2019/20
Financial Report including Statement of Accounts and Group Accounts

Stevenage

BOROUGH COUNCIL

The 2019/20 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 28 February 2022.

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 contd.

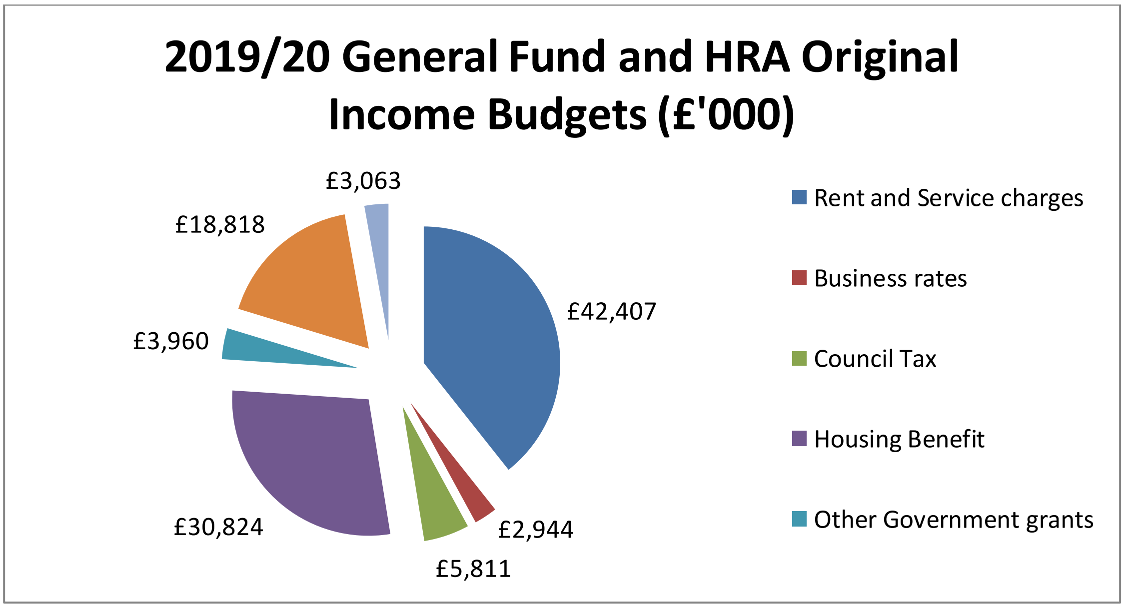
Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2019/20. As a co-operative Council we 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.

Stevenage Borough Council provides circa 120 different services, most of which we provide ourselves, which includes our Council housing. However, the Council's leisure facilities are currently under contract to Stevenage Leisure Services and we do share some services with other Councils which are:

- Shared Revenues and Benefits service (hosted by East Hertfordshire District Council (EHDC))
- Shared ICT service with EHDC hosted by Stevenage Borough Council.
- Shared Internal Audit Service (SIAS) and Shared Anti-Fraud Service (SAFS) with other Hertfordshire Councils hosted by Hertfordshire County Council
- Shared CCTV service (partnership and company) with EHDC, NHDC and Hertsmere Borough Council, hosted by Stevenage Borough Council.
- Shared Legal service hosted by Hertfordshire County Council.
- Shareholder in Building Control company with seven other Hertfordshire Councils
- Shared Disabled Facilities service (Hertfordshire Home Improvement Agency) hosted by Hertfordshire County Council

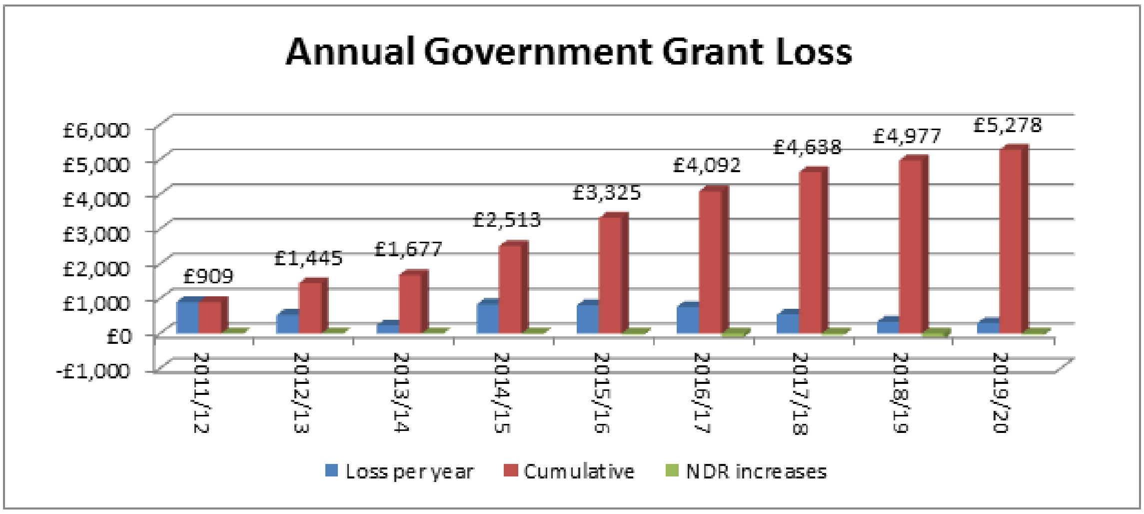
The Council directly employs circa 620 employees across our many services and how we fund those services is shown below.



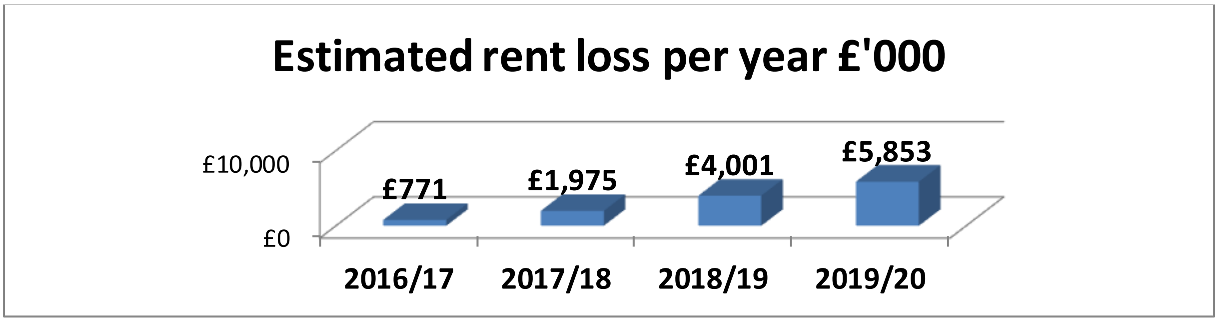
Foreword by Chief Executive

Financial Challenges

Local government has faced significant funding cuts during the period of national austerity, which has seen successive governments reduce financial support to all parts of the public sector, with lower tier authorities such as Stevenage Borough Council receiving a significant proportion of that reduction. The impact on Stevenage has been our General Fund services will have seen £5.3Million of government grant removed between 2011/12-2019/20. But we also have had to fund an estimated £5.1Million of inflation increases and pressures in that period in addition to the grant reductions, without the ability to fund the widening gap from Council tax. This is because increases have been limited by legislation for District Council's at below 2% up to 2017/18 and thereafter limited to increase below 3% or £5 on a Band D property, without triggering a local referendum vote.



Our funding and income to provide our services has also been impacted by changes in government policy and no more so than government legislation on council house rents. The government's Welfare Reform and Work Act made changes to the rent we can charge for our council homes which has resulted an estimated reduction in income of £225Million over 30 year period. Rental income is used fund the management of our council homes, fund improvements and to build new homes.



Foreword by Chief Executive

The Covid-19 pandemic

The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown announced on 20 March 2020, has meant that many businesses in Stevenage have had to close, significantly impacting the local economy, which in turn impacts on the Council's income. Furthermore the Council has had to put significant resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

These additional costs have not had a dramatic impact on the 2019/20 outturn as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of income. These include parking, trade waste and commercial property rents. As with any recession, investment income is anticipated to reduce which create further pressures on the Council's finances.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial, even after the Government's emergency Covid-19 funding for local authorities is taken into account. The Council has put precautionary measures in place to allow the Council to deliver its much needed services in the recovery phase and have sufficient balances, should further government funding fall short of the losses sustained.

Foreword by Chief Executive

Future Town Future Council Programme & Covid-19 Recovery Plans

We continue to face tough economic choices but we are all working hard in Stevenage to continue to deliver effective services despite the financial challenges we face. We all have fewer resources and must find creative ways to ensure that front line service quality for those who need us is not compromised.

The impact of grant reductions, legislation changes and the economic context has meant that we have needed a plan to fund our services and at the same time ensure that our scarce funding resources are directed to our top priorities.

Members approved the current Future Town Future Council Corporate Plan in December 2016. It reflects the Council's continuing focus on co-operative working and outlines the key outcomes and priorities for the town over the period 2016-2021 through the flagship Future Town Future Council (FTFC) transformation programme, shown to the right.

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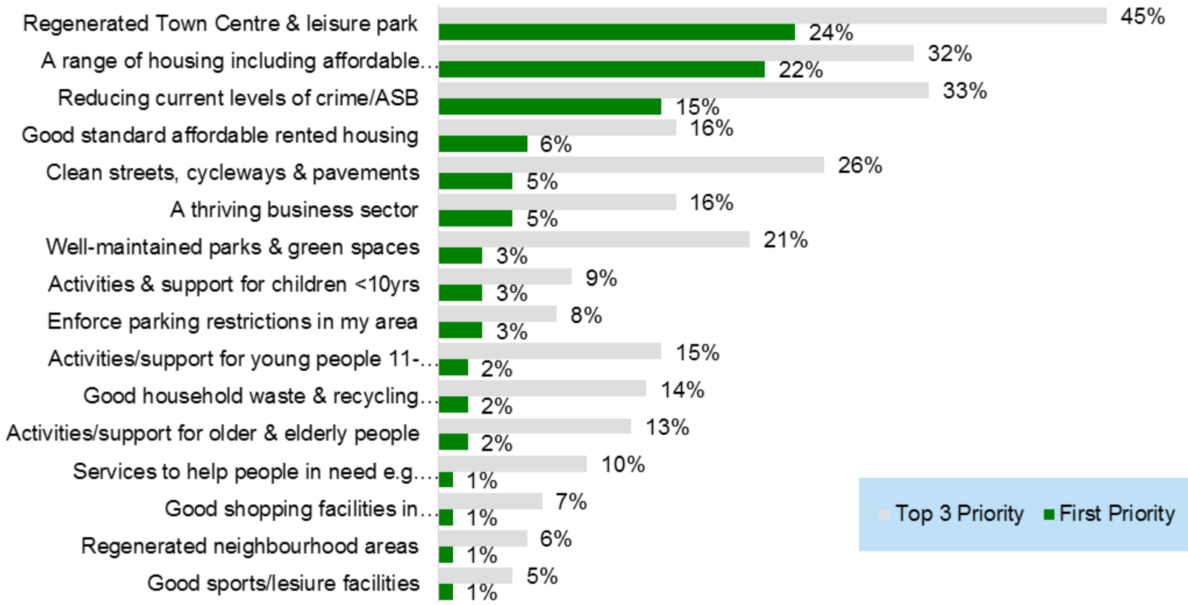
Artist impression of Stevenage town centre

Foreword by Chief Executive

When we asked our residents[1], they said their top priorities were regenerating the town centre and affordable housing, and these match the Council's top priorities



FTFC is delivering key improvements that our residents told us they want to see. Included in this five year programme are plans to regenerate the town centre, provide housing that works for all, make services more accessible, and invest in our town's neighbourhoods. From 2020/21 we will be launching a "Place of Choice" strand to our programme which will incorporate some of our place-based strategies and key work we carry out with our partners. We will ensure our cooperative approach helps us address the economic and social recovery challenges in the year ahead. This will be coupled with our commitment to addressing both the Council and the town's contribution to climate change through sustainable local growth via partnership and resident engagement across the town.

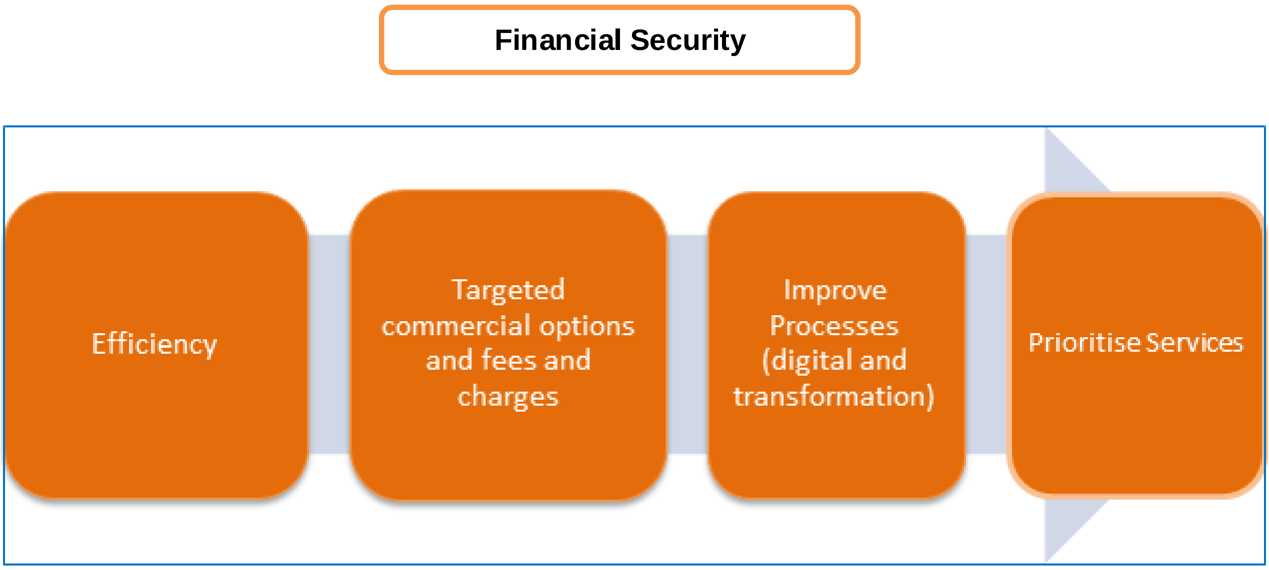
In parallel to this, the Council's focus has also turned to how it will aid recovery of the town and the Council in the context of the Covid-19 crisis. The aim of our emerging Town and Council Recovery Plans is to provide a formal and integrated structure for recovery following the Covid-19 pandemic. The backbone of the Town Recovery Plans is the Council's FTFC programme which is already being taken forward in partnership with other local organisations. Some of the actions that the Council will take in conjunction with its strategic partners will be short term to support social distancing. Others such as regenerating the town centre and building new Council homes are medium to longer term programmes. Together these actions will play a significant role in the town's recovery.

[1] Residents Survey 2017

Foreword by Chief Executive

Financial Security

But how we do we deliver all this with the financial challenges we face? The Council's Financial Strategies (MTFS), highlighted the need for on-going savings to fund inflation and service pressures. We aim to ensure we can deliver our priorities even though our resources are reducing through our 'Financial Security' work stream. The Council's 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 services. This will help us maintain our priority services while still meeting our FTFC ambitions.



