STATEMENT OF ACCOUNTS COMMITTEE

Date: Thursday, 21 September 2017
Time: 6.00 pm,
Location: Shimkent Room - Daneshill House, Danestrete
Contact: Guy Moody

Members: Councillors: J Lloyd (Chair), (Vice-Chair), P Bibby CC, L Briscoe, J Fraser, J Mead, S Mead, R Raynor and J Thomas

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AGENDA

PART 1

1. APPOINTMENT OF PERSON TO PRESIDE

To appoint a person to preside over the element of the meeting which will be held jointly with the Audit Committee.

2. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

3. 2016/2017 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

The Committee is requested to receive a presentation from the Assistant Director Finance on the External Auditor's Annual Report for consideration and approval and the audited 2016/17 Financial Report including the Statement of Accounts (SOA).

Following the presentation, Members will be invited to ask questions of clarification.

At this juncture the Statement of Accounts Committee will adjourn to allow the Audit Committee to consider the report and to agree to any recommendations.

At the rise of the Audit Committee the Statement of Accounts Committee will reconvene and Members will receive details of any recommendations from the Audit Committee on this matter.

3 - 210

4. URGENT PART 1 BUSINESS

To consider any Part 1 business accepted by the Chair as urgent.

5. EXCLUSION OF PRESS AND PUBLIC

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to

Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

6. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Thursday, 21 September 2017 –
http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/

Stevenage BOROUGH COUNCIL

Meeting:	**Audit Committee/Statement of Accounts Committee**	**Agenda Item:**	**3**
Portfolio Area:	Resources		
Date:	**21 September 2017**		

2016/17 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

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Lead Officer - Clare Fletcher Ext No. 2933
Contact Officer – Anita Thomas Ext No. 2430

1 PURPOSE

1.1 To present the External Auditor – Ernst & Young LLP's Annual Report for consideration and approval and the audited 2016/17 Financial Report including the Statement of Accounts (SOA).

2 RECOMMENDATIONS

2.1 That the Annual Report to those charged with Governance for 2016/17 be approved (appendix three).

2.2 That the Council's Letter of Representation be approved (appendix four to follow).

2.3 That the Financial Report including the Statement of Accounts 2016/17 be approved (appendix two).

2.4 That the Annual Governance Statement is approved (appendix one)

3 BACKGROUND

3.1 This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's report has been produced by the Council's External Auditors, Ernst & Young (appendix three).

3.3 The 2016/17 fourth quarter outturn position for the General Fund and the Housing Revenue Account was presented to the Executive on 12 July 2017. That report showed that the General Fund had a net under spend of £833,813 of which £449,950 related to carry forward requests. The HRA had an increase in surplus of £437,087 of which £273,720 related to carry forwards. Following the external audit the outturn positions for the General Fund and HRA remains unchanged.

3.4 Changes affecting the 2016/17 Statement of Accounts

3.4.1 The Statement of Accounts (SOA) has to be compiled in accordance with current International Financial Accounting Standards, statutory requirements, and CIPFA published guidance. The standards and guidance may change year on year.

3.4.2 In 2016/17, **two new disclosure notes** – the “Expenditure and Funding Analysis” and “Expenditure and Income Analysis by Nature” were introduced with the aim to give greater clarity between the funding basis (management accounts) and accounting basis (SOA) so that the reader can see the link between the budget monitoring reports presented to Members during the year and the published accounts. These new disclosure notes replaced the “Amounts reported for Resource allocation decisions” disclosure (note 26 in SOA 2015/16).

3.4.3 This year the council engaged external valuer Wilks Head and Eve (WHE) to undertake a full review of **General Fund asset valuations**. WHE have a large local authority client base and were appointed following a formal tender process based on quality and price. Based on their local authority knowledge WHE have used “Existing Use Value” (EUV), which are derived from rental values, for certain assets, such as community centres and pavilions, as opposed to Depreciated Replacement Cost (DRC) which had been used in prior years. Both methods of valuation comply with RICS standards and are acceptable under the CIPFA code, however DRC valuations are known to give return high current values. Extra disclosure narrative has been provided in the SOA to explain the changes in valuation.

Definitions	
Existing Use Value (EUV)	**Depreciated Replacement Cost (DRC)**
Based on rental streams (observed or estimated) for the site. Multiplier applied based on security of tenant and covenant. Land and Building included within this valuation.	Two part valuation process: Area of existing building taken and build costs applied for modern equivalent building then depreciated by the age of the building. Land element valued on price per acre for modern equivalent site.
Both methods are comply with RICS standards and acceptable under the CIFPA code. However it is expected that the DRC is the method of last resort and would only be applicable to specialist assets.	

3.4.4 The last triennial valuation of the **pension fund** was carried out as at 31 March 2016 and the results are incorporated into the SOA. The pension fund liability increased this year to £55Million. The value of assets held by the fund increased in year by £20Million to £149.6Million, however liabilities increased by £30Million to £204.6Million due to changes in actuarial financial assumptions.

3.4.5 Movements in the pension fund liability are not taken to the General Fund/HRA balances as both funds are only charged with the actual pension contributions paid over to the fund in year in accordance with statutory provision. The pension fund liability reflects the outlook using assumptions which cover the very long term and are subject to wide fluctuations over that term. The Council continues to fund the scheme at the rate recommended by the actuary to ensure the scheme is able to meet its obligations.

3.4.5 The **Annual Governance Statement** is no longer included within the Financial Report. This is now shown as a separate document and is included at Appendix One to this report. This Committee is required to approve the SOA and the Annual Governance Statement.

3.5 Members were offered training prior to this committee to aid their understanding of the Statement of Accounts and issues raised by the external auditor.

3.6 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix Four).

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

4.1 Statement of Accounts

4.1.1 The 2016/17 Financial Report including the Statement of Accounts is Appendix Two to this report. At the time of writing the external audit had been completed and changes arising from the audit have been made.

4.1.2 Officers have agreed that three misstatements (one identified by the Finance Team) should not be adjusted in the final accounts as the impact is not material. These unadjusted misstatements are detailed below.

Un-adjusted Misstatement	**Effect on Balance sheet**	
Valuations	**£'000's**	**£'000's**
Business Technology Centre valuation	3,624	
Ridlins running track overstated	(4,410)	
Other land and building valuations		**(786)**
LEP grant - debtor accrual	416	
Debtors		**416**
LEP grant - Long term Creditor	(416)	
Long term Creditor		**(416)**
Total Impact on Net Assets		**(786)**
Usable Reserves		416
Unusable reserves		370
Total Impact on Reserves		**786**

4.2 Balance Sheet

4.2.1 The Council's Balance Sheet as at the 31 March 2017 showed total reserves of £525.8 Million, an increase of £39.2 Million over the Balance Sheet as at 31 March 2016. However of this increase only £8.8 Million relates to usable or cash reserves, The increase in the Council's net worth can be assessed by reviewing the Useable and Non Useable Reserves.

4.2.2 **Useable Reserves**

4.2.3 Useable reserves are cash reserves that are available for the Council to spend on revenue and/or capital. As at the 31 March 2017 the Council's useable reserves increased by £8.8Million to £58.895Million. The increase was largely due to right to buy (RTB) capital receipts and within the £25.5 million capital receipts reserve is £10.9million of RTB one for one receipts that have a restricted use.

4.2.4 Table one below details the movement in useable reserves.

	Balance at 31 March 2016	Increase/ (Decrease) in Year	Balance at 31 March 2017
Revenue Reserves:			
General Fund Balance	7,887,791	(1,460,808)	6,426,983
Earmarked General Fund Reserves	4,251,311	(1,701,492)	2,549,819
Housing Revenue Account	16,955,084	2,794,487	19,749,571
Total Revenue Reserves	**29,094,186**	**(367,813)**	**28,726,373**
Capital Reserves:			
Major repairs reserve	4,652,265	(144,488)	4,507,777
Capital Receipts Reserve	15,994,554	9,522,941	25,517,495
Government Capital Grants Unapplied	305,461	(161,791)	143,670
Total Capital Reserves	**20,952,280**	**9,216,662**	**30,168,942**
TOTAL REVENUE AND CAPITAL RESERVES	**50,046,466**	**8,848,850**	**58,895,316**

4.2.5 **Un-useable Reserves**

4.2.6 Non useable or un-useable reserves are non cash reserves and include (but not exhaustive) the value of:

- Gains and losses from changes to the value of the Council's assets shown in the **Revaluation Reserve**.
- Timing differences between the purchase and use/or consumption of non-current assets (formerly known as fixed assets) shown in the **Capital Adjustment Account**.

- The calculated liability owed by the council at the Balance Sheet date for staff pensions shown in the **Pension Reserve**.

- The amount of money that would have to be paid to staff if all holiday entitlement due, but not taken was paid at the Balance Sheet date shown in the **Accumulated Absences Account**.

- The **Collection Fund Adjustment Account** which holds the timing difference between the recognition of Council Tax and Non Domestic Rates (NDR) income in the Income and Expenditure Statement as it falls due from council tax payers and business rate payers, compare with the statutory arrangement for paying across amounts to the General Fund from the Collection Fund (Council Tax and NDR), to match those calculated and approved at budget setting for that financial year.

4.2.7 The Council's un-useable reserves increased by £30.4Million to £466.9Million as at 31 March 2017. Included within un-useable reserves is the Council's **pension reserve** (deficit). The pension deficit increased by £9.1Million compared to 31 March 2017.

4.2.8 The **Revaluation Reserve** has increased by £45.2Million largely due to the in year net revaluation gains on Council House stock.

4.2.9 A summary of the movement in unusable reserves is shown in Table two below.

	Balance at 31 March 2016 £	**Increase/ (Decrease) in Year £**	**Balance at 31 March 2017 £**
Un-usable Reserves:			
Revaluation Reserve	50,550,335	45,231,247	95,781,582
Capital Adjustment Account	432,497,005	(6,889,716)	425,607,289
Deferred capital receipt reserve	194,272	(3,172)	191,100
Pensions Reserve	(45,889,000)	(9,119,000)	(55,008,000)
Collection Fund Adjustment Account	(552,352)	1,231,104	678,752
Accumulated Absences Account	(282,961)	(75,692)	(358,653)
Total Un-usable Reserves:	**436,517,299**	**30,374,771**	**466,892,070**

4.3 External Auditors Conclusions

4.3.1 As the Council's appointed Auditor, Ernst & Young LLP is required to review and report on the Council's financial statements and provide a value for money conclusion. Their findings and ISA 260 report are shown in appendix three.

4.3.2 At the time the time of writing the report, no objections were received by electors to the 2016/17 accounts

4.3.3 No requests were received for any further details on the Council's financial records.

4.2.4 As a result of the external audit there are no recommendations from Ernst & Young LLP in relation to the Statement of Accounts.

5 **IMPLICATIONS**

5.1 Financial Implications

The updated Accounts for 2016/17 are financial in nature. As this document is finance related, the financial implications are contained therein.

5.2 Legal Implications

5.2.1 The requirement under the Accounts and Audit Regulations England (2015) is for the Audit Committee and Council, (or a Committee delegated this function by Council), to consider and approve the accounts before 30th September after they have been audited. This report and subsequent recommendations by the Statement of Accounts committee meets this requirement.

BACKGROUND PAPERS

4th Quarter General Fund and HRA report 12 July 2016 Executive

4th Quarter Capital monitoring report12 July 2016 Executive

APPENDICES

Appendix 1 – Annual Governance Statement

Appendix 2 - Post Audit Statement of Accounts 2016/17

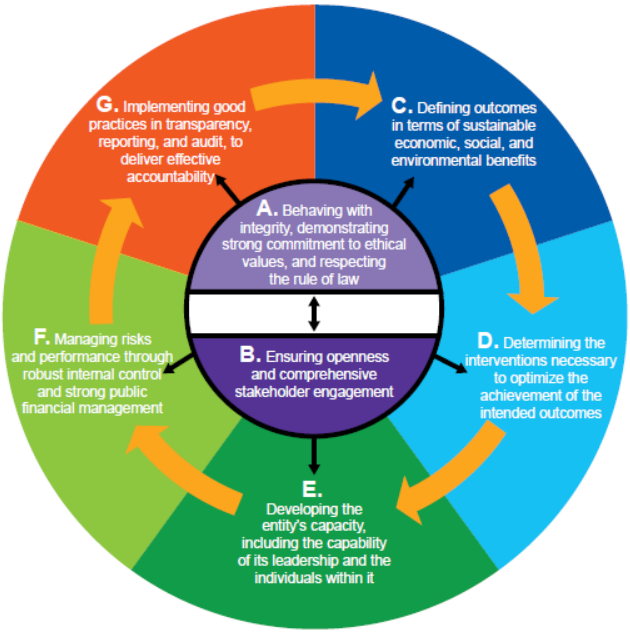
Appendix 3 - Annual Report to those Charged with Governance

Appendix 4 - Letter of Representation (TO FOLLOW)

Annual Governance Statement 2016/17

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, can be held to account for its actions and delivers the best possible outcomes for the community with the resources available.



Stevenage Borough Council has adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements in place to enable the council to monitor the achievement of its strategic objectives, to consider whether those objectives have enhanced delivery of appropriate cost effective services and outlines the activities through which it accounts to and engages with its communities. The Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE* Framework, 'Delivering Good Governance in Local Government'.

Image: International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) '**Achieving the Intended Outcomes While Acting in the Public Interest at all Times' – The International Framework**

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

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, which include arrangements for the management of risk.

This Statement explains how the council has complied with the Local Code of Corporate Governance (17 March 2008, endorsed 10 June 2015), 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.

The Statement also meets the statutory requirements in section 6 of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

Stevenage BOROUGH COUNCIL

How do we know our arrangements are working?

The Governance Framework

The local Governance Framework outlines the process the council applies to review corporate governance arrangements. 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 local governance arrangements 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 preparation and publication of the Annual Governance Statement in accordance with 'Delivering Good Governance in Local Governance' Framework (2016) fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control and also meets the requirement for 'preparation in accordance with proper practice'.

The Governance Framework summarised in this Statement has been in place at the council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

Governance monitoring and assurance arrangements

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

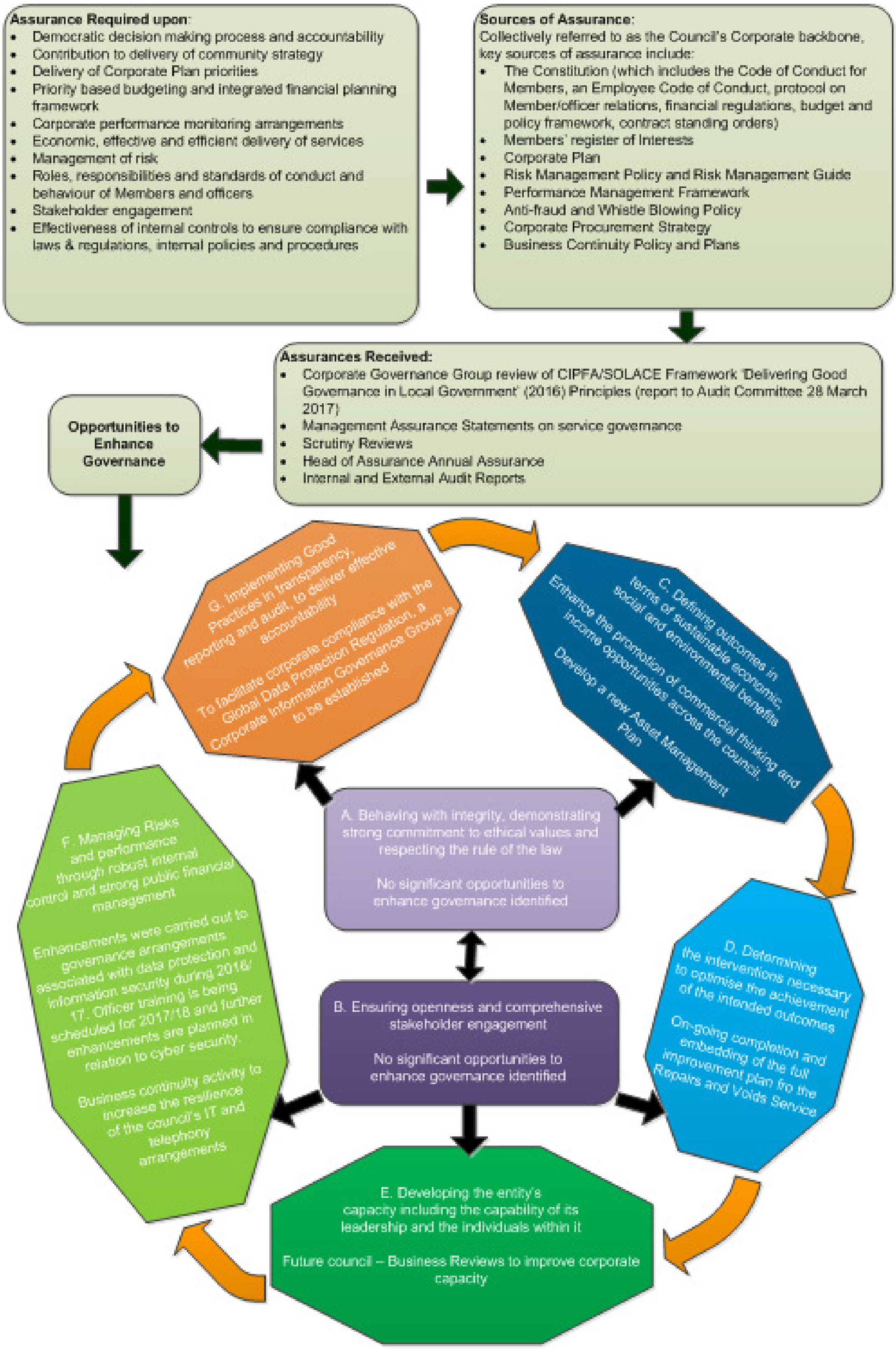
- Corporate Governance Group meet four times a year to consider the assurance framework from the perspective of the seven core principles of corporate governance in the CIPFA/SOLACE Framework (2016) - The seven core principles are set out in the diagram on page 1.

- In addition, Corporate Governance Group carries out an annual review of compliance with the behaviours that make up the seven core principles of corporate governance in the CIPFA/SOLACE Framework and submit a summary of the assessment to the Audit Committee.

- At service level, assurance of compliance with the principles and behaviours 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), and the Head of Assurance Annual Report require inclusion in the Statement.

All of these mechanisms of review contribute to overall assurance for the 2016/17 Annual Governance Statement. A summary of the types of assurance required, sources of assurance, assurance received and planned enhancement actions is represented on page 3 against the relevant principles. More detail is provided throughout the Annual Governance Statement.



The Action Plan at Page 17 provides more detail.

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 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, risk management and governance in accordance with an approved Audit Plan, Internal Audit contribute to the council's corporate governance framework.

SIAS operates to defined professional standards, i.e. the Public Sector Internal Audit Standards (PSIAS) and the Head of Assurance reports to the Council's Assistant Director (Finance & Estates) (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.

2016/17 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2017. From the internal audit work undertaken in 2016/17, 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:

ASSURANCE OPINION: FINANCIAL SYSTEMS

Our overall opinion is **Substantial Assurance**, whilst there is a largely sound system of control; there are some minor weaknesses, which may put a limited number of the system objectives at risk.

ASSURANCE OPINION: NON-FINANCIAL SYSTEMS

Our overall opinion is **Substantial Assurance**, whilst there is a largely sound system of control; there are some minor weaknesses, which may put a limited number of the system objectives at risk.

Review of Effectiveness of Systems of Internal Audit

The Accounts and Audit Regulations 2015 came into force from 1 April 2015; Paragraph 5 (1) states, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Head of Assurance must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes an annual internal or self-assessment undertaken by the Head of Assurance against the Public Sector Internal Audit Standards (PSIAS) for Internal Audit in Local Government in the UK. The self-assessment concluded that the system of Internal Audit employed at Stevenage Borough Council is effective. In addition, PSIAS require that an external assessment or peer review is undertaken at least once every five years. A Peer Review was undertaken in 2015/16, which concluded that SIAS 'generally conforms' to the PSIAS, including the Definition of Internal Auditing, the Code of Ethics and Standards. 'Generally conforms' is the highest opinion within the scale of three ratings, and the peer review identified areas of good practice and high standards.

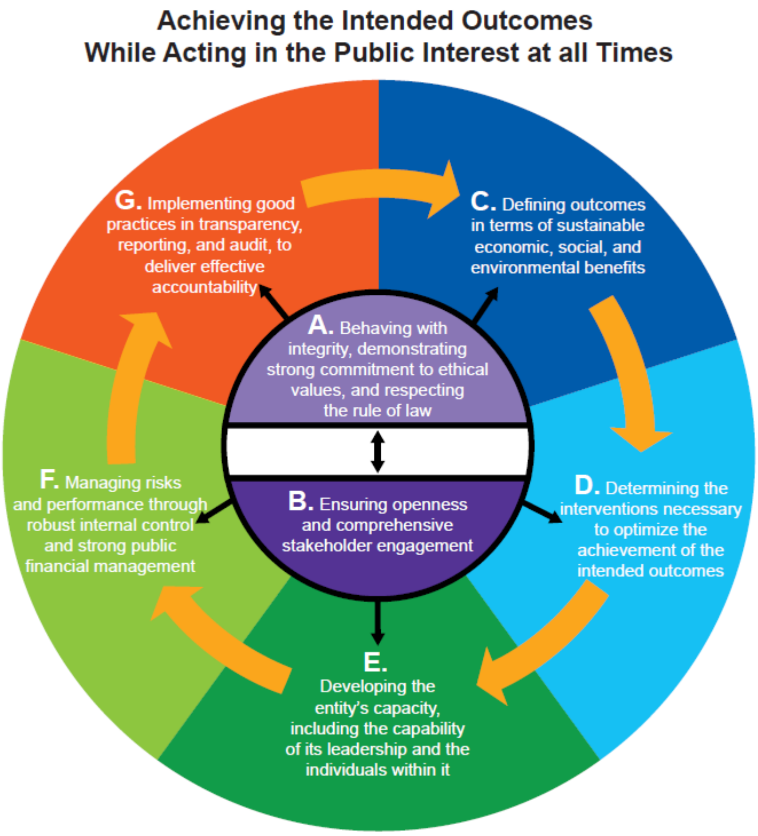
The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS' performance against the performance indicator relating to planned days delivery since the service was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

Area of Activity	**Target**	13/14	14/15	15/16	16/17
Planned Days percentage of actual billable days against planned chargeable days completed	**95%**	99%	97%	95%	99%

The assurance arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010), as demonstrated through the assessment in the SIAS Annual Assurance Statement and Internal Audit Annual Report reported to Audit Committee on 15 June 2017.

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 (2016) represented in the International Framework below:



This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times.

As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)

A summary of local arrangements in place for 2016/17 to comply with each of the principles is set out on the following pages identifying opportunities for governance enhancements. Key enhancements to arrangements delivered throughout 2016/17 are indicated in the Corporate Calendar with specific reference to progress against the delivery of actions identified in the 2015/16 Annual Governance Statement.

Principle A: Behaving with Integrity and respecting the rule of law

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is acknowledged as key to the delivery of good governance and underpins the delivery of council priorities and services for the community.

The Council's Local Code of Corporate Governance identifies the Nolan Principles (Standards in Public Life) as underpinning all local government activity.

The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these Codes and protocols. The council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Authority's Code of Conduct and sets out how the authority will deal with allegations of a failure to comply with the authority's Code of Conduct. The Council's Constitution sets out the employment procedures for the Head of the Paid Service, Strategic and Assistant Directors, Monitoring Officer and Chief Finance Officer.

