assets.

**15. Capital Financing Reserve**

The Capital Financing Reserve contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans. It also contains the amount of capital expenditure financed from revenue and capital receipts. Depreciation / Impairment are also included here.

<b>2002/03</b>		<b>2003/04</b>
<b>£'000</b>		<b>£'000</b>
<b>146,662</b>	<b>Balance brought forward</b>	<b>152,397</b>
14,307	Capital financing	19,857
458	Write down of contributions	748
176	Reserved receipts	0
(247)	Write down of deferred charges	(328)
(8,959)	Depreciation/Impairment	(9,414)
<b>152,397</b>	<b>Balance Carried Forward</b>	<b>163,260</b>

## Notes to consolidated balance sheet

### 16. Analysis of Net Assets Employed

Net assets employed represent the total of all revenue and capital reserves. The figure is analysed over the various accounts of the authority.

<b>31/03/03</b>		<b>31/03/04</b>
<b>£'000</b>		<b>£'000</b>
77,800	General Fund	89,400
487,958	Housing Revenue Account	526,076
1,218	Collection Fund	938
(26,822)	Pensions Reserve	(20,013)
<b>540,154</b>		<b>596,401</b>

### 17. Provision for Credit Liabilities (part of the Capital Financing Reserve)

Capital receipts from the disposal of assets are held until such time as they are used to finance new capital expenditure (the usable part) or set aside to repay debt (the reserved part). The reserved part of housing capital receipts is 75% of Council House sales and 50% of other Housing receipts. For general fund the reserved part was 50% up to 31 August 1998 and Nil thereafter. As the Council is now debt free, with a few exceptions it is no longer required to set aside part of its receipts for debt repayment.

<b>2002/03</b>		<b>2003/04</b>
<b>£'000</b>		<b>£'000</b>
<b>31,599</b>	<b>Amount brought forward at 1 April</b>	<b>31,775</b>
176	Reserved proportion of capital receipts	0
<b>31,775</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>31,775</b>



## Notes to consolidated balance sheet

### 18. Related Party Transactions

Related party transactions include the transfer of monies between and the performance of services by or for related parties.

	Receipts £'000	Payments £'000
<b>Central Government</b>		
Revenue Grants etc	18,256	32,154
Capital Grants etc	349	
<b>Hertfordshire County Council</b>		
Precept		23,839
Agency <i>(reimbursement of expenditure on agency functions)</i>	1,043	
Pension Fund <i>(payment of employers superannuation contribution in respect of employees)</i>		3,168
<b>Hertfordshire Police Authority</b>		
Precept		2,755
<b>Stevenage Leisure Limited</b>		
<i>(Grant for provision of Leisure Facilities. SBC also provide IT and some support services to SLL)</i>		1,539
<b>Grants to Sundry Bodies</b>		
Community Associations		154
CAB		150
CVS		44
Womens Resource Centre		22
Crossroads Day Centre		21
Shopmobility		16
Others		136

### 19. Post Balance Sheet Events

There were no post balance sheet events.

**20. Net Pensions Liability**

Note 12 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme (administered by Hertfordshire County Council). The underlying assets and liabilities for retirement benefits attributable to the Council as at 31<sup>st</sup> March 2004 are as follows:

	<b>2003/04 £000</b>	<b>2002/03 £000</b>
Estimate assets in Scheme	56,426	45,757
Estimated liabilities in Scheme	(76,439)	(72,579)
<b>Net asset/(liability)</b>	<b>(20,013)</b>	<b>(26,822)</b>

The liabilities show the underlying commitments the Council has in the long term to pay retirement benefits. The total liability of £20.0m has a significant impact on the net assets of the Council. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuation, the last review being at 31 March 2001. This valuation determined the rates payable from 1 April 2003. Under Pension Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

Liabilities have been assessed on an actuarial basis using the projected unit method that assesses the future liabilities of the fund discounted to their present value. Hymans Robertson, an independent firm of actuaries, has assessed both Stevenage Council and County Council fund liabilities. In order to assess the Pension Fund's liabilities as at 31<sup>st</sup> March 2004, the actuaries have rolled forward the actuarial value of the liabilities reported as at 31<sup>st</sup> March 2001, allowing for changes in financial assumptions. In addition, they have also considered the effect of investment returns, contribution paid into, and estimated benefits paid from, the Fund by the Council and its employees.