The four strands of the financial security priority are set out in the Council's Medium Term, Financial Strategy (MTFS) and is the enabler to delivering our MTFS objectives which includes:

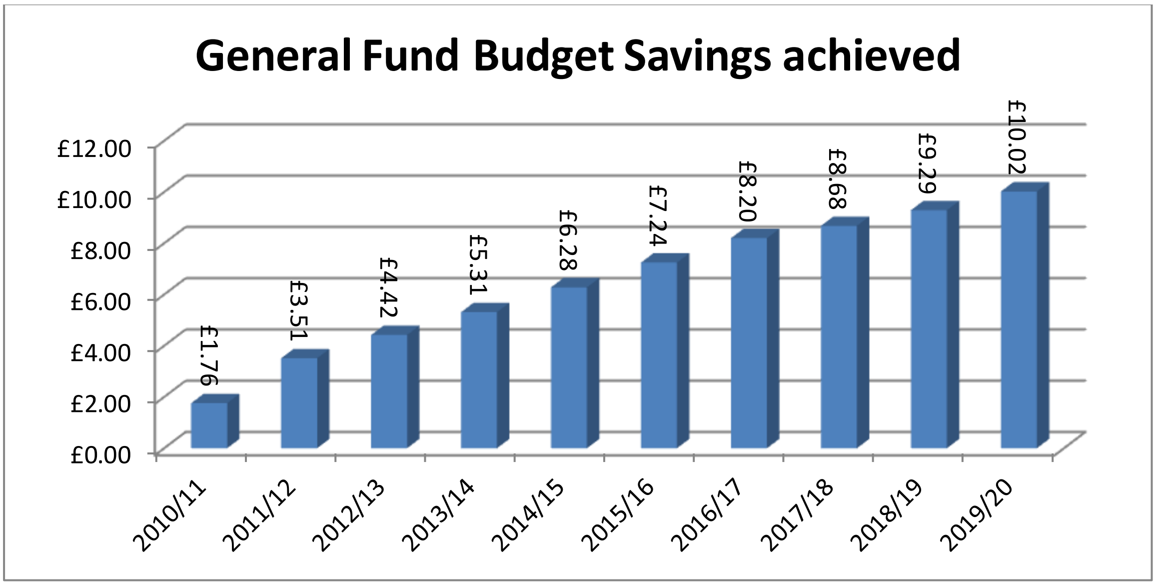
'To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on–going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'

The delivery of FTFC priorities against a backdrop of funding cuts will necessitate that growth should only be approved which meets the outcomes of the FTFC priorities. The Council will consider the timeline of this MTFS principle in light of Covid-19, projected funding losses to the Executive in the September 2020 update.

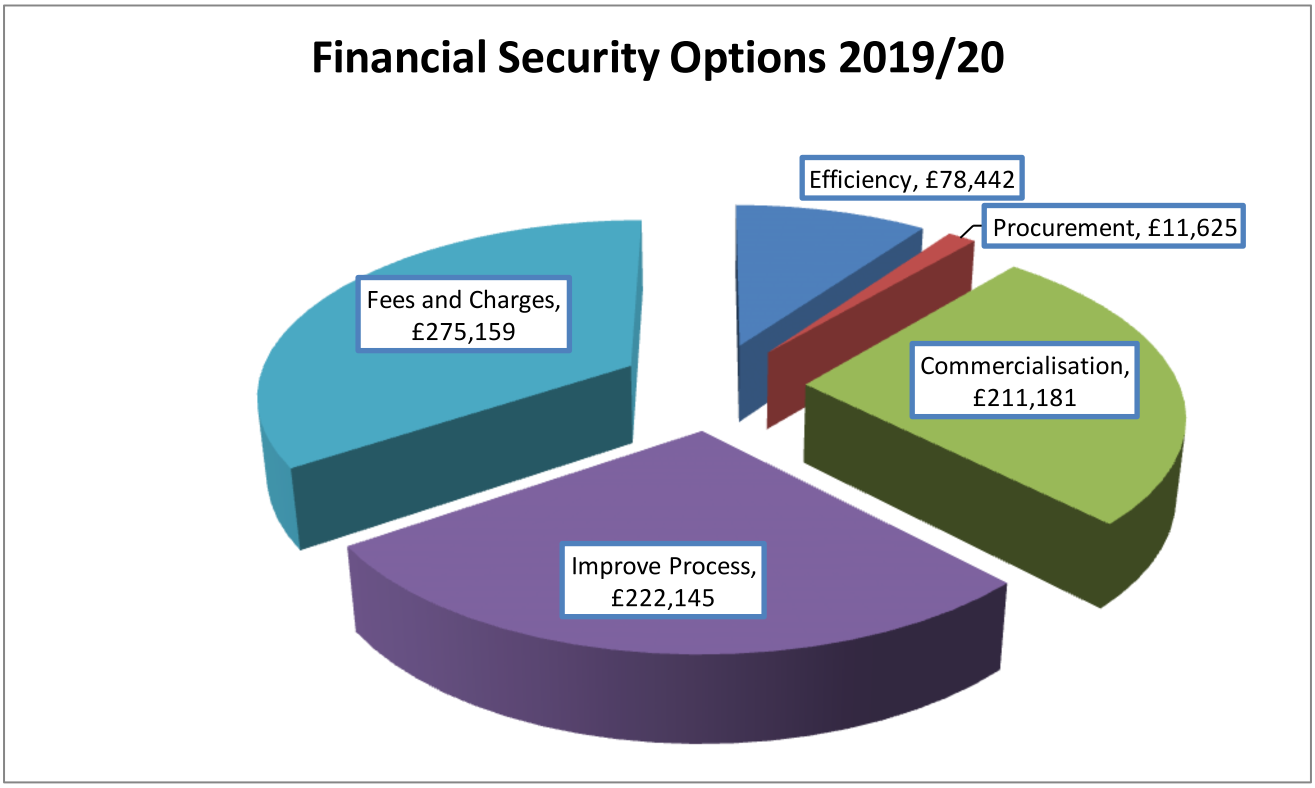
In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring 'Financial Security' targets to be set and implemented.

Foreword by Chief Executive

But we do have a track record in achieving savings and during the period 2010/11-2019/20 Members have approved a total £10.02Million net cost reductions for General Fund services.



For the 2019/20 financial year, Members approved total General Fund Financial Security options of £799K and an additional £122K of prior year savings. Members also approved options totalling £355K for Housing Revenue Account (HRA), giving an overall total of £1,275M for 2019/20.



Foreword by Chief Executive

Looking to the future, the total 'Financial Security' target for both the General Fund and HRA for 2021/22-2023/24 is estimated to be £3.13Million, (including fees and charges increases), our plans have identified options totalling £1.77Million, leaving £1.36Million to be delivered as part of the Financial Security priority, (£1.14Million General Fund, £220K, HRA) as at February 2020.

In addition to the Financial Security options identified, Members also approved the first major 'targeted commercialisation' option in 2017. This was £15Million investment in commercial property predominately in Stevenage to promote economic investment for the town and give an estimated net £200K contribution to the General Fund. To date one property has been acquired which is estimated to give a £42K contribution to the General Fund and other opportunities are currently being explored. The projection for 2020/21 is to achieve a £200K total contribution for the General Fund.

The Council's March 2019 Executive also approved the business plan to set up of a Wholly Owned housing company (WOC) to provide a supply of market rent properties. The creation of the WOC allows Stevenage Borough Council to influence the private rented market in order to provide an alternative to what the market is currently offering in terms of quality and assurance of tenure. The business plan anticipates that the WOC will be able to make a contribution to the General Fund after the third year of trading, this is currently being reviewed.

FTFC Delivery

Over the past year, we have seen substantial progress across our corporate 'Future Town Future Council' programme and despite the difficulties the current coronavirus outbreak has placed on residents, business and ourselves, the council is determined to continue its ambitious programme of work to ensure both town and council are revitalised for the 21st century.

The much needed multi-million pound regeneration of Stevenage town centre has begun, and represents one of the biggest development opportunities in the East of England. The Council continues to work with its construction and delivery partners to deliver a range of regeneration schemes.

During 2019/20, development and construction company, Mace, submitted the planning application for a key phase of the town centre regeneration, called SG1. This ambitious scheme will bring £350M of private investment into our town centre and will see the area covering our offices here at Daneshill House, the Plaza, bus station and some of the adjacent car parks redeveloped with new shops, bars and restaurants, homes, new public spaces, and a central public sector hub accommodating our offices, a library, exhibition space, and health services. We anticipate that, following the planning process, construction work will start in this financial year, taking several years to complete.

Foreword by Chief Executive

Our other development partner, Reef, is progressing well on a further town centre scheme, that will see the redevelopment of a significant part of the Town's main shopping thoroughfare, Queensway North. The £50M scheme aims to ensure the town centre offer remains vibrant and will introduce a range of new retail, flexible working, conference facilities and bar and restaurant space into the area, with the first phase due to complete in 2020/21.

Improvements to the public realm in the Town Square will also complete in 2020/21 and construction of the new bus interchange will commence.

Stevenage is well positioned to attract further infrastructure investment over and above the Growth Deal funding already secured. The Council has continued to contribute to the development of a Hertfordshire Growth Prospectus and a countywide Economic Recovery Strategy that will potentially help unlock additional Government resources to stimulate growth across the county and within Stevenage.

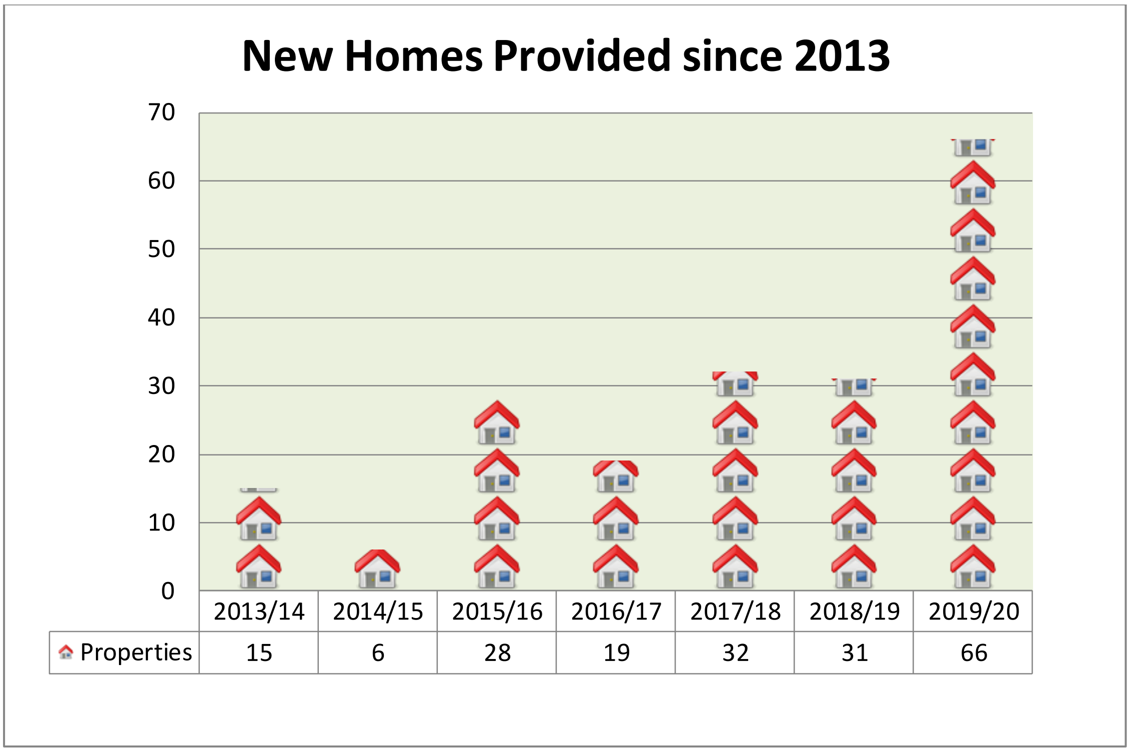
Work is continuing to progress through the recently created Stevenage Development Board on the development of a Town Investment Plan for Stevenage – as part of the Government's Towns Fund Programme. Through this programme the Council, working alongside local partners, has an opportunity to secure up to £25M to further support growth in the town.

Southgate Artists impression after regeneration

Foreword by Chief Executive

Providing decent, social and affordable homes appropriate to the needs of our residents is another one of our key priorities and is being achieved through the delivery of the Council's own new build programme.

A total of 65 social and affordable homes were delivered in 2019/20, including schemes at Blackwell Close and Burwell Court, bringing the total to 238 homes since the programme began. The contractor for the flagship independent living scheme at Kenilworth Close was also appointed during the year.



During 2020/21, the Council will progress the development of a further 240 new affordable homes, including sites at Shephall Way, Kenilworth Close, North Road and Symonds Green, and will seek planning permission for an additional 300 homes. We will also finalise the establishment of a new Wholly Owned Housing Company to further deliver housing growth within the town.

We are a Co-operative Council and as such we take decisions with our residents and another of our top priorities is the Co-operative Neighbourhood programme. This includes neighbourhood garages, play refurbishments, improvements to public realm and landscaping as well as employing our four neighbourhood wardens to work with residents in the town to improve our neighbourhoods. In 2019/20 we allocated £450K from New Homes Bonus funding to help fund this programme. This funding is in addition to the capital funding we have already approved.

Foreword by Chief Executive

The Council will implement a new Area Based Working model during 2020/21; including the establishment of six Cooperative Neighbourhood areas. Neighbourhood teams will form the basis of the Council's strategic approach to delivering localised, responsive, coordinated and collaborative services; working with partners; and engaging with the different communities of Stevenage.

As part of the Council's community wealth building approach, work will continue with other anchor institutions and businesses in the town to share best practice and promote local employment and spend.

Risk and Performance

The FTFC programme is an ambitious programme for Stevenage and this brings a level of risk for the Council. The Council maintains a Strategic Risk register which is reported to the Senior Leadership Team (SLT), Corporate Risk Group and our Audit Committee on a quarterly basis. This register includes all the top perceived risks for the Council and includes actions to mitigate risk. In addition any decisions taken by our Members are considered taking into account financial, legal and identified risks.

We ensure that we deliver the services and priorities our Members have approved by reporting quarterly using some key measures and programme updates to see how we are doing. Some of the measures relate to the FTFC programme and the remainder to key performance indicators that check how well we are providing our services and meeting our targets. These are reviewed by the SLT and we look at any mitigation we can implement if our targets are not being met. The performance measures are then approved by our Members. Although not all our measures are on target and we have put plans in place to achieve them and we recognise we can always improve.

Business Transformation

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' priorities.

Our Business Unit Reviews which were started in 2017/18 aim to enhance our workforce capacity and skills to meet the increasing and changing demand for services over the next five years.

In response to Covid-19 the Council has changed how it operates and how it delivers services to residents. Whilst some of this change has been hard, the organisation now has the capability to work and deliver differently – to become an even more modern and flexible organisation with the potential to change its culture and further improve staff wellbeing.