The council has a Standards Committee to promote and maintain high standards of conduct by Members of the council and deal with any allegations that a member is in breach of the council's Code of Conduct and to consider changes to the Code as required.

The council's six organisational Values are underpinned by a behaviour framework for staff. The values are intended to influence the ways in which elected members and officers think and behave in responding to future challenges.

The Values are embedded into Member and Officer Induction, the Modern Member Programme, and management development programmes. A set of desired behaviours associated with each of the Values has been developed and form part of the council's appraisal process for officers.

The council also has a Whistle-blowing Policy which is based on the Public Interest Disclosure Act 1998 and an Anti-Fraud and Corruption Policy. The council's website and intranet have options for the public and staff to report suspected fraud that link to the Share Anti-Fraud Service webpage.

2016/17 Enhancements:
The Council has recently appointed a new Independent Person as required under Chapter 7 of the Localism Act 2011 to consult on alleged breaches to the Member Code of Conduct and potential disciplinary action involving Proper Officers.

To meet a RIPA Inspection action (2014) refresher training for Authorising Officers was carried out.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance - No significant opportunities to enhance governance have been identified.

Principle B: Engaging with Local People and other Stakeholders

Principle B: Ensuring openness and comprehensive stakeholder engagement is considered essential in meeting the council's corporate ambitions and framework of values and regarded as key to effective service delivery. Communication supports the decision-making process and helps to improve service quality and foster good relationships between staff, Members and stakeholders.

The council's Corporate Communications Strategy, Let's Talk, sets out the process to ensure the council communicates its aims and achievements to all stakeholders. The purpose of the strategy is to determine how the council will establish and maintain clear and relevant two-way channels of communication in order to create an informed and recognisable profile for Stevenage Borough Council and a positive image of the town as a whole.

During 2016/17 the Council has carried out a range of consultation activities to inform its priorities and budget-setting, such as:

- Pre-consultation with residents in Old Town to identify concerns with street parking
- Statutory consultation on proposed parking enforcements in the Old Town area
- Consultation on the provision and design of outdoor play equipment
- Consultation on the council's draft Procurement Strategy to 2020

The council has a system for recording Customer Feedback which enables learning from feedback and complaints to facilitate effective monitoring of information provided by customers to review future service delivery.

The council has established a number of shared service arrangements in order to provide efficient and effective shared service provision and governance arrangements facilitate effective stakeholder engagement to deliver agreed outcomes. To facilitate the council's drive for continuous improvement, a Partner of Choice Programme has been established with an ambition to have stronger partnerships with key agencies to better deliver our strategic priorities. To achieve this, the programme will aim to strengthen partnership working skills in the Council, determine Stevenage views on Devolution opportunities, map services that can be shared with other agencies, and measure the Council's reputation with partners.

2016/17 Enhancement Activity:
A new Building Control shared service, called Hertfordshire Building Control Services, was successfully set up and is now providing building control services to seven Hertfordshire authorities.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance - No significant opportunities to enhance governance have been identified.

Principle C: Defining Outcomes - The Council's Vision and Priorities

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

Future Town, Future Council
The Future Town, Future Council (FTFC) programme consists of nine key programmes that aim to deliver improved outcomes and real change for Stevenage residents.

The Future Town Future Council programme will also serve to enhance future governance arrangements, particularly through the four programmes that deliver the changes required to ensure the Council is well placed to meet the service demands of the future:

- Financial Security
- Performing at our Peak
- Employer of Choice
- Partner of Choice.

2016/17 Enhancement Activity:
Corporate Plan: A new Co-operative Corporate Plan FTFC was agreed at Council December 2016 and reflects the ambitions and projects and articulates to the public the council's key priorities and objectives that support the achievement of the FTFC programme over the next five years. A short summary action plan has been developed and alongside the council's Annual Report it will ensure that there is clarity for residents as to what the council has done, and will do, to deliver its promises.

Local Plan: The Local Plan was submitted to the Secretary of State on 21 July 2016. The Local Plan will guide development within the town until 2031 and sets out how Stevenage will develop in the future.

HRA Business Plan: To meet an action identified in the 2015/16 Annual Governance Statement to facilitate delivery of defined outcomes on a sustainable basis, the revised HRA Business Plan was agreed by Executive November 2016. The HRA Business Plan is the Council's strategic plan for managing and maintaining its housing stock. It sets out the council's short-to-medium term plans and priorities for its housing management services and provides a long term (30 year) perspective on stock investment and financial planning.

Opportunities identified for further enhancement:
Arrangements reflect those summarised in the council's Local Code of Corporate Governance (published June 2017).

The council has pursued some commercial options, including commercial property acquisition. Further options will be pursued once the initial phase of the Senior Management Review is embedded. (Action 1, page 17)

In addition, to support sustainable delivery of the Future Town, Future Council Programme, a new Property Investment Strategy was agreed by Full Council (May 2017). This will complement the emerging Asset Management Plan scheduled for development by December 2017. Delivery of the strategy and implementation of the Plan will also mitigate risk associated with effective management of the Council's assets. (Action 2, page 17)

Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:

- The HRA Business Plan, agreed by Executive November 2016, is designed to facilitate a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to fund the council's FTFC priority of Housebuilding and Acquisitions Programme.
- The Medium Term Financial Strategy is subject to ongoing review to ensure a clear financial situation can be demonstrated.
- The Strategic Director (Tom Pike) has implemented an Officers' Capital Group to ensure that effective arrangements are in place for the design and delivery of capital projects, which has resulted in a reduction to the associated Capital Programme risk. Governance arrangements are subject to ongoing monitoring to ensure they remain effective and mitigate risk associated with Capital Programme delivery.
- A fundamental assessment and prioritisation of SBC major capital investment needs and funding in the next 5-10 years with consideration of overall borrowing exposure as a result of a need to meet our Future Town Future Council ambitions is ongoing. The council are looking at more commercial investment opportunities such as a commercial property strategy to invest £15m and generate return and other options.

Principle D: Determining Interventions: Financial Governance Arrangements

The Financial Security programme continues to enhance the financial resilience of the council by ensuring resources are used effectively and efficiently and through the development of commercial and entrepreneurial skills and services.

The Medium Term Financial Strategy is under ongoing review to ensure a clear financial situation can be demonstrated. The Officer's Asset and Capital Group ensures effective arrangements are in place for the design and delivery of capital projects. Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)

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.

The council's framework of internal financial control is supported by Financial Regulations and 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.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance - No significant opportunities to enhance governance have been identified.

Principle D: Determining Interventions – Monitoring performance

As part of the Performing at our Peak programme, a new performance management framework has been developed to reflect the Future Town, Future Council Programme alongside the delivery of effective services (The Corporate programme).

The performance and quality of each FTFC programme is monitored through a monthly Programme Board. The corporate programme is monitored through assessment of progress against target for a set of corporate performance measures aligned to service priorities. The status of performance for both the FTFC programme and the corporate programme with proposed improvement plans, where necessary, are discussed by senior management prior to Executive on a quarterly basis. In addition the Executive receive separate monthly updates on the council's financial position and quarterly overview reports.

The Council has a Data Quality Policy which outlines the council's commitment to ensuring data quality and arrangements are in place to monitor the quality of performance data.

2016/17 Enhancement Activity:
Between April 2008 and March 2015, the Council used a Balanced Scorecard model to monitor performance. A need to expand and enhance this process was identified by Senior Management to facilitate improved insight into corporate priority delivery and implementation was incorporated into the Council's 'Performing at our Peak; FTFC programme. As part of this programme, the corporate performance management and monitoring frameworks were reviewed and a new performance management system (InPhase) established. The new system will monitor the status of the FTFC Programme and coordinate a range of corporate performance elements relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

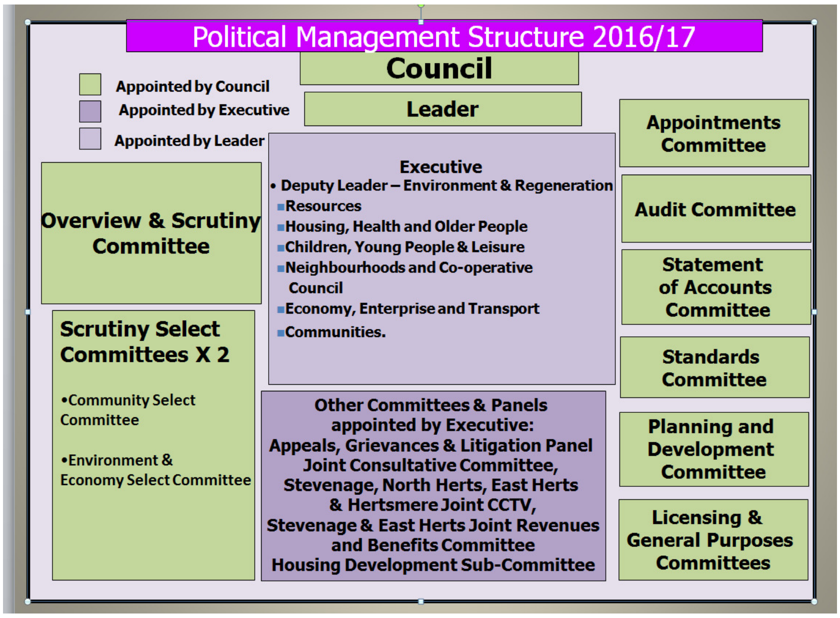
Opportunities identified for further enhancement:
Arrangements reflect those summarised in the council's Local Code of Corporate Governance.

However, to facilitate alignment of strategic focus and refocus operations on core activities, a review the Repairs and Voids function was completed in 2015/16. The required implementation of the resulting action plan was reflected in the 2015/16 Annual Governance Statement. Transition and initial implementation of the plan has applied throughout 2016/17, which has resulted in productivity gains. Full implementation and embedding of the improvement plan will continue through 2017/18 with completion scheduled for March 2018. (Action 3, page 18)

Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:
The council is continuing to assess potential impacts of Welfare Reform on the community and Council through business insight.

Principle E: Leadership Capacity and Capability - The Council's Political Management Structure

The following diagram shows the Council's political structure for 2016/17. 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.



An Audit Committee was first established in May 2006 and its duties include advising and commenting on Internal and External Audit matters, as set out in the Constitution. It has been constituted in line with best practice recommendations from CIPFA guidance.

The Council has structured its processes and procedures for the Executive and Scrutiny Committees plus other Committees such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. The Council also appoints officers, qualified to undertake statutory responsibilities, such as:

- Chief Financial Officer (Assistant Director Finance and Estates) as contained within Section 114 of the Local Government Finance Act 1988.
- Monitoring Officer to meet Section 5 of the Local Government and Housing Act 1989.

2016/17 Enhancement Activity

Members of Audit Committee and Statement of Accounts Committee have received Statement of Accounts training.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance - No significant opportunities to enhance governance have been identified

Principle E: Capacity and Capability - The Council’s Officer Structure

New Senior Management structure

Corporate capacity to deliver business as usual alongside the scale and breadth of corporate change projects has been recognised as a risk to delivery of effective outcomes. A revised senior management structure applied from January 2017 following a review to facilitate more effective delivery of FTFC priorities. A further action to refocus the new Business Units to enhance capacity and efficiency is identified in ‘opportunities for further enhancement’ below.

A corporate programme office has been established to facilitate delivery of the nine FTFC Programmes, particularly those at risk from external environmental influences, such as Town Centre Regeneration.

Through the FTFC Employer of Choice programme, a review of learning and development was undertaken highlighting areas for consideration which will be taken forward in 2017/18. A ‘Celebrating our People’ awards scheme was also launched aimed at recognising extraordinary effort and exceptional levels of service.

2016/17 Enhancement Activity:

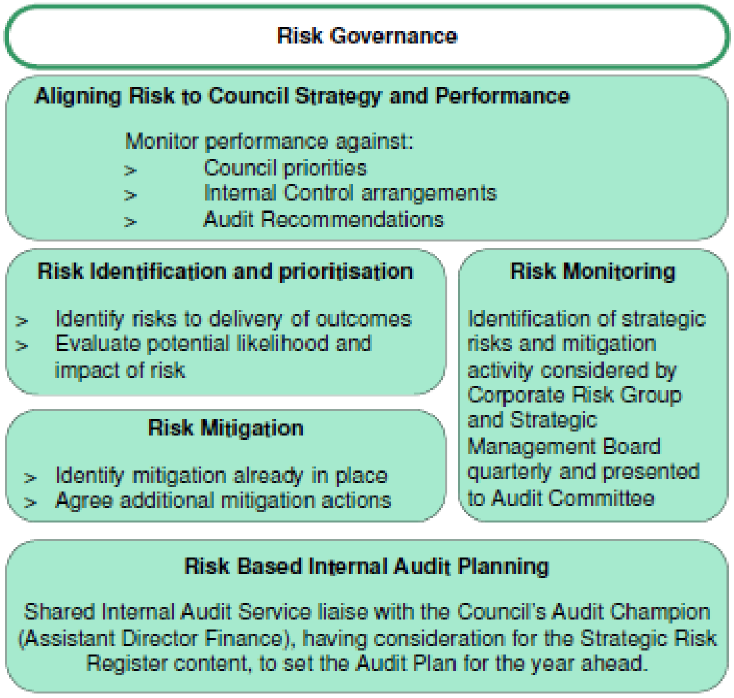
Senior Management Review: A senior management review, to facilitate more effective delivery of FTFC priorities, has taken place and included the establishment of a new competency framework.

Opportunities identified for further enhancement:

Arrangements reflect those summarised in the council’s Local Code of Corporate Governance.

However, corporate capacity to deliver business as usual alongside the scale and breadth of corporate change projects has been recognised as a risk to delivery of effective outcomes. A restructure of services through Future Council – Business reviews is being carried out to improve capacity and facilitate ability to meet any future challenges. (Action 4, page 18)

Principle F: Managing Risks - The Council's Risk Governance Arrangements

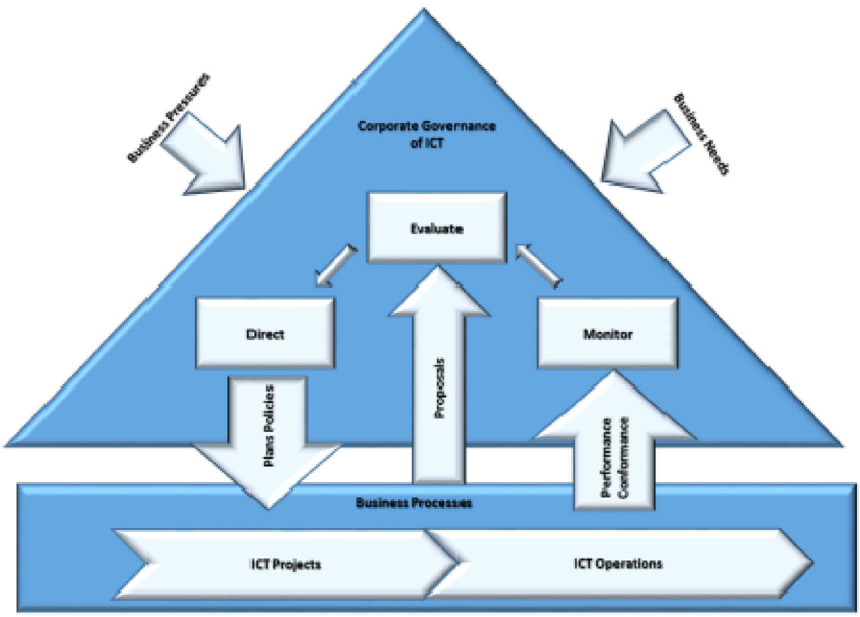


The council consider and counter risk across a broad range of areas. The council has an approved Risk Management Policy and a Risk Management Guide is available to all employees. Strategic risks are linked to the council's priorities and the Strategic Risk Register is reviewed and monitored on a quarterly basis. Operational risks are also developed and monitored. A Corporate Risk Management Group with representation from each directorate meets quarterly to oversee and review the process and development of the council's approach to risk.

The Shared Anti-Fraud Service Anti-Fraud Action Plan 2017/18 will ensure compliance with the best practice issued by central government, National Audit Office and CIPFA. The Anti-fraud and Corruption Policy is available on the council's website and a Whistle-blowing Policy is available to all staff on the council's Intranet. 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.

Corporate Governance of ICT is summarised in the following diagram setting out a robust framework to manage resilience and risk.

A SOCITM review of the ICT Shared Service has been carried out to strengthen ICT arrangements. The review has identified governance gaps and also medium to long-term options for service provision (3-5 years).



2016/17 Enhancement Activity:
A Cyber Security Action Plan is now in place. The plan consolidates all priority cyber security activity and has been derived from audit recommendations, the annual IT security health check, and any other emergent issues. Progress against the plan will be monitored at officer level and reported to Corporate Governance Group. A programme of staff training and awareness relating to data protection and cyber security is being scheduled.

Opportunities identified for further enhancement
Arrangements reflect those summarised in the council's Local Code of Corporate Governance.

The legislation requirements are being met but the council currently has Internal Audit recommended activity outstanding to deliver updates to the currently available Data Protection and Cyber Security guides together with the implementation of training to officers in relation to Data Protection and Cyber Security. Officer training is being scheduled. A Cyber Security Action Plan (2017/18) is now in place which identifies a programme of work to deliver cyber security enhancements. Data Protection guidance has been reviewed and is awaiting final approval. (Action 5, page 18)

To ensure sufficient capacity across the council's two data centres and enhance ICT resilience, activity is scheduled to increase Data Centre capacity through the 'Connected to our Customers' programme and is expected to be operational by the end of June 2017. In addition, business continuity activity to increase the resilience of the council's IT and telephone arrangements to be carried out with implementation expected by September 2017. (Action 6, page 18)

Principle G: Delivering Effective Accountability

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Executive
- Quarterly FTFC and corporate performance status reports to Executive
- Annual publication of Statement of Accounts
- Publication of the Annual Governance Statement
- the council's Annual Report (2016) on performance (published March 2017).

The council complies with requirements outlined in the Local Government Transparency Code 2015. Compliance is monitored throughout the year by Corporate Governance Group and a review is being developed to assess potential publication enhancement opportunities.

New laws regarding data protection (EU General Data Protection Regulation (GDPR)) need to be considered during 2017/18 for implementation by May 2018 to meet legislative requirements. (The primary objectives of the GDPR are to give citizens and residents back control of their personal data and to simplify the regulatory environment).

To facilitate corporate compliance with GDPR:

- An Information Officer is in place to facilitate corporate compliance with GDPR
- An action plan has been developed
- Engagement with key officers has taken place
- A Corporate Information Governance Group to be established to focus on good information governance for the council

The Council's internal audit provision is delivered by the Shared Internal Audit Service hosted by Hertfordshire County Council. A summary of 2016/17 arrangements is set out on page 4 of this Statement outlining assurance for both financial and non-financial systems.

Opportunities identified for further enhancement
Arrangements reflect those summarised in the council's Local Code of Corporate Governance.

To facilitate corporate compliance with GDPR, a Corporate Information Governance Group to be established by end of September 2017.

Corporate Governance Calendar 2016/17

The following corporate governance calendar summarises activity and enhancements delivered throughout the year to ensure compliance with the corporate governance arrangements outlined in the council's Local Code and outlines progress made against the improvement actions identified in the 2015/16 Annual Governance Statement.

Apr 2016

- Internal Audit of Corporate Governance arrangements achieves 'full assurance' for areas assessed
- Corporate Governance Group carried out a proactive review of Principles C and D of the new CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'

May 2016

- Annual Council agree the political management structure of the Council
- To meet a RIPA Inspection action (2014), refresher training for Authorising Officers was carried out

Jun 2016

- Audit Committee recommended the 2015/16 AGS to Statement of Accounts Committee
- 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 2015/16 and of 'Substantial Assurance' opinion for the council's financial and non-financial systems for 2015/16
- Executive appoints the council's Executive bodies for 2016/17

Action to implement a revised Security Incident Management Policy was superseded by an audit action to produce Cyber Security guides and this is reflected in a 2017/18 AGS action

Jul 2016

- Annual Scrutiny Report submitted to Council
- Corporate Governance Group carried out a review of Principles A and B of the CIPFA/SOLACE Framework
- Council agree 2015/16 Capital Expenditure outturn and changes to 2016/17 Capital Programme
- Local Plan approved by Council and submitted to Planning Inspectorate

To partially meet a 2016/17 AGS action, the Garages Estates Business Plan is approved by Executive. Further activity is required to complete the action.

Aug 2016

- FTFC: Built first new Council homes since 1980 and welcomed tenants
- In response to Staff Survey results, Corporate and Service Specific Action plans to improve Performance and Development Appraisal arrangements have been developed and are being implemented

Sep 2016

- Annual report on the activity of the Shared Internal Audit Service for 2015/16 reports to Audit Committee
- Annual report on the activity of the Shared Anti-Fraud Service for 2015/16 reported to Audit Committee
- The 2015/16 Statement of Accounts and external audit report are reported to Audit Committee
- Statement of Accounts training provided for Audit Committee

Oct 2016

- Council approves the Annual Treasury Management Review of 2015/16
- Council appoints a new 'Independent Person' in accordance with Chapter 7 of the Localism Act 2011 for a term of 4 years
- Council approve the Pay Policy Statement
- Corporate Governance Group carried out a proactive review of Principles F and G of the new CIPFA/SOLACE Framework
- Council's first 'Celebrating our People' Awards Scheme

Nov 2016

- External Auditors advise Audit Committee in their Annual Audit Letter 2015/16 that the council's financial statements give a true and fair view of the financial position of the Council at 31 March 2016 and of its expenditure and income for the year then ended

To meet a 2016/17 AGS Action the Housing Revenue Account Business Plan is approved by Executive November 2016.

Dec 2016

- FTFC: New Corporate Plan Future Town Future Council (2016-2020) is approved by Council
- Council's Constitution updated
- Council approves revised Contract Standing Orders
- Council agrees the mechanisms for the appointment of the Council's external auditors for the Statement of Accounts 2018/19 onwards

Jan 2017

- FTFC: Senior Management Review applied
- Council approve the Housing Revenue Account Final Budget Proposals 2017/18 and Rent Setting, and Draft Council Tax Support Scheme 2017/18
- Overview and Scrutiny Committee consider 2017/18 Draft Capital Forward Plan, Five Year Capital Strategy Update and 2017/18 Council Tax Setting and General Funding Budget prior to submission to Executive and Council February 2017
- Building Control becomes a Shared Service, providing building control services to seven Hertfordshire authorities

Feb 2017

- FTFC: £31M of investment secured for town centre regeneration
- Corporate Procurement Strategy 2016-2020 approved by Executive
- Council approves the 2017/18 Council Tax, General Fund and Capital budgets

The 2016/17 AGS action to review Data Protection guides to be included in a SOCITM policy framework/governance review

To partially meet a 2016/17 AGS action, draft Property Investment Strategy approved by Executive. Outstanding activity to produce a new Asset Management Plan carried over to 2017/18

Mar 2017

- FTFC: Customisation of new Performance Management software for the council completed facilitating enhanced senior management reporting
- Audit Committee note the self-assessment of compliance against the CIPFA/SOLACE Framework'
- Internal Audit of Corporate Risk Management arrangements achieved Full Assurance for areas assessed

To meet a 2016/17 AGS action to establish a programme of Information Security training, an e-learning provider has been appointed, cyber security 'tips' sent to staff and an IT Security test carried out. Further activity outlined for 2017/18

In relation to the 2016/17 AGS action to refocus of the Repairs and Voids service operations on core activities (previously known as Building Maintenance Operations (BMO). The period of transition referred to has been ongoing throughout 2016/17 with full improvement plan embedding by March 2018

Planned Improvement Activity for 2017/18:

Significant internal control and governance issues identified as part of the 2016/17 review of the Governance Statement are summarised on page 3, identified in the relevant section throughout this Statement and set out in the following Action Plan.