The main assumptions used in the calculations are as follows:

	<b>2003/04 % per annum</b>	<b>2002/03 % per annum</b>
Rate of inflation	2.9	2.5
Rate of increase in salaries	4.4	4.0
Rate of increase in pensions	2.9	2.5
Rate for discounting scheme liabilities	6.5	6.1

Assets in the Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	<b>Long Term Return %</b>	<b>31<sup>st</sup> March 2004 %</b>	<b>31<sup>st</sup> March 2004 %</b>
Equity investments	7.7	74.2	76.6
Bonds	5.1	14.1	9.4
Property	6.5	6.2	6.7
Cash	4.0	5.5	7.3
		100.0	100.0

The above figures have been provided by the actuaries to the Hertfordshire County Council Pension Fund using information provided by the Fund and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future.

The £20,013,000 net liability represents the difference between the value of the Authority's pension fund assets at 31<sup>st</sup> March 2004 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1<sup>st</sup> April 2004 would also have an impact on the capital value of pension fund assets.

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  
 (Contact Nicola Webb 01992 555394)

## Direct Service Organisations (DSOs) Summary Revenue Account for the year ending 31 March 2004

2002/03 Surplus/ (Deficit) £'000		2003/04 Income £'000	2003/04 Expenditure £'000	2003/04 Surplus/ (Deficit) £'000
(27)	Building Maintenance	2,231	2,248	(17)
52	Street Cleansing	1,406	1,328	78
151	Refuse Collection	2,252	2,103	149
3	Grounds Maintenance	2,533	2,421	112
<b>179</b>	<b>Total</b>	<b>8,422</b>	<b>8,100</b>	<b>322</b>

2002/03 £'000		2003/04 £'000
	Movement in DSO Reserves:-	
179	Surplus for year	322
(206)	Transfer to General Fund	(339)
27	Transfer to HRA	17
<b>0</b>	<b>Total</b>	<b>0</b>

DSO surpluses are transferred to the relevant client accounts in the years in which they arise.

In January 2000 the majority of the Compulsory Competitive Tendering legislation was repealed as part of the Government's commitment to Best Value in the provision of local authority services. The Code of Practice on Commissioning Local Authority Work and Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in September 1999 recommended that authorities maintain such accounts where this is consistent with the aims of Best Value. Accordingly, the statement above summarises the DSOs operations for 2003/04.

## Statement of Total Movements in Reserves

	CAPITAL RESERVES			REVENUE RESERVES			Pensions Reserve £'000	Total £'000
	Fixed Asset Restatement Reserve £'000	Capital Financing Reserve £'000	Usable Receipts Contributions £'000	General Fund £'000	Specific Reserves £'000	HRA £'000		
Balance as at 01/04/03	(382,215)	(152,397)	(15,687)	(12,292)	(780)	(2,387)	26,822	(538,936)
Net (surplus)/ deficit for year		8,994		959	(70)	763		10,646
Actuarial (gains)/ losses for year							(7,402)	(7,402)
Unrealised (gains)/loss, from revaluation of fixed assets	(50,479)							(50,479)
Enhancements not adding value								
Effects of disposals of fixed assets:								
Cost or value of assets disposed of	15,279							15,279
Proceeds of disposals		0	(20,855)					(20,855)
Net (surplus)/ deficit								
Appropriations to/ (from) Consolidated Revenue Account							593	593
Contributions-Net				36				36
Financing of fixed assets		(19,857)	15,512					(4,345)
<b>Balance as at 31/03/04</b>	<b>(417,415)</b>	<b>(163,260)</b>	<b>(20,994)</b>	<b>(11,333)</b>	<b>(850)</b>	<b>(1,624)</b>	<b>20,013</b>	<b>(595,463)</b>

## Notes to the Statement of Total Movement in Reserves

### 1. Pensions Reserve

The actuarial gains identified as movements on the Pension Reserve in 2003/04 can be analysed into the following categories, measured assets and liabilities at 31 March 2004.