Foreword by Chief Executive

In 2020/21 the Council will develop a new Workforce strategy and supporting work programme to ensure that our workforce and workplace are developed and engaged to deliver our services now and in the future. The strategy will focus on ways of working, workforce communication, workforce inclusion and diversity and workforce development.

Building on the changes already made the Council will look to refocus and accelerate its transformation programme in order to improve user experiences and create service efficiencies. In doing so, the Council will look to further exploit new and existing technology to deliver more accessible services and involve service users as it does so.

Statement of Accounts

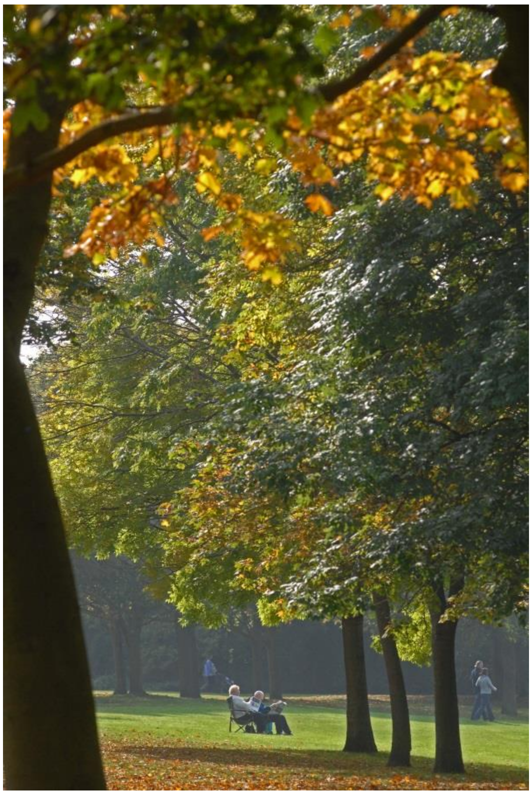
The Accounts of Stevenage Borough Council for the year ended 31 March 2020 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting.

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.

This concludes my first year as Chief Executive of Stevenage Borough Council, a role I am both proud and privileged to hold. I am grateful for the support I have received from officer colleagues and our Elected Members, in particular, the Leader of the Council Cllr Sharon Taylor OBE. Without a doubt the response to the COVID Pandemic will continue to dominate for some time to come as we strive, working cooperatively with our partners, to do all we can to support local people and businesses. I hope though that the activities already underway along with those now planned as set out in this foreword serve to demonstrate that Stevenage Borough Council was already focusing upon the right priorities as highlighted by those who live and work in the town.

Matt Partridge
Chief Executive

About Stevenage Borough Council



Background

Stevenage was designated Britain's first new town in 1946.

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

General Statistics

2018/19		2019/20
	Area and Population	
2,596	Area (hectares)	2,597
87,700	Population	87,754
33.78	Population per Hectare	34.04
	Council Tax	
29,433	Number of Chargeable Dwellings	29,699
	Council Tax per Property in Band D	
£204.46	**- Stevenage Borough Council**	**£210.57**
£1,320.46	- Hertfordshire County Council	£1,359.94
£164.00	- Hertfordshire Police Authority	£188.00
£1,688.92	**Total Council Tax**	£1,758.51

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

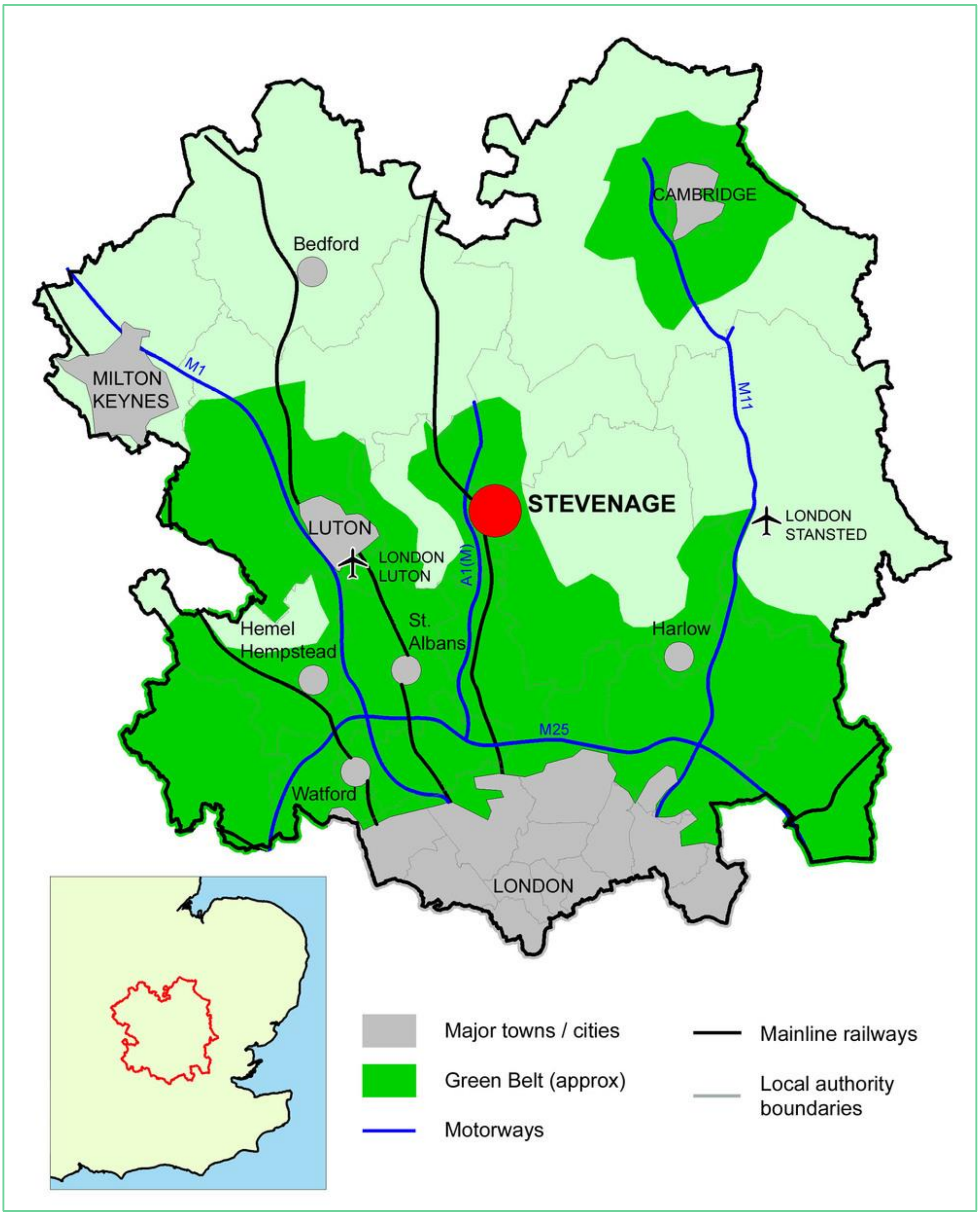
About Stevenage Borough Council

General information

Geography

Stevenage is strategically located within Hertfordshire 30 miles north of London. With a major station on the East Coast Main Line, Stevenage offers superb connectivity with 19 minute journey times to Kings Cross and less than 40 minutes to Cambridge. Thameslink services giving direct connections to Farringdon, London Bridge and Gatwick have also expanded into Stevenage, with links all the way through to Brighton.

Stevenage is also situated on the A1 (M) with good access to Cambridge, Peterborough, Northampton and Milton Keynes in less than one hour by road. In addition, two international airports are within easy reach of Stevenage: London Luton (14 miles) and London Stansted (29 miles)



About Stevenage Borough Council

General information

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 the place to do business. 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. A quarter of the world's satellites currently in orbit were made in Stevenage, and we are one of the leading locations for cell and gene therapy development. Our major employers include:

- GlaxoSmithKline
- Airbus Defence & Space
- MBDA
- Stevenage Bioscience Catalyst
- Stevenage Cell & Gene Catapult
- Fujitsu

Living

Stevenage offers a fantastic standard of living 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, with many exceptional schools situated throughout Hertfordshire. 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.

About Stevenage Borough Council

General information

Opportunity

Stevenage is planning on delivering over 7,500 new homes over the coming 20 years with half of these to be delivered in the Town Centre. The Stevenage Central Framework sets out our ambitious regeneration programme for the town centre and with planning permission submitted by our development partner Mace for the first phase, called SG1, construction is another step closer. SG1 will see over 1,800 new homes, restaurant, commercial spaces, public spaces and a new community hub delivered.

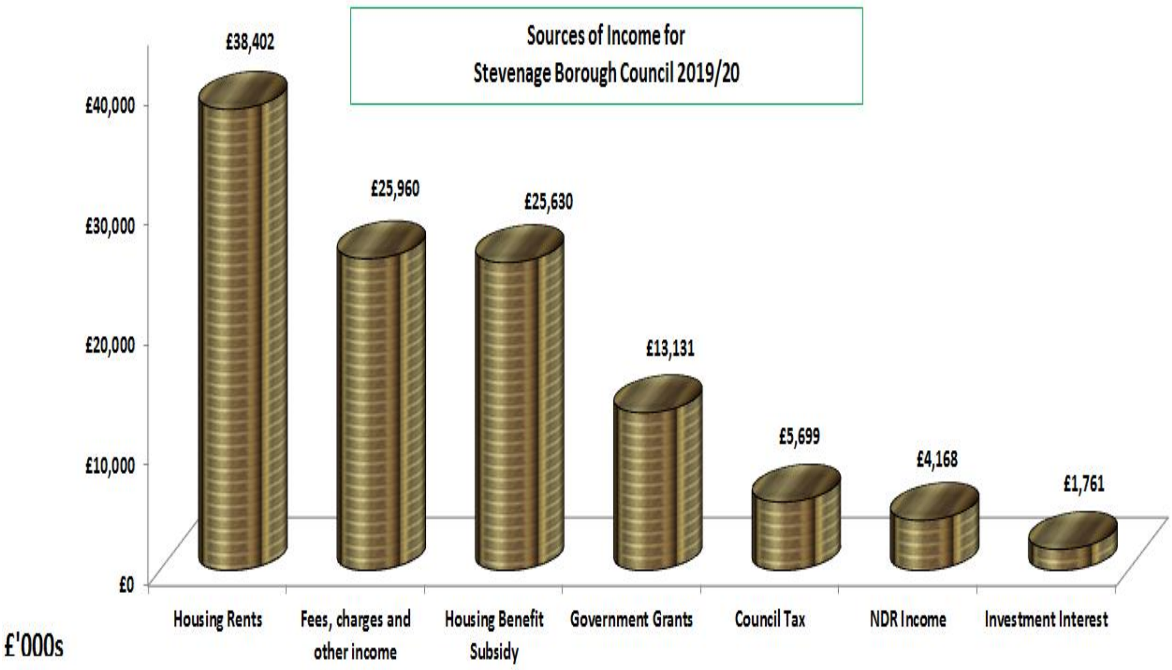
The Council has also entered into a partnership to redevelop part of Queensway in the town centre. The £50M redevelopment will include mixed retail use, housing and leisure facilities, helping to regenerate this area of the town centre.

Queensway: artist’s impression

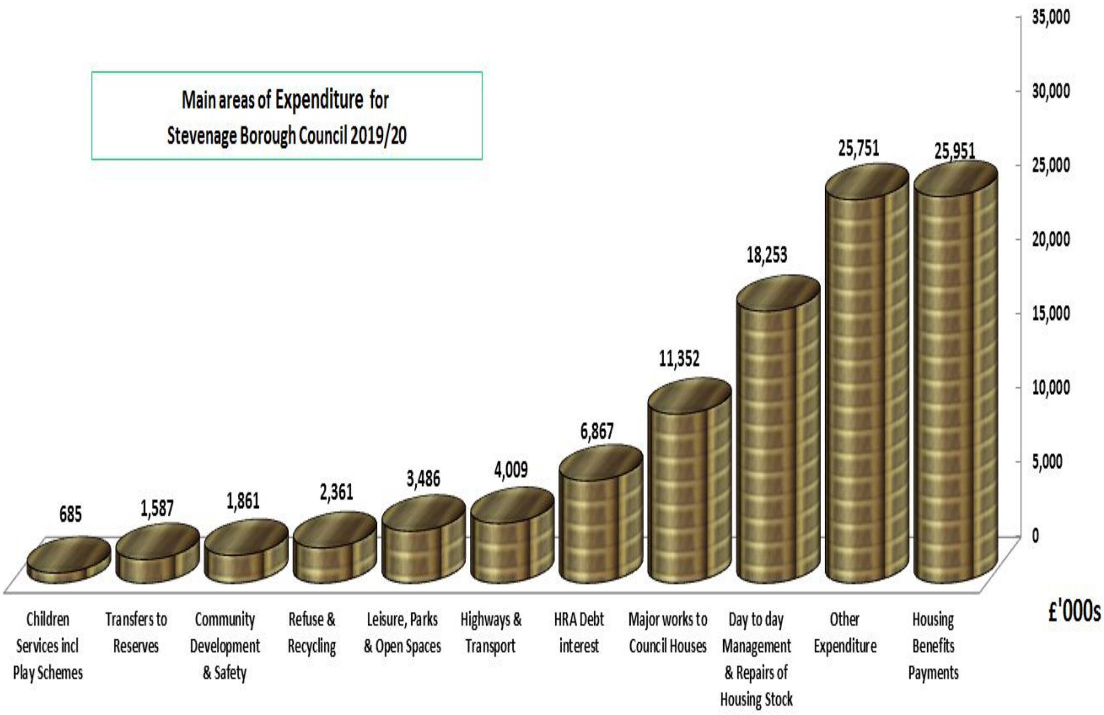
About Stevenage Borough Council

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 2020

(full statement on page 43)

2018/2019 Net Expenditure £'000	Comprehensive Income & Expenditure Account	2019/2020 Net Expenditure £'000
£9,248	**Cost of Services**	**£5,109**
(£1,809)	Other Operational Expenditure	(£2,501)
£5,882	Financing & Investment Income and Expenditure	£5,843
(£12,958)	Taxation & Non-Specific Grant Income: Retained Business rates	(£19,508)
£363	**(Surplus)/Deficit on Provision of Services**	**(£11,057)**
£26,516	**Other Comprehensive Income and Expenditure**	(£26,660)
£26,879	**Total Comprehensive Income and Expenditure**	**(£37,717)**

2018/19 £'000	Balance Sheet	2019/20 £'000
	Assets:	
£788,190	Long Term Assets	£812,964
£55,587	Current Assets	£58,692
(£23,193)	Current Liabilities	(£26,478)
(£284,719)	Long Term Liabilities	(£271,597)
£535,865	**Net Assets**	**£573,581**
	Fund Balances & Reserves:	
(£57,783)	Usable Reserves	(£59,297)
(£478,082)	Unusable reserves	(£514,284)
(£535,865)	**Total Comprehensive Income and Expenditure**	**(£573,581)**

Narrative Statement

Revenue Budget and Outturn

The original General Fund net budget of £8.803M was agreed at Full Council on 27 February 2019. Subsequently, Members have approved various budget amendments to take into account service pressures and budget options arising in year resulting in a revised budget of £9.571Million approved on 11 March 2020 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

Directorate:	Original Budget 2019/20 £'000	Working Budget 2019/20 £'000	Actual 2019/20 £'000	Variance to working Budget £'000
Community Services	£4,297	£4,462	£4,433	(£29)
Housing Services	£1,991	£2,011	£2,724	£713
Environmental Services	£6,798	£7,329	£6,085	(£1,244)
Local Community Budgets	£101	£101	£92	(£9)
Resources	(£4,353)	(£5,029)	(£7,065)	(£2,036)
Resources Support	(£31)	£698	£563	(£135)
Total Net General Fund Expenditure	**£8,803**	**£9,572**	**£6,832**	**(£2,740)**
Income:				
Council Tax	(£5,755)	(£5,755)	(£5,755)	£0
Transfers to/from Collection Fund	(£437)	(£437)	(£437)	£0
Retained Business Rates	(£2,563)	(£2,563)	(£2,909)	(£346)
Total Income from Taxation	(£8,755)	(£8,755)	(£9,101)	(£346)
Net Underspend /transfer to balances	**£48**	**£817**	**(£2,269)**	**(£3,086)**
General Fund Balance brought forward	**(£4,096)**	**(£4,794)**	**(£4,794)**	
Balance Carried Forward	**(£4,048)**	**(£3,977)**	**(£7,063)**	

Narrative Statement

Revenue Budget and Outturn

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

The 2019/20 actual net spend on the General Fund was £2.739M lower than the working budget. This includes actions approved in the Medium Term Finance Strategy recovery plan at the June Executive to improve the resilience of General Fund balances as a result of the impact of Covid 19 on the Council. The large variance in Resources is mainly due to £1.218M of Revenue Contribution to Capital that will be used to offset some of the Covid19 losses that will impact 2020/21 and as approved by Members in the June MTFS update. Included within this underspend is £795K relating to projects which have slipped into 2020/21 and for which carry forward of budget has been approved by Executive (8 July 2020).