Actions are deemed ‘significant’ if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service or if considered important in the management of ‘very high/high level’ strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements should be addressed.

There are currently a few high level strategic risks where related mitigation activity is identified throughout this document as recently introduced or ongoing governance arrangements, such as:

- The HRA Business Plan, agreed by Executive November 2016, is designed to facilitate a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to fund the council’s FTFC priority Housebuilding and Acquisitions Programme.
- The Medium Term Financial Strategy is subject to ongoing review to ensure a clear financial situation can be demonstrated.
- The Strategic Director (Tom Pike) has implemented an Officers’ Capital Group to ensure that effective arrangements are in place for the design and delivery of capital projects, which has resulted in a reduction to the associated Capital Programme risk. Governance arrangements are subject to ongoing monitoring to ensure they remain effective and mitigate risk associated with Capital Programme delivery
- A fundamental assessment and prioritisation of SBC major capital investment needs and funding in the next 5-10 years with consideration of overall borrowing exposure as a result of a need to meet our Future Town Future Council ambitions is ongoing. The council are looking at more commercial investment opportunities such as a commercial property strategy to invest £15m and generate return and other options.
- The council is continuing to assess potential impacts of Welfare Reform on the community and Council through business insight.

Where the Shared Internal Audit Service issued ‘limited’ or ‘moderate assurance’ audits during 2016/17, activity to enhance arrangements is being implemented or is reflected in the action plan for 2017/18.

Action Ref	Action	Responsible Officer	Target Date
1	The council has pursued some commercial options including commercial property acquisition. Further options will be pursued once the initial phase of the Senior Management Review is embedded.	AD Finance and Estates	January 2018
2	To support sustainable delivery of the Future Town, Future Council Programme, a new Property Investment Strategy was agreed by Full Council (May 2017). This will complement the emerging Asset Management Plan scheduled for development by December 2017. (Delivery of the strategy and implementation of the Plan will also mitigate risk associated with effective management of the Council’s assets)	AD Finance and Estates	Dec 2017

Action Ref	Action	Responsible Officer	Target Date
3	The action identified in the June 2016 Annual Governance Statement to review the Repairs and Voids function has been applied throughout 2016/17 to facilitate alignment of strategic focus and refocus operations on core activities, which has resulted in productivity gains. Full implementation and embedding of the full improvement plan scheduled for March 2018 is scheduled through 2017/18.	AD Stevenage Direct Services	March 2018
4	Corporate capacity to deliver business as usual alongside the scale and breadth of corporate change projects has been recognised as a risk to delivery of effective outcomes. A restructure of services through Future Council – Business reviews is being carried out to improve capacity and facilitate ability to meet any future challenges.	Chief Executive	March 2018
5	The council currently has Internal Audit recommended activity outstanding to deliver updates to the currently available Data Protection and Cyber Security guides together with the implementation of training to officers in relation to Data Protection and Cyber Security. Officer training is being scheduled. A Cyber Security Action Plan (2017/18) is now in place which identifies a programme of work to deliver cyber security enhancements. Data Protection guidance has been reviewed.	AD Corporate Projects, Customer Services and Technology Legal Services	Training: Dec 2017 Cyber Security Action Plan March 2018 Data Protection July 2017
6	To ensure sufficient capacity across the council's two data centres and enhance ICT resilience, activity is scheduled to increase Data Centre capacity through the 'Connected to our Customers' programme and is expected to be operational by the end of June 2017. In addition business continuity activity to increase the resilience of the council's IT and telephone arrangements to be carried out, with implementation expected by September 2017.	AD Corporate Projects, Customer Services and Technology	Increase data centre capacity: June 2017 Increase resilience of IT and telephony Sept 2017
7	To facilitate corporate compliance with new General Data Protection Regulation (GDPR) (effective from May 2018), a Corporate Information Governance Group to be established.	AD Corporate Projects, Customer Services and Technology	Sept 2017

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 page 16. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 18/19.

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

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2016/17
Financial Report including Statement of Accounts

Stevenage
BOROUGH COUNCIL

The 2016/17 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 31 May 2017.

This final version of the Statement of Accounts includes amendments following consideration by Ernst Young and was approved under delegation by the Chair of Audit Committee and Resources Portfolio Holder on the 21 September 2017.

Chair Audit Committee	Resources Portfolio Holder
21st September 2017	21st September 2017

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 on the Council's web site.

Contents	Page

Stevenage BOROUGH COUNCIL

Contents contd.

Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2016/17. 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 has been challenging since the start of austerity measure in 2011/12 and remains so. We continue to face tough economic choices. We are all working hard in Stevenage to continue to deliver effective services despite reductions in our grant funding and legislative constraints on our council house rent setting. We all have fewer resources and must find creative ways to ensure that front line service quality is not compromised. We aim to deliver this going forward through our 'Financial Security' work stream which forms part of the 'Future Town Future Council' work programme which sets out the key priorities for the Council. Since 2011/12 we have had £3.9Million of government grant removed, increasing to a £4.9Million reduction by 2019/20. In addition government changes to the calculation of New Homes Bonus for 2017/18 means that we will see a reduction of £0.69Million in our allocation. The government's Welfare Reform and Work Act made changes to the rent we can charge for our properties which has resulted a reduction in income of £225Million over 30 years, with an estimated loss of income in 2016/17 of £0.77Million increasing to £5.5Million by 2019/20. Therefore 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 achieved General Fund financial security savings of £0.484million and £0.150million from the HRA, which we publish in our quarterly monitoring to our Executive meetings. We published in our budget reports in January and February 2017 a further £0.90million of 'Financial Security' options for that year. However we think we need an additional estimated £2.86million of savings required between 2018/19 to 2020/21, based on what we currently know. Our focus, as always, is on delivering the most efficient services which offer the best value for money for Council Tax and rent 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. Our 'Future Town Future Council' priority 'Financial Security' helps us to deliver this through, efficiencies, procurement, smarter ways of working, income options and new and innovative transformation of our services, prioritising where we spend our money before reductions in key services. This will help us maintain our priority services while still meeting our 'Future Town Future Council' ambitions for Regeneration, Housing delivery and Co-operative Neighbourhood Management in Stevenage.

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.

Foreword by Chief Executive

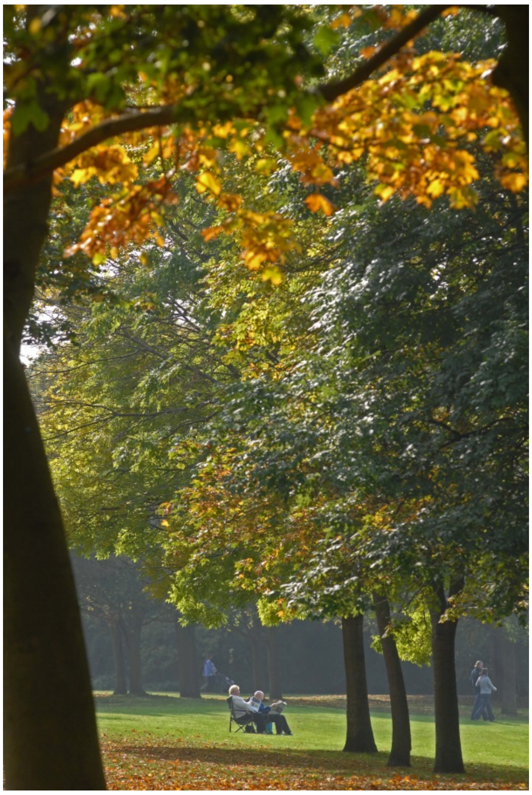
We have attempted to prepare these accounts in a style to enable readers to understand and interpret the various financial statements. I aim to give electors, local residents, Council Members, partners, and other interested parties confidence that public money which has been received and spent, has been 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 2017 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 2016/17 Code of Practice on Local Authority Accounting.

Scott Crudgington
Chief Executive

About Stevenage Borough Council

Background



Stevenage was designated Britain's first new town in 1946 and in 2016 Stevenage celebrated its 70th anniversary year with a number of community events.

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

2015/16		2016/17
	Area and Population	
2,596	Area (hectares)	2,596
87,500	Population*	86,470
33.71	Population per Hectare	33.31
	Council Tax	
27,399	Number of Chargeable Dwellings	28,163
	Council Tax per Property in Band D	
£188.52	- Stevenage Borough Council	£193.52
£1,141.09	- Hertfordshire County Council	£1,186.62
£147.82	- Hertfordshire Police Authority	£147.00
£1,477.43	**Total Council Tax**	£1,527.14

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

About Stevenage Borough Council

General information

Geography

Stevenage is strategically located within Hertfordshire 30 miles north of London.
Situated on A1 (M) allows access to Cambridge, Peterborough, Northampton and Milton Keynes in less than 1 hour. Having a major station on the East Coast Main Line offers superb connectivity. **Journey time to London is 19 minutes** making the Capital very accessible for business and potential employees. There are convenient direct routes to **Leeds, York, Cambridge** as well as local Hertfordshire towns.

Business

Many of the world's most innovative companies as well as numerous exciting start-up businesses have chosen Stevenage to base their operations. Whether it is creating a new drug, driving on Mars or building a successful technology business, **Stevenage is a place where imagination takes hold**. Our business base has a rich history and diversity that spans a wide range of sectors including aerospace, information technology, pharmaceuticals, advanced engineering and media.

Our major employers include:

- Glaxo Smith Kline
- Airbus Defence & Space
- MBDA
- Stevenage Bioscience Catalyst
- Fujitsu

Living

Stevenage offers a fantastic balance of life with a strong mix of urban and rural life. There is a great mix of housing in and around the town at reasonable prices. Schools and colleges provide an excellent education offer. It has a **strong culture and leisure offer** within the town centre with major retailers present within the Borough. The Old Town provides a pleasant contrast with the High Street popular for cafes, pubs and independent retailers. There are over **300 acres of public park** within the Borough that provide a wide range of recreational activity that can be accessed via an extensive, safe cycle network.

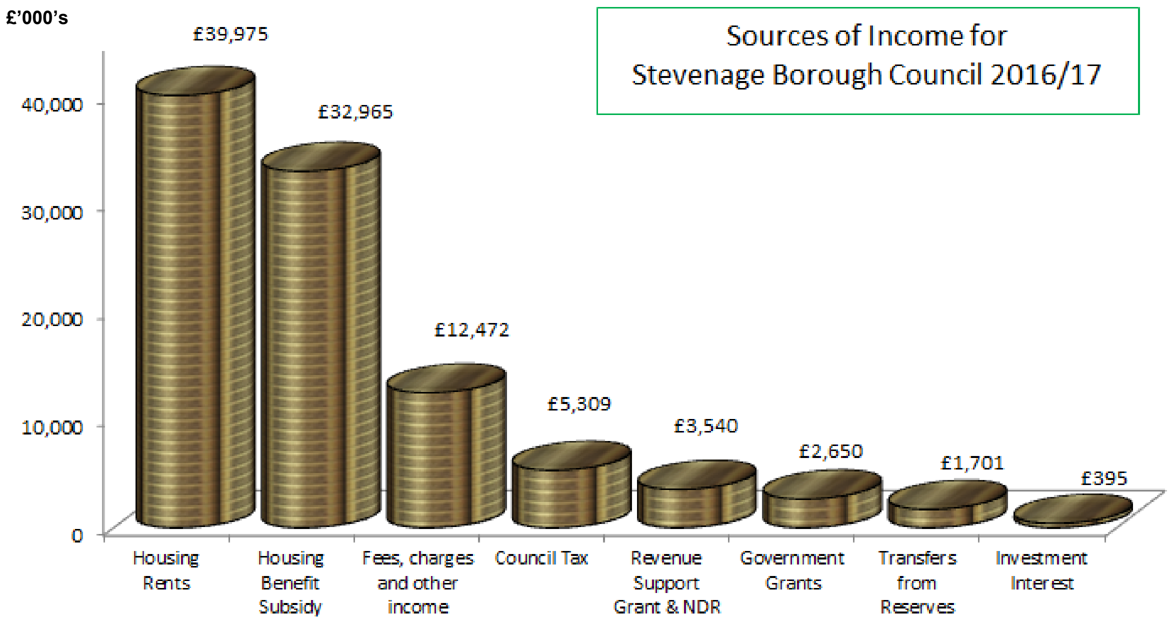
Opportunity

The Local Plan was approved by the Council and the public examination was completed by the Planning Inspectorate in 2016/17. It is due to be formally adopted in October 2017. Stevenage Central, an ambitious regeneration framework that will transform Stevenage into an attractive, sustainable and thriving place within an environment appropriate for 21st century living is a crucial part of that Plan. The first phase of this development, SG1, was launched in March 2017 and the procurement of a development partner to deliver £300m investment was commenced. The successful developer will be announced in 2017/18.

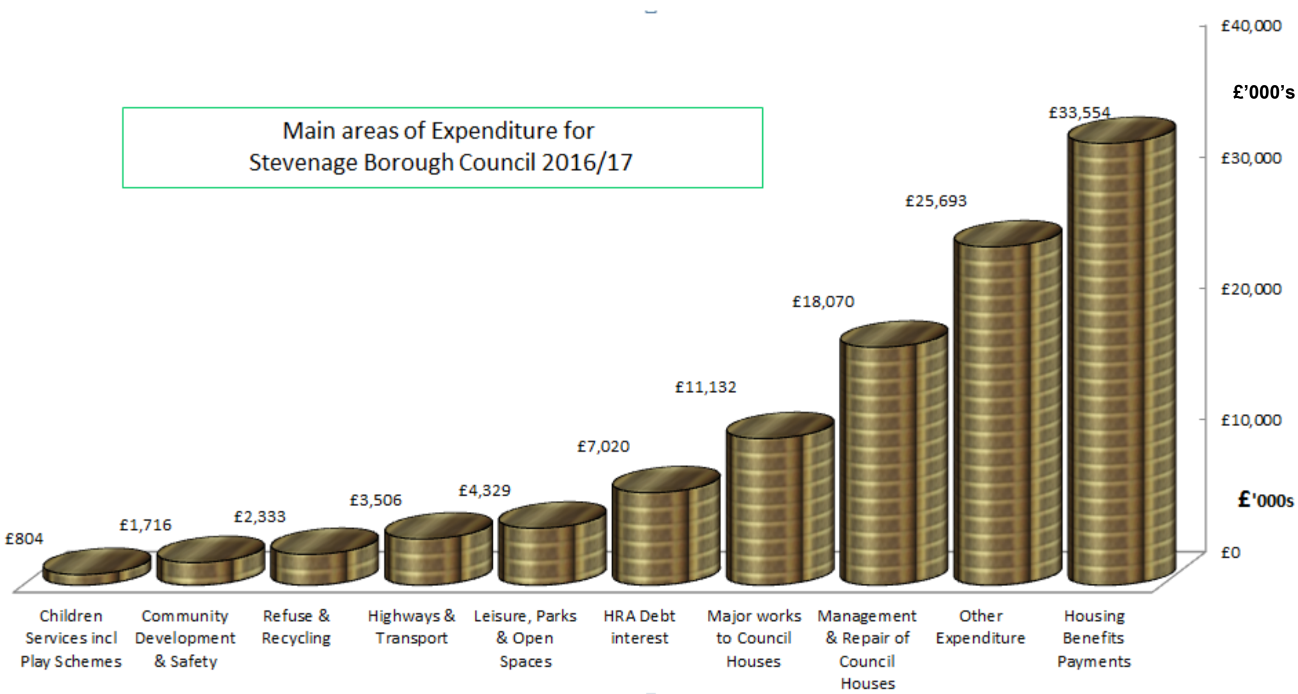
About Stevenage Borough Council

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 our residents and tenants.



About Stevenage Borough Council



Narrative Statement

The Narrative 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 2017

(full statement on page 28)

2015/16 £'000		2016/17 £'000
(50,183)	**Cost of Services**	**15,254**
311	Other Operating Expenditure	(6,258)
6,254	Financing & Investment Income & Expenditure	3,532
(13,546)	Taxation & Non-Specific Grant Income	(12,227)
(57,164)	**Deficit on Provision of Services**	**301**
(25,334)	Other Comprehensive Income & Expenditure	(39,524)
(82,498)	**Total Comprehensive Income & Expenditure**	**(39,223)**

Balance Sheet

(full statement on page 34)

31 March 2016 £'000	**Balance Sheet**	31 March 2017 £'000
	Assets:	
711,180	Long Term Assets	749,918
56,183	Current Assets	62,691
(23,334)	Current Liabilities	(25,209)
(257,465)	Long Term Liabilities	(261,612)
486,564	**Net Assets**	**525,788**
	Fund Balances & Reserves:	
50,046	Usable Reserves	58,896
436,518	Unusable Reserves	466,892
486,564	**Total Fund Balances & Reserves**	**525,788**

Narrative Statement

Revenue Budget and Outturn

The original General Fund net budget of £9,130,150 was agreed at Full Council on 24 February 2016. Subsequently, Members have approved various budget amendments to take into account service pressures and savings arising in year resulting in a revised budget of £9,792,160 approved on 14 March 2017 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2016/17	Working Budget 2016/17	Actual 2016/17	Variance to Working Budget
	£'000	£'000	£'000	£'000
Directorate:				
Community Services	4,721	5,116	10,035	4,919
Housing Services	1,993	2,350	2,407	57
Environmental Services	6,516	7,134	8,815	1,681
Local Community Budgets	101	101	98	(3)
Resources	(4,322)	(5,750)	(12,510)	(6,760)
Resources – Support*	121	841	113	(728)
Total Net General Fund Expenditure	**9,130**	**9,792**	**8,958**	**(834)**
Income:				
Council Tax	(5,010)	(5,010)	(5,010)	0
Transfers to/from collection fund	636	636	636	0
Revenue Support Grant (RSG)	(1,236)	(1,236)	(1,236)	0
Retained business rates	(2,084)	(2,084)	(1,888)	196
NDR Pooling Gains	0	0	0	0
Total Income from taxation and RSG	**(7,694)**	**(7,694)**	**(7,497)**	**196**
Net underspend/transfer to balances	**1,436**	**2,098**	**1,460**	**(638)**
General Fund Balance Brought Forward	(6,907)	(7,888)	(7,888)	
Balance Carried forward	**(5,471)**	**(5,789)**	**(6,427)**	

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

The 2016/17 actual net spend on the General Fund was £833,813 lower than the working budget. Included in the underspend is £449,950 relating to projects which have slipped into 2017/18 and for which a carry forward of budget has been requested. The large variances in Community Services and Environmental Service are due to revaluation changes on the Council assets (£4.89Million and £2.14Million respectively). These costs are then reversed out within Resources in accordance with statutory provisions and CIPFA guidance.

Narrative Statement

Budget – Housing Revenue Account (HRA)

The original HRA budget of £2,203,710 (surplus) was agreed at Council on 26 January 2016. 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 £2,357,400 surplus approved on 14 March 2017 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget	Working Budget	Actual	Variance to Working Budget
	2016/17	2016/17	2016/17	2016/17
	£'000	£'000	£'000	£'000
	£'000	£'000	£'000	£'000
Expenditure:				
Supervision & Management	8,473	8,507	8,249	(258)
Repairs & Maintenance	6,742	6,544	6,264	(281)
Other expenditure	5,225	4,904	4,835	(69)
Total Expenditure	**20,440**	**19,956**	**19,348**	**(608)**
Income:				
Dwelling Rents	(40,523)	(40,351)	(40,372)	(21)
Other income	(5,250)	(5,207)	(5,057)	150
Total Income	**(45,773)**	**(45,558)**	**(45,430)**	**128**
Other charges to the HRA				
Depreciation	11,148	11,148	11,163	15
Interest	7,020	7,028	7,028	(0)
Other	4,962	5,069	5,096	28
Total Other charges to the HRA	**23,130**	**23,245**	**23,287**	**43**
(Surplus) / Deficit for the year	**(2,204)**	**(2,357)**	**(2,794)**	**(437)**
Balance brought forward	(15,392)	(16,955)	(16,955)	0
Balance Carried forward	**(17,595)**	**(19,312)**	**(19,750)**	**(437)**

The 2016/17 actual HRA net surplus was £437,087 more than the working budgeted surplus. Included within this underspend is £273,720 relating to projects which have slipped into 2017/18 and for which a carry forward of budget has been requested subject to approval at the Executive in July 2017.

Narrative Statement

Budget – Housing Revenue Account (HRA)

In April 2012 the HRA became subject to the Self-financing regime. Under the scheme the costs associated with running, maintaining and replacing the Council's housing stock is financed from income generated from rents and if necessary, capital borrowing up to a borrowing cap set by the government. At the time of the Self Financing settlement the HRA took loans totalling £196,911,000 (an amount determined by and payable to The Secretary of State). The balance of HRA surpluses £19,749,571 at 31 March 2017 is required to repay the loans taken out as part of the self-financing deal.

During the Financial Year 2016/17 60 council homes were sold under the Right to Buy scheme and 21 new homes were acquired. Of these the Council's new build schemes delivered eight homes at Archer Road, and five homes at Kilner Close. A further eight homes were acquired through open market purchases. The council's closing stock of housing at 31 March 2017 was 8,000 properties.

New homes at Kilner Close

Under the Welfare Reform and Work Act 2016 2016/17 rents payable by tenants were required to be reduced by 1% with the resulting loss of income for this year estimated at £778,000. This was the first year of the four years of successive rent reductions required under the Welfare Reform and Housing Act. As part of the Council's 2016/17 review of the HRA business plan Officers and Members have accessed operational working practices and the HRA capital programme to meet the resulting shortfall in rental income - estimated to be £225million over the 30 year business plan.

Narrative Statement

Material Assets Acquired or Liabilities Incurred during 2016/17.

During 2016/17 the Council acquired the property 4 Town Square in Stevenage town centre, purchased for strategic planning reasons. In addition 21 residential properties were acquired to increase the council's social housing stock.

Economic Significant Provisions, Contingencies and Write offs

There were no significant provisions or write offs in 2016/17.

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 2017 the General Fund had total reserves of £15,958,163 and the HRA had total reserves of £42,937,152 (HRA reserves include £10.9million that can only be used on new social housing with significant restrictions and if not spent must within three years must be returned to the Government). 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 a proportion of these balances in the future. HRA balances are required to fund future loan repayments due over the 30 years of the Business Plan. In addition these balances include specific reserves that can only be used for capital expenditure.