	<b>£000</b>	<b>%</b>
Difference between Expected and Actual Return on Assets	7,399	28.1%
Difference between Actuarial assumptions about liabilities and actual experience	3	-
Actuarial Gain/(Loss) as at 31 <sup>st</sup> March 2004	<u>7,402</u>	
Actuarial Gain/(Loss) as at 31 <sup>st</sup> March 2003	<u>(15,663)</u>	

## Cash Flow Statement of Revenue and Capital Movements

2002/03 £'000		2003/04 £'000
<b>REVENUE ACTIVITIES</b>		
<b>Payments</b>		
18,876	Cash paid to and on behalf of employees	20,741
27,239	Other operating Costs	25,069
5,132	Housing Benefits paid out	4,627
<u>51,247</u>	<b>Total Expenditure</b>	<u>50,437</u>
<b>Receipts</b>		
(18,502)	Rents (after rebates)	(17,915)
(22,267)	Council Tax Income	(25,843)
22,445	Disbursements from the Collection Fund	26,594
(2,982)	Non-domestic rates grant	(2,784)
(3,362)	Revenue Support Grant	(3,592)
(8,290)	DSS Grants for rebates	(10,066)
(2,513)	Other Government Grants	(1,814)
(16,921)	Cash received for goods and services	(15,008)
<u>(52,392)</u>	<b>Total Income</b>	<u>(50,428)</u>
<b>(1,145)</b>	<b>Net Cash (inflow)/Outflow from Servicing of Revenue Activities</b>	<b>9</b>
<b>SERVICING OF FINANCE</b>		
<b>Expenditure</b>		
0	Interest Paid	0
<b>Income</b>		
(1,667)	Interest Received	(1,356)
<b>(1,667)</b>	<b>Net Cash (inflow)/Outflow from Servicing of Finance</b>	<b>(1,356)</b>
<b>CAPITAL ACTIVITIES</b>		
<b>Expenditure</b>		
15,377	Acquisition of fixed assets	20,409
<b>Income</b>		
(16,894)	Sale of Fixed Assets	(20,855)
(293)	Capital grants received	(349)
<u>(1,810)</u>	<b>Net Cash Inflow from Capital Activities</b>	<u>(795)</u>
<b>(4,622)</b>	<b>NET CASH (INFLOW/)/OUTFLOW BEFORE FINANCING</b>	<b>(2,142)</b>
<b>FINANCING</b>		
<b>Expenditure</b>		
0	Repayments of amounts borrowed	0
<b>Income</b>		
0	New loans raised	0

**Notes to the Cash Flow Statement**

2002/03 £'000	<b>Reconciliation of revenue surplus to net cash flow:</b>	2003/04 £'000	£'000
(184)	<b>Surplus/Deficit for the year</b>		(9,000)
(35,062)	Non-cash transactions Add/(Less) provisions set aside in the year	(21,987)	
8,947	Add depreciation	9,412	
32,761	Add notional interest	20,601	8,000
(2,750)	Add/less contributions to/from reserves		(3,000)
	<b>Items on an accruals basis</b>		
18	Add/(less) decrease/increase in stock	(22)	
(485)	Add/(less) decrease/increase in debtors	1,601	
(563)	Add/(less) increase/decrease in creditors	(2,675)	(1,000)
	<b>Items classified in another classification in the cash flow statement</b>		
0	Interest paid	0	
(1,667)	less investment income	(1,356)	
130	Capital Expenditure	(1,537)	(2,800)
<b>1,145</b>	<b>Net cash flow (from)/to revenue activities</b>		

Increase/(decrease) in Cash comprise the following:-

2002/03 Net movements £'000		Balance 1 Apr £'000	2003/04 Balance 31 Mar £'000	Net Movemen £'000
(667)	Cash at bank	(513)	(604)	
(3,955)	Short Term Investments	38,800	41,033	(2,200)
<b>(4,622)</b>				<b>(2,100)</b>