Narrative Statement

Budget – Housing Revenue Account (HRA)

The original HRA budget of £9.076M (deficit) was agreed at Council on 30 January 2019. Subsequently, Members have approved various budget amendments to take into account service pressures and budget options arising in the year resulting in a revised budget of £2.432M surplus approved on 11 March 2020 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2019/20	Working Budget 2019/20	Actual 2019/20	Variance to Working Budget
Expenditure:				
Supervision & Management	9,383	9,444	9,129	(315)
Repairs & Maintenance	6,226	6,155	6,136	(19)
Other expenditure	5,629	5,800	5,605	(195)
Total Expenditure	**21,239**	**21,398**	**20,870**	**(529)**
Income:				
Dwelling Rents	(39,254)	(39,022)	(39,012)	11
Other income	(5,579)	(5,408)	(5,852)	(444)
Total Income	**(44,834)**	**(44,430)**	**(44,863)**	**(433)**
Other charges to the HRA				
Depreciation	12,156	11,484	11,484	(0)
Interest	6,568	6,457	6,469	12
Other	13,947	7,523	7,523	(0)
Total Other charges to the HRA	**32,671**	**25,465**	**25,477**	**12**
(Surplus) / Deficit for the year	**9,076**	**2,432**	**1,483**	**(950)**
Balance brought forward	(20,054)	(21,302)	(21,302)	0
Balance Carried forward	**(10,977)**	**(18,870)**	**(19,819)**	**(950)**

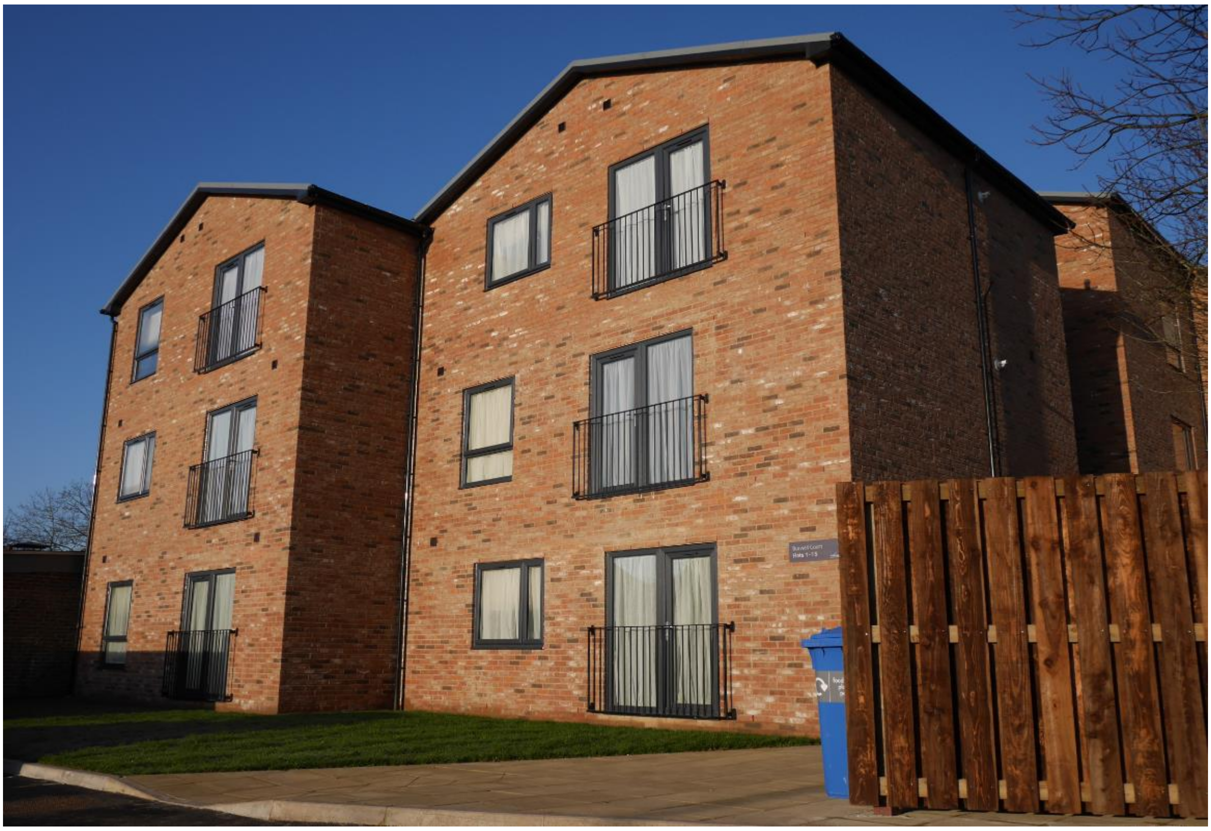
The 2019/20 actual HRA net deficit was £950K lower than the working budgeted deficit. Included within this underspend is £390K relating to projects which have slipped into 2020/21 and for which carry forward of budget has been approved by Executive (8 July 2020). Included within the actual costs is the release of a provision £440K which relates to claims relating to historic water commission charges that are now considered to be of low risk within the HRA accounts and is in accordance with statutory provisions and CIPFA guidance.

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, sale receipts, and if necessary, capital borrowing which, at the time, was limited by a borrowing cap set by the government. This borrowing cap was lifted in 2018/19. At the time of the Self Financing settlement the HRA took loans totalling £196.911M (an amount determined by and payable to The Secretary of State). HRA reserves over and above minimum balances (£19.819M at 31 March 2020) are required to repay those loans taken out as part of the Self Financing agreement and balance the needs of the service. In addition Members have approved a reserve of £5.7M to allow for interest rate fluctuations on borrowing.

2019/20 was a landmark year for the HRA with housing stock increasing and the number of new homes provided exceeding the number of houses lost through the right to buy scheme. During the financial year 2019/20, 42 council homes were sold under the Right to Buy scheme and 64 new homes were provided by the Council's Housing Development programme The Council's closing stock of council homes at 31 March 2020 was 7,990 (7,965 properties at 31 March 2019).



15 New homes at Burwell Court

Narrative Statement

Material Assets Acquired or Liabilities Incurred during 2019/20.

During 2019/20 the Council acquired sites in the town centre as part of the regeneration site assembly to deliver a new public realm and buildings at the heart of Stevenage.

Economic Significant Provisions, Contingencies and Write offs

There were no significant movements in provisions or write offs in 2019/20.

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 revenue reserves– General Fund revenue balances cannot be used for HRA expenditure and vice versa. Capital reserves have been allocated to either General Fund or HRA while some capital reserves are fund specific, for example the Major Repairs Reserve can only be used for HRA capital expenditure. The capital receipts reserves and Capital grants unapplied reserve and statutory reserves for which they can only be used for specific purposes.

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 significant proportion of these balances in the medium term. 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.

General Fund Reserves

As at the 31 March 2020 the General Fund had the following reserves:

- £7.063M General Fund Balances
- £5.492M Earmarked Reserves
- £5.993M Capital Reserves
- £18.548M Total Reserves

As part of the budget setting process the Council undertakes a risk assessment to determine the level of balances required in each year. The risk assessment identified General Fund balances of £2.920M are required for 2020/21, (at the 31 March 2019, £2.671M). 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 any expenses arising before income is received. In June 2020 Members approved an updated Medium Term

Narrative Statement

General Fund Reserves (cont)

Financial Strategy to address Covid 19 pressures and an additional £3Million use of balances was identified to cover anticipated budget pressures in 2020/21 and the mitigation measures necessary to address the pandemic. The Council continues to managed its use of General Fund balances in the short term but may have to review the Council's Financial Security principle objective of an ongoing balanced budget by 2022/23 ensuring in year inflationary pressures are matched by increases in income or reductions in expenditure as a result of Covid 19 (September 2020 Executive).

Local Government finances are going through considerable change and challenge and the assessment of balances must not only deal with unplanned spend but also future Government funding changes, including the fair funding review and the localisation of Business Rates which places greater risk and reward on the Council in regard to NDR collection rates and yield. These changes to funding have been deferred beyond 2021/22 as a result of Covid 19 and the need for Councils to focus on meeting the public health challenges posed by the pandemic.

Narrative Statement

Housing Revenue Account Reserves

HRA reserves are ring fenced and cannot be used for General Fund expenditure. As with the General Fund a risk assessment is undertaken on the HRA to determine the level of balances required each year. As at 31 March 2020 The HRA had the following reserves:

- £19.819M Balances
- £5.713M Earmarked Reserves
- £4.746M Major Repairs Reserve
- £10.470M Capital Reserves
- £40.748M Total Reserves

The risk assessment identified HRA balances of £2.985M are required for 2020/21. In addition balances will be needed to repay the HRA loans (as at 31 March 2020, the HRA had loans of £209M) 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 2020 were £19.819M and higher than the risk assessment of balances for 2019/20, however the HRA is subject to significant financial risks including;

- Legislative changes have increased the levels of RTB sales over and may result in sales above those anticipated in the HRA Business Plan. Future policy changes are not known however, the revised business plan currently assumes 35 sales per year.
- Impact of universal credit on the collectability of rents and possible adverse effect on rent arrears.
- Increased prudential borrowing in the HRA increases the risk of adverse interest rate fluctuation throughout the life of the business plan.
- Impact of future changes in government policy on rent increases.

The HRA 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 £10.470M available for capital schemes £10.364M must be used for the provision of new housing (funding up to a maximum of 30% of the build costs, the remainder being funded by other HRA capital resources), or repaid to the Government if not spent within three years. These receipts are generated from right to buy of Council homes of which the government takes a proportion which was £865K in 2019/20.

Narrative Statement

Borrowing and Capital

As at the 31 March 2020 the Council had external borrowing of £209.229M, (£205.483M at 31 March 2019). 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 addition it has finance lease to purchase 37 year head lease for 85-100 Queensway and 24-26 The Forum from Aviva, (£11.765M at 31 March 2020, £11.788M at 31 March 2019)

In 2019/20 the Council spent £43.527M on capital projects, of which £19.500M was spent on our existing housing stock and other housing related assets, £10.886M on new HRA homes and a further £13.140M on General Fund assets.

The Council funded £8.038M of its capital programme from the sale of assets, (land and council house sales), which equates to 18%, (21% 2018/19) of the total funding. Grants and 3rd party payments made up £8.582M of funding (20%) in 2019/20. The biggest source of funding (41%) of the HRA capital programme in 2019/20 was the Major Repairs Reserve. This is funded from the depreciation charge made from the HRA to the Major Repairs reserve to finance future capital investment. The residual £8.876M was financed by borrowing, from new external borrowing and internal borrowing.

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. As at 31 March 2020 the pension liability decreased by £19.281M to £39.413M following the triannual review undertaken in 2019/20.

Significant changes in accounting policy in 2019/20

There have been no significant changes in accounting policies in 2019/20. 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).

Narrative Statement

Significant changes in estimation techniques in 2019/20

There have been no significant changes to estimation techniques this year.

Other significant events during the financial year 2019/20

In March 2020 the UK went onto a countrywide lockdown to combat the spread of Covid 19 pandemic. Members of the public were asked to stay at home, non- essential shops and offices were closed and the council saw a significant drop in income from carparks and tenants. At the same time the council was incurring additional costs in supporting the residents of Stevenage and providing accommodation for rough sleepers. Central Government grant has been provided towards these costs but as reported in the Covid 19 medium term financial strategy presented to Executive in June 2020 the additional costs to the Council in 2020/21 is estimated at £6M, based on current forecast and impacts of Covid 19. Financial mitigation measures were approved by Members in June to address the immediate impact of the Covid pandemic.
During the pandemic work on the Councils regeneration schemes at SG1 and Queensway continued. In 2019/20 two further land assembly purchases were made to facilitate the SG1 scheme.