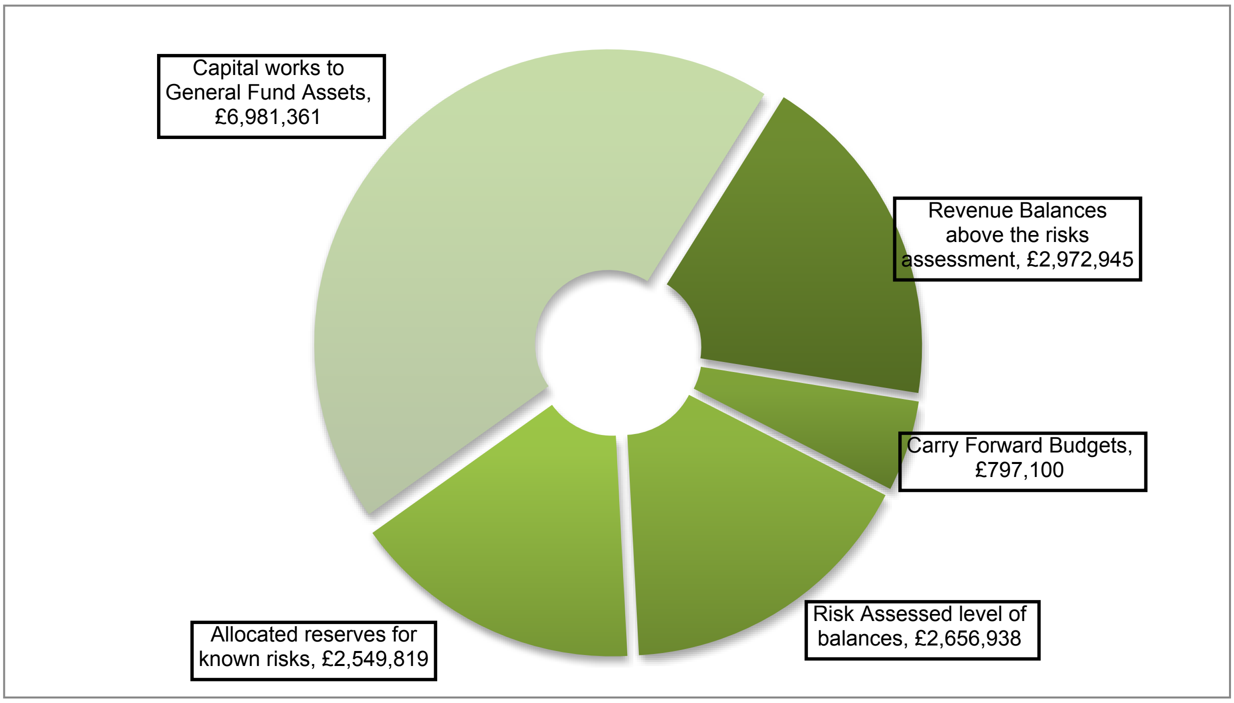
Narrative Statement

General Fund Reserves

The Reserves which can be used for "one-off" funding of day to day General Fund services total £8,976,802, this includes £795,730 of identified for carry forward spend from 2016/17 to 2017/18. In addition the General Fund also has allocated (earmarked) reserves of £2,549,819 which are ring fenced for specific purposes and for which all sums have been allocated and are due to be spent in 2017/18 and beyond.

The General Fund also has reserves it can use to fund major works to assets such as buildings and equipment, which cannot be spent on revenue services. As at 31 March 2017 the General Fund had capital resources of £6,981,361.

These reserves are summarised below:



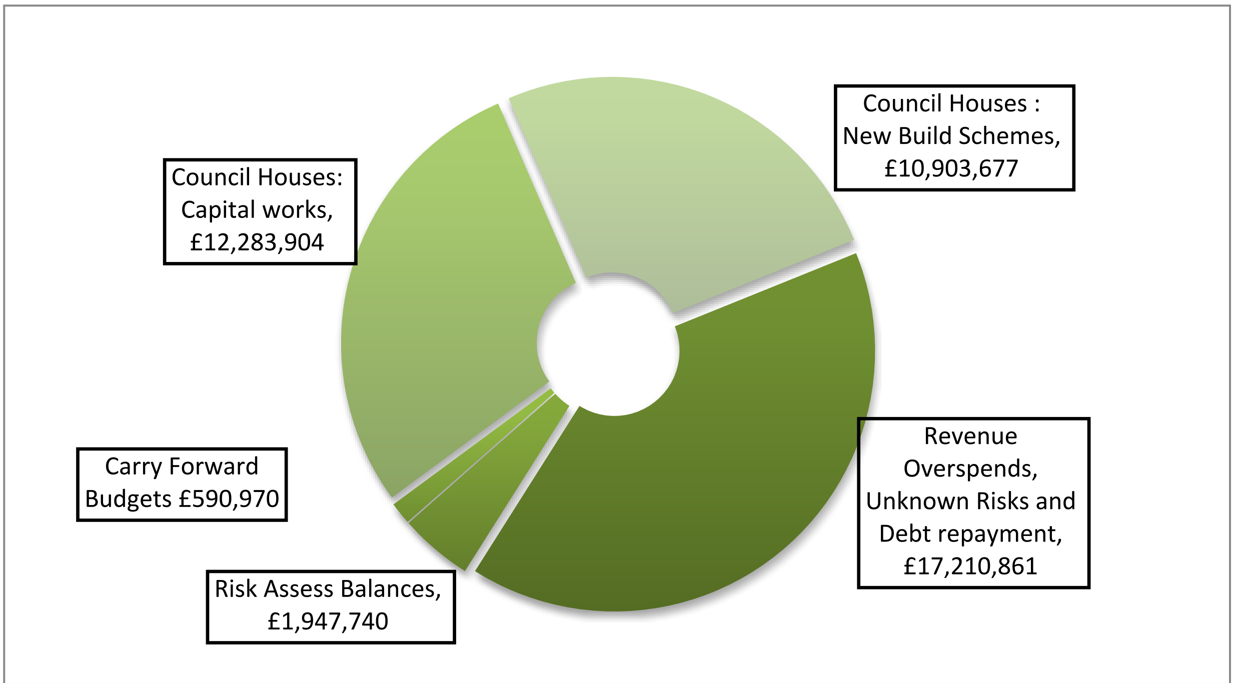
As part of the budget setting process the Council undertakes a risk assessment to determine the level of balances required in 2016/17. The risk assessment identified General Fund balances of at least £2,656,938 are required, (at the 31 March 2016, £2,796,985). In setting a minimum balance it ensures 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 future Government initiatives, including the localisation of Business Rates which places greater risk and reward on the Council in regard to NDR collection rates and yield.

Narrative Statement

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 £42,937,152 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 2016/17. The risk assessment identified HRA balances of at least £2,784,237. As at 31 March 2017 the HRA had loans of £194.911Million, 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 2017 were £19,749,571 and higher than the risk assessment of balances for 2016/17, however the HRA is subject to significant financial risks including;

- A number of legislative changes may have the effect of increasing the levels of RTB sales over and above those anticipated in the HRA Business Plan.
- A decision as to the detail about the sale of High Value void properties has yet to be made by Government (due 2018/19). This may require the Council to sell or pay a levy when high value properties become vacant. Currently this policy is being piloted in the Midlands.
- The maximum level of discount available to tenants under RTB has been increased, whilst the minimum tenancy term to be eligible for the scheme has reduced. The combined impact of these changes could increase the level of RTB sales. The business plan currently assumes a reduction in the number of sales in later years.

Narrative Statement

Housing Revenue Account Reserves (contd)

- Central Government rent policy has been updated so that formula rents will be reduced by 1% per annum for four financial years beginning April 2016, before reverting back to CPI+1% rent inrease. The impact of this change over a 30 year planning horizon is to reduce revenue by an estimated £225 million – more than the initial debt taken on at the outset of self- financing. The government has not indicated that the rents will return to the CPI+1% formula from 2020/21.

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 £23,181,581 available £10,903,677 must be used for the provision of new housing (up to a maximum of 30% of the build costs, the remainder being match funded by the HRA) or repaid to the Government if not spent within three years. These receipts are generated from right to buy sales of which the government takes a proportion up to an annual fixed amount. Receipts from council houses are net of discount to tenants (of up to a maximum of £77,900 during 2016/17).

Borrowing and Capital

As at the 31 March 2017 the Council had external borrowing of £205.893million (£209.757million at 31 March 2016). The majority of this debt relates to the Housing Revenue Account (HRA) payment to the government as a result of the introduction of Self Financing for the HRA. The HRA business plan has a timetable for the repayment of this debt phased over the next 25 years.
In 2016/17 the Council spent £24,231,485 on capital projects, of which £19,402,179 was spent on our housing stock and other housing related assets and a further £4,829,306 on General Fund assets.
The Council funded £2,782,683 of its capital programme from the sale of assets, (land and Council house sales), which equates to 11.5%, (15.7% 2015/16) of the total funding. The main source of funding (59.6%) of the HRA capital programme in 2016/17 was the Major Repairs Reserve. The depreciation charge made to the HRA (£11,227,414 - 2016/17) is transferred to the Major Repairs reserve.

Pension 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. During 2016/17 the three year review of pension liabilities, assets and forecasts was undertaken and the Council's pension contributions for 2017/18 onwards have increased from 16.8% to 18.5%, which was within the anticipated/budgeted range. As at 31 March 2017 the pension liability increased by £9,119,000 to £55,008,000 (£7,724,000, increase in 2015/16).

Narrative Statement

Significant changes in accounting policy in 2016/17

There have been no significant changes in accounting policies in 2016/17. The reader should note 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).

Significant changes in estimation techniques in 2016/17

The Council has engaged external valuers, Wilks Head and Eve, to provide Balance Sheet valuations as at 1 April 2017 for General Fund Assets. In previous years these valuations were undertaken by the Council's In-House Valuer and external valuers. The additional resources and experiences available to Wilks Head and Eve has enabled them to value a number of community assets based on expected rental incomes and hence the estimation technique used for the valuation of these assets has changed from Depreciated Replacement costs (DRC) to Existing use value (EUV). The EUV estimation technique typically results in a lower balance sheet valuation figure and in 2016/17 has resulted in valuation losses charged to the General Fund and Revaluation Reserve. In accordance with the CIPFA Code of Practice for Local Authority accounting these losses are reversed out and do not impact on the General Fund balance.

Other significant events during the financial year 2016/17

In 2016/17, in association with six other district councils a Company was set up to deliver the Building control service across the district.

Introduction to the Statement of Accounts

The Accounts and Audit Regulations (England) 2015 require the Council to produce a "Statement of Accounts" each financial year. Stevenage Borough Council's accounts for the year 2016/17 are set out from page 25 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 123 onwards.

Core Financial Statements

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from core resources (government grants, rents, council tax and business rents) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated for decision making purposes between the council's services. Income and expenditure is accounted for under generally accepted accounting practices and is presented more fully in the Comprehensive Income and Expenditure Statement.

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 i.e. 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 8.

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.

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.

Introduction to the Statement of Accounts

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 is available from: Assistant Director (Finance and Estates), 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 and Estates) (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 and Estates) (Chief Financial Officer) Responsibilities

The Assistant Director (Finance and Estates) (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 2017.

In preparation of this statement of accounts, the Assistant Director (Finance and Estates) (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 and Estates) (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) 2015 and presents a true and fair view of the financial position of the Authority as at 31 March 2017 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2017.

CD Fletcher

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

Statement of Accounts 2016/17

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the financial statements however it is positioned here as it provides a link between the figures in the narrative statement and the Comprehensive Income and Expenditure Statement. See also Note 5 – Note to the Expenditure and Funding Analysis and Note 6 Expenditure and Analysis by nature.

	2015/16			
	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000		£'000	£'000
Community Services	5,315		(5)	5,310
Housing Services	1,868		8	1,876
Environmental Services	5,784		46	5,830
Local Community Budgets	98		0	98
Resources	(4,079)		6,283	2,204
Resources - Support	0		(8)	(8)
Housing Revenue Account		(3,252)	(62,241)	(65,493)
Net Cost of Services	**8,986**	**(3,252)**	**(55,917)**	**(50,183)**
Other Operational Expenditure			311	311
Financing & Investment Income and Expenditure			6,254	6,254
Taxation and other non-specific grant income and expenditure	(10,783)		(2,763)	(13,546)
Deficit/(surplus) on Provision of Services	(1,797)	(3,252)	(52,115)	**(57,164)**
Opening General Fund balance	**(6,091)**			
Opening HRA balance		**(13,703)**		
Less/plus surplus or (deficit) on General Fund	(1,797)			
Less/plus surplus or (deficit) on Housing Revenue Account		(3,252)		
Closing General Fund Balance	**(7,888)**			
Closing HRA Fund Balance		**(16,955)**		
Closing General Fund and HRA Balances				**(24,843)**

Additional Disclosure to aid the Reader reconcile this note to the Movement in Reserves Statement (MiRS)

General Fund Adjustment (as per MiRS and Note 8)	(7,300)
Housing Revenue Account Adjustment (as per MiRS and Note 8)	57,600
Transfers to/ from Earmarked Reserves	1,815
	52,115

Stevenage BOROUGH COUNCIL

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from core resources government grants, rents, council tax and business rents) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated for decision making purposes between the council's services. Income and expenditure is accounted for under generally accepted accounting practices and is presented more fully in the Comprehensive Income and Expenditure Statement.

	2016/17			
	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000
Community Services	10,035		4	10,039
Housing Services	2,407		3	2,410
Environmental Services	8,815		19	8,834
Local Community Budgets	98		0	98
Resources	(12,510)		20,800	8,290
Resources - Support	113		11	124
Housing Revenue Account		(2,795)	(11,746)	(14,541)
Net Cost of Services	**8,958**	**(2,795)**	**9,091**	**15,254**
Other Operational Expenditure			(6,258)	(6,258)
Financing & Investment Income and Expenditure			3,532	3,532
Taxation and other non-specific grant income and expenditure	(7,497)		(4,730)	(12,227)
Deficit/(surplus) on Provision of Services	1,461	(2,795)	1,635	**301**
Opening General Fund balance	**(7,888)**			
Opening HRA balance		**(16,955)**		
Less/plus surplus or (deficit) on General Fund	1,461			
Less/plus surplus or (deficit) on Housing Revenue Account		(2,795)		
Closing General Fund Balance	**(6,427)**			
Closing HRA Fund Balance		**(19,750)**		
Closing General Fund and HRA Balances				**(26,177)**

Additional Disclosure to aid the Reader reconcile this note to the Movement in Reserves Statement (MiRS)

General Fund Adjustment (as per MiRS and Note 8)	(7,216)
Housing Revenue Account Adjustment (as per MiRS and Note 8)	7,283
Transfers to/ from Earmarked Reserves	(1,702)
	(1,635)

Comprehensive Income & Expenditure Statement for the year ended 31 March 2017

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 and rents to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position is shown previously in the Expenditure and Funding Analysis and in the Movement in Reserves Statement that follows.

All Council operations are continuing. The Council is a shareholder in Hertfordshire CCTV Partnership Ltd which started trading in 2015 and the Building Control Company that started trading in August 2016. Group accounts are not completed due to the small size of these trading companies (see also note 3 – Critical Judgements in applying accounting policies).

The Service breakdown in Net costs of Services in Comprehensive Income and Expenditure has been regrouped to follow the Council's reporting framework. This is permissible in the updated code. To aid the reader last year's figures have been restated under the new categories. No other changes were made in the restated accounts.

Comprehensive Income and Expenditure Statement

2015/16 RESTATED					2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,748	(438)	5,310	Community Services		10,438	(399)	10,039
39,277	(37,402)	1,875	Housing Services		37,973	(35,563)	2,410
13,702	(7,880)	5,822	Environmental Services		17,259	(8,425)	8,834
98	0	98	Local Community Budgets		98	0	98
7,906	(5,694)	2,212	Resources		10,712	(2,422)	8,290
1,654	(1,661)	(7)	Resources - Support		2,096	(1,972)	124
(21,342)	(44,151)	(65,493)	Housing Revenue Account		29,129	(43,670)	(14,541)
47,043	**(97,226)**	**(50,183)**	**Cost of Services**		**107,705**	**(92,451)**	**15,254**
		311	Other Operational Expenditure	11			(6,258)
		6,254	Financing & Investment Income and Expenditure	11			3,532
		(18,827)	Taxation & Non-Specific Grant Income: Retained Business rates	12			(18,873)
		16,238	Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)	12			16,568
		(10,957)	Taxation & Non-Specific Grant Income: Other	12			(9,922)
		(57,164)	**Deficit/(surplus) on Provision of Services**	3			**301**
		(16,065)	Surplus on revaluation of Property, Plant and Equipment assets			(47,488)	
		(9,269)	Actuarial (gains)/losses on pension assets/liabilities	29		7,964	
		(25,334)	**Other Comprehensive Income and Expenditure**				**(39,524)**
		(82,498)	**Total Comprehensive Income and Expenditure**				**(39,223)**

Stevenage BOROUGH COUNCIL

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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 unusable reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year after these adjustments. (See also Expenditure and Funding Analysis)

Movement in Reserves Statement

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forward		**(6,091)**	**(2,436)**	**(13,704)**	**(12,366)**	**(13,114)**	**(605)**	**(48,316)**
Movement in reserves during 2015/16								
Surplus or (deficit) on provision of services		3,687		(60,851)		0	0	**(57,164)**
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	**0**
Total Comprehensive Expenditure and Income		**3,687**	**0**	**(60,851)**	**0**	**0**	**0**	**(57,164)**
Adjustments between accounting basis & funding basis under regulations	**8**	(7,300)		57,600	7,714	(2,881)	301	**55,434**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(3,613)**	**0**	**(3,251)**	**7,714**	**(2,881)**	**301**	**(1,730)**
Transfers to/from Earmarked Reserves	**9**	1,816	(1,816)	0	0	0	0	0
(Increase)/Decrease in Year		(1,797)	(1,816)	(3,251)	7,714	(2,881)	301	**(1,730)**
Balance at 31 March 2016 carried forward		**(7,888)**	**(4,252)**	**(16,955)**	**(4,652)**	**(15,995)**	**(304)**	**(50,046)**
Movement in reserves during 2016/17								
Surplus or (deficit) on provision of services		10,379		(10,078)				**301**
Other Comprehensive Expenditure and Income								**0**
Total Comprehensive Expenditure and Income		**10,379**	**0**	**(10,078)**	**0**	**0**	**0**	**301**
Adjustments between accounting basis & funding basis under regulations	**8**	(7,216)		7,283	145	(9,523)	161	**(9,150)**
Net Increase/Decrease before Transfers to Earmarked Reserves		**3,163**	**0**	**(2,795)**	**145**	**(9,523)**	**161**	**(8,849)**
Transfers to/from Earmarked Reserves	**9**	(1,702)	1,702					**0**
(Increase)/Decrease in Year		**1,461**	**1,702**	**(2,795)**	**145**	**(9,523)**	**161**	**(8,849)**
Balance at 31 March 2017 carried forward		**(6,427)**	**(2,550)**	**(19,750)**	**(4,507)**	**(25,518)**	**(143)**	**(58,895)**

Movement in Reserves Statement

	Note	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000
Balance at 31 March 2015 carried forward		**(48,317)**	**(356,756)**	**(405,073)**
Movement in reserves during 2015/16				
Surplus or (deficit) on provision of services		(57,164)	0	**(57,164)**
Other Comprehensive Expenditure and Income		0	(25,334)	**(25,334)**
Total Comprehensive Expenditure and Income		**(57,164)**	**(25,334)**	**(82,498)**
Adjustments between accounting basis & funding basis under regulations	**7**	55,434	(55,434)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(1,730)**	**(80,768)**	**(82,498)**
Transfers to/from Earmarked Reserves	**8**	0	0	**0**
(Increase)/Decrease in Year		**(1,730)**	**(80,768)**	**(82,498)**
Balance at 31 March 2016 carried forward		**(50,046)**	**(436,518)**	**(486,564)**
Movement in reserves during 2016/17				
Surplus or (deficit) on provision of services		**301**	0	**301**
Other Comprehensive Expenditure and Income			(39,525)	**(39,525)**
Total Comprehensive Expenditure and Income		**301**	**(39,525)**	**(39,224)**
Adjustments between accounting basis & funding basis under regulations	**7**	**(9,150)**	9,150	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(8,849)**	**(30,375)**	**(39,224)**
Transfers to/from Earmarked Reserves	**8**	**0**	0	**0**
(Increase)/Decrease in Year		**(8,849)**	**(30,375)**	**(39,224)**
Balance at 31 March 2017 carried forward		**(58,895)**	**(466,893)**	**(525,788)**

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 10 to the Accounts).

The second category is **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

Note 1 Within the **Council dwellings** valuation of £607,236,000 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 50 properties could be sold in 2017/18. This would equate to an estimated balance sheet valuation of £3,795,225.

Balance Sheet

31 March 2016		Note	31 March 2017		
£'000			£'000	£'000	£'000
554,271	- Council Dwellings	14	607,236		
114,631	- Other Land & Buildings	14	95,286		
3,855	- Vehicles, Plant & Equipment	14	4,618		
11,559	- Other	14	13,025		
684,316	Total Property, Plant & Equipment			**720,165**	
714	Heritage Assets	13		676	
19,990	Investment property	15		23,270	
493	Intangible Assets	16		533	
4,010	Long Term Investment	19c		5,010	
1,657	Long Term Debtors	19c		264	
711,180	**Total Long Term Assets**				**749,918**
32,986	Short Term Investments	19c		39,745	
1,550	Assets Held for Sale	24		0	
165	Inventories	23		161	
6,583	Short Term Debtors	21		9,434	
14,899	Cash and Cash Equivalents	20		13,351	
56,183	**Current Assets**				**62,691**
(403)	Short Term Borrowing	19c		(4,139)	
(19,159)	Short Term Creditors	22		(17,218)	
(3,772)	Provisions	25		(3,852)	
(23,334)	**Current Liabilities**				**(25,209)**
(1,770)	Long term creditors	22		(770)	
(209,494)	Long term borrowing	19c		(205,490)	
(45,889)	Pension Liability	29		(55,008)	
(312)	Grants Receipts in Adv - Capital	12		(344)	
(257,465)	**Long Term Liabilities**				**(261,612)**
486,564	**Net Assets**				**525,788**
7,888	General Fund Balance	9		6,427	
16,955	HRA Balance	9		19,750	
25,203	Other Usable Reserves	9		32,719	
50,046	**Total Usable Reserves**				**58,896**
436,518	Unusable Reserves	10			466,892
486,564	**Total Reserves**				**525,788**

These financial statements are authorised by Clare Fletcher – Assistant Director (Finance and Estates) (Chief Financial Officer) on 21 September 2017 and replace the unaudited financial statements issued on 31 May 2017.

Clare Fletcher

Cash Flow Statement for the year ended 31 March 2017

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.

2015/16 £'000		Note	2016/17 £'000	2016/17 £'000
(57,164)	Net (surplus) or deficit on the provision of services			301
22,739	Adjustments to net surplus or deficit on the provision of services for non cash movements	34		(30,270)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
11,960	Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement		13,743	
1,764	Capital Grants received or applied to meet financing		1,492	
				15,235
(20,701)	**Net Cash flows from Operating Activities**	33		(14,734)
	Investing Activities:			
26,511	Purchase of property, plant & equipment, investment property & intangible assets		24,187	
30,400	Purchase of short term & long term investments		31,900	
0	Other payments for investing activities		107	
(11,960)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		(10,667)	
(13,800)	Proceeds from short-term & long-term investments		(24,200)	
(1,574)	Capital Grants received		(3,071)	
0	Other net receipts from investing activities		0	
29,577	**Net cash flows from investing activities**			18,256
	Financing Activities:			
0	Cash receipts of short & long term borrowing		0	
(1,273)	Other receipts from financing activities		(2,236)	
5,763	Repayments of short and long term borrowing		263	
0	Other payments for financing activities		0	
4,490	**Net cash flows from financing activities**			(1,973)
13,366	**Net increase or decrease in cash and cash equivalents**			**1,549**
(28,266)	Cash and Cash Equivalents at the beginning of the reporting period			(14,900)
(14,900)	**Cash and Cash Equivalents at the end of the reporting period**	20		**(13,351)**

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 2016/17 financial year and its position as at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with proper accounting practices and Code of Practice on Local Authority Accounting in the UK 2016/17 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, i.e. 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 (updated) - *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).*
- *Staff expenses are recognised in the year that they are paid.*
- *A deminimus limit of £1,000 has been established for all accruals (2016/17)*

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 – there have been no defaults since the scheme started up to the publication date of this document.*

*The costs of **overheads and support services** are charged to those services that benefit from the supply or service provided. 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.*

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

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.