## Notes to the Cash Flow Statement

2002/03		2003/04	£'00
£'000		£'000	0
	<b>Revenue Activities</b>		
2,982	Revenue Support Grant		3,592
3,362	NNDR Receipt from Pool		2,784
8,290	DSS Grants for rebates		10,066
0	Other Government Grants		0
102	Housing Defects		102
88	NNDR Admin		105
1,687	Neighbourhood Wardens		987
139	Housing Subsidy		118
417	Anti Drugs Scheme		299
81	SRB		203
	Phoenix Fund		
<b>17,148</b>	<b>Sub Total</b>		<b>18,256</b>
	<b>Capital Activities</b>		
293	Improvement Grants		349
<b>17,441</b>	<b>Total Grants</b>		<b>18,605</b>

## Expenditure under Section 137 Local Government Act 1972

Section 137 of the Local Government Act 1972 (as amended by Section 36 of the Local Government and Housing Act 1989) makes provision for a Local Authority to incur expenditure which in its opinion is in the interests of its area or any part of it or all or some of its inhabitants and which is not authorised under any other enactment.

The expenditure under this Section in any financial year must not exceed £1.90 per head of relevant population for the area, and for Stevenage this limit amounted to £151,620 in 2003/04.

The expenditure incurred during the year is as follows :-

2002/03	Expenditure	2003/04
£		£
	Grants to Sundry Bodies Local Welfare	
1,950	- Victim Support Scheme	1,950
250	- Herts Area Rape Crisis	250
2,500	- Garden House Hospice	2,000
4,500	- Pasque Hospice	4,500
<u>9,200</u>		<u>8,700</u>
114,414	School Milk	134,883
<u>123,614</u>	<b>Total</b>	<u>143,583</u>

On 18 October 2000, the provisions covered by section 137 were partly repealed. The above reflects equivalent expenditure for the whole of 2002/03 and 2003/04.

## The Collection Fund Income and Expenditure Account 2003/04

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and national non-domestic rates on behalf of those bodies (including the council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

2002/03 £'000		Notes	2003/04	
			£'000	£'000
	<b>INCOME</b>			
	National Non-Domestic			
32,512	Rates (NNDR) Pool	2		30,511
22,342	Council Tax	1		25,956
3,835	Council Tax/Community Charge Benefit	1		4,619
	Contributions			
(8)	-Adjustment of previous years community charges	3		(8)
<u>58,681</u>				<u>61,078</u>
	<b>EXPENDITURE</b>			
	Precepts and Demands:-			
20,173	Hertfordshire County Council		23,838	
3,806	Stevenage borough Council		4,164	
2,272	Hertfordshire Police Authority		2,755	
				<u>30,757</u>
	Nation Non-Domestic Rates			
32,415	Payment to National Pool (Gross)		30,409	
102	Cost of Collection Allowance		102	
				<u>30,511</u>
(5)	Movement in provision for Doubtful Debts			(27)
	Contributions			
114	-Towards previous year's estimated collection fund surplus			116
<u>58,877</u>				<u>61,357</u>
<b>(196)</b>	<b>Surplus/(Deficit) for the year</b>			<b>(279)</b>
<u>1,413</u>	Surplus/(Deficit) as at 1 April			<u>1,217</u>
<u><b>1,217</b></u>	<b>Surplus/(Deficit) as at 31 March</b>			<u><b>938</b></u>

## Notes to The Collection Fund Accounts

## 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated; by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D property equivalent and adjusted for discounts; 27,353 for 2003/04). The basic amount of council tax for a band D property £1,100.24 (£939.39 for 2002/03) is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	A	B	C	D	E	F	G	H	TOTAL
Properties	1,385	5,664	19,860	3,081	2,511	912	400	10	33,823
Exemptions	(80)	(228)	(201)	(28)	(14)	(2)	(4)	(4)	(561)
Disabled Relief	7	74	(69)	4	(13)	2	(4)	(1)	0
Discounts (25%)	(840)	(3313)	(5529)	(638)	(328)	(84)	(34)	(1)	
Discounts (50%)	(63)	(92)	(94)	(13)	(16)	(12)	(8)	(1)	
Equated Value Discount	(242)	(874)	(1429)	(166)	(90)	(27)	(12)	(1)	(2,841)
Effective Properties	1,071	4,636	18,161	2,891	2,394	885	379	4	30,421
Proportions	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>Band D Equivalents</b>	714	3,606	16,143	2,891	2,926	1,278	632	8	28,198
<b>Council Tax Base</b>	Band D equivalent multiplied by collection rate of 97%								27,353