Additional information provided by the Council’s Strategic Director (s151 Officer) on the impacts of the COVID pandemic on the Council’s finances

The COVID pandemic has created significant financial issues for the Council such as

- Many of Stevenage’s businesses and residents are not or unable to make payments due for items such as commercial rents, business rates and council tax.
- A number of the Council’s income streams such as parking seeing a significant reduction in revenues
- Supporting the Council’s leisure provider with emergency funding

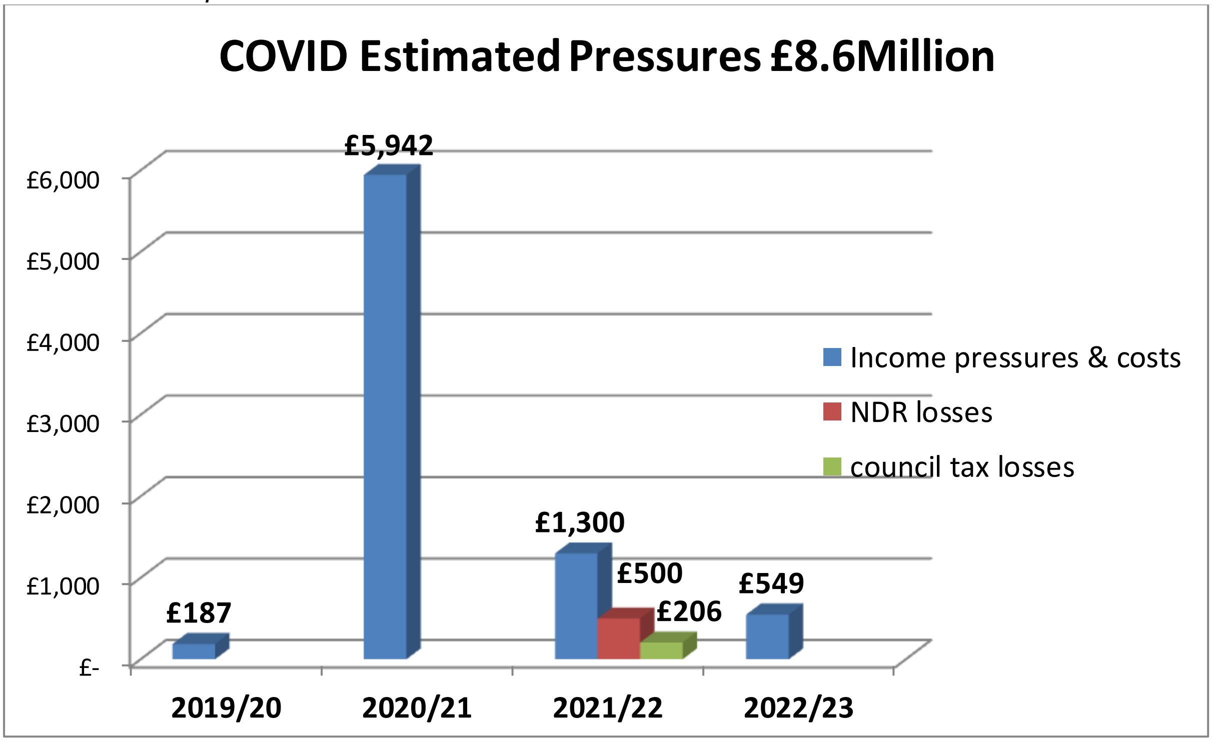
The Council has identified the potential cost of COVID through two updates on the General MTFS in June and September. The first report in June recommended putting in place a number of precautionary measures to reduce General Fund net expenditure totalling £3.5Million.
The latest General Fund year end position compared to the prior year and the 2020/21 Original Budget are summarised below.

Narrative Statement

General Fund Balances	31 March 2019 £'000	31 March 2020 £'000	2020/21 Original Budget £'000
Opening Balance	(£5,465)	(£4,794)	(£3,884)
In Year Contribution (to)/from reserves	£671	(£2,269)	£149
Closing Balances	(£4,794)	(£7,063)	(£3,735)
Earmarked Reserves	**(£3,905)**	**(£5,492)**	**(£2,755)**

The 2020/21 budget was set in February 2020 and set a budget that was drawing down £149K from General Fund reserves. However, since the budget was set, the impact on COVID on the Council's General Fund in particular has been evident with increasing arrears and a significant down turn in fees and charges. The Council proactively sought to increase balances in March by reducing revenue capital contributions. The CFO estimated in the September MTFS that COVID could have a financial impact of £8.6M over the period 2019/20-2022/23, with the biggest potential loss in 2020/21 of £5.9M as summarised in the chart below

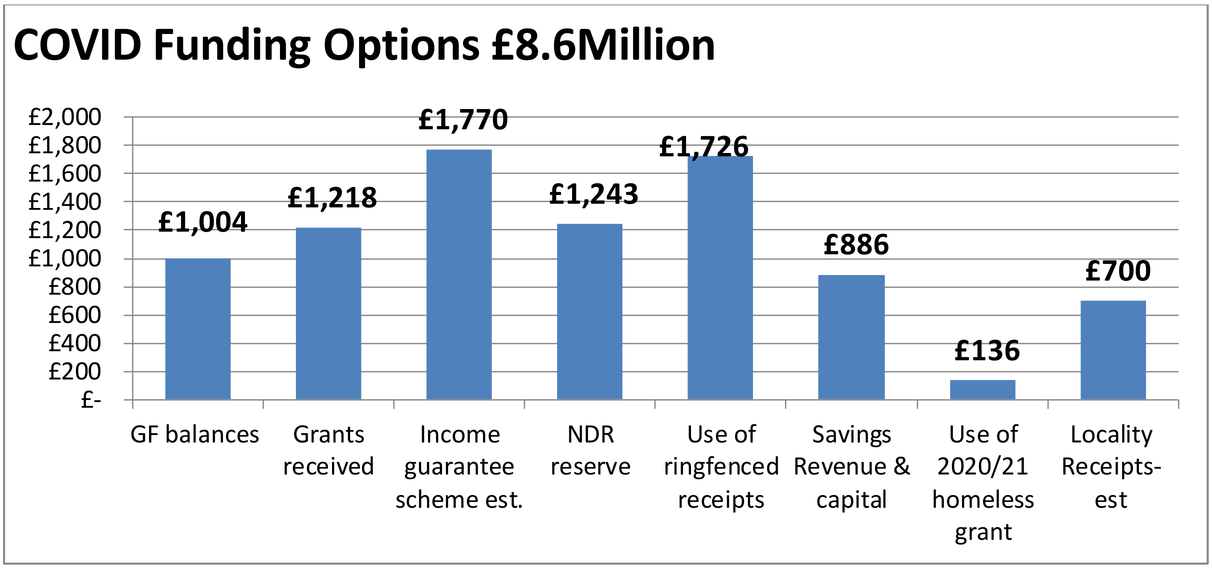
Extract from September 2020 MTFS



Narrative Statement

This shows that the Council's MTFS assumes income losses beyond 2020/21 as car parking income slowly returns to pre-COVID levels. The September MTFS identifies a mechanism to meet the cost should more government funding not be forthcoming. This is a combination of government funding and projections around the income guarantee scheme for services like car parks, (where after deduction of the first 5% the Council will be reimbursed for 75% of the income), reducing revenue contributions to capital and the use of General Fund balances. Total government funding assumed was £2.98M or 34% of the losses projected, with the remaining funding from options included in the June MTFS and projected use of General Fund balances.

Extract from September 2020 MTFS



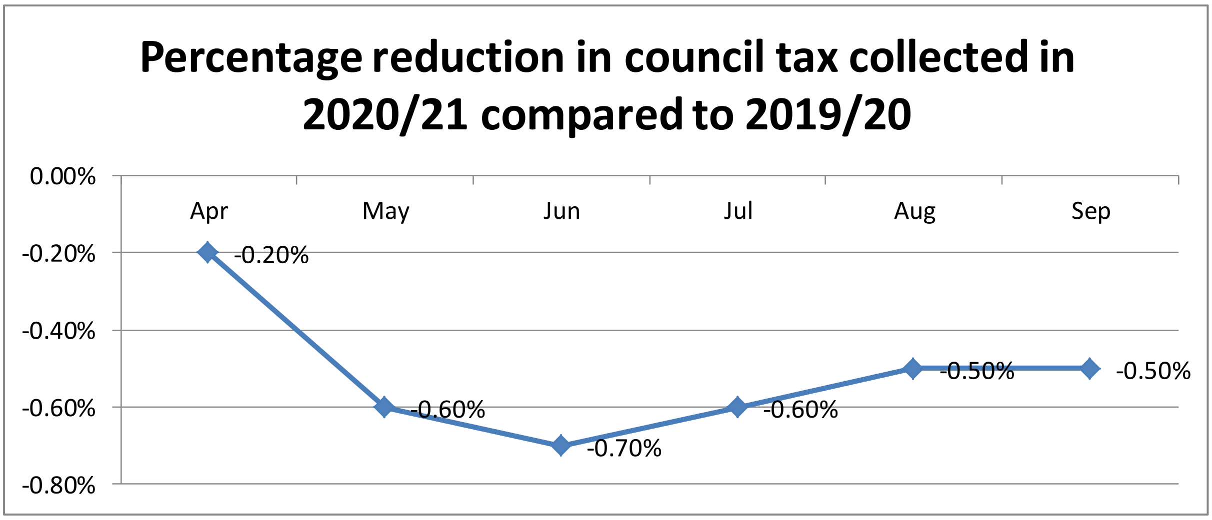
Since the September 2020 MTFS the Council has received a further tranche of government funding totalling £391K in October, which increases the projected losses funded to 39%

The figures contained above are for some of the costs projections only and it is only when say arrears become uncollectable that the true position will be know.

Council Tax collection rates are below the expected level for the first few months of 2020/21, as shown in the chart below. This peaked in June when 0.8% less had been collected compared to 2019/20, however the gap has narrowed and by September 0.5% less had been collected compared to 2019/20 and some of this shortfall will be the result of deferrals. A shortfall of 0.5% would equate to £257K of which Stevenage's share would be £30K.

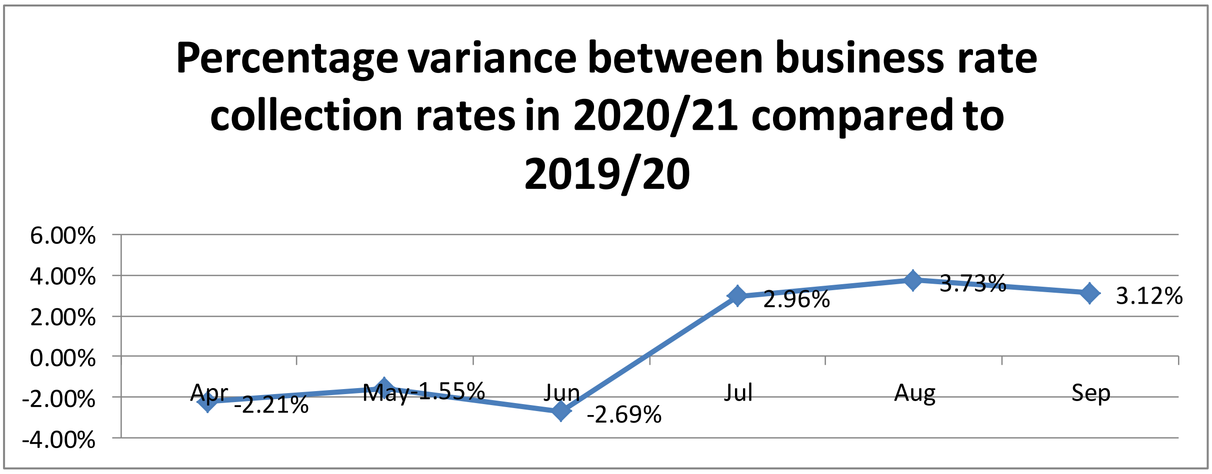
Narrative Statement

It is difficult to forecast collection rates over the next few months but it is hoped that any further reductions due to adverse economic circumstances will be partly offset by the reinstatement of recovery procedures and the allocation of the remainder of the hardship fund.



Business Rate collection rates were lower than 2019/20 for April and May but have exceeded 2019/20 for July to September as shown in the chart below. However prior year collection rates are not as helpful for Business Rates as they are for Council Tax as the net collectable debit for the current year is only half of last year's due to expanded retail relief and the Nursery discount. As at 1 October 32.9% of business rates for the whole year remained unpaid and with 3% of businesses having made no payment in year.

The Council had assumed business rate gains of £1.28M but the Council has £1.24M in an earmarked NDR reserve which will be returned to the General Fund in 2021/22 to mitigate any business rate losses that might be realised.



Narrative Statement

The Council's commercial rent arrears on the directly managed portfolio were £487K at 30 September. However the Council has a rent policy which aims to work with commercial tenants to reduce their arrears over the next 12 months.

The September MTFS identified a Financial Security Target of £1M for 2021/22 and the Senior Leadership Team and the Executive Portfolio holders are considering a package of options to deliver this, which will be presented to the December Executive. Due to the considerable uncertainty around further government funding and the impact of COVID and indeed BREXIT on-going, the Executive agreed to deliver a one year saving package (for 2021/22) rather than the usual three year savings options.

Cash position

The Council had cash balances made up of Money Market Funds, Call Account and Bank Account of £56.6M at the end of September 2020. This included £41M invested in term deposits, of which only £2.3M had a maturity date beyond 31 March 2021 and £8.56M in instant access accounts. The Mid Year Treasury Management Review to the November Executive projects cash balances reducing based on current plans but still at £44.5M by 31 March 2024. Throughout the medium term the Council remains confident in its ability to maintain enough cash for its services.

In the unlikely event the Council did run in to cash flow problems, the current cash balances are net of under borrowing not yet taken totaling £9.5M at the 30 September 2020, which could be borrowed and in addition the Council is able to borrow money from its bank over the short-term.

Further Information

Further information about the accounts is available from: Strategic Director (Chief Financial Officer), 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 Strategic Director (Chief Financial Officer).
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

The Strategic Director (Chief Financial Officer) Responsibilities

The Strategic 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 2019.

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

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

The Strategic Director (Chief Financial Officer) has also:

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

Certificate of Chief Financial Officer

I certify that this Statement of Accounts has been prepared in accordance with Regulation 8 of the Accounts and Audit Regulations (England) 2015 and presents a true and fair view of the financial position of the Authority as at 31 March 2019 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2019.

Clare Fletcher
Strategic Director (Chief Financial Officer) **28 February 2022**

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Statement of Accounts 2019/20

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.*

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.

2019/20	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustment for capital purposes	2019/20 Net Change for Pension Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	4,365			133	(2)	131	4,496
Housing Services	2,724			41	473	514	3,238
Environmental Services	6,089			882	220	1,102	7,191
Local Community Budgets	92			-	-	-	92
Resources	(7,287)		5,651	73	3,226	8,950	1,663
Resources - Support	563			727	263	990	1,553
Housing Revenue Account		1,483	(5,599)	775	(9,778)	(14,602)	(13,124)
Net Cost of Services	**6,546**	**1,483**	**52**	**2,631**	**(5,598)**	**(2,915)**	**5,109**
Other Operational Expenditure				(2,856)			(2,501)
Financing & Investment Income and Expenditure				1,443	4,375	5,818	5,843
Taxation and other non-specific grant inc and exp	(9,102)				(14,065)	(14,065)	(19,508)
Surplus or Deficit	**(2,556)**	**1,483**	**52**	**1,218**	**(15,288)**	**(11,162)**	**(11,057)**
Opening General Fund balance	(4,794)						
Opening HRA balance		(21,302)					
Less/plus (surplus) or deficit on General Fund	(2,269)						
Less/plus (surplus) or deficit on HRA		1,483					
Closing General Fund Balance	**(7,063)**						
Closing HRA Fund Balance		**(19,819)**					
Closing General Fund and HRA Balances		**(26,882)**					

Stevenage BOROUGH COUNCIL

Note to the Expenditure and Funding Analysis – Adjustments

2018/19	Net Expenditure chargeable to the General Fund Balances £'000	Net Expenditure chargeable to the HRA Balances £'000	Adjustment for capital purposes £'000	2018/19 Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	5,392		24	94	(11)	107	5,499
Housing Services	2,237		307	29	(6)	330	2,567
Environmental Services	8,882		40	624	(19)	645	9,527
Local Community Budgets	101		-	-	-	-	101
Resources	(7,467)		8,533	(393)	1,320	9,460	1,993
Resources - Support	118		66	514	(15)	565	683
Housing Revenue Account		2,813	(6,035)	174	(8,074)	(13,935)	(11,122)
Net Cost of Services	**9,263**	**2,813**	**2,935**	**1,042**	**(6,805)**	**(2,828)**	**9,248**
Other Operational Expenditure	-		(1,809)			(1,809)	(1,809)
Financing & Investment Income and Expenditure	-		-	1,331	4,551	5,882	5,882
Taxation and other non-specific grant inc and exp	(8,592)				(4,366)	(4,366)	(12,958)
Surplus or Deficit	**671**	**2,813**	**1,126**	**2,373**	**(6,620)**	**(3,121)**	**363**
Opening General Fund balance	(5,465)						
Opening HRA balance		(24,115)					
Less/plus (surplus) or deficit on General Fund	671						
Less/plus (surplus) or deficit on HRA		2,813					
Closing General Fund Balance	**(4,794)**						
Closing HRA Fund Balance		**(21,302)**					
Closing General Fund and HRA Balances		**(26,096)**					

Stevenage BOROUGH COUNCIL

Comprehensive Income & Expenditure Statement for the year ended 31 March 2020

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.