A number of minor amendments to International Financial Reporting Standards are anticipated however these are not expected to have any material impact on the accounts.

Notes to the Core Financial Statements

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 savings targets in its General Fund Medium Term Financial Strategy in anticipation of reduced central government grant funding levels in future years and a methodology to address this via the financial security work stream of the Future Town Future Council priorities.

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 26 CCTV Partnership and Hertfordshire Building Control Ltd).

From 1st April 2015 the **Hertfordshire CCTV Partnership** Ltd started trading. The new company for the year ended 31st March 2017 produced a profit after tax of £34,609. The SBC share of the profit is £12,849 with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts District Council and Hertsmere Borough Council). Due to the small size of the new company group accounts have not been completed.

In August 2017 officers in the Council's Building Control service were TUPE'd to a new company; **Hertfordshire Building Control Ltd**. The company was set up to deliver the building control function for the council and is jointly owned with six other local authorities in Hertfordshire. Due to small shareholding the Council has not included any further disclosure notes regarding this company.

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 50 properties could be sold. This would equate to an estimated balance sheet valuation of £3,795,225.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

The council considers that three 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.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are shown on the following pages:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Authority has a provision of £602,000 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that the all valid claims have yet been received by the Authority relating up to 31 March 2017 or that the estimated reserve levels will be sufficient.	An increase in the forthcoming year of 10% in either total number of claims or the estimated average settlement would each have the effect of adding £60,200 to the provision needed.
Pension 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 approximately increase the employer's defined benefit obligation by around 3-5% (£6,140,000-£10,233,000). (see also Note 29 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
Property, Plant and Equipment	To ascertain the balance sheet valuation of buildings and land held by the Council various estimation techniques can be used. The estimation technique used must be compliant with RICS standards and will be dependent on information available to the valuer.	In preparing the balance sheet valuations as at 31 March 2017 of community assets exiting use values (EUV) based on rental value (known and estimated) has been used by the Council's external valuers (Wilks Head and Eve (WHE)) as they have extensive experience of valuing local authority assets. Where this information is not known Depreciated Replacement Cost (DRC) is used. The DRC technique is known to return high current values. If updated DRC had been used on community centres and pavilions the balance sheet valuation would be approximately £2.4 million higher.. This would increase the value of other land and buildings shown on the balance sheet by £2.4 million and increase unusable reserves by £2.4Million. Valuation gains and losses are reversed out using the revaluation reserve and capital adjustment account (both unusable reserves) and do not impact on the Councils usable reserves. (It should be noted that Balance sheet valuations are not used when determining the sale price of council assets).
Property, Plant and Equipment	When valuing specialised properties no obsolescence factor has been applied to assets less than 10 years old. For properties older than 10 years our valuer applies an obsolescence factor of 1% per year up to a cap of 50%.	If the obsolescence factor is increased the balance sheet valuation would reduce. It is estimated that the overall value of specialised properties would change by £342,000 for every 1% that the obsolescence factor changed.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions regarding the level of repairs and maintenance that will be incurred in relation to each individual asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current expenditure on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Housing stock is split into elements including kitchens, bathrooms. The remaining element has an average useful life of 47.35 years. It is estimated that the annual depreciation charge for this residual element of the Council Houses would increase by approximately £129,000 if the useful life decreased by one year. This depreciation charge does affect the in year surplus of deficit of the HRA.
Fair Value valuations	The Authority owns a number of properties that have been valued based on rental yields.	If the Authority were to assess the security of the income streams more favourably, then the yield would increase giving a higher balance sheet valuation. The valuation would depend on the time of the expected rental income flows and rent increases specific to each asset.

Notes to the Core Financial Statements

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

Benefit Overpayments	At 31 March 2017, the Authority had a balance of housing overpayment debtors of £3,653,000. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 87% 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 £849,300 would be required, returning this money back to the General Fund.
Trade Debtors and Arrears	At 31 March 2017, the Authority had a balance of trade debtors of £805,000 of which £537,000 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 31% 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 Authority would be required to set aside a further £114,000 in provision.


Fairlands Valley Park

Notes to the Core Financial Statements

5. Note to the Expenditure and Funding Analysis

2015/16

Adjustments for Capital Purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000	
0	0	(5)	**(5)**	Community Services
0	0	8	**8**	Housing Services
38	0	8	**46**	Environmental Services
0	0	0	**0**	Local Community Budgets
3,145	1,661	1,477	**6,283**	Resources
0	0	(8)	**(8)**	Resources - Support
(55,286)	0	(6,956)	**(62,242)**	Housing Revenue Account
(52,103)	**1,661**	**(5,476)**	**(55,918)**	**Net Cost of Services**
311		0	**311**	Other Operating Expenditure
1,047	(1,661)	6,868	**6,254**	Financing and Investment income and expenditure
		(2,762)	**(2,762)**	Taxation and non-specific grant income and expenditure
			(52,115)	**Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**

Notes to the Core Financial Statements

5. Note to the Expenditure and Funding Analysis

	2016/17			
	Adjustments for Capital Purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Community Services	0	0	4	**4**
Housing Services	0	0	3	**3**
Environmental Services	0	0	19	**19**
Local Community Budgets	0	0	0	**0**
Resources	21,972	(1,551)	379	**20,800**
Resources - Support	0	0	11	**11**
Housing Revenue Account	(5,069)	0	(6,677)	**(11,746)**
Net Cost of Services	**16,903**	**(1,551)**	**(6,261)**	**9,091**
Other Operating Expenditure	(6,258)	0	0	**(6,258)**
Financing and Investment income and expenditure	(4,727)	1,551	6,708	**3,532**
Taxation and non-specific grant income and expenditure			(4,730)	**(4,730)**
Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services				**1,635**

Notes to the Core Financial Statements

6. Expenditure and Income Analysis by Nature

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.*

2015/16 RESTATED £'000		2016/17 £'000
	Expenditure	
25,941	- Employee Benefits Expenses	26,073
7,474	- Other Services Expenses	7,023
22,107	- Support Service Recharges	22,619
16,116	- Depreciation, Amortisation, Impairment	16,394
7,551	- Interest Payments	7,399
16,238	- NDR Tariff	16,569
880	- Payments to Housing Capital Receipts Pool	874
(49,897)	- (Gain)/ Loss on the Revaluation of assets	10,395
(3,979)	- (Gain)/Loss on the Disposal of Assets	(6,984)
	Material Items of Expenditure	
1,149	- Stevenage Leisure Limited Contract Payment	1,029
14,614	- Rent Allowances Rebates	14,192
20,401	- Rent Rebates	19,362
78,595	**Total Expenditure**	**134,945**
	Income	
(21,633)	Fees, charges and other service income	(22,623)
(427)	Interest and Investment Income	(394)
(23,721)	Income from Council Tax & Non Domestic Rates (before tariff)	(24,062)
(4,303)	Government Grants and Contributions	(3,886)
	Material Items of Income	
(40,849)	Housing Rents	(39,975)
(4,092)	On street & off street car parking	(4,414)
(14,401)	Rent Allowances Subsidy	(13,921)
(20,184)	Rent Rebate Subsidy	(19,045)
(2,819)	Garage Rental Income	(2,919)
(3,330)	Commercial Property Rent	(3,405)
(135,759)	**Total Income**	**(134,644)**
(57,164)	**Deficit / (Surplus) on the Provision of Services**	**301**

Notes to the Core Financial Statements

6. Expenditure and Income Analysis by Nature (contd.)

Material items of capital income and expenditure:

The Council spent £24.2million on its capital programme in 2016/17, this included £7.5million on roofing and external works to its housing stock, £6.4million on providing new homes, £1.4million on the town centre and regeneration projects, £1.0million on leisure and community projects and £7.9million on other General Fund and HRA capital projects.

7. 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.

Events after the Balance Sheet date are reflected up to the 'authorised for issue' date. These accounts have been authorised for issue on 21st September 2017 by the Assistant Director (Finance and Estates) (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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Core Financial Statements

8. 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:

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.

Notes to the Core Financial Statements

8. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

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 real cost to 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 are planned to be used for future years capital programme.

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 (£8,539,000) can only be used towards the provision of additional council house schemes and has further restrictions on its use in that it can only be used for 30% of scheme costs.

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

2016/17 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable 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	(5,104)	(11,197)				**(16,301)**	**16,301**
Revaluation on Property, Plant & Equipment	(13,494)	0				**(13,494)**	**13,494**
Movements in the market value of Investment Property	3,099	0				**3,099**	**(3,099)**
Amortisation of intangible assets	(62)	(29)				**(91)**	**91**
Capital Grants & Contributions	570	692				**1,262**	**(1,262))**
Revenue expenditure funded from capital under statute	(592)	0				**(592)**	**592**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(2,443)	(4,315)				**(6,758)**	**6,758**
Insertion of items not debited or credited to the CI&E							
Statutory provision for the financing of capital investment	654	0				**654**	**(654)**
Capital Expenditure charged against General Fund and HRA balances	3,355	5,069				**8,424**	**(8,424)**
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(161)	0			161	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0			0	**0**	**0**
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	6,300	7,439	(13,739)			**0**	**0**
Use of the CRR to finance new capital expenditure	0	0	3,347			**3,347**	**(3,347)**
Contribution from CRR to finance the payments to the Government capital receipts pool	(873)	0	873			**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	0	(3)			**(3)**	**3**
Adjustments involving the Major Repairs Reserve (MRR):							
Reversal of the MRR credited to the HRA		11,227		(11,227)		**0**	**0**
Use of the MRR to Finance new capital expenditure		0		11,371		**11,371**	**(11,371)**
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 29)	(3,826)	(1,564)				**(5,390)**	**5,390**
Employer's pension contributions & direct payments to pensioners payable in year	4,166	0				**4,166**	**(4,166)**
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	1,231					**1,231**	**(1,231)**
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	(36)	(39)				**(75)**	**75**
TOTAL ADJUSTMENTS	(7,216)	7,283	(9,522)	144	161	**(9,150)**	**9,150**

Notes to the Core Financial Statements

Comparator Year 2015/16 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable 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	(5,259)	(10,820)				**(16,079)**	**16,079**
Revaluation on Property, Plant & Equipment	(552)	49,786				**49,234**	**(49,234)**
Movements in the market value of Investment Property	663	0				**663**	**(663)**
Amortisation of intangible assets	(37)	0				**(37)**	**37**
Capital Grants & Contributions	871	383				**1,254**	**(1,254)**
Revenue expenditure funded from capital under statute	(719)	0				**(719)**	**719**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(6)	(7,590)				**(7,596)**	**7,596**
Insertion of items not debited or credited to the CI&E							
Statutory provision for the financing of capital investment	653	5,500				**6,153**	**(6,153)**
Capital Expenditure charged against General Fund and HRA balances	1,331	0				**1,331**	**(1,331)**
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	1,055	0			(1,055)	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0			1,355	**1,355**	**(1,355)**
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	859	11,107	(11,966)			**0**	**0**
Use of the CRR to finance new capital expenditure	0	0	4,367			**4,367**	**(4,367)**
Contribution from CRR to finance the payments to the Government capital receipts pool	(4,720)	0	4,720			**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	0	(2)			**(2)**	**2**
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA		10,820		(10,820)		**0**	**0**
Use of the MRA to Finance new capital expenditure		0		18,534		**18,534**	**(18,534)**
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 29)	(4,189)	(1,664)				**(5,853)**	**5,853**
Employer's pension contributions & direct payments to pensioners payable in year	4,097	0				**4,097**	**(4,097)**
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	(1,378)					**(1,378)**	**1,378**
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	32	78				**110**	**(110)**
TOTAL ADJUSTMENTS	**(7,299)**	**57,600**	**(2,881)**	**7,714**	**300**	**55,434**	**(55,434)**

9. 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 8. In addition there are a number of other usable reserves, for capital projects and revenue projects. Earmarked reserves identified for specific purpose are deailed below:

- **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 reserve will be used to fund the Local Plan Examination in public in 2017/18.
- **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 General Fund expenditure. This reserve has been established to mainly fund one off schemes approved by Members.
- **Regeneration Assets Reserve.**
  This reserve contains the ring fenced surplus/deficit from the management and maintenance of the regeneration assets held in the town centre 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/or contribute towards the regeneration costs for the Town Centre.
- **Town Centre Reserve**
  This reserve contains the ring fenced surplus/deficit from the Town Centre management service and will be used fund activities and management in the Town Centre.

9. Other Usable Reserves (contd)

- **Local Authority Mortgage Scheme (LAMS) Reserve**
  This reserve was set up to cover the potential for any mortgage defaults on the Local Authority Mortgage Scheme introduced in 2012. The reserve contains investment income generated from the deposits placed over and above the Council's average interest rate earned for the year. There have been no defaults on the scheme since inception.
- **Capital Reserve**
  This reserve was set up in 2013/14 as part of the Council's Integrated Financial Planning Process and funds capital projects. It was set up to reduce the Council's reliance on borrowing to fund capital projects.
- **Future Town Future Council Reserve (formerly known as Commercialisation Reserve)**
  The Council has identified nine strands as part of the Future Town Future Council agenda and this reserve has been allocated to support the programme 2016/17-2017/18.
- **NDR Collection Fund Reserve**
  This reserve has been set up in 2013/14 to meet any adverse impact on the General Fund arising from any losses in NDR income above the government's safety net rules.
- **Insurance Reserve**
  This reserve has been set up in 2016/17 to fund proactive works to reduce insurance claims against the Council.

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 2016/17.

Notes to the Core Financial Statements

9. Other Usable Reserves (contd).

Earmarked Reserve: General Fund	31 March 2016 £'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 2017 £'000
Housing & Planning Delivery Grant	170	0	0	0	**170**
New Homes Bonus	1,365	878	(1,170)	(292)	**1,073**
Regeneration Assets	968	231	(450)	(219)	**749**
Town Centre	30	24	0	24	**54**
LAMS (Local Authority Mortgage Scheme)	42	12	0	12	**54**
Capital Reserve	1,167	1,210	(2,377)	(1,167)	**0**
Insurance	0	98	0	98	**98**
Future Town Future Council	337	0	(157)	(157)	**180**
NDR collection Fund	172	0	0	0	**172**
Total Earmarked Reserves	**4,251**	**2,453**	**(4,154)**	**(1,701)**	**2,550**

Stevenage Town Centre Gardens

Notes to the Core Financial Statements

10. Unusable Reserves

*The Council 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.*

31 March 2016 £'000		31 March 2017 £'000
(50,550)	Revaluation Reserve	(95,782)
(432,497)	Capital Adjustment Account	(425,607)
(194)	Deferred Capital Receipts Reserve	(191)
45,889	Pension Reserve	55,008
552	Collection Fund Adjustment Account	(679)
283	Accumulated Absences Account	359
(436,517)	**Total Unusable Reserves**	**(466,892)**

10.1 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.

Notes to the Core Financial Statements

10. Unusable Reserves (contd)

The Revaluation Reserve:

2015/16 £'000		2016/17 £'000	£'000
(35,493)	**Balance as at 1 April**		**(50,550)**
(16,732)	Upward revaluation of assets	(69,195)	
668	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	21,706	
(16,064)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(47,489)
1,006	Difference between fair value depreciation and historic cost depreciation	1,158	
1	Accumulated gains on assets sold or scrapped	1,099	
1,007	Amount written off to the Capital Adjustment Account		2,257
(50,550)	**Balance as at 31 March**		**(95,782)**

10.2 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 8 provides further details on the source of all transactions, other than those involving the Revaluation Reserve, to the Capital Adjustment Account.

Notes to the Core Financial Statements

10. Unusable Reserves (contd)

Capital Adjustment Account:

2015/16 £'000		2016/17 £'000	2016/17 £'000	2016/17 £'000
(374,254)	**Balance as at 1 April**			**(432,497)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement			
16,062	Charges for depreciation & impairment of non-current assets	16,302		
(49,234)	Revaluation losses on Property, Plant & Equipment	13,494		
(5,500)	Self Financing Debt repayment	0		
55	Amortisation of Intangible Assets	91		
719	Revenue expenditure funded from capital under statute	592		
7,596	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	6,759		
(30,302)			37,238	
(1,007)	Adjusting amounts written out of the Revaluation Reserve		(2,258)	
(31,309)	Net written out amount of the cost of non-current assets consumed in the year			34,980
	Capital financing applied in the year			
(4,094)	Use of the Capital Receipts Reserve to finance new capital expenditure		(3,118)	
(18,534)	Use of the Major Repairs Reserve to finance new capital expenditure		(11,372)	
(1,254)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		(1,263)	
(404)	Application of grants to capital financing from the Capital Grants Unapplied Account		(161)	
(654)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(654)	
(1,331)	Capital expenditure charged against the General Fund and HRA balances.		(8,423)	
(26,271)				(24,991)
(663)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement			(3,099)
(432,497)	**Balance as at 31 March**			**(425,607)**

Notes to the Core Financial Statements

10. Unusable Reserves (contd)

10.3 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.

2015/16 £'000		2016/17 £'000
(191)	**Balance as at 1 April**	**(194)**
(3)	Amounts received in year & available for funding	3
(194)	**Balance as at 31 March**	**(191)**

10.4 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 29 Pension).

2015/16 £'000		2016/17 £'000
53,613	**Balance as at 1 April**	**45,889**
(9,384)	Re-measurements of the net defined benefit liability/(asset)	7,965
5,737	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	5,390
(4,077)	Employers' pension contributions and direct payments to pensioners payable in the year	(4,236)
45,889	**Balance as at 31 March**	**55,008**

Notes to the Core Financial Statements

10. Unusable Reserves (contd)

10.5 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.

2015/16 £'000		2016/17 £'000
(826)	**Balance as at 1 April**	552
1,378	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	(1,231)
552	**Balance as at 31 March**	**(679)**

10.6 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.

2015/16 £'000		2016/17 £'000	£'000
393	**Balance as at 1 April**		283
(393)	Settlement or cancellation of accrual made at the end of the preceding year	(283)	
283	Amounts accrued at the end of the current year	359	
(110)	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		76
283	**Balance as at 31 March**		**359**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

11. Other Operating Expenditure and Financing and Investment Income and Expenditure

2015/16		2016/17
£'000		£'000
880	Payments to the Government Housing Capital Receipts Pool	873
3,840	Payments to the Government Housing Capital Receipts Pool return of 1 for 1 receipts	0
(4,409)	Gains/losses on the disposal of non current assets	(7,131)
311	**Total**	**(6,258)**

2015/16			2016/17	
	£'000		£'000	£'000
	7,171	Interest payable & similar charges		7,028
	1,661	Pensions interest cost & expected return on pensions assets		1,551
	(325)	Interest receivable & similar income		(311)
	1,338	Expenditure in relation to investment properties and changes in their fair value		801
	(3,427)	Income in relation to investment properties and changes in their fair value		(5,528)
		Trading Operations - Indoor Market:		
(587)		Income from stall holders	(426)	
423		Expenditure	417	
	(164)	Surplus taken to General Fund		(9)
	6,254	**Total**	**0**	**3,532**

Notes to the Core Financial Statements

12. 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.

2015/16 £,000		2016/17 £,000
(4,894)	Council Tax Income	(5,189)
(18,827)	Non domestic rates retained income	(18,873)
16,238	Non domestic rates expenditure (tariff payment to DCLG)	16,569
(3,999)	Non ring-fenced government grants	(3,309)
(2,064)	Capital grants and contributions	(1,425)
(13,546)	**Total**	**(12,227)**

12. 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.

2015/16 £'000		2016/17 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
1,861	Revenue Support Grant	1,236
2,589	NNDR Receipt from Pool	2,303
165	Council Tax Reform	124
1,269	New Homes Bonus	1,542
64	Council Tax Freeze Grant	7
305	Disabled Facilities Grant	576
112	NDR administration Grant	113
456	s31 Grant	282
1,759	Other Capital Contributions	848
71	Other Government grants	4
8,651	**Total Grants, Contributions credited to Taxation and Non Specific Grant Income**	**7,035**
	Credited to Services	
35,195	Department of Work and Pensions Grants for rebates	32,788
156	Discretionary Housing Payments	196
0	Other	481
35,351	**Total Grants, Contributions credited to Services**	**33,465**

The Council has not received any material donations in 2016/17.

Notes to the Core Financial Statements

13. 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

13. 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 2016	**833**	**53**	**200**	**53**	**1,139**
Additions					0
At 31 March 2017	**833**	**53**	**200**	**53**	**1,139**
Accumulated Depreciation & Impairment					
At 1 April 2016	**(413)**	**(13)**	**0**	**0**	**(426)**
Depreciation charge	(30)	(7)	0	0	(37)
At 31 March 2017	**(443)**	**(20)**	**0**	**0**	**(463)**
Net Book Value					
At 31 March 2017	**390**	**33**	**200**	**53**	**676**
At 31 March 2016	**420**	**40**	**200**	**53**	**713**

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 is 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

13. 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 2015/16 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.

	Heritage Assets				**Total**
Method of valuation	Town Square £'000	Museum Collection £'000	War Memorial £'000	Civic Regalia £'000	**Heritage Assets £'000**
Cost or Valuation	833	0	53	0	**886**
Valued at Insurance Valuation	0	200	0	53	**253**
	833	200	53	53	**1,139**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

14. Property, Plant and Equipment

Property, Plant and Equipment (PPE) ***Updated in 2016/17***

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, January 2014 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 – current value determined using the basis of existing use value for social housing (EUV-SH)*
- *Where possible all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)*
- *Where assets can not be valued by any other method depreciated historic costs is used.*

Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd)

Property, Plant and Equipment

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. In 2016/17 all assets have been revalued and where the DRC approach was used it was in accordance with 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.

Fair Value Hierarchy - To establish the fair value of its surplus assets, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- *Level 1 – quoted prices.*
- *Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*
- *Level 3 – unobservable inputs for the asset or liability.*

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 current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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).

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 Savills.

The revaluation process is co-ordinated by the Council's Estates Manager J Herbert MRICS. The latest valuation certificates are dated 1 April 2016 (Housing Dwellings) and are dated 1 April 2017 (General Fund properties) revaluations are carried out by private firms of Chartered Surveyors – Savills and Wilks Head and Eve.

A review is undertaken at year end to ensure valuations undertaken on 1 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.*

Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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.

Depreciation: *Properties classified PPE are valued on the basis of Current Value (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

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Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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.

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 is transferred to the Major Repairs Reserve to fund future HRA capital investment

The Council has engaged external valuers, Wilks Head and Eve, to provide Balance Sheet valuations as at 1 April 2017 for General Fund Assets. In previous years these valuations were undertaken by the Council's In-House Valuer and other external valuers. The additional resources and experiences available to Wilks Head and Eve has enabled them to value a number of community assets based on expected rental incomes and hence the estimation technique used for the valuation of these assets has changed from Depreciated Replacement costs (DRC) to Existing use value (EUV). The EUV estimation technique typically results in a lower balance sheet valuation figure and in 2016/17 has resulted in valuation losses charged to the General Fund and Revaluation Reserve. In accordance with the CIPFA Code of Practice for Local Authority accounting these losses are reversed out and do not impact on the General Fund balance.

Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd).

The valuations provided for non-housing stock assume that there are no encumbrances to the Council's Current Value in the use of those assets. It is however noted that if there is a disposal of the Business Technology Centre before 29 November 2022 it will trigger a claw-back to East of England Development Agency (EEDA) in accordance with a formula. There is no intention on the part of the Council to dispose of this asset.

The inputs to inform the Council's Surplus Asset valuation have been determined at level 2 as per the fair value hierarchy (see also policy detail on page 67).

Impairment Losses

During 2016/17 (as in 2015/16) 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.

New Council homes under construction at Vincent Court.

Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd).

Movement of Property, Plant and Equipment in 2016/17

	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 2016	**574,054**	**119,208**	**23,418**	**5,262**	**3,192**	**2,855**	**3,633**	**731,622**
Additions	14,000	1,772	1,754	266	0	0	5,525	**23,317**
Accumulated Depreciation & Impairment written off to cost/valuation	0	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	46,163	(4,904)	0	0	0	125	0	**41,384**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(12,739)	0	0	(355)	(439)	0	**(13,533)**
Derecognition - Disposals	(4,676)	(945)	(4,697)	0	0	0	(15)	**(10,333)**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Assets Under Construction	2,025	1,054	0	116	620	0	(3,815)	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2017	**631,566**	**103,446**	**20,475**	**5,644**	**3,457**	**2,541**	**5,328**	**772,457**
Accumulated Depreciation & Impairment								
At 1 April 2016	**(19,783)**	**(4,576)**	**(19,564)**	**(2,724)**	**(590)**	**(69)**	**0**	**(47,306)**
Depreciation charge	(11,014)	(3,659)	(989)	(472)	(91)	(40)	0	**(16,265)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	39	0	**39**
Depreciation written out to Revaluation Reserve	6,106	0	0	0	0	0	0	**6,106**
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	361	76	4,697	0	0	0	0	**5,134**
Derecognition - Other	0	0	0	0	0	0	0	**0**
At 31 March 2017	**(24,330)**	**(8,159)**	**(15,856)**	**(3,196)**	**(681)**	**(70)**	**0**	**(52,292)**
Net Book Value								
At 31 March 2017	**607,236**	**95,287**	**4,619**	**2,448**	**2,776**	**2,471**	**5,328**	**720,165**
At 1 April 2016	**554,271**	**114,632**	**3,854**	**2,538**	**2,602**	**2,786**	**3,633**	**684,316**

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Notes to the Core Financial Statements

14. Property, Plant and Equipment (contd).

Preceding movements of Property, Plant and Equipment in 2015/16.

	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 2015	**512,606**	**114,049**	**21,567**	**5,067**	**3,192**	**2,300**	**1,253**	**660,034**
Additions	19,260	1,588	2,003	195	0	0	2,385	**25,431**
Accumulated Depreciation & Impairment written off to cost/valuation	0	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,385	3,935	0	0	0	65	0	**10,385**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	44,095	0	0	0	0	0	0	**44,095**
Derecognition - Disposals	(8,402)	(4)	(230)	0	0	0	0	**(8,636)**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	240	0	**240**
Other movements in Cost or Valuation	110	(360)	78	0	0	250	(5)	**73**
At 31 March 2016	**574,054**	**119,208**	**23,418**	**5,262**	**3,192**	**2,855**	**3,633**	**731,622**
Accumulated Depreciation & Impairment								
At 1 April 2015	**(15,666)**	**(5,871)**	**(18,767)**	**(2,267)**	**(499)**	**(72)**	**0**	**(43,142)**
Depreciation charge	(10,618)	(3,798)	(1,021)	(457)	(91)	(38)	0	**(16,023)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,687	(560)	0	0	0	13	0	**5,140**
Depreciation written out to Revaluation Reserve	0	5,652	0	0	0	29	0	**5,681**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	814	0	225	0	0	0	0	**1,039**
Assets Derecognised - Reclassified	0	1	(1)	0	0	(1)	0	**(1)**
At 31 March 2016	**(19,783)**	**(4,576)**	**(19,564)**	**(2,724)**	**(590)**	**(69)**	**0**	**(47,306)**
Net Book Value								
At 31 March 2016	**554,271**	**114,632**	**3,854**	**2,538**	**2,602**	**2,786**	**3,633**	**684,316**
At 31 March 2015	**496,940**	**108,178**	**2,800**	**2,800**	**2,693**	**2,228**	**1,253**	**616,892**

Notes to the Core Financial Statements

15. 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.

Fair Value Hierarchy

To establish the fair value of its investment properties, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- *Level 1 – quoted prices.*
- *Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*
- *Level 3 – unobservable inputs for the asset or liability.*

Notes to the Core Financial Statements

15. Investment Property (contd)

2015/16 £,000		2016/17 £,000
19,547	**Balance at start of year**	**19,990**
	Additions:	
20	Subsequent expenditure	190
0	Disposals	(10)
663	Net gains/(losses) from fair value adjustments	3,100
	Transfers:	
(240)	To HRA Surplus Assets	0
19,990	**Balance at end of year**	**23,270**

The Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties:

The values have been derived from a desktop valuation taking into account existing lease terms and rentals, market rentals and yields, and then adjusted to reflect the nature and profile of the particular asset valued.

The Council's commercial property portfolio located within the Borough boundary are measured using the income approach, where the expected cash flows from the property are discounted at an appropriate discount rate (reflecting the nature and risk profile of the particular asset valued), to establish the present value of the net income stream.

The Council's commercial property portfolio is therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The investment property portfolio has been valued at 31 March 2017 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The revaluations are carried out by the Wilks Head and Eve.

Notes to the Core Financial Statements

15. Investment Property (contd)

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 2016/17 the Council purchased 4 Town Square in Stevenage town centre. Although a commercial building this purchase was made for strategic planning reasons 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.

2015/16 £,000		2016/17 £,000
2,164	Rental Income from Investment Property	2,231
(738)	Less direct operating expenses arising from Investment Property	(603)
1,427	**Net gain**	**1,628**

Notes to the Core Financial Statements

16. 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.

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 £91,493 for all intangible assets charged to revenue in 2016/17 (2015/16 - £55,545). 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:

Notes to the Core Financial Statements

16. Intangible Assets (contd)

2015/16 £000's		2016/17 £000's	2016/17 £000's
	Balance as at 1 April		
607	Gross carrying amounts		744
(195)	Accumulated amortisation		(251)
412	**Net carrying amount at 1 April**		**493**
	Movements in year:		
210	Purchases	131	
(73)	Transfers to Vehicles, Plant & Equipment	0	
(56)	Amortisation for the period	(91)	
81			40
493	**Balance at 31 March**		**533**
	Comprising:		
744	Gross carrying amounts*		737
(251)	Accumulated amortisation		(204)
493			**533**

* In year ICT software that was no longer being used has been written off the asset register. These software systems had been fully depreciated and had zero value on the balance sheet. In accordance with accounting standards the accumulated amortisation is written out.

17. 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 2016/17.

Notes to the Core Financial Statements

17. 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.

2015/16 £'000		2016/17	£'000
230,082	**Opening Capital Financing requirement**		**223,927**
	Capital investment :		
20,085	Land and Buildings	15,772	
2,080	Other Plant and Equipment	2,151	
5	Investment Property	191	
1,482	Assets under construction	5,525	
2,481	Revenue expenditure funded from Capital under statute	592	
26,133			24,231
	Sources of Finance :		
(3,001)	Capital Receipts - general	(1,057)	
(1,094)	Capital Receipts - New Build	(1,726)	
(2,175)	Government Grants & Other Contributions	(1,653)	
(18,533)	Major Repairs Reserve	(11,372)	
	Sums set aside from Revenue:		
(1,331)	Direct revenue contributions	(8,423)	
(6,154)	MRP and Loan Principal	(652)	
(32,288)			**(24,883)**
223,927	**Closing Capital Financing requirement**		**223,275**
	Explanation of movement in year:		
0	Increase in underlying need to borrow (supported by government financial assistance)		0
(6,155)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)		(652)
(6,155)	**Increase/(decrease) in Capital Financing requirement**		**(652)**

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Notes to the Core Financial Statements

17. Capital Expenditure and Capital Financing contd.

As at 31 March 2017 significant commitments for major projects already underway included:-

	£'000
Decent Homes and major repairs	14,452
Housing Regeneration	5,439
Information and Communication Technologies	1236
Garage Strategy	1,146
Total	**22,273**

(As at 31 March 2016 significant commitments for major capital projects totalled £16,010,000)

New homes at Archer Road being finished for Stevenage Borough Council tenants.

Notes to the Core Financial Statements

18. 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 be 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

18. Leases (contd.)

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.*

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

18. Leases (contd.)

Operating Leases

Plant and Equipment: In 2016/17 the Council had use of multi-functional printing devices and 6 vehicle leases. The annual amount charged under these arrangements in 2016/17 was £64,988 (2015/16 £79,523). Future lease payments due are shown in the table below:

31 March 2016			Future Lease Costs Payable	31 March 2017		
Printers £'000	Assigned Vehicles £'000	Total £'000		Printers £'000	Assigned Vehicles £'000	Total £'000
25	37	**62**	Not later than one year	16	24	**40**
0	0	**0**	Later than one year	0	0	**0**

Property: Council as Lessor - the authority currently leases 370 premises which include 190 shops, 36 workshops, 12 public houses, 11 surgeries and 121 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2016/17 was £3,248,496, (2015/16 £3,293,358).

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

31 March 2016 £'000	Future minimum lease payments	31 March 2017 £'000
3,131	Not later than one year	3,159
12,523	Later than one year and not later than five years	12,636
46,961	Later than five years	47,384

Finance Leases: Property, Plant, and Equipment: There were no assets held under finance leases by the Council as at 1 April 2016. 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

19. 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.

Fair Value Hierarchy

The Council is required to classify the valuation of financial instruments into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts).

Notes to the Core Financial Statements

19. Financial Instruments (contd.)

Financial Assets

Fair Value Hierarchy

Level 2 - where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Council currently invests in.

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's treasury team, under policies approved by the Council (28 February 2017) 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.

Notes to the Core Financial Statements

19. Financial Instruments (contd)

The Council's Treasury Management Strategy applicable from 1 April 2016 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 2016/17 due to higher cash balances being held and a two tier limit was approved with a maximum limit of £8,000,000 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 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.

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure to default & uncollectability 31 March 2017	Estimated maximum exposure to default & uncollectability 31 March 2016
	£'000	%	%	£'000	£'000
Financial Institutions	**A**	**B**	**C**	**(AxC)**	
Banks & Building Societies	36,333	0	0		0
Other Local Authorities	7,303	0	0		0
Other Counter parties	14,103	0	0		0
Trade Debtors	805	20%	31%	249	200
Total	**58,544**			**249**	**200**

The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2017. 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 £537,000 of the £806,000 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;

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

19. Financial Instruments (contd)

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	**137**	**99**	**14**	**18**	**268**	**210**	**478**
Over Term:							
3-6 months	49	0	7	15	**71**	279	**350**
6 months - 1 year	9	0	3	28	**40**	501	**541**
over 1 year	190	0	11	225	**426**	2,664	**3,090**
Total trade debtors over term	**248**	**0**	**21**	**268**	**537**	**3,444**	**3,981**
Total Trade Debtors 31 March 2017	**385**	**99**	**35**	**286**	**805**	**3,654**	**4,459**
Total Trade Debtors 31 March 2016	**261**	**86**	**22**	**276**	**645**	**3,682**	**4,327**

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 2017 Deferred Capital Receipts were £191,100, (31 March 2016, £194,272).

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

19. 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 £205,490,000; the 2017/18 Treasury Management Strategy (approved February 2017), allows an operational boundary for external debt of £219,086,000 (operational boundary for 2016/17 was £219,086,000). 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 2017), 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	(621)
Impact on Comprehensive Income & Expenditure Statement	(621)
Share of overall impact credited to the HRA	524
Impact on Movement in Reserves Statement	(97)

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 2015/16 (£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

19. Financial Instruments contd.

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

	Long Term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Investments				
Investment (LGA Municpal Bond)	10	10	0	0
Loans and Receivables	4,000	5,000	32,986	39,745
Total Investments	**4,010**	**5,010**	**32,986**	**39,745**
Debtors (including Cash and Bank)				
Loans and Receivables comprising:				
Mortgages	157	157	30	22
Car Loans	0	0	1	0
Housing Rents Leaseholders	0	0	551	408
Other debtors	0	107	4,241	7,504
Cash & Bank	0	0	14,899	13,351
Local Authority Mortgage Scheme	1,500	0	0	1,500
Total Debtors	**1,657**	**264**	**19,722**	**22,785**
Borrowings				
Financial liabilities at amortised cost	209,494	205,490	403	4,139
Total Borrowings	**209,494**	**205,490**	**403**	**4,139**
Creditors				
Receipts in Advance	0	0	986	877
Sundry Creditors	762	762	7,468	6,516
Local Authority Mortgage Scheme	1,007	0	0	1,007
Total Creditors	**1,769**	**762**	**8,454**	**8,400**

Schedule of PWLB loan repayments	
less than one year	£4,139,348
1-2 years	£1,763,158
2-5 years	£789,474
6-10 years	£8,763,158
10 -15 years	£55,900,000
15 -20 years	£96,463,000
20-25 years	£41,811,000
Total	**£209,629,138**

Notes to the Core Financial Statements

19. **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 2016 Financial Liabilities Measured at Amortised Cost £000	31 March 2016 Financial Assets: Loans and Receivables £000	31 March 2016 Total £000		31 March 2017 Financial Liabilities Measured at Amortised Cost £000	31 March 2017 Financial Assets: Loans and Receivables £000	31 March 2017 Total £000
7,193	0	7,193	Interest Expense	7,091	0	7,091
7,193	**0**	**7,193**	**Total expense in Surplus or Deficit on the Provision of Services**	**7,091**	**0**	**7,091**
0	(439)	(439)	Interest income	0	(405)	(405)
0	**(439)**	**(439)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(405)**	**(405)**
7,193	**(439)**	**6,754**	**Net gain/(loss) for the year**	**7,091**	**(405)**	**6,686**

Financial assets and financial liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- The fair value of Public Works Loan Board (PWLB) loans is calculated using the “new loan rate”.
- The fair value of Non -PWLB loans is calculated using the “new loan rate”.
- 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.

The Valuation Techniques Used to Determine Level 2 Fair Values for Investments:
The fair value of the investments have been provided by Capita Asset Services and are based on a financial model valuation which uses market information for similar instruments.

Notes to the Core Financial Statements

19. Financial Instruments contd.

31 March 2016 Restated* Carrying amount £'000	31 March 2016 Restated* Fair Value £'000		31 March 2017 Carrying amount £'000	31 March 2017 Fair Value £'000
		Investments		
25,479	25,518	Fixed term loans & receivables	35,430	35,464
25,674	25,672	Variable term loans & receivables	22,309	22,318
51,153	**51,190**	**Total**	**57,739**	**57,782**
		Loan Debt		
1,522	1,553	Market Debt	1,522	1,544
208,375	222,507	PWLB Debt	208,107	235,753
209,897	**224,060**	**Total**	**209,629**	**237,297**

* in accordance with updates to the 2016/17 code, fair value measurement has been based on new loan rates. In the 2015/16 Statement of Accounts fair value was based on premature repayment rate, therefore to enable the reader to compare movement between the fair value of investments and loans held, the 31 March 2016 comparators have been restated.

Valuation Techniques Used to Determine Level 2 Fair Values for Public Works Loan Board (PWLB) Loans:

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £237.297million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the [additional/reduced] interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Authority has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £268.142million, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Notes to the Core Financial Statements

19. Financial Instruments contd.

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.

20. 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 2016 £'000		31 March 2017 £'000
10	Cash held by the Authority	11
722	Bank Current Accounts	345
14,167	Investment Cash Equivalents	12,995
14,899	**Total Cash & Cash Equivalents**	**13,351**

21. Debtors

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

31 March 2016 £'000		31 March 2017 £'000
913	Central Government Bodies	119
434	Other Local Authorities	37
551	Housing Rents & Leaseholders	408
444	Collection Fund	167
4,241	Other Debtors	8,703
6,583	**Total**	**9,434**

Included in Other debtors £3.3million for a land sale completed on 31 March 2017. The money was received by the Council on 3rd April 2017.

The Council has one long term debtor:

Hertfordshire Building Control – This relates to a two year loan (£107,000)

Notes to the Core Financial Statements

22. 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 2016		31 March 2017	
£'000	**Creditors:**	£'000	£'000
8,268	Central Government Bodies	6,059	
522	Other Local Authorities	2,489	
283	Accumulated leave	359	
7,185	Other Entities & Individuals	5,939	
16,258	**Total Creditors**		**14,846**
	Receipts in Advance:		
434	Other Local Authorities	0	
719	Housing	827	
226	Tenants (redecoration scheme)	23	
536	Collection Fund	646	
986	Other Entities & Individuals	876	
2,901	**Total Receipts in Advance**		**2,372**
19,159	**Total**		**17,218**

The Council has long term creditors comprising principally:

Local Enterprise Partnership (LEP) – this relates to a grant to purchase a town centre regeneration asset (£762,488) which will be repayable in 2021/2022 on completion of the regeneration plan.

Last year the Council had a long term creditor relating to a contribution to the Local Authority Mortgage Scheme of £1,000,000 plus interest due. This is now due in the next 12 months and is now shown in short term creditors.

Notes to the Core Financial Statements

23. 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 31 March 2015	73	44	21	0	50	**188**
Purchases	249	40	383	72	127	**871**
Recognises as an expense in the year	(288)	(33)	(392)	(59)	(122)	**(894)**
Balance as at 1 April 2016	**34**	**51**	**12**	**13**	**55**	**165**
Purchases	308	33	369	62	115	**887**
Recognises as an expense in the year	(317)	(21)	(368)	(72)	(113)	**(891)**
Written off balances						**0**
Balance at 31 March 2017	**25**	**63**	**13**	**3**	**57**	**161**

24. 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 cannot 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

24. 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

24. Assets held for sale (contd)

31 March 2016 £'000		31 March 2017 £'000
1550	**Balance at start of year**	1,550
0	Transfers from surplus assets	0
0	Assets sold	(1,550)
1,550	**Balance at year end**	**0**

25. 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 (Note21).

As at the 31 March 2017 the Council had provisions totalling £3,851,740 of which £601,658 related to insurance claims (31 March 2016, £3,772,263, of which £569,724 related to insurance).

Notes to the Core Financial Statements

25. **Provisions** (contd)

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

31 March 2016 £'000	Claim Type	31 March 2017 £'000
446	Public Liability	432
24	Employers Liability	29
5	Motor	5
74	General Properties	60
21	Housing Properties	76
570	**Total**	**602**

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" cannot be achieved the Council may have to repay part of the claims already settled. In 2016/17 an increase in the provision for the Council's historic insurance claims with MMI was made.

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 the Business Rate repayment to the business. This provision has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2017.

BTC Roof Provision: Following a survey of the roof structure at the Business Technology Centre major repairs were anticipated in 2016/17. However following further surveys the remedial works were covered under the management agreement and the provision was returned to services.

Other Provisions: All other provisions are individually insignificant.

Notes to the Core Financial Statements

25. **Provisions** (contd)

	Insurance Provision	Organisation change	Municipal Mutual Insurance	BTC Roof Provision	NDR Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	(715)	(452)	(47)	(120)	(2,449)	(220)	**(4,003)**
Additional Provisions made in 2015/16	(196)	(342)	(27)	0	(753)	(31)	**(1,349)**
Amounts Used in 2015/16	341	345	0	0	240	157	**1,083**
Unused Amounts reversed in 2015/16	0	107	0	120	238	32	**497**
Balance as at 31 March 2016	**(570)**	**(342)**	**(74)**	**0**	**(2,724)**	**(62)**	(3,772)
Additional Provisions made in 2016/17	(336)	(4)	(19)	0	(872)	(124)	**(1,355)**
Amounts Used in 2016/17	304	41	42	0	326	23	**736**
Unused Amounts reversed in 2016/17	0	145	0	0	376	18	**539**
Balance as at 31 March 2017	**(602)**	**(160)**	**(51)**	**0**	**(2,894)**	**(145)**	**(3,852)**

Notes to the Core Financial Statements

26. Hertfordshire CCTV Partnership Ltd and Hertfordshire Building Control Ltd.

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 (SBC), North Hertfordshire District Council, East Hertfordshire District Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts.

In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV Partnership and **Hertfordshire CCTV Partnership Ltd** started trading on the 1 April 2015. For the year ended 31 March 2017 the company produced a profit after tax of £34,609. SBC's share of the profit is £12,849 with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts District Council and Hertsmere Borough Council). Due to the de minimis size of the new company, group accounts have not been completed.

In August 2017 officers in the Council's Building Control service were TUPE'd to a new company: **Hertfordshire Building Control Ltd**. The council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service ; the council holds 14% of the share capital (£7) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. Control is shared equally among the seven partners and the company will operate out of the Hertsmere Civic Offices. In August 2016 the council made a loan to the company of £107k which is held in Long Term Debtors on the balance sheet.
Due to the Council's small share holding the Council has not included any further disclosure notes regarding this company.

27. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £437,239 in 2016/17. (£447,314 in 2015/16). Payments made outside the scheme for Mayoral Allowances totalled £16,259 in 2016/17, (£16,010 in 2015/16).

Notes to the Core Financial Statements

28. 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 2016/17						
Chief Executive	107,795	1,034	10,064	118,893	28,029	146,922
Strategic Director and Deputy Chief Executive	96,913	506	2,128	99,547	25,199	124,746
Strategic Director (from 4/7/2016)	65,367	387	0	65,754	16,996	82,750
Borough Solicitor	68,223	361	370	68,954	17,739	86,693
Assistant Director Finance & Estates (s151 Officer)	75,895	66	490	76,451	19,734	96,185
Total remuneration in 2016/17	**414,193**	**2,354**	**13,052**	**429,599**	**107,697**	**537,296**
Remuneration 2015/16						
Chief Executive (to 31/5/2015)	20,882	964	9,043	30,889	8,026	38,915
Chief Executive (from 1/6/2015) & Strategic Director (Resources) (prior to 31/5/2015)	101,600	838	2,150	104,588	28,913	133,501
Strategic Director (Environment)	87,231	956	0	88,187	24,824	113,011
Strategic Director (Community)	93,328	475	740	94,543	26,558	121,101
Borough Solicitor	66,841	191	290	67,322	19,022	86,344
Assistant Director (Finance) Section 151 Officer	74,104	172	290	74,566	21,088	95,654
Total remuneration in 2015/16	**443,986**	**3,596**	**12,513**	**460,095**	**128,431**	**588,526**

** "Other emoluments" includes election duty payments.*

Notes to the Core Financial Statements

28. 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.

2015/16 Number of employees	Remuneration Band	2016/17 Number of employees
2	£50,000 - £54,999	6
4	£55,000 - £59,999	3
6	£60,000 - £64,999	2
2	£65,000 - £69,999	5
1	£70,000 - £74,999	1
0	£75,000 - £79,999	2
0	£80,000 - £84,999	0
1	£85,000 - £89,999	0
1	£90,000 - £94,999	0
0	£95,000 - £99,999	1
1	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	3
18	**Total**	**23**

Notes to the Core Financial Statements

28. 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.