The income chargeable of £34,099,929 for 2003/04 is from the following sources:

2002/03 £		2003/04 £
22,341,857	Billed to Council Tax Payers	25,955,537
3,835,488	Council Tax Benefits	4,619,409
2,880,335	Exemptions, Discounts, etc.	3,524,983
<b>29,057,680</b>		<b>34,099,929</b>

## Notes to The Collection Fund Accounts

### 2 National Non-Domestic Rates

The Government specifies an amount (43.7p in 2002/03 and 44.4p in 2003/04) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income due to the NNDR pool, after relief and provisions was £32.41 million for 2003/04 (£33.03m 2002/03). The rateable value for the Council's area is £80.64 million at 31 March 2004 (£81.40m at 31 March 2003). The rateable value changes throughout the year due to increases and decreases in assessments.

### 3 Adjustments for Previous Years' Community Charge

Although council tax replaced community charge from 1 April 1993, the council continues to account for residual adjustments in relation to the community charges raised in earlier years in the Collection Fund.

### 4 Contributions to Collection Fund Surpluses and Deficits

The council is entitled to receive the full benefit of any community charge balances which are to be transferred to the General Fund in subsequent years to reduce the amount of council tax that the Council has to raise to finance its own expenditure. The balance at 31 March 2004 was £7k (deficit)

The balance of £945,121 on the Collection Fund as at 31 March 2004 will be distributed in subsequent financial years to Hertfordshire County Council, Hertfordshire Police Authority and the Council in the proportion to the value of the respective precept and demand made by the three authorities on the Collection Fund as follow:-

<b>2002/03</b> £		<b>2003/04</b> £
182,438	Stevenage Borough	127,940
97,300	Hertfordshire Police Authority	84,667
936,515	Hertfordshire County Council	732,514
<b>1,216,253</b>	<b>Total</b>	<b>945,121</b>

## Statement on the System of Internal Control

### **1. Responsibility**

Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging these overall duties the Council acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated, including arrangements for the management of risk.

### **2. Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Council's aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify and prioritise the risk to the achievement of the Council's objectives by evaluating the likelihood of a risk being realised and the impact that it would have.

### **3. The Internal Control Environment**

The key elements of the Council's internal control environment are as follows:-

- The Council's objectives are established as part of its Corporate Business Strategy process that is informed by the Stevenage Community Strategy. The objectives are reflected in its Service Plans and Budgets. Achievement of the Council's objectives is monitored through a comprehensive system of Performance Management incorporating the monitoring of Service Plans; Best Value & Local Performance Indicators; Project and Programme Management arrangements and Budget Monitoring;
- Policy and decision making processes are facilitated within the Council's Executive and Scrutiny arrangements and delegations as laid out in the Council's Constitution and supported by robust reporting processes;
- The Council seeks to ensure compliance with established policies, procedures, laws and regulations by effective management supervision through systems of delegation and accountability to appropriately qualified and experienced staff, who receive comprehensive training. Further assurance to these management arrangements is provided by Internal Audit reviews;
- Assessment of risk, in terms of likelihood and impact, is embedded within all Service Plans and is the fundamental basis of the Council's Project Management Standards, guidance and monitoring arrangements. The adequacy of internal control systems to mitigate against risk is reviewed by Internal Audit;
- The Council seeks to ensure the economic, effective and efficient use of its resources through Best Value and Service Reviews and its overall Corporate Business Strategy "Changing Gear" all of which are aimed at securing continuous improvement in the delivery of Services. The Council's Scrutiny arrangements also support these processes;

- The system of internal financial control is based on a framework of regular management information, the Council's Constitution, financial regulations and standing orders, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
  - comprehensive budgeting systems including medium term forecasting;
  - regular review of periodic and annual financial reports which indicate financial performance against the forecasts;
  - setting targets to measure financial and other performance;
  - the preparation of regular financial reports which indicate actual expenditure against the forecasts; and
  - clearly defined capital expenditure guidelines.
- The Council has comprehensive arrangements for Performance Management extending from monitoring of the performance of individuals, teams and Services to the reporting through the organisation of both Best Value and Local Performance Indicators.