The Council holds a 99.9% share of a new Partnership – Queensway Properties (Stevenage) LLP for which Group Accounts have been included in the Statement of Accounts.

These accounts have been prepared on a **going concern** basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code, therefore, assume that a local authority's services will continue to operate for the foreseeable future.

Comprehensive Income and Expenditure Statement

2018/2019 Gross Expenditure £'000	2018/2019 Gross Income £'000	2018/2019 Net Expenditure £'000	Note		2019/2020 Gross Expenditure £'000	2019/2020 Gross Income £'000	2019/2020 Net Expenditure £'000
5,824	(325)	5,499		Community Services	4,837	(341)	4,496
34,864	(32,297)	2,567		Housing Services	30,566	(27,328)	3,238
16,849	(7,322)	9,527		Environmental Services	16,084	(8,893)	7,191
101	-	101		Local Community Budgets	92	-	92
7,870	(5,877)	1,993		Resources	7,615	(5,952)	1,663
2,523	(1,840)	683		Resources - Support	3,670	(2,118)	1,553
31,903	(43,025)	(11,122)		Housing Revenue Account	29,990	(43,115)	(13,124)
99,934	**(90,686)**	**9,248**		**Cost of Services**	**92,855**	**(87,746)**	**5,109**
		(1,809)	10	Other Operational Expenditure			(2,501)
		5,882	10	Financing & Investment Income and Expenditure			5,843
		(17,428)		Taxation & Non-Specific Grant Income: Retained Business rates			(17,466)
		14,842		Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)			12,968
		(10,372)	11	Taxation & Non-Specific Grant Income: Other			(15,010)
		363		**(Surplus)/Deficit on Provision of Services**			**(11,057)**
		21,553		Deficit/(Surplus) on revaluation of fixed assets			(3,569)
		4,963		Actuarial (gains)/losses on pensions assets/liabilities			(23,091)
		26,516		**Other Comprehensive Income and Expenditure**			**(26,660)**
		26,879		**Total Comprehensive Income and Expenditure**			**(37,717)**

Stevenage BOROUGH COUNCIL

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).

Note	Movements in Reserves during 2019/2020	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA Reserve £'000	Major Repairs Reserve Earmarked HRA Reserves £'000	Usable Capital Receipts £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Balance at 1 April 2019 Brought Forward	**(4,794)**	**(3,905)**	**(21,302)**	**-**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,782)**	**(478,082)**	**(535,864)**
CIES	(Surplus)/Deficit on Provision of Services	(3,314)		(7,743)			-	-	(11,057)	-	(11,057)
CIES	Other Comprehensive Expenditure and Income	-	-				-	-	0	(26,660)	(26,660)
CIES	**Total Comprehensive Expenditure and Income**	**(3,314)**	**-**	**(7,743)**	**-**	**-**	**-**	**-**	**(11,057)**	**(26,660)**	**(37,717)**
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(543)		3,513		6,173	398		9,542	(9,542)	0
	Net (Increase)/Decrease before Transfers to Reserves	**(3,857)**	**-**	**(4,230)**	**-**	**6,173**	**398**	**-**	**(1,515)**	**(36,202)**	**(37,717)**
8	Transfer to/from Reserves	1,587	(1,587)	5,713	(5,713)		-	-	0	-	0
	(Increase)/Decrease in Year 2019/2020	**(2,269)**	**(1,587)**	**1,483**	**(5,713)**	**6,173**	**398**	**-**	(1,515)	**(36,202)**	(37,717)
	Balance at 31 March 2020 Carried Forward	**(7,063)**	**(5,492)**	**(19,819)**	**(5,713)**	**(4,746)**	**(14,793)**	**(1,671)**	**(59,297)**	**(514,284)**	**(573,581)**

Stevenage BOROUGH COUNCIL

MIRS Comparator - Prior year 2018/19

Note	Movements in Reserves during 2018/2019	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserve	Major Repairs Reserve Earmarked HRA Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
	Balance at 1 April 2018 Brought Forward	**(5,465)**	**(2,850)**	**(24,115)**	**-**	**(9,264)**	**(15,423)**	**(1,729)**	**(58,846)**	**(503,897)**	**(562,743)**
CIES	(Surplus)/Deficit on Provision of Services	7,593	0	(7,230)	-	-	-	-	363		363
CIES	Other Comprehensive Expenditure and Income								0	26,516	26,516
CIES	**Total Comprehensive Expenditure and Income**	**7,593**	**-**	**(7,230)**	**-**	**-**	**-**	**-**	**363**	**26,516**	**26,879**
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(7,977)	-	10,043	-	(1,655)	232	58	701	(701)	0
	Net (Increase)/Decrease before Transfers to Reserves	**(384)**	**-**	**2,813**	**-**	**(1,655)**	**232**	**58**	**1,064**	**25,815**	**26,879**
8	Transfer to/from Reserves	1,055	(1,055)	-	-	-	-	-	0	-	0
	(Increase)/Decrease in Year 2018/2019	**671**	**(1,055)**	**2,813**	**-**	**(1,655)**	**232**	**58**	1,064	**25,815**	26,879
	Balance at 31 March 2019 Carried Forward	**(4,794)**	**(3,905)**	**(21,302)**	**0**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,782)**	**(478,082)**	**(535,864)**

Stevenage BOROUGH COUNCIL

Balance Sheet

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

The first category of reserves are **usable reserves**, i.e. those reserves that the authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt) (see also Note 8 to the Accounts which give more information on earmarked reserves).

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

Within the **Council dwellings** valuation of £632,400,000 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 24 properties could be sold in 2020/21. This would equate to an estimated balance sheet valuation of £1,897,745,000.

Balance Sheet

31-Mar-19 £'000	Note		31-Mar-20 £'000
733,504	13	Property, Plant and Equipment	759,560
598	12	Heritage Assets	560
24,988	14	Investment Property	24,024
781	15	Intangible Assets	835
10,010	18	Long Term Investments	9,710
266	19a	Long Term Debtors	266
18,043	19a	Long Term Debtor - Queensway	18,009
788,190		**Long Term Assets**	**812,964**
43,034	18	Short Term Investments	38,495
0	21	Assets Held for Sale	563
142		Inventories	129
10,327	19	Short Term Receivables	13,245
2,084	18	Cash and Cash Equivalents	6,260
55,587		**Current Assets**	**58,692**
(263)	18	Short Term Borrowing	(407)
(18,290)	20	Short Term Creditors	(22,554)
(4,640)	22	Provisions	(3,518)
(23,193)		**Current Liabilities**	**(26,478)**
(11,788)	20a	Queensway Finance Lease	(11,824)
(2,094)	20a	Long term creditors	(4,833)
(205,220)	19b	Long term borrowing	(208,966)
(6,255)	19b	Long term borrowing (Queensway)	(6,243)
(58,694)	26	Pension Liability	(39,413)
(668)	11	Grants Receipts in Adv - Capital	(317)
(284,719)		**Long Term Liabilities**	**(271,597)**
535,865		**Net Assets**	**573,581**
(57,783)		Usable Reserves	(59,297)
(478,082)	9	Unusable Reserves	(514,284)
(535,865)		**Total Reserves**	**(573,581)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 28 February 2022.

CD Fletcher

Clare Fletcher

Cash Flow Statement for the year ended 31 March 2020

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 to the Council.

2018/19 £'000	Note		2019/20 £'000
17	CIES	Net Surplus or (Deficit) on the Provision of Services	(11,057)
(17,986)		Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements	(21,786)
		Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	14,674
(17,969)		**Net Cash flows from Operating Activities**	**(18,169)**
30,681		Investing Activities	21,741
(7,096)		Financing Activities	(7,748)
5,616		**Net Increase or Decrease in Cash and Cash Equivalents**	**(4,176)**
(7,700)		Cash and Cash Equivalents at the beginning of the Reporting Period	(2,084)
(2,084)		**Cash and Cash Equivalents at the End of the Reporting Period**	**(6,260)**

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 2019/20 financial year and its position as at the year end of 31 March 2020. 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 2019/20 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 Statements

1. **Cross Cutting Accounting Policies (Cont)**

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 (2019/20)*

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies (contd.)

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.*

*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.*

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.*

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.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted:

- IFRS 16 Leases will require local authorities that are leases to recognise most of leases on the balance sheet as "right of use" assets with corresponding lease liabilities CIFPA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- IFRS 19 Employee benefits will require the re -measurement of net pension asset/liability following plan amendments, curtailments ot settlements to be used to determine current service cots and net interest for the remainder of the year after

Notes to the Core Financial Statements

2. Accounting Standards issued but have not yet been adopted (cont)

- the change to the plan The updating of these assumptions only applies to changes from 1st April 2020 and since this could result in positive, negative or nil movement on the pension liability it is not possible to predict the impact of this accounting change.

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 and/or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

4. There is a degree of uncertainty about the financial impacts if the Covid 19 Pandemic, In June 2020 Executive Members approved a Medium Term Financial Strategy to mitigate the immediate cash flow implications of the lost income and additional spending pressure brought on by the pandemic. The Council valuers have considered the impact of Covid19 on the Council assets.
5. These accounts have been prepared on a going concern basis, the 2020/21 General Fund projected year-end balance in the September 2020 MTFS was £3.9M including the COVID pressures as set above. The Council took early action to ensure that the General Fund reserves would be financially resilient by implementing the June MTFS recommendations.

The 2020/21 projected year end balances are £1M above the level of risk assessed General Fund useable reserves of £2.9M for 2020/21.

A risk assessment for 2021/22 assumes a need for minimum General Fund revenue balances of £3.41M, with a projected 2021/22 yearend balance of £3.7M. The 2021/22 projection \re prudent and assume:

6. No business rate gains (as achieved in previous years) with only the CPI increase in the baseline of business rates retained
7. 1.99% increase in council tax
8. Achieving a £1M savings target
9. No further government funding received

There is an allowance in the 2021/22 risk assessment of balances for further COVID losses of £1M than that included in the September MTFS and the 2021/22 projected year end balances are a further £300K above the minimum level set by the CFO.

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 budget options 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.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

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 23 CCTV Partnership and Hertfordshire Building Control Ltd).

10. The Council has entered into a partnership to facilitate the regeneration of Queensway, a parade of shops and mixed use properties in the town centre. The partnership entity is Queensway Properties (Stevenage) LLP and their accounts have been incorporated into the Group accounts section. The second partner is Marshgate Plc, a wholly owned company of the Council. Their accounts have not been included in the group accounts as Marshgate's transactions are deemed not material.

11. From 1st April 2015 the Hertfordshire CCTV Partnership Ltd started trading. The new company for the year ended 31st March 2020 produced a loss before tax of £9,5K. The SBC share of the loss is £3.5K with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts Council and Hertsmere Borough Council). Due to the small size of the new company group accounts have not been completed.

12. In August 2016 the Hertfordshire Building Control Ltd started trading. 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 the small shareholding the Council has not included any further disclosure notes regarding this company. Final accounts for Hertfordshire Building Control have yet to be published for 2019/20, however it is not expected that SBC's share of the profit/loss will be material.

13. 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 24 properties could be sold. This would equate to an estimated balance sheet valuation of £1,898,000.

14. The council considers that five commercial sites 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

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

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 2020 for which there are significant risk of material adjustments in the forthcoming financial year are shown on the following pages:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions - Insurance	The Authority has a provision of £383K 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 2018 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 £38K 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 of 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% (£6.062M-£10.104M). (see also Note 26 Pensions – sensitivity analysis of actuarial 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 2018 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 and was estimated at £2.4M higher. This would increase the value of assets and increase the balance on the Revaluation reserve- an unusable reserve. It should be noted that Balance sheet valuations are not used when determining the sale price of council assets.

Notes to the Core Financial Statements

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions 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 49 years. It is estimated that the annual depreciation charge for this residual element of the Council Houses would increase by approximately £230K 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.
Benefit Overpayments	At 31 March 2020, the Authority had a balance of housing overpayment debtors of 2.980M. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 89% 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 £1.273M would be required, returning this money back to the General Fund.
Provisions – NDR Appeals	The Authority has a provision of £2.837M for its share of the expected outcome of NDR appeals outstanding with the VOA as at 31 March 2020.	If 10% of the appeals that we have provided for were unsuccessful this would mean a reduction of £284K in the provision.
Trade Debtors and Arrears	At 31 March 2020, the Authority had a balance of trade debtors of £2.389M of which £880K 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 15% 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 £330K in provision.

Notes to the Core Financial Statements

5. 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.*

2018/19 £'000	Nature of Income or Expenditure	2019/2020 £'000
	Income	
(16,733)	- Fees, charges and other service income	- 15,737
(775)	- Interest and Investment Income	- 1,847
(23,390)	- Income from Council Tax & Non Domestic Rates (before tariff)	- 23,384
(2,938)	- Government Grants and Contributions	- 9,231
	Material Items of Income	-
(38,782)	- Housing Rents	- 38,402
(4,581)	- Car Parks	- 4,857
(12,995)	- Rent Allowances Subsidy	- 10,649
(17,309)	- Rent Rebate Subsidy	- 14,981
(3,108)	- Garage Rental Income	- 3,149
(3,570)	- Commercial Property Rent	- 3,830
(124,181)	**Total Income**	**- 126,068**
	Expenditure	
29,779	- Employee Benefits Expenses	31,268
22,895	- Other Services and Support Recharges Expenses	21,765
16,129	- Depreciation, Amortisation, Impairment	15,247
7,645	- Interest Payments	9,493
14,842	- NDR Tariff	12,968
1,211	- Payments to Housing Capital Receipts Pool	865
3,506	- (Gain)/ Loss on the Revaluation of assets	441
(2,914)	- (Gain)/Loss on the Disposal of Assets	- 3,720
	Material Items of Expenditure	-
864	- Stevenage Leisure Limited Contract Payment	733
13,125	- Rent Allowances	10,825
17,462	- Rent Rebates	15,127
124,544	**Total Expenditure**	**115,011**
363	**Surplus/Deficit on the Provision of Services**	**- 11,057**

Notes to the Core Financial Statements

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

Material items of capital income and expenditure:

The Council spent £43.5M on its capital programme in 2019/20, this included £18.4M on roofing and external works to its housing stock, £11.5M on providing new homes, £8.2M on the town centre and regeneration projects, and £5.3M on other General Fund and HRA capital projects.