2016/17

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	£89,652
£20,000 - £39,999	2	2	4	£120,889
£40,000 - £59,999	3	0	3	£164,553
Total	**13**	**2**	**15**	**£375,094**

2015/16

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	6	1	7	£44,420
£20,000 - £39,999	0	0	0	£0
£40,000 - £59,999	4	0	4	£190,376
Total	**10**	**1**	**11**	**£234,796**

Notes to the Core Financial Statements

29. 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), i.e. 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

29. 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 employer's contributions to the pension fund in settlement of liabilities.

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

Discretionary benefits:

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year 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

29. **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.

2015/16 £'000		2016/17 £'000
	Cost of service	
3,999	Current service costs	3,793
77	Past service costs	46
	Financing and Investment Income & Expenditure	
5,613	Interest costs	5,918
(3,952)	Interest income on plan assets	(4,367)
5,737	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	5,390
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
(2,024)	Return on plan assets (excluding the amount included in the net interest expense)	17,321
0	Actuarial gains and losses arising on changes in demographic assumptions	2,125
9,120	Actuarial gains and losses arising on changes in financial assumptions	(32,631)
2,365	Other Actuarial gains and losses	5,221
15,198	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	(2,574)
	Movement in Reserves Statement	
(5,737)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(5,390)
	Actual amount charged against the General Fund Balance for pensions in the year	
4,077	Employer's contributions payable to the scheme	4,276

Notes to the Core Financial Statements

29. Pension contd.

Pension Assets & Liabilities recognised in the Balance Sheet

2015/16 £'000		2016/17 £'000
127,805	**Opening fair value of Scheme assets**	**129,083**
3,952	Interest Income	4,367
	Re-measurement gain/(loss)	
(1,950)	The return on plan assets, excluding the amount included in the net interest expense	17,321
4,077	Contributions from employer	4,276
1,003	Contributions from employees into the scheme	1,035
(5,804)	Benefits paid	(6,434)
129,083	**Closing fair value of scheme assets**	**149,648**

2015/16 £'000		2016/17 £'000
181,418	**Opening Balance**	**174,972**
3,997	Current Service Cost	3,783
5,613	Interest Cost	5,918
1,003	Contributions from Scheme participants	1,035
	Re-measurement gain/(loss)	
0	Actuarial gains/(losses) arising from changes in demographic assumptions	(2,125)
(9,120)	Actuarial gains/(losses) arising from changes in financial assumptions	32,631
(2,209)	Other	(5,170)
74	Past service costs	46
(5,804)	Benefits paid	(6,434)
174,972	**Closing balance**	**204,656**
(45,889)	**Net Pension Liability**	**(55,008)**

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 2016.

Notes to the Core Financial Statements

29. **Pension** contd.

Fair value of Employer's assets (at bid values unless otherwise stated)

Period Ended 31 March 2016					Period Ended 31 March 2017			
Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Asset category	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
				Equity Securities:				
10,486	0	10,486	8%	Consumer	11,668		11,668	8%
9,567	0	9,567	7%	Manufacturing	11,198		11,198	7%
2,243	0	2,243	2%	Energy and Utilities	2,696		2,696	2%
9,809	0	9,809	8%	Financial Institutions	10,021		10,021	7%
1,709	0	1,709	1%	Health and Care	2,026		2,026	1%
6,105	0	6,105	5%	Information Technology	8,159		8,159	5%
298	0	298	0%	Other	504		504	0%
				Debt Securities:				
0	0	0	0%	Corporate Bonds (investment grade)	0		0	0%
0	0	0	0%	UK Government	0		0	0%
0	0	0	0%	Other	0		0	0%
				Private Equity:				
0	5,541	5,541	4%	All	0	6,909	6,909	5%
				Real Estate:				
0	5,765	5,765	4%	UK Property	0	4,842	4,842	3%
0	3,370	3,370	3%	Overseas Property	0	5,608	5,608	4%
				Investment Funds and Unit Trusts:				
26,203	0	26,203	20%	Equalities	31,356		31,356	21%
35,344	0	35,344	27%	Bonds	41,223		41,223	28%
610	0	610	0%	Commodities	0		0	0%
0	166	166	0%	Infrastructure	0	340	340	0%
527	7,711	8,238	6%	Other	578	7,878	8,456	6%
				Derivatives:				
0	0	0	0%	Interest Rate	0		0	0%
0	-474	-474	0%	Foreign Exchange	0	(297)	(297)	0%
				Cash and Cash Equivalents:				
4,103	0	4,103	3%	All	4,939		4,939	3%
107,004	**22,079**	**129,083**	**100%**	**Totals**	**124,368**	**25,280**	**149,648**	**100%**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

29. **Pension** contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

2015/16		2016/17
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
22.3	Men	22.5
24.5	Women	24.9
	Longevity at 65 for future pensioners:	
24.3	Men	24.1
26.7	Women	26.7
	Other Assumptions:	
2.1%	Rate of inflation	2.4%
3.6%	Rate of increase in salaries	2.5%
3.4%	Rate for discounting scheme liabilities	2.5%
50%	Take up of option to convert annual pension into retirement lump sum. (Pre-April 2008 service)	50%
75%	Take up of option to convert annual pension into retirement lump sum. (Post April 2008 service)	75%

Defined Benefit Obligation and maturity profile

	Liability split £'000's as at 31 March 2017 (%)	Weighted average duration
Active members	74,407 (36.4%)	21.4
Deferred members	48,379 (23.6%)	21.6
Pensioner members	81,870 (40.0%)	11.1
Total	**204,656 (100%)**	**16.4**

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

29. Pension contd.

Change in assumptions at year ended 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	9	18,379
0.5% increase in salary increase rate	1	2,094
0.5% increase in pension increase rate	8	16,061

The total contributions for current service cost expected to be made to the Pension Scheme in the year to 31 March 2018 is estimated at £4,244,000.

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@hertscc.gov.uk)

30. Related Parties

The Council is required to disclose material transactions with related parties. 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 Note 12 Taxation and Non Specific and Specific Grant Income.

Other Public Bodies: Payments between the Council and Hertfordshire County Council (HCC) amounted to £697,523 (2015/16, £646,699). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 29 Pension and Note 12 Taxation and Non Specific and Specific Grant Income.

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £540,218 in 2016/17 (£527,891 in 2015/16).

Notes to the Core Financial Statements

30. Related Parties contd

In 2016/17 Stevenage Borough Council (SBC) used a number employment agencies (listed below) to assist in carrying out services throughout the Council. There were no declarations of interest from Members and Senior Officers expressed.

Carrington West Ltd	Marcus Donald People Ltd
Comensura Ltd	Marks Consultancy Partners Limited
Driver Require Ltd	Mattinson Partnership
Essential Employment Ltd	Methods Professional Services Ltd
Essential Results Limited	Michael Page International Recruitment Ltd
George Browns Implements Ltd	MMP Consultancy Ltd
Gotpeople Ltd	Osborne Richardson Limited
Gravitas Recruitment Group Ltd	Penna Plc
Greenacre Recruitment Limited	Qed Recruitment Specialists Ltd
Hays Specialist Recruitment	Qualserv Consulting Ltd
Hertfordshire Youth Council	Sellick Partnership Group Ltd
Interaction Recruitment Plc	Service Care Solutions Ltd
James Andrews Recruitment Solutions Ltd	Spring Personnel
Lawrence Dean Recruitment Ltd	Stevenage Cab (Citizens Advice Bureau)
Liquid Recruitment Solutions Ltd	The Oyster Partnership Limited
Macdonald & Company Freelance Ltd	Triumph Consultants Ltd

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 2016/17 is shown in Note 27 Members Allowances.

A contract payment of £1,282,912 was paid to Stevenage Leisure Limited (SLL) (2015/16 £1,443,028) and £1,260,991 was paid to other organisations (2015/16 £1,190,807), either as grants or services received. With reference to all of these organisations, of the 38 Members, 35 Members declared interests through either the Register of Interests or completed related party transactions' forms. As at 31 March 2017 SBC had paid SLL £406,779 (£335,923 31 March 2016) for management costs relating to 2017/18.

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 2016/17 eight meetings were held at which nine expressions of interest were declared. The Register of Members' Interests shows both potential financial and other interests,

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

30. Related Parties contd

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 2016/17, the Chief Executive and Strategic Leadership Team declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972. The Chief Executive (formerly Strategic Director Resources) did not take part in any discussion, decision or administration relating to the Stevenage Leisure Limited contract payments.

Other companies: The council partnered with six local authorities across Hertfordshire to create a new company **Hertfordshire Building Control Ltd**.; the council holds 14% of the share capital (£7) and is represented on the board. In August 2016 the council made a loan to the company of £107,000 which is held in Long Term Debtors on the balance sheet.

The Council has one jointly controlled operation – **Hertfordshire CCTV Ltd** for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council (SBC), North Hertfordshire District Council, East Hertfordshire District Council and Hertsmere Borough Council.

31. 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 four contingent liabilities/assets were identified, that related to:-

Notes to the Core Financial Statements

31. Contingent Liabilities and Assets (contd.)

- There is a possibility that a new claim for mandatory relief from business rates on behalf of NHS Trust will be received. The application could potentially be backdated, potentially up to 6 years (as a statute of limitation). Due to the uncertainty to whether a claim for mandatory relief is made and to whether it is back dated it is not possible to quantify the financial impact to the Council.
- 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 that relate to the new rating list from April 2017.
- The 2006 Water resale order restricts the total cost to unmetered charge as cost plus 1.5%. Based on a high court judgement the London Borough of Southwark may have overcharged tenants based on the contract in place. Stevenage BC contract differs from that of LB of Southwark, however, the council have sought legal opinion and are currently working with the LGA. It is not possible to quantify this liability until the outcomes of LGA's legal considerations are known.
- Stevenage Borough Council is one of a number of Local Authority and National Parks Authority who have asked the Local Government Association (LGA), to co-ordinate legal representation and provide ongoing support in respect of collective legal action against MasterCard/Visa (Card Schemes) for unlawful interchange fee.

32. External Audit Costs

The Council has incurred fees in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections. The estimated fees payable for audit work in respect of the 2016/17 financial year are shown in the table below. The appointed auditor for 2016/17 is Ernst & Young LLP.

2015/16 £'000	Fees Payable	2016/17 £'000
64	Fees payable to the **External Auditor – Ernst & Young LLP** with regard to **external audit services** carried out by the appointed auditor for the year.	64
8	Fees payable to **External Auditor – Ernst & Young LLP** for the certification of **grant claims and returns** for the year.	11
4	Fees payable in respect of other services provided by Grant Thornton	4
76		**79**

Notes to the Core Financial Statements

33. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2015/16 £'000		2016/17 £'000
(289)	Interest received	(346)
7,194	Interest paid	7,096
6,905		**6,750**

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

2015/16 £'000	Non Cash Items	2016/17 £'000
33,118	Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement	(29,888)
(1,545)	Removal of IAS Pension entries in the Comprehensive Income & Expenditure Statement	(1,155)
(110)	Removal of increase/(decrease) in accumulated absences	76
(7,596)	Removal of carrying amount of assets disposed	(6,759)
231	Contributions to/(from) provision	(80)
2,020	Other non cash items movements	3,024
	Items on an accrual basis	
(23)	Add/(less) increase/(decrease) in stock	(4)
(243)	Add/(less) increase/(decrease) in debtors	(474)
(3,113)	Add/(less) increase/(decrease) in creditors & receipts in advance	4,990
22,739		**(30,270)**

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.

2015/16 £000		Note	2016/17 £000	
	Expenditure			
7,500	Repairs & Maintenance		6,909	
9,355	Supervision & Management		10,087	
93	Rents, Rates, Taxes & Other Charges		125	
10,762	Depreciation & Impairment of Non-Current Assets	HRA 6	11,161	
(49,787)	Revaluation (Gains) & Losses of Non-Current Assets	HRA 6	0	
181	Movement in the allowance for bad debts		228	
(21,896)	**Total Expenditure**			**28,510**
	Income			
(40,848)	Dwelling rents	HRA 1	(39,975)	
(377)	Non-dwellings rents		(304)	
(2,464)	Charges for Services & Facilities		(2,824)	
(740)	Contributions towards expenditure		(605)	
(44,429)	**Total Income**			**(43,708)**
(66,325)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**			**(15,198)**
841	HRA Services share of Corporate & Democratic Core			657
(65,484)	**Net income for HRA services**			**(14,541)**
(3,518)	Gain on sale of HRA Non-Current Assets			(3,125)
7,171	Interest payable & similar charges	HRA 3		7,028
(302)	Interest & Investment Income	HRA 3		(311)
(383)	Capital grants & Contributions receivable			(692)
1,665	Pension Interest and expected return on pension assets			1,563
(60,851)	**Deficit for the year on HRA services**			**(10,078)**

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.

2015/16 £000		Note	2016/17 £000	2016/17 £000
(13,704)	**Balance on the HRA at the end of the previous year**			**(16,955)**
(60,851)	Deficit for the year on the HRA Income & Expenditure Statement		(10,078)	
57,600	Adjustment between accounting basis and funding basis under statute	8	7,283	
(3,251)	(Increase)/Decrease in year on the HRA			(2,795)
(16,955)	**Balance on the HRA at the end of the year**			**(19,750)**

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 0.68% of let-able properties were vacant (in 2015/16 figure was 0.54%). Average rents - excluding service charges - were £97.07 a week in 2016/17 (£98.10 in 2015/16).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2016/17 rent arrears as a proportion of gross rent income were 2.35% (2.6% in 2015/16).

2015/16 £'000		2016/17 £'000
1,163	Arrears at 31 March	1,040
191	Amounts written off during the year	223
(14)	Amounts written on during the year	(2)

The bad debts provision stood at £650,519 at 31 March 2017 (£642,988 at 31 March 2016).

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.

2015/16 £'000	Interest Receivable	2016/17 £'000
290	Interest on revenue balances	301
12	Interest on mortgages	10
302		**311**

2015/16 £'000	Interest Payable	2016/17 £'000
6,514	PWLB loans (Self Financing)	6,513
602	Decent Homes borrowing	515
7,116		**7,028**

HRA 4. Housing Stock Numbers

The stock movement can be summarised as follows:-

2015/16 No.		2016/17 No.
8,137	Stock as at 1st April	8,042
(106)	Less Right to Buy Sales	(60)
15	New Build acquisitions	21
1	Transferred from General Fund	0
(5)	Conversions/other	(3)
8,042	**Stock at 31st March**	**8,000**
5,203	Houses	5,169
2,839	Flats	2,831
8,042	**Total**	**8,000**

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 2016	£ 554,271,127
As at 31 March 2017	**£ 607,235,409**
The Vacant Possession value of the dwellings as at 31 March 2017 was	£ 1,599,492,547

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 2016		31 March 2017
1,851,946	Assets Under construction	4,921,139
517,795	Vehicles Plant & Equipment	590,986
2,369,741	**Total**	**5,512,125**

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.

2015/16 £000		2016/17 £000
	Depreciation	
10,618	HRA Dwellings	11,014
202	Other Assets	213
	Impairment	
0	HRA Dwellings	0
	Revaluation (gain)/loss	
(56,181)	HRA Assets	(52,268)
(45,361)	**Total**	**(41,041)**

HRA 7. Major Repairs Reserve (MRR)

2015/16 £'000	2015/16 £'000		2016/17 £'000	2016/17 £'000
	(12,366)	**Opening Balance as at 1st April**		(4,652)
		Transfers to the MRR -		
(10,618)		Depreciation of HRA Dwellings	(11,014)	
(202)		Depreciation of other HRA Assets	(214)	
	(10,820)			(11,228)
		Transfers from MRR -		
	18,534	Financing of HRA Capital Expenditure		11,373
	(4,652)	**Closing Balance as at 31 March**		(4,507)

Notes to the Housing Revenue Account (HRA)

HRA 8. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2016/17 is summarised as follows:

2015/16 £'000		2016/17 £'000
	Capital Expenditure	
16,025	Major Repairs & Improvements	12,028
2,572	New Council Housing	1,517
663	Disabled Adaptations	456
135	Equipment	307
1,154	Assets under construction	5,094
20,549		19,402
	The Capital Expenditure was financed as follows:	
1,633	Capital Receipts	2,269
18,533	Major Repairs Reserve	11,372
383	Contributions (incl revenue contribution to capital)	5,761
20,549		19,402

Total Capital Receipts in 2016/17 from the sale of property within the HRA can be summarised as follows :-

2015/16 £'000		2016/17 £'000
(10,880)	Right to Buy Sales	(7,516)
(4)	Right to Buy Mortgage Repayments	(2)
(113)	Other Land & Property *	(11)
(10,997)		(7,529)

*Includes repayment of Right to Buy discounts

Collection Fund Statement 2016/17

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.

2015/16 Council Tax £000	2015/16 Business Rates £000	2015/16 Total £000		2016/17 Council Tax £000	2016/17 Business Rates * £000	2016/17 Total £000
			Income			
(39,070)		(39,070)	Council Tax Receivable	(41,238)		(41,238)
		0	Council Tax Benefits			0
	(48,815)	(48,815)	Business Rates Receivable		(48,544)	(48,544)
	213	213	Transitional Payment Protection receivable		174	174
(39,070)	(48,602)	(87,672)	**Total income**	(41,238)	(48,370)	(89,608)
			Expenditure			
			Precepts, Demands and Shares			
28,764	4,772	33,536	Hertfordshire County Council	30,719	4,614	35,333
3,726		3,726	Hertfordshire Police Authority	3,806		3,806
4,752	**19,087**	**23,839**	**Stevenage Borough Council**	**5,010**	**18,457**	**23,467**
	23,859	23,859	Central Government		23,072	23,072
			Charges to Collection Fund			
	112	112	Costs of collection		113	113
51	1,796	1,847	Write offs of uncollectable amounts	155	624	779
182	(1,062)	(880)	Increase/(decrease) for impairment	131	27	158
	688	688	Increase/(decrease) in provision for appeals		424	424
			Contribution in regard to previous year deficit/surplus			
843	295	1,138	Hertfordshire County Council	1,805	(233)	1,572
114		114	Hertfordshire Police Authority	232		232
142	**1,180**	**1,322**	**Stevenage Borough Council**	**299**	**(936)**	**(637)**
	1,475	1,475	Central Government		(1,170)	(1,170)
38,574	**52,202**	**90,776**	**Total expenditure**	**42,157**	**44,992**	**87,149**
(496)	**3,600**	**3,104**	**Movement on fund balance (deficit/(surplus))**	**919**	**(3,378)**	**(2,459)**
(1,589)	**(1,550)**	**(3,139)**	**Balance at beginning of year**	**(2,085)**	**2,050**	**(35)**
(2,085)	**2,050**	**(35)**	**Balance at end of year**	**(1,166)**	**(1,328)**	**(2,494)**

Notes to the Collection Fund Statement 2016/17

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 was reduced to take into account the loss of income; (25,888.50 for 2016/17, 25,207.40 for 2015/16). The basic amount of council tax for a band D property £1,527.14 for 2016/17 (£1,477.43 for 2015/16) 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	1,533.40	6,170.85	21,125.57	3,231.20	3,125.48	883	422	14	36,505.50
Exemptions		(35)	(94)	(136)	(19)	(18)	(3)	(2)	(5)	(312)
Disabled Relief	0	10	73	(70)	12	(18)	(1)	(4)	(2)	0
Discounts (25%)	0	1,090	3,808	6,367	776	502	111	58	0	12,712
Discounts (50%)	0	2	7	11	3	2	6	8	4	43
Discounts (10%)	0	27	71	85	13	12	3	1	0	212
Council Tax Support Scheme	0	391.82	1,476.75	2,608.06	248.82	65.69	14.60	3.42	0	4,809.16
Effective Properties	0	840.38	3,710.50	16,705.76	2,778.58	2,896.09	833.35	393.98	5.0	28,163.64
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	0	560.25	2,885.94	14,849.58	2,778.58	3,539.67	1,203.72	656.63	10	26,484.37
Council Tax Base	Band D equivalent multiplied by collection rate of 97.72%									**25,888.50**

Notes to the Collection Fund Statement 2016/17

CF 1. Council Tax (cont)

The income chargeable of £51,202,897 in 2016/17 is from the following sources:

2015/16		2016/17
£39,018,158	Billed to Council Tax Payers	£41,083,000
£5,755,876	Local Council Tax Scheme	£5,683,162
£4,567,971	Exemptions, Discounts, etc.	£4,436,735
£49,342,005		£51,202,897

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 49.7p in 2016/17 (49.3p in 2015/16) 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 48.4p in 2016/17 (48.0p in 2015/16). The rateable value for the Council's area is £111,172,474 at 31 March 2017 (£112,127,530 at 31 March 2016). 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 NDR 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%.

2015/16				2016/17		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(£ 1,609,134)	£204,965	(£ 1,404,169)	Hertfordshire County Council	(£907,065)	(£132,857)	(£1,039,922)
(£ 208,177)		(£ 208,177)	Hertfordshire Police Authority	(£111,172)		(£111,172)
(£ 267,506)	**£819,859**	**£552,353**	**Stevenage Borough Council**	**(£147,323)**	**(£531,430)**	**(£678,753)**
	£1,024,824	**£1,024,824**	Central Government		(£664,287)	(£664,287)
(£ 2,084,816)	**£2,049,648**	**(£ 35,168)**		**(£1,165,560)**	**(£1,328,575)**	**(£2,494,135)**

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). This was amended for HRA receipts with changed with regard to the provision for new social housing ("one for one" receipts) and debt provision in 2012 following self financing.

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

Code of Practice
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.

Glossary of Terms

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

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

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. Stevenage Borough Council refer to these as "allocated reserves" in budget reports.

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, planning applications.

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 a "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. NNR is collected by Stevenage Borough Council who then redistributes the income to Hertfordshire District Council (10%) and Central Government (50%).

The government compensates the council through a S31 grant for additional NDR reliefs announced in recent budgets

The government is currently reviewing the scheme with an aim for 100% of business rates to be retained locally.

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 Non-Domestic Rates (NDR). 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.

Glossary of Terms

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).

Report of the External Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEVENAGE BOROUGH COUNCIL

Due to be issued by 21 September 2017

Stevenage Borough Council
Audit results report

Year ended 31 March 2017

EY Building a better working world

Private and Confidential

12 September 2017

Dear Audit Committee Members

We have substantially completed our audit of Stevenage Borough Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

The statutory deadline for 2016/17 is 30 September 2017. For financial statements ending on or after 31 March 2018 the deadline will be 31 July. The deadline for the publication of draft financial statements will be 31 May which is a month earlier than applied for the 2016/17 financial statements. The Authority met this earlier deadline for the 2016/17 financial statements which indicates that the Authority is well placed to meet its obligation in this respect for 2017/18. We confirm that we expect to issue our audit opinion by the end of September 2017.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Neil Harris
Executive Director

For and on behalf of Ernst & Young LLP

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, other members of the Authority and management of Stevenage Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Authority and management of Stevenage Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Authority and management of Stevenage Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.

01 Executive Summary

Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan provided to the Audit Committee members for the 28 March 2017 meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £2.2 million. We reassessed this using the actual results for the financial year and the materiality level decreased to £2.1 million. The threshold for reporting audit differences has decreased from £0.108 million to £0.105 million. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- Councillors’ allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

Executive summary (continued)

Status of the audit

We have substantially completed our audit of Stevenage Borough Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until all work is complete, further amendments may arise.