#### **4. Review of Effectiveness of Internal Controls**

The Council has responsibility for reviewing its system of internal control. The Council's review of the effectiveness of the system of internal control is informed by:

- the work of the managers within the Council;
- the work of the Council's Executive and Scrutiny Committees;
- the work of the internal auditors. Internal Audit at Stevenage Borough Council is delivered in partnership with Uttlesford District Council. This arrangement continues to satisfy the statutory regulations for internal audit set out in the Local Government Finance Act, 1988 (Section 114), and the Accounts and Audit Regulations 2003. By reviewing the authorities systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the authorities corporate governance framework. Internal Audit operate to defined standards (CIPFA/IIA). The Audit Manager reports to the authority's Acting Assistant Chief Executive (Finance) and various Committees which fulfil many of the functions of an Audit Committee. The Audit Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control and reports this annually to the Council's Resources and Corporate Management Scrutiny Panel;
- the external auditors in their annual audit letter and other reports;
- other review agencies and inspectorates. In January 2004 the Council was assessed by a team of Audit Commission Inspectors under its Comprehensive Performance Assessment (CPA). This assessment concluded that Stevenage was a "Good" Council.

**5. Significant Internal Control Issues**

The 2003/04 Annual Report by Internal Audit did not identify any significant internal control issues. The opinion was that the risks identified by Internal Audit are largely adequately controlled and key controls mostly exist but there may be some inconsistency in application. Following on from the CPA process, the basis of which is continuous improvement, the Council is focusing on improvement in some key areas in order to become an "Excellent" Council. The following actions are being taken and each will assist in further strengthening the system of internal control.

- Development of a CPA Improvement Plan based around the Council's Corporate priorities. This plan embodies the Council's programmes of work to secure improvement in Services and to deliver on its priorities within the Corporate Business Strategy, specifying key milestones and outcomes for each improvement project;
- Projects to improve the Council's performance management arrangements with the target of having 80% of Best Value Performance Indicators in the top two quartiles by March 2005. The development of a "basket" of key indicators, as recommended by the CPA Inspectors.
- The CPA report highlighted the need for the Council to develop its Risk Management processes and arrangements are in hand to address this including the development of a corporate risk register;
- Further work by Internal Audit to address areas where they have highlighted inconsistency in the application of some internal controls;
- Further strengthening of the Council's Project Management arrangements.
- Enhancing the Council's Corporate Capital Programme monitoring arrangements.

We are assured that the Systems of Internal Control within Stevenage Borough Council are in the main compliant with the requirements of the Accounts and Audit Regulations 2003 and have plans in place, as referred to in paragraph 5 above, to further strengthen those controls.



**Chief Executive**



**Acting Assistant Chief Executive (Finance)**

**Leader of the Council**



## Statement of Responsibilities for the Statement of Accounts

### Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

- To make arrangements for proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Assistant Chief Executive (Finance);
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Acting Assistant Chief Executive's (Finance) Responsibilities

The Acting Assistant Chief Executive (Finance) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

In preparation this statement of accounts, the Acting Assistant Chief Executive (Finance) has:

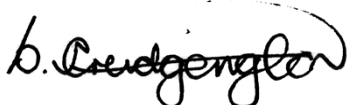
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the code.

The Acting Assistant Chief Executive (Finance) 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 7 of the Accounts and Audit Regulations 2003 and it is that upon which the Auditor should enter his opinion.



Acting Assistant Chief Executive (Finance)

## Auditor's Report to Stevenage Borough Council

I have audited the financial statements on pages 11 to 43 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 50 to 56.

This report is made solely to Stevenage Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of Acting Assistant Chief Executive (Finance) and Auditors**

As described on page 47 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on page 44 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of Opinion**

I conducted my audit in accordance with The Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In my opinion the financial statements present fairly the financial position of Stevenage Borough Council at 31 March 2004 and its income and expenditure for the year then ended.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Harris

**District Auditor**

**Date:**

## Statement of Accounting Policies

### 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of financial reporting statements (FRSs) and statements of standard accounting practice (SSAPs) except as stated below.