6. Events after the Balance Sheet Date

***Events after the Balance Sheet date**, both favourable and unfavourable, that occurs 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 28 February 2022 by the Strategic Director (Chief Financial Officer). Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2020, 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

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

7. 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 controls an element of the capital resources required to be used on HRA assets or capital financing purposes. Under the arrangements in the Self Financing HRA, to establish resources available on an annual basis in the Major Repairs Reserve, the regulations require the reserve to be credited with an amount equal to the total depreciation charges for all HRA assets. The balance shows the capital resources that are available and 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 (£10,364,075) can only be used towards the provision of additional council homes schemes and is restricted to a maximum of 30% of scheme costs, this has subsequently changed to 40% in 2021/22.

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

Adjustments between Accounting Basis and Funding Basis under Regulations

2019/20	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/(Credited) to the CIES:							
Charges for Depreciation and Impairment of Non-Current Assets	(3,719)	(10,854)				(14,573)	14,573
Revaluation Losses on Property, Plant and Equipment	(611)					(611)	611
Movements in the Market Value of Investment Properties	230					230	(230)
Reverse Impairments in the year from Revaluation Increase						-	-
Amortisation of Intangible Assets	(155)	(132)				(288)	288
Revenue Expenditure Funded from Capital under Statute	(848)					(848)	848
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(1,044)	(4,241)				(5,285)	5,285
Soft Loans – Adjustments	455					455	(455)
Capital Grants and Contributions Applied	5,611	1				5,612	(5,612)
						-	-
Insertion of items not Debited/(Credited) to the CIES						-	-
Statutory Provision for the Financing of Capital Investment	634	1,811				2,445	(2,445)
Capital Expenditure charged against the General Fund						-	-
						-	-
Adjustment primarily involving the Capital Grants Unapplied Account						-	-
Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	96				(96)	()	
Capital Grants & Contributions unapplied credit to the Comp I & E					96	96	(96)
						-	-
Adjustment Primarily Involving the capital Receipts Reserve						-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement #	1,878	6,627	(8,502)			2	(2)
Use of the CRR to finance new capital expenditure			8,038			8,038	(8,038)
Contribution from CRR to finance the payments to the Government capital receipts pool	(865)		865			-	-
Transfer from Deferred Capital Receipts Reserve upon cash receipt			(2)			(2)	2
Adjustments primarily involving the Major Repairs Reserve (MRR):						-	-
Reversal of the MRR credited to the HRA		11,484		(11,484)			()
Use of the MRR to Finance new capital expenditure				17,657		17,657	(17,657)
Adjustments Involving the Pensions Reserve:						-	-
Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(2,660)	(1,150)				(3,810)	3,810
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year						-	-
						-	-
Adjustments Involving the Collection Fund Adjustment Account:						-	-
Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	57					57	(57)
Amount by which Non-Domestic Rates Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	466					466	(466)
						-	-
Adjustment Involving the Accounting Compensated Absences Adjustment Account:						-	-
Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements)	(68)	(32)				(100)	100
Total Adjustments	**(543)**	**3,513**	**398**	**6,173**	**0**	**9,542**	**(9,542)**

Notes to the Core Financial Statements

2018/19	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/(Credited) to the CIES:							
Charges for Depreciation and Impairment of Non-Current Assets	(3,222)	(12,701)	-	-	-	(15,923)	15,923
Revaluation Losses on Property, Plant and Equipment	(3,801)	-	-	-	-	(3,801)	3,801
Movements in the Market Value of Investment Properties	295	-	-	-	-	295	(295)
Reverse Impairments in the year from Revaluation Increase						-	-
Amortisation of Intangible Assets	(127)	(79)	-	-	-	(206)	206
Revenue Expenditure Funded from Capital under Statute	(861)	-	-	-	-	(861)	861
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(2,136)	(1,976)	-	-	-	(4,112)	4,112
Soft Loans – Adjustments						-	-
Capital Grants and Contributions Applied	1,801	-	-	-	-	1,801	(1,801)
						-	-
Insertion of items not Debited/(Credited) to the CIES						-	-
Statutory Provision for the Financing of Capital Investment	661	1,241	-	-	-	1,902	(1,902)
Capital Expenditure charged against the General Fund	1,012	6,770	-	-	-	7,782	(7,782)
						-	-
Adjustment primarily involving the Capital Grants Unapplied Account						-	-
Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	-	-	-	-	144	144	(144)
Capital Grants & Contributions unapplied credit to the Comp I & E	86	-	-	-	(86)	-	-
						-	-
Adjustment Primarily Involving the capital Receipts Reserve						-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement #	2,467	4,923	(7,390)	-	-	-	-
Use of the CRR to finance new capital expenditure	-	-	6,413	-	-	6,413	(6,413)
Contribution from CRR to finance the payments to the Government capital receipts pool	(1,210)	-	1,210	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon cash receipt	-	-	(1)	-	-	(1)	1
Adjustments primarily involving the Major Repairs Reserve (MRR):						-	-
Reversal of the MRR credited to the HRA	-	12,780	-	(12,780)	-	-	-
Use of the MRR to Finance new capital expenditure	-	-	-	11,125	-	11,125	(11,125)
						-	-
Adjustments Involving the Pensions Reserve:						-	-
Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(7,264)	(921)	-	-	-	(8,185)	8,185
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	4,491	-	-	-	-	4,491	(4,491)
						-	-
Adjustments Involving the Collection Fund Adjustment Account:						-	-
Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	(116)	-	-	-	-	(116)	116
Amount by which Non-Domestic Rates Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)						-	-
						-	-
Adjustment Involving the Accounting Compensated Absences Adjustment Account:						-	-
Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements)	(53)	6	-	-	-	(47)	47
Total Adjustments	**(7,978)**	**10,043**	**232**	**(1,655)**	**58**	**702**	**(702)**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

8. Earmarked 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. In addition there are a number of other earmarked (usable) reserves, for capital projects and revenue projects. One new earmarked reserves was established in 2019/20 - **Homelessness Prevention Reserve** to fund preventative homelessness schemes in future years. All other Earmarked reserves identified for specific purpose are detailed below:

- **Regeneration Reserve -**This reserve has been established to help fund the regeneration plans for Stevenage.
- **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.
- **New Homes Bonus Reserve-** The New Homes Bonus scheme commenced in April 2011. The scheme gives Councils a financial reward for new homes and properties brought back into use. The grant may be used to fund any expenditure. This reserve had been established to mainly fund one off schemes approved by Members, however changes to the scheme criteria has seen a reduction in the amount receivable and for 2019/20 there was no new funding for new one off initiatives.
- **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.

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

- **Insurance Reserve -** This reserve was set up in 2016/17 to fund proactive works to reduce insurance claims against the Council.
- **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.. There have been no defaults on the scheme since inception and lending under the scheme is now closed. The balance was transferred to General Fund balances in 2019/20.
- **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 use of prudential borrowing to fund capital projects and the associated borrowing costs.
- **Future Town Future Council Reserve/ ICT reserve -** Members agreed that the residual balance of the FTFC reserve should be reallocated to an ICT reserve to fund any ICT budget pressure in 2019/20.
- **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. This reserve also now includes monies to cover any NDR losses as a result of Covid-19 impact on the Council's 2020/21 business rate gain.

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 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 2019/20.

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000
General Fund:				
Regeneration SG1	724	(164)	267	827
Housing & Planning Delivery Grant	61	(21)		40
New Homes Bonus	728	(98)		630
Regeneration Assets	1,343	(220)		1,122
Town Centre	55	(21)		34
LAMS (Local Authority Mortgage Scheme)	61	(61)		0
Capital Reserve	594		500	1,094
Insurance Mitigation	113	(10)		103
Future Town Future Council	54	(54)		0
NNDR Collection Fund	172		1,063	1,235
Homelessness			347	347
Transformation			60	60
Total	**3,905**	**(650)**	**2,237**	**5,493**

In addition to the General Fund reserves listed above the Council set up an HRA earmarked reserve.

- **Interest Equalisation Reserve -** This reserve was set up in 2019/20 to mitigate any impact on interest changes that would impact on the HRA's planned use of borrowing to finance the HRA capital programme.

	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000
HRA:				
Interest equalisation	0		5,713	5,713
Total	0	-	5,713	5,713

Notes to the Core Financial Statements

9. 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.*

2018/19 £'000		2019/20 £'000
(95,913)	Revaluation Reserve	(97,974)
(428,830)	Capital Adjustment Account	(443,325)
(12,059)	Deferred Capital Receipts Reserve	(12,009)
58,694	Pensions Reserve	39,413
(406)	Collection Fund Adjustment Account	(928)
435	Accumulating Compensated Absences Adjustment Account	535
(478,079)	**Total Unusable Reserves**	**(514,287)**

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

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

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

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

2018/19 £'000	Revaluation Reserve Movements in Year	2019/20 £'000
(118,594)	**Balance at 1 April**	(95,914)
0		
(4,394)	Upward Revaluation of Assets	(8,240)
25,821	Downward Revaluation of assets	4,671
21,427	In Year surplus on revaluation of non-current assets	(3,570)
(611)	Difference between Fair Value Depreciation and Historical Cost Depreciation	1,147
1,864	Accumulated Gains on Assets Sold or Scrapped written off to the Capital Adjustment Account	365
1,253	In Year amounts written out to the Capital Adjustment Account	1,512
(95,914)	**Total Revaluation Reserve end of year**	**(97,973)**

9.2 The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation reserve to convert fair value figures to a historic cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised as donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

Note 9 provides further details on the source of all transactions, other than those involving the Revaluation Reserve, to the Capital Adjustment Account.

2018/19 £'000	Capital Adjustment Account Movements in year 2019- 20	2019/20 £'000
(435,032)	**Balance as at 1 April**	(428,830)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
16,002	Charges for depreciation & impairment of non-current assets	14,579
3,801	Revaluation losses on Property, Plant & Equipment	611
127	Amortisation of Intangible Assets	288
861	Revenue expenditure funded from capital under statute	848
4,112	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	5,285
11,875	Queensway Deferred Capital Receipt	
(1,253)	Adjusting amounts written out of the Revaluation Reserve	(1,512)
35,525	**Net written out amount of the cost of non-current assets consumed in the year**	20,097
	Capital financing applied in the year	
(6,418)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,038)
(11,124)	Use of the Major Repairs Reserve to finance new capital expenditure	(17,657)
(1,801)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(6,076)
(1,241)	Self Financing Debt repayment	(1,811)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	(95)
(661)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(685)
(7,783)	Capital expenditure charged against the General Fund and HRA balances.	
(29,028)		(34,362)
(295)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(230)
(428,830)	Closing Balance 31st March	(443,325)

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

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

2018/19 £'000		2019/20 £'000
(188)	**Balance at 1 April**	(12,061)
(11,875)	Queensway	51
2	Amounts received in year & available for funding	1
(12,061)	**Balance at 31 March**	**(12,009)**

9.4 The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. (See also Note 26 Pension).-

2018/19 £'000		2019/20 £'000
50,052	**Balance at 1 April**	58,694
4,944	Actuarial (Gains)/Losses on Pensions Assets and Liabilities	(23,091)
8,185	Reversal of items relating to Retirement Benefits on the Provision of Services in the CIES	8,380
(4,487)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(4,570)
58,694	**Balance at 31 March**	**39,413**

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

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

2018/19 Total £'000		2019/20 Council Tax £'000	2019/20 NNDR £'000	2019/20 Total £'000
(522)	**Balance at 1 April**	(50)	(355)	(405)
116	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(57)		(57)
				-
-	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements		(466)	(466)
(405)	**Balance at 31 March**	(107)	(821)	(928)

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

2018/19 £'000		2019/20 £'000
388	**Balance at 1 April**	435
(388)	Settlement or cancellation of accrual made at the end of the preceding year	(435)
-		
435	Amounts accrued at the end of the current year	535
47	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	100
435	**Balance at 31 March**	535

Notes to the Core Financial Statements

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

What is in the TB		
2018/19 £'000		**2019/20** £'000
864	Payments to the Government Housing Capital Receipts Pool	865
346	Payments to the Government Housing Capital Receipts Pool return of 1 for 1 receipts	
(3,019)	Gains/losses on the disposal of non current assets	(3,366)
(1,809)	**Total**	**(2,502)**

2018/19			2019/20	
	7,193	Interest payable & similar charges		7,612
	1,331	Pensions interest cost & expected return on pensions assets		1,443
	(825)	Interest receivable & similar income		(1,363)
	1,033	Expenditure in relation to investment properties and changes in their fair value		1,416
	(2,861)	Income in relation to investment properties and changes in their fair value		(3,263)
		Trading Operations - Indoor Market:		
(403)		Income from stall holders	(389)	
-		Income from rent in kind	(33)	
414		Expenditure	421	
	11	Surplus taken to General Fund		(1)
	5,882	**Total**		**5,844**

Notes to the Core Financial Statements

11 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.

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

Notes to the Core Financial Statements

11 Taxation and Non Specific and Specific Grant Income (cont)

2018/19 £'000		2019/20 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
5,611	Council Tax	5,868
17,428	NNDR Retained income	17,465
(14,842)	NNDR Tariff payment	(12,968)
351	Revenue Support Grant	
109	Council Tax Reform	
1,096	New Homes Bonus	865
-	Apprenticeship Levy paid	
297	Homelessness prevention grant	404
107	NDR administration Grant	110
769	s31 Grant	926
232	Disabled Facilities Grant	
1,655	Other Capital Contributions	6,172
145	Other Government grants	666
12,958	**Total Grants, Contributions credited to Taxation and Non Specific Grant Incom**	**19,508**
	Credited to Services	
30,304	Department of Work and Pensions Grants for rebates	25,630
249	Discretionary Housing Payments	202
547	Other	105
31,100	**Total Grants, Contributions credited to Services**	**25,937**

The Council has not received any material donations in 2019/20

Notes to the Core Financial Statements

12. 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

12. Heritage Assets (contd)

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

2019/20	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
Cost or Valuation					
Balance at start of year	833	53	200	53	1,139
Additions					-
Revaluation Increase/ (Decrease)					-
Recognised in the CIES					-
	833	53	200	53	1,139
Accumulated Depreciation and Impairment					
Balance at start of year	(508)	(33)	-	-	(541)
Charge for the year	(33)	(5)	-	-	(38)
Balance at end of year	(541)	(38)	-	-	(579)
NBV AS AT 31 MARCH 2020	292	15	200	53	560

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

12. 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.

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**

Notes to the Core Financial Statements

13. Property, Plant and Equipment

Property, Plant and Equipment (PPE)

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 cannot be valued by any other method depreciated historic costs is used.*

Notes to the Core Financial Statements

13. 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. 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

13. 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 (38% 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 valuer Savills. The latest valuation certificates are dated 1 April 2018. A review is undertaken at year end to ensure valuations undertaken on 1 April are still appropriate as at the balance sheet date and uplifted/amended if required.

General Fund properties' valuation certificates are dated 1 April 2020 and revaluations are carried out by private firms of Chartered Surveyors – Wilks Head and Eve.

The revaluation process is co-ordinated by the Council's Estates Manager M Sullivan.

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

- *Where 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)*

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

- *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

Notes to the Core Financial Statements

13. 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

Notes to the Core Financial Statements

13. 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 69).

Impairment Losses

During 2019/20 (as in 2018/19) 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.

Fairlands Valley lake

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd).