- Agreement of fixed asset movement note entries to the fixed asset register
- Testing of journal entries
- Receipt of outstanding bank confirmations (Santander and Goldman Sachs)
- Review of the final version of the financial statements
- Completion of subsequent events review
- Completion of final review procedures
- Receipt of the signed management representation letter, and
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts WGA) submission.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We have set out below the errors above our threshold for reporting to Members that have been identified during the audit by management or by the audit team and whether these have been adjusted or not. All but one of these was in respect of the revaluation of general fund properties in 2016/17. We would point out that none of these errors affects the level of general fund balance held by the Council. This is because although Cipfa's Code of Practice on Local Government Accounting requires councils to reflect the value of assets used in the provision of services, and charge depreciation for their use, any revaluation gain or loss that occurs, together with any depreciation is removed when calculating the overall balance on the general fund.

The valuation of other land and buildings is an accounting estimate and as such will reflect a number of assumptions, for example likely remaining useful life, property condition etc, There is therefore an element of subjectivity involved in the estimate and a range of values is likely to be appropriate. The valuation of assets for financial reporting purposes will reflect their current use and does not represent necessarily the value for which an asset would be disposed. We would expect the Council to obtain a separate valuation ahead of any planned asset disposal so that it can ensure that it obtains best consideration.

Audit differences (continued)

Unadjusted misstatement identified by management (actual)

During the audit the Finance team identified a transaction in respect of funding from the Local Enterprise Partnership of £0.4 million that had been omitted in error from the financial statements.

Unadjusted misstatements identified by the audit team (actual)

Two unadjusted misstatements were identified by the audit team both in respect of other land and buildings:

- Ridlins Athletic Track (£4.4 million overstated due to incorrect valuation) and
- BTEC (£3.6 million understated as it was omitted in error from asset register).

These two adjustments net to an overstatement of £0.8 million.

We have included all these items as unadjusted audit differences as management has chosen not to adjust for them. We ask that they be corrected or a rationale as to why they have not been corrected be approved by the Audit Committee and included in the Letter of Representation. We agree with management's assessment that the impact overall is not material. None of the adjustments would affect the Council's general fund balance.

Unadjusted misstatement (projected)

We identified a projected misstatement in respect of community centres and pavilions which were valued on existing use basis rather than on a depreciated replacement cost basis. Our EY estates valuer reviewed the valuations for a community centre and a pavilion and in their view they considered that the valuation provided by WHE was £123,000 understated, if applied across all similar assets we calculate that the impact could be potentially £3.4 million. We assess that the impact of this is not material given the Council's total for property, plant and equipment on the balance sheet at 31 March 2017 of £716 million but report it here for Members' information.

Adjusted misstatement

Land with a value of £3.8 million for two assets was omitted in error from the asset register although the related buildings have been correctly recorded. Management has chosen to adjust for this error so that the assets concerned are shown at their full value.

We have identified a number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Stevenage Borough Council’s financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified the following significant risk:

- Sustainable resource deployment: Achievement of savings needed over the medium term.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are yet to complete our work on the Whole of Government Accounts (WGA) return. We are currently planning to complete this prior to 22 September 2017.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.

02 Areas of Audit Focus

Audit issues and approach: Management Override of Controls

Management Override

What is the risk?

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions
- We tested a sample of accruals, prepayments and provisions to check whether they had been recorded at an appropriate value
- We undertook cut off testing for income and expenditure to ensure that material amounts had not been omitted from the financial statements that related to 2016/17.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Areas of Audit Focus

Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be:

- The valuation of Property, Plant and Equipment – due to the significance of this on the financial statements and specific issue identified at this year's audit we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- Valuation of pension liabilities - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.

Specifically in relation to other estimates:

- The provisions balance in the financial statements is £3.8 million at 31 March 2017, the largest being the business rates appeal provision at £2.9 million. We challenged management on the reasonableness of their approach for calculating this provision. We had no issues from our audit work on provisions;
- Creditor accruals- these were £3.6 million covering both revenue and capital accruals. Our testing of accruals did not identify any significant issues.
- Manual debtors (£4.6 million) our testing did not identify any significant issues.

We evaluated the remainder of the Council's estimates, including bad debt provision and depreciation, as low risk of material misstatement. No issues were noted in our work in these areas.

Areas of Audit Focus

Pension Valuations and Disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Hertfordshire County Council.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £55 million (£45 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to North Hertfordshire District Council;
- Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors. Our assessment uses the work of the EY actuarial team who review the work of the PWC – Consulting Actuaries; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

No issues have been identified in completing our work. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 4 to the financial statements, and in Note 29, pension schemes.

Audit issues and approach: Property, Plant and Equipment Valuations

Property, Plant and Equipment Valuations

What are our conclusions?

Management has agreed that one asset was overvalued by the external valuer (Ridlins athletics track) by £4.4 million. Our testing of the revaluation movements in year found a further error in the processing of the revaluation for BTEC which resulted in a nil book value being shown on the asset register instead of £3.6 million. The net impact of the two issues is an overstatement of £0.8 million. For two further assets the building valuation was correctly recorded on the asset register but the land was not, this has been corrected by management (£3.8 million).

What is the risk?

Property, plant and equipment valuations

Property, Plant and Equipment (PPE) represents a material item on the Council's balance sheet. PPE is initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use). This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

The Narrative Statement in the draft financial statements referred to a significant change in estimation technique. The Council's new external valuer has undertaken a valuation as at 31 March 2017 for the Council's general fund assets. A number of community assets previously valued on depreciated replacement cost basis are now valued on existing use value. This has resulted in some material movements in asset values downwards. The value of downward revaluations in total shown in the draft financial statements was approximately £21 million however due to the way that local government capital accounting transactions are processed there is no overall impact on the Council's usable reserves.

In view of the material change we intructed our own specialist team to review a sample of the valuations.

Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- Procedures to ensure we are able to rely on management's valuation experts;
- Challenging the key assumptions made by the experts;
- Testing the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.

Audit issues and approach: Property, plant and equipment valuations

Further details on procedures/work performed

The Council engages two external expert valuers, one for the valuation of the housing revenue account dwelling stock and a second valuer to value the Council's general fund properties. Our significant risk was focused on the general fund valuations where the largest valuation changes occurred.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being 'Other Land and Buildings', 'Investment Properties' and 'Surplus assets'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Methodology

Our approach has focused on reviewing the methodology applied by the Council's expert Wilks Head Eve LLP (WHE) particularly in respect of assets valued using the basis of depreciated replacement cost as this valuation basis requires assumptions to be made in a number of areas which can significantly affect the valuation. The issues identified by our internal expert specialist who we commissioned to review the methodology were:

- WHE include professional fees in their valuation as expected, and this has been done at a rate of 15%. However the value for fees is calculated based on the gross replacement cost of the building rather than the depreciated replacement cost. Our internal expert considers that this is not a correct interpretation of RICS guidance, their view is that the gross replacement cost is calculated first, then the obsolescence factor applied and then professional fees are calculated on the net value. We calculated that if the fees had been included on this basis the valuation would have been reduced by £1.85 million;
- WHE calculated obsolescence on the basis of none in the first 10 years and then 1% a year with a cap at 50% as per their report. This was applied across the valuations with some exceptions (six out of 19 assets had obsolescence applied within first 10 years or within 10 years of refurbishment). Our internal expert's view is that the obsolescence should be considered in the light of each asset's remaining useful life, condition/state of repair and that not applying obsolescence in the first 10 years tends to overstate the asset's value. They also did not consider it appropriate that obsolescence was capped at 50%. We calculated the impact on the valuation of not applying obsolescence within the first 10 years and also removed the 50% cap, our calculation indicated that the valuations were £3.2 million higher under the WHE approach than they would otherwise have been. We calculate that an extra 1% across the assets gives rise to reduces the valuation by approximately £0.3 million
- WHE calculate the underlying land values for the buildings based on a percentage of the gross replacement cost (which reflects the build cost of the asset). Our internal expert's view is that this approach is not appropriate. A similar type building both in Stevenage and in the north of the country would have a similar land value attributed to it even though the value of land in the two locations is likely to be significantly different. In their view the valuation should consider the local market. We asked our specialist to review the land values for a sample of assets to consider what the impact was of the WHE methodology.

Review of sample of asset valuations

We asked our internal expert to review 11 of the valuations provided by WHE, one of which was for an investment property. We covered assets valued on a depreciated replacement cost basis (3), existing use value (7) and fair value basis (the investment property). The investment property was deemed to be within the acceptable range for its valuation. Of the 10 valuations for other land and buildings our internal expert considered that 5 were within the range that they would expect to see.

Audit issues and approach: Property, plant and equipment valuations

Further details on procedures/work performed

The Ridlins athletic track with a value of £5.9 million excluding the stand was considered by them to be well above the range of valuation that they would expect for an asset of this nature and this has been referred to management in order to understand the background to the assumptions adopted. The specific concerns raised by our specialist were:

- Information from Sports England suggest a gross replacement cost of between £0.7 million and £1.5 million for a facility of this nature.
- The Council's valuation allows for 6% depreciation from 2010 (when the track was refurbished). Our specialist's research indicates that synthetic tracks have a useful life of 20 to 30 years, they suggest that this indicates a remaining useful life to 23 to 30 years and that therefore the depreciation applied to date should be closer to 23% to 35% rather than the 6% that has been applied.
- Land has been included based on 15% of the gross replacement cost of the asset at £0.8 million rather than considering the local land market. Using amenity land values of £25,000 to £50,000 per acre our specialist considers that the value of the land is within the range £119,000 to £238,000.
- Also included in the valuation is 2.19 acres of excess land which we believe includes the area within the track which as it includes things such as the shot put circle should be considered part of the facility and not excess land.

The other assets that were outside of our expected range were all below the range. This included a community centre and a pavilion of which Stevenage Borough Council has several of each type. These were valued using existing use valuation basis (EUV), however our expert does not consider that there is sufficient market information to use this basis. They suggested that a depreciated replacement cost (DRC) valuation basis would have been more appropriate. We calculated what the likely impact would be of the undervaluation for these assets if applied to others of similar type, on an extrapolated basis, this gave an under valuation of £3.4 million. It should be noted that the move to using EUV rather than DRC is a large factor behind the valuation reductions shown in the financial statements.

When we take the impact of the over and under valuations on our sample the difference is not material however we are concerned that there are a number of compensating movements which are material and it has required significant input from a specialist and the audit team to arrive at the position where we have sufficient assurance that the valuation figures used in the financial statements are within an acceptable range of estimation uncertainty.

Audit issues and approach: Property, plant and equipment valuations

Further details on procedures/work performed

We have requested that consideration be given to expanding the note to the financial statements that refers to estimation uncertainty, as it needs to reflect on key assumptions made as part of the valuation process.

We discussed our findings with management and they requested that WHE review their valuation of the athletics track of £5.9 million, this has been done and they have confirmed that there was an error made in the valuation. Management are of the view that the asset was overstated by £4.4 million. WHE have reviewed their other valuations at management's request and confirmed that no other changes are required. Management have considered what are the implications for the prior year asset value for the athletics track. The value in the prior year was £5.1 million, the valuation used residential rather than amenity land values. The nature of the site is that it is bounded by residential development and that either valuation basis could be appropriate. Management have concluded therefore that no amendment is required in respect of the prior year valuation.

Asset information upload to the asset register

We found three errors in the way that the asset valuation information from WHE has been uploaded to the Council's asset register:

- BTEC asset was written down to nil net book value on the system when it should have been included at a value of £3.6 million, this has been included in our summary of unadjusted differences;

- The land element of the valuation for Daneshill House and Cavendish Depot at £3.8 million was excluded in error from the valuation although the buildings themselves were correctly reflected, management have decided to amend for this error so that the full asset value is reflected on the register.

Audit issues and approach: Presentation of the Financial Statements

Expenditure and Funding Analysis

What are our conclusions?

Our testing performed has not identified any material misstatements in the 2016/17 statement of accounts. We suggested that the note be expanded to make it clear how it links to the note which shows the adjustments between the accounting and funding basis under the regulations.

What is the risk?

Presentation of the financial statements

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement, and include the introduction of a new Expenditure and Funding Analysis note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the Code requires a new structure for the primary statements, new notes and full retrospective restatement of comparatives. Our Audit Plan recorded that this restatement would require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Reviewing the expenditure and funding analysis, CIES and new disclosure notes to ensure disclosures are in line with the Code;
- Reviewing the analysis of how these figures are derived, and how the ledger system has been re-mapped to reflect the Council's organisational structure, and
- Agreeing restated comparatives figures to the Council's segmental analysis and supporting working papers.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEVENAGE BOROUGH COUNCIL

We have audited the financial statements of Stevenage Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Expenditure and Funding Analysis.

This report is made solely to the members of Stevenage Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Draft audit report (continued)

Our opinion on the financial statements

Respective responsibilities of the Assistant Director (Finance and Estates) (Chief Financial Officer) and auditor

As explained more fully in the Statement of the Assistant Director (Finance and Estates) (Chief Financial Officer)'s Responsibilities set out on page 23, the Assistant Director (Finance and Estates) (Chief Financial Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director (Finance and Estates) (Chief Financial Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2016/17 Financial Report including Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Stevenage Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the 2016/17 Financial Report including Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Stevenage Borough Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Stevenage Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Stevenage Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

04 Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £105,200(relating to Stevenage Borough Council in our summary of misstatements table below. The amount shown was identified as an error by the Council’s Finance team.

At the time of writing this report there is one corrected misstatements that we wish to bring to your attention, we identified during the audit that £3.8 million of land was omitted when the Daneshill House and Cavendish Road depot assets were uploaded on to the asset register. This adjustment has now been made and increases the asset value on the balance sheet and the value shown in the revaluation reserve. We have identified a number of minor disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

Audit Differences

Summary of unadjusted differences

We highlight the following misstatements in the financial statements and/or disclosures which were not corrected by management. We ask you to correct these uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the Audit Committee and included in the Letter of Representation:

Accounts affected 31 March 2017 (£'000)	Comprehensive income and expenditure statement Debit/(Credit) Current Period £000	Assets current Debit/(Credit) £000	Assets non-current Debit/(Credit) £000	Liabilities current Debit/(Credit) £000	Liabilities non-current Debit/(Credit) £000	Reserves £000
Error: Non inclusion of LEP capital funding which is repayable in long term						
Debtor due from LEP		416				
Capital grants unapplied						-416
Capital adjustment account						416
Creditor for repayment					-416	
Error: Omission of BTEC from asset register						
Other land and buildings			3,624			
Comprehensive income and expenditure account, reversed to Capital adjustment account						-3,387
Revaluation reserve						-237
Error: Ridlins athletic track overstated						
Other land and buildings			-4,410			
Revaluation reserve						4,410

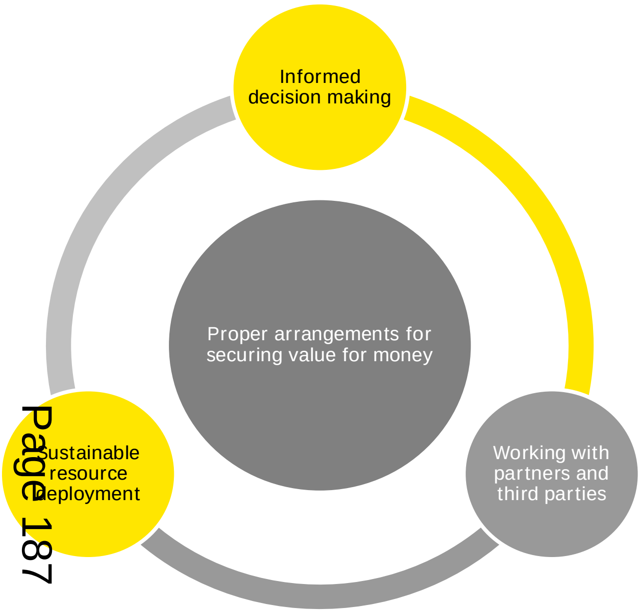
Audit Differences

Accounts affected 31 March 2017 (£'000)	Comprehensive income and expenditure statement Debit/(Credit) Current Period £000	Assets current Debit/(Credit) £000	Assets non-current Debit/(Credit) £000	Liabilities current Debit/(Credit) £000	Liabilities non-current Debit/(Credit) £000	Reserves £000
Balance sheet totals						
Income effect of uncorrected misstatements	0	416	-786		-416	786

We identified a projected misstatement in respect of community centres and pavilions which were valued on existing use basis rather than on a depreciated replacement cost basis. Our EY estates valuer reviewed the valuations for a community centre and a pavilion and in their view they considered that the valuation provided by WHE was £123,000 understated, if applied across all similar assets we calculate that the impact could be potentially £3.4 million. We assess that the impact of this is not material given the Council's total for property, plant and equipment on the balance sheet at 31 March 2017 of £716 million but report it here for Members' information.

05 Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have ‘proper arrangements’ to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified a significant risk around these arrangements. The table below presents our findings in response to the risks in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk area in our Audit Plan.

What is the significant VFM risk?	Arrangements this impacts?	What are our findings?
Sustainable resource deployment: Financial resilience – achievement of savings needed over the medium term The Council has continued to respond well to the financial pressures on local government arising from the economic downturn and reductions in the level of central government funding. We commented positively on the Council's arrangements in our 2015-2016 Annual Audit Letter and Audit Results Report. The Council are also forecasting a balanced budget for the current financial year. There remains, however, significant financial pressure on the Council's medium to longer term financial plans. To secure its medium to longer term sustainability, the Council will need to balance its budget, not just by exploring and achieving more challenging savings and efficiency targets, but by also becoming more self-sufficient in generating income. This will see the Council increasingly look to partnerships, collaboration and commercial development activities to achieve its future financial targets.	· Taking informed decisions · Deploying resources in a sustainable manner	We have undertaken the procedures as set out in our audit strategy which have focused on: • The adequacy of the Council's budget setting process and the robustness of any assumptions. • The effective use of scenario planning to assist the budget setting process. • The effectiveness of in year monitoring against the budget. • The Council's approach to prioritising resources whilst maintaining services, including a focus on partnership arrangements and asset utilisation. The Council has a strong history of delivering saving targets, and a highly experienced management team. It has taken effective steps to address future budget gaps. The approach takes a prudent approach to variable income streams such as the New Homes Bonus with only £0.2 million being built into the baseline budget. In 2016/17 the Council continued its strong performance against budget, with underspends against the general fund budget (£638,000) and the housing revenue account (£437,000). The general fund balance stands at £6.4 million as at 31 March 2017. The 2017/18 budget is balanced, through the use of efficiencies and income plans. Although it is still relatively early in the financial year, we assessed these as reasonably based taking into account the Council's track record of delivering savings over the recent financial periods. While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans gives confidence that it can continue to do so. The cumulative budget gap is now estimate by officers to be £2.86 million.. Compared to a gross expenditure of approximately £107m per annum, we judge this to be a manageable budget gap.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Stevenage Borough Council Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our findings are:

- Financial information within the Narrative Statement published with the financial statements was consistent with the Annual Accounts.
- The Annual Governance Statement is consistent with other information that we are aware of from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are yet to complete our work on the Whole of Government Accounts (WGA) return. We are planning to submit the assurance report to the NAO at the same time as we give our audit opinion.

Once completed we will report any matters arising to the Audit Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").
We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.
We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations.

Whilst we recommended a number of changes to disclosures in the draft financial statements these were generally of a good quality. We are aware that there have been vacancies in the Finance team including the role of capital accountant in year which increased pressure on the rest of the team and has resulted in some delays in responding to queries.

We have utilised our own internal specialists to review property valuations, this is a change in the scope of our audit and was triggered by the identification of a significant risk re property valuation.

07 Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Appendices

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	January 2017 Audit Plan
Significant findings from the audit	• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process	September 2017 Audit Results Report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Stevenage Borough Council's ability to continue for the 12 months from the date of our report.
Misstatements	► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► Significant corrected misstatements, in writing	September 2017 Audit Results Report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	► Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ► Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ► A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and/or regulations ► Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events	► Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information	► Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	September 2017 Audit Results Report
External confirmations	► Management's refusal for us to request confirmations ► We were unable to obtain relevant and reliable audit evidence from other procedures.	At the time of writing this report we are awaiting some external confirmations in relation to cash. We will provide you with an update at the Audit Committee on 21 September 2017.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and/or regulations	▸ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▸ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	September 2017 Audit Results Report
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.	January 2017 Audit Plan September 2017 Audit Results Report
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	January 2017 Audit Plan September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report

Independence

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We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 17 January 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 21 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee – Code work (Note 1)	64,004	64,004	64,004
Total audit fee – Certification of claims and returns (Note 2)	12,857	12,857	10,911

Note 1: The table above shows the planned fee as per our audit plan issued on 17 January 2017. We have incurred additional costs in respect of the input from the EY estates specialist in reviewing the methodology applied to the valuation of a sample of assets and time from the audit team in facilitating and reviewing this work. We also incurred some additional audit time due to delays in responses to queries. We will be discussing the position with your Assistant Director (Finance and Estates) (Chief Financial Officer). Any additional fee also has to be agreed with Public Service Audit Appointments Limited (PSAA).

Note 2: The fee for the certification of the housing subsidy return for 2016/17 is expected to be lower than the amount shown above as subsequent to our audit plan we agreed with the housing benefits service provider that they would perform the initial testing required for us to review. Any return of fee must also be agreed with PSAA.

We will confirm our final fees following the completion of our audit and non-audit work and report this within our Annual Audit Letter and Annual Certification Report.

Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Stevenage Borough Council
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.

Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	The Council has implemented a dry-run for 2016/17 and met the earlier deadline. The change to the deadlines provide challenges for both the preparers and the auditors of the financial statements. We recognise that generally the working papers prepared for the audit are of a good standard although we will have some suggestions for how they could be further improved for next year as we see a 'step' change being required in terms of the quality and content of working papers for many of our authorities. We noted that there was pressure on the Finance team during our audit and that some query responses were therefore delayed. Given the pressure on auditors to complete audits within a more compressed timescale the co-operation from authorities in preparing clear working papers, analytics data and prompt responses to queries will be vital. As auditors, nationally we have: • Issued a thought piece on early closedown • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 Locally we have: • Set up a forum in October for chief accountants to meet with us to share ideas on how procedures can be streamlined. We look forward to continuing this productive working relation in 2017/18.Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward.

Management Rep Letter

Ernst & Young
400 Capability Green
Luton
LU1 3LU

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Stevenage Borough Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Stevenage Borough Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Appendix C

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

1. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.

2. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

3. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

4. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   · Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   · Additional information that you have requested from us for the purpose of the audit; and

   · Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

   a. Council 11 July 2017

   b. Executive 8 August 2017

   c. Audit 6 September 2017.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 31 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than as described in Note 7 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, Investment Properties, NDR appeals and Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Property Valuation and Business Rates Appeals Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the valuation of Property estimate appropriately reflects our intent and ability to utilize these assets on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and

properly accounted for.

Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

Yours faithfully,

____

Assistant Director (Finance and Estates) (Chief Financial Officer)

____

Chair of the Audit Committee

EY | Assurance | Tax | Transactions | Advisory

About EY
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEVENAGE BOROUGH COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Stevenage Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the related notes 1 to 34 and the Expenditure and Funding Analysis.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Stevenage Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director (Finance and Estates) (Chief Financial Officer*)* and auditor

As explained more fully in the Statement of the Assistant Director (Finance and Estates) (Chief Financial Officer)'s Responsibilities set out on page 23, the Assistant Director (Finance and Estates) (Chief Financial Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the

Assistant Director (Finance and Estates) (Chief Financial Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2016/17 Financial Report including Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Stevenage Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the 2016/17 Financial Report including Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Stevenage Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Stevenage Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Stevenage Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Neil Harris
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
21 September 2017

The maintenance and integrity of the Stevenage Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.