#### Non-Compliance with the Code of Practice

The areas where the Council has not complied with the Code of practice on Local Authority Accounting are:-

- i) Stocks – Stocks are valued at latest purchase price paid and not at cost.
- ii) Pension Costs – In accordance with the relevant regulations pension costs are to be determined on the basis of contribution rates that will meet 100% of the liabilities of the Pension Fund. Previous regulations required contributions to meet only 75% of liabilities. A contribution increase required to move from 75% to 100% cover of the liabilities is being applied over the next year. This is based on the last Actuarial Valuation as at 31<sup>st</sup> March 2001, the next one due as at 31<sup>st</sup> March 2004.

### 2. Employee Costs

The cost of employee's salaries and wages is charged in full in the year's accounts

### 3. Pensions Costs

The Council has applied FRS 17 in full for the first time in 2003/04. This represents a change in accounting policy to that applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when the Council's contributions became payable or payments fell due to pensioners for which the Council was directly responsible. The new accounting policy better reflects the Council's commitment in the long term to increase contributions to make up any shortfall in its share of net assets in the pension fund. The change has had the following effects on the results:

- The amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 23.3% lower after the replacement of Employer contributions with current service costs, and the Net Operating Expenditure is £592,836 higher (3.3%) than it otherwise would have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported Net Assets of the Authority by £20,013,152 (3.4%)

**4. Premises Related Costs**

Premises related expenses are accrued and accounted for in the period to which they relate.

**5. Transport Related Expenses**

Transport related expenses are accrued and charged to services in the period to which they relate.

**6. Supplies and Services**

The costs of supplies and services are accrued and accounted for in the period during which they were consumed or received, with the exception of electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

**7. Stocks and Work in Progress**

Stocks are valued at the latest purchase price, paid, with an allowance made for obsolete items. This is a departure from the requirements of the code, which require stocks to be shown at actual cost less an allowance for loss in value. The effect of the different treatment is not significant. Work in progress on uncompleted jobs is valued at cost price.

**8. Costs of Support Services**

Central administrative and professional support expenses are allocated over all activities. Allocations (based on the amount of staff time spent) are made to Services and Corporate and Democratic Core (costs incurred due to the Council being a multipurpose authority).

**9. Interest Paid**

Interest on external borrowing is accrued and charged in the accounts for the period to which it relates.

**10. Grants**

Revenue based grants are accrued and credited to the accounts in the same period in which the expenditure to which they relate is charged; where claims were not settled the best estimate of grant income is used. Capital grants are matched with the cost of the relevant assets.

**11. Customer and Client Receipts**

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Provision is made for doubtful debts and known uncollectable debts are written off.

**12. Investment Income**

Investment income is accrued and accounted for in the period to which it relates. The proportion payable to the Housing Revenue Account is specified in regulations and is based on the level of balances less debt outstanding i.e. net balances.

**13. Investments**

Investments in the money market are shown at their nominal value.

**14. Provisions**

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred. These include a provision in respect of doubtful debts.

**15. Reserves**

The Council maintains certain reserves to meet general, rather than specific, future expenditure. These include the Insurance Fund, the House Purchase Scheme and the Renewals Fund.

**16. Capital Accounting**

Accounting for fixed assets is separated from the accounting for capital finance costs. An annual charge is made to service revenue accounts for all assets used in service provision. This capital charge represents the benefit each service obtains from the uses of the authority's assets. Under the Capital Accounting provisions:-

- i) Fixed assets are valued, largely on a basis of net current replacement cost;
- ii) Asset revaluations are accounted for via the Fixed Asset Restatement Account and capital financing via the Capital Financing Reserve (The charges to the Housing Revenue Account are prescribed by regulation);
- iii) Service expenditure includes capital charges based on the values of assets used;
- iv) After arriving at the net cost of services the capital charges are reversed out and replaced by external interest payments and the provision for redemption of debt.

**17. Fixed Assets**

Fixed assets were initially revalued at 1<sup>st</sup> April 1994 and the assets included in the balance sheet at their net book value after taking account of additions, disposals and depreciation. The substantial increase in the values resulted in the creation of a fixed asset restatement account (a capital reserve). The reserve is written down by the net book value of assets disposed of and adjusted for deficits or surpluses arising on revaluations. A proportion of the assets is revalued each 1<sup>st</sup> April as part of the continuous rolling revaluation that aims to cover all assets over a 5-year period.

**18. Deferred Charges**

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed over a period of years e.g. improvement grants. Deferred charges also result when there is no longer a fixed asset to back borrowing. This occurs when an asset is sold and the sale proceeds are insufficient to repay all of the outstanding debt. Deferred charges are written off to capital reserves/revenue.

**19. Debtors and Creditors**

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and Statement of Standard Accounting Practice 2, i.e sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments. This policy is consistently applied each year.

**20. Capital Receipts**

Capital receipts from the disposal of assets are held until such time as they are used to finance new capital expenditure (the usable part), or set aside to repay debt (the reserved part). As the Council is now debt free, it is no longer required to set aside part of its receipts for debt repayment. Interest on usable capital receipts is credited to the General Fund.

## **Glossary of Terms**

### **Agency Services**

Services that the Council performs for another Authority for which reimbursement is made of costs incurred.

### **Balances**

In general, the surplus or deficit on any account at the end of the year. Often used to refer to the surpluses that have accumulated through underspending in past years.

### **Budget**

An estimate of the year's expenditure and income.

### **Capital Receipts**

Money received from the sale of land or other assets, which is available to finance other items of capital (but not revenue spending) or to repay debt.

### **Capital Expenditure**

The purchase of goods or services, usually of a significant value, whose useful life is expected to be at least five years, for example, purchase of land, buildings, vehicles and plant and the construction, renovation, improvement and extension of buildings.

### **Capital Charges**

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

### **Collection Fund**

An account into which receipts from Council Tax, Business Rate and Government Grant (Revenue Support Grant) are collected and from which payments to the precepting authorities are made.

### **Council Tax**

The charge to every liable domestic property in Stevenage to pay for services provided by the Council, Hertfordshire County Council and the Police.

### **Debt Charges (Sometimes referred to as Loan Charges)**

The repayment of money borrowed from a third party. These payments usually include repayment of part of the loan as well as interest.



**Direct Service Organisation (D.S.O.)**

A DSO is a work force employed by a Local Authority to carry out such tasks as building maintenance and grounds maintenance. The different types of works undertaken are treated as separate trading activities and each has its own revenue account. They earn income by carrying out work for the Authority that in the majority of cases is won by competing against private contractors.

**Fees and Charges**

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

**General Fund/Housing Revenue Account**

By law the Council is required to account for all expenditure and income relating to the provision of Council Houses separately from its other functions. These transactions form the Housing Revenue Account. All other transactions, on services such as leisure and refuse collection, are accounted for in what is termed the General Fund.

**Housing Subsidy**

Subsidies payable by central government to reduce housing costs.

**Infrastructure Assets**

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

**Interest on Revenue Balance (and/or Interest Receipts)**

This is the interest accrued by investing the day to day surplus of cash held in the Council's bank account.

**MRA**

Major Repairs Allowance – an element of the HRA Subsidy, introduced for the first time in 2001-02. The MRA provides each authority with estimated long-term average amount of capital resources required to maintain their stock in its current condition.

**National Non Domestic Rate**

This is the payment that occupiers of non-domestic properties have to pay from 1st April 1990. The increases in these charges are determined by Central Government.

**Overheads**

The cost of the administration of service departments and central departments e.g. Finance, Personnel, Information Technology together with other central costs which cannot be allocated direct to services such as general expenses.

**Precept**

The charge made by all authorities (County Councils, Parishes, District, Borough Councils, and Metropolitan Police) on the Collection Fund that is managed by the District/Borough Councils.

**Rateable Value**

A value on all properties subject to rating. The value is based on a notional rent that the property could be expected to yield after deducting the cost of repairs. All non-Domestic properties have undergone a revaluation from 1st April 1990. All domestic property has been revalued from 1st April 1991. These new valuations form the basis of Bands for the Council Tax charges.

**Revenue Contribution To Capital Outlay (R.C.C.O.)**

The financing of Capital Expenditure direct from revenue.

**Revenue Expenditure**

This is expenditure on day-to-day running costs and consists principally of salaries and wages, debt charges, and general running expenses.

**Revenue Support Grant**

A general grant, not related to individual service provision, which is paid into the Collection Fund of each Authority. This grant is intended to allow for the provision of similar standards of service throughout the Country.