Movement of Property, Plant and Equipment in 2019/20

Movements in 2019/20	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost Valuation:								
At 1 April 2019	**651,682**	**97,306**	**24,339**	**7,783**	**3,485**	**984**	**6,430**	**792,009**
Adjustments to opening balance								-
Additions	25,531	2,034	1,255	270	-	-	13,279	42,369
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,885)	3,284	-	-	-	-	-	(3,601)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(805)	-	-	-	-	-	(805)
Derecognition - Disposals	(4,686)	(164)	(493)	-	-	-	-	(5,343)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	4,514	(875)	66	-	-	(500)	(3,296)	(92)
Other movements in Cost or Valuation	(655)	(477)	19	(18)	1,138	(94)		(86)
Balance as at 31 March 2020	**669,502**	**100,303**	**25,186**	**8,035**	**4,623**	**390**	**16,412**	**824,451**
Accumulated Depreciation and Impairment:								-
At 1 April 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(3,945)**	**(865)**	**(35)**	-	**(58,503)**
Adjustment to opening balance								
Depreciation charge	(10,515)	(1,700)	(1,631)	(583)	(98)	(14)	-	(14,540)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	194	-	-	-	-	-	194
Depreciation written out to Revaluation Reserve	5,974	1,198	-	-	-	-	-	7,172
Assets reclassified	-	-	-	-	-	49	(110)	(61)
Derecognition - Disposals	445	3	399	-	-	-	-	847
Derecognition - Other	-	-	-	-	-	-	-	-
At 31 March 2020	**(37,102)**	**(3,306)**	**(18,883)**	**(4,528)**	**(963)**		**(110)**	**(64,891)**
Net Book Value at 31 March 2020:	**632,400**	**96,997**	**6,302**	**3,507**	**3,661**	**391**	**16,302**	**759,560**
Net Book Value at 31 March 2019:	618,676	94,305	6,688	3,838	2,620	949	6,430	733,506

Notes to the Core Financial Statements

Movements in 2018/19	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost Valuation:								
At 1 April 2018	**662,201**	**99,783**	**21,789**	**6,571**	**3,485**	**2,008**	**4,695**	**800,532**
Adjustments to opening balance								-
Additions	18,183	14,476	3,193	996	6	-	3,960	40,814
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(28,920)	(829)						(29,749)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(4,036)			(6)	6		(4,036)
Derecognition - Disposals	(1,909)	(11,877)	(643)			(1,030)		(15,459)
Derecognition - Other								-
Assets reclassified (to)/from Assets Under Construction	2,127	(215)		215			(2,226)	(99)
Other movements in Cost or Valuation		4						4
Balance as at 31 March 2019	**651,682**	**97,306**	**24,339**	**7,782**	**3,485**	**984**	**6,429**	**792,007**
Accumulated Depreciation and Impairment:								-
At 1 April 2018	**(28,489)**	**(2,821)**	**(16,500)**	**(3,665)**	**(773)**	**(92)**		**(52,340)**
Adjustment to opening balance								
Depreciation charge	(12,520)	(1,609)	(1,361)	(280)	(97)	(27)	-	(15,894)
Depreciation written out to the Surplus/Deficit on the Provision of Services		226						226
Depreciation written out to Revaluation Reserve	7,121	1,203			5	4		8,333
Assets reclassified								-
Derecognition - Disposals	882		210			80		1,172
Derecognition - Other								-
At 31 March 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(3,945)**	**(865)**	**(35)**	**-**	**(58,503)**
Net Book Value at 31 March 2019:	**618,676**	**94,305**	**6,688**	**3,837**	**2,620**	**949**	**6,429**	**733,504**
Net Book Value at 31 March 2018:	633,712	96,962	5,289	2,906	2,712	1,916	4,695	**748,192**

Notes to the Core Financial Statements

14. 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 £10K) 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

14. Investment Property (contd)

	2018/19 £'000	2019/20 £'000
Balance at Start of the Year	24,212	24,988
Net Gains / (Losses) on Revaluation	295	230
Write Out of Impairments on Revaluations		
Net Gains / (Losses) from Movements in the Market Value of Investment Properties	295	230
Opening Balance Adjustment		5
Additions	481	
Impairment		
Disposals	-	(789)
Derecognition		
Reclassifications		(410)
Balance at Year End	24,988	24,024

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

Valuation Techniques Used to Determine Level Two 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 Two 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.

Notes to the Core Financial Statements

14. Investment Property (contd)

Valuers

The investment property portfolio has been valued at 1 April 2020 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 Wilks Head and Eve.

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.

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.

	2018/19 £'000	2019/20 £'000
Rental Income from Investment Property	2,414	2,501
Direct Operating Expenses/(Income) Arising from Investment Property	(882)	(883)
Direct cost of Investment Properties	**1,532**	**1,618**
Other Net Operating Costs		
Net (Gain)	**1,532**	**1,618**

Notes to the Core Financial Statements

15. 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 five 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 £251K for all intangible assets charged to revenue in 2019/20 (2018/19 - £200K). 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

15. Intangible Assets (cont)

	2018/2019	2019/2020
	Total	Total
	£'000	£'000
Balances at start of the year		
Gross Carrying Amount	1,065	1,307
Accumulated Amortisation	(325)	(526)
Net Carrying Amount at Start of Year	**740**	**781**
Additions:		
Purchases	144	251
Transfer In and Out	98	91
Amortisation for the Period	(201)	(288)
Net Carrying Amount at End of Year	**41**	**835**
Comprising:		
Gross Carrying Amounts	1,307	1,650
Accumulated Amortisation	(526)	(815)
	781	**835**

16. 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 2018/19.

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. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd)

Service Area	£'000
Decent Homes and major repairs	£22,920
Housing Regeneration	£29,469
Town Centre Regeneration	£11,970
Garage Strategy	£3,582
Total	**£67,941**

As at 31 March 2020 significant commitments for major projects already underway included:-

Demolition and site clearance for new homes at Kenilworth (Stirling Close)

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd)

	2018/2019 £'000	2019/2020 £'000
Opening Capital Financing Requirement	**221,877**	**233,796**
Capital Investment:		
Land and Buildings	32,276	27,565
Other Plant and Equipment	4,339	1,525
Investment Property	480	
Assets under construction	4,342	13,279
Revenue expenditure funded from Capital under statute	861	848
Sources of Finance:		
Capital Receipts - general	(3,739)	(3,939)
Capital Receipts - New Build	(2,679)	(4,099)
Government Grants & Other Contributions	(3,133)	(4,795)
Major Repairs Reserve	(11,124)	(17,657)
Sums set aside from revenue:		
- Direct revenue contributions	(7,783)	-
- MRP	(1,921)	(2,495)
Closing Capital Financing Requirement	**233,796**	**244,027**
Explanation of movements in year:		
Increase in underlying need to borrow (supported by government financial assistance)	63	-
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-	10,231
Asset aquired under finance lease	11,856	-
Increase/(Decrease) in Capital Financing Requirement	**11,919**	**10,231**

Notes to the Core Financial Statements

17. 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

17. 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.*

Notes to the Core Financial Statements

17. Leases (contd.)

Operating Leases

Plant and Equipment: In 2019/20 the Council had use of multi-functional printing devices and four vehicle leases. The annual amount charged under these arrangements in 2019/20 was £28K (2018/19 £59K). Future lease payments due are shown in the table below:

	31/03/2019				31/03/2020	
Printers £'000	Assigned Vehicles £'000	Total £'000	*Operating Lease Payments*	Printers £'000	Assigned Vehicles £'000	Total £'000
9	13	22	Not later than one year	14	4	18
37	-	37	Later than one year and not later than five years	53	-	53
-	-	-	Later than five years	-	-	-
46	**13**	**59**	**Total**	**67**	**4**	**71**

Property: Council as Lessor - the authority currently leases 345 premises which include 177 shops, 35 workshops, 11 public houses, 10 surgeries and 112 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2019/20 was £3.357M, (2018/19 £3.433M).

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

31/03/2019 £'000	Future Minimun Payments	31/03/2020 £'000
3,317	Not later than one year	3,009
13,267	Later than one year and not later than five years	12,036
46,842	Later than five years	43,044
63,426	**Total**	**58,089**

Finance Leases Lessor and Lessee: Property, Plant, and Equipment: In 2018/19 the council acquired a 37 year head lease from Aviva for Queensway. This was immediately sublet to Queensway Properties (Stevenage) LLP for 37years. (see also Group Accounts).

31/03/2019 £'000	Future minimum lease from Queensway	31/03/2020 £'000
508	Not later than one year	278
2,082	Later than one year and not later than five years	1,249
22,415	Later than five years	15,657
25,005	**Total**	**17,184**

Notes to the Core Financial Statements

18. Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- *amortised cost*
- *fair value through profit or loss (FVPL), and*
- *fair value through other comprehensive income (FVOCI)*

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).The Council holds no assets that fall into this category.

Financial assets measured at amortised cost (loans and receivables) are initially measured at fair value then subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES is the amount receivable for the year in the loan agreement.

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.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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 CIES 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 CIES is the amount payable for the year in the loan agreement.

Financial Assets

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 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.*
- *Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*
- *Level 3 Inputs – unobservable inputs for the asset or liability. 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. The key risks are:

- 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
- Re-financing risk – the possibility that the authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- 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

Notes to the Core Financial Statements

18. Financial Instruments (contd)

team, under policies approved annually (in February prior to the financial year to which it relates) by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The Strategy includes the Prudential Indicators, the key objectives of which are

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

The Council's Treasury Management Strategy applicable from 1 April 2019 complies fully with the code of practice. Further details on the Council's Treasury Management Strategy can be found on Stevenage Borough Council's website

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.

Expected Credit Loss Model: the authority recognises Expected Credit Losses (ECL) on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Notes to the Core Financial Statements

18. Financial Instruments (contd)

	Estimated maximum exposure to default & uncollectability 31 March 2019	Amount at 31 March 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default & uncollectability 31 March 2020
	£'000	£'000	%	%	£'000
Financial Institutions		A	B	C	(AxC)
Banks & Building Societies	0	26,092	0	0	
Other Local Authorities	0	5,077	0	0	
Other Counter parties	0	23,109	0	0	
Trade Debtors	302	2,389	15%	18%	441
Total	**302**	**56,667**			**441**

The ECL on Treasury Financial Assets is immaterial. The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2020. 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 £880K of the £2.389M trade debtors balance has passed its due date for payment. The past due amount can be analysed by age and service in the following table;

Age of Sundry Debt	Estates Services	Direct Services (incl Recycling)	Planning	Other	Total Trade Debtors
	£'000	£'000	£'000	£'000	£'000
less than 3 months	550	154	20	785	1,509
Over Term:					
3-6 months	82	3	0	36	121
6 months - 1 year	52	0	0	299	351
over 1 year	235	0	22	151	408
Total trade debtors over term	369	3	22	486	880
Total Trade Debtors 31 March 2020	919	157	42	1,271	2,389

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from a finance lease to Queensway LLP (see also Group Accounts). As at 31 March 2020 Deferred Capital Receipts were £12.009M (31 March 2019 £12.061M).

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.

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.

If interest rates had been 1% higher with all other variables held constant (according to assessment as at 31 March 2020), the financial effect would be:

	£'000
Increase in interest receivable on investments	(636)
Impact on Comprehensive Income & Expenditure Statement	(636)
Share of overall impact credited to the HRA	405
Impact on Movement in Reserves Statement	231

The impact of a 1% reduction in interest rates would be as above but with movements being reversed. The above represents what the cost will be less the payment due to the HRA.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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 (£10K) 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 non-current 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. The items disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

	Long Term		Current	
	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000
Investments				
Investment (LGA Municipal Bond)	10	10	0	0
Loans and Receivables	10,000	9,700	43,034	38,495
Total Investments	**10,010**	**9,710**	**43,034**	**38,495**
Debtors (including Cash, Cash equivalents and Bank)				
Loans and Receivables comprising:				
Mortgages	159	159	13	13
Queensway LLP Lease	18,043	18,009	133	89
Housing Rents Leaseholders	0	0	509	1,198
Other debtors	107	107	9,672	11,941
Cash held by the Authority	0	0	11	11
Bank Current Accounts	0	0	738	166
Investment Cash Equivalents	0	0	1,335	6,087
Local Authority Mortgage Scheme	0	0	0	0
Total Debtors	**18,309**	**18,275**	**12,411**	**19,505**
Borrowings				
Queensway Aviva Borrowing	6,255	6,243	46	31
Financial liabilities at amortised cost	205,220	208,966	263	376
Total Borrowings	**211,475**	**215,209**	**309**	**407**
Creditors				
Receipts in Advance	0	0	2,225	3,179
Sundry Creditors	2,094	4,833	15,932	19,317
Queensway Aviva Lease	11,788	11,824	87	58
Total Creditors	**13,882**	**16,657**	**18,244**	**22,554**

Schedule of PWLB loan repayments	**£**
less than one year	£263,158
1-2 years	£263,158
2-5 years	£263,158
6-10 years	£39,155,950
10 -15 years	£81,400,000
15 -20 years	£87,374,000
20-25 years	£510,000
Total	**£209,229,424**

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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

31st March 2019				31st March 2020		
Financial Liabilities Measured at Amortised Cost £0	Financial Assets: Loans and Receivables £0	Total £0		Financial Liabilities Measured at Amortised Cost £0	Financial Assets: Loans and Receivables £0	Total £0
7,193	0	7,193	Interest Expense	7,652	0	7,652
7,193	**0**	**7,193**	**Total expense in Surplus or Deficit on the Provision of Services**	**7,652**	**0**	**7,652**
0	(825)	(825)	Interest income	0	(1,399)	(1,399)
0	**(825)**	**(825)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(1,399)**	**(1,399)**
7,193	**(825)**	**6,368**	**Net gain/(loss) for the year**	**7,652**	**(1,399)**	**6,253**

Financial assets and financial liabilities (Treasury loans and investments) 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 Two Fair Values for Investments:
The fair value of the investments have been provided by Link Asset Services and are based on a financial model valuation which uses market information for similar instruments. The Code states that fair values disclosures are not required for short term trade payables and receivables since the carry amount is a reasonable approximation of fair value.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

31st March 2019			31st March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
		Long Term Investments		
10,007	10,062	Long term loans & receivables	9,764	9,871
10,007	**10,062**	**Total**	**9,764**	**9,871**
		Loan Debt		
0	0	Market Debt	0	0
205,483	237,586	PWLB Debt	209,342	232,918
205,483	**237,586**	**Total**	**209,342**	**232,918**

Valuation Techniques Used to Determine Level Two 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 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £232.918M 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 £291.619M, 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.

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.

Notes to the Core Financial Statements

19. Debtors

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

31-Mar-19 £'000		31-Mar-20 £'000
2,209	Central Government Bodies	1,585
177	Other Local Authorities	210
509	Housing Rents & Leaseholders	1,198
699	Collection Fund	379
133	Queensway Lease	89
6,733	Other Debtors	9,784
10,327	**Total**	**13,246**

The Council has two long term debtors:

Hertfordshire Building Control – This relates to a two year loan (£107K). An extension to the loan was granted in 2019/20.

Queensway Properties (Stevenage) LLP –This relates to a 37 year lease and borrowing (£18.009M) for properties 85-100 Queensway and 24-26 The Forum. (see also Note 17 and the Group Accounts section of the statement)

20. 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.*

Payables and Receipts in Advance

31-Mar-19 £'000		31-Mar-20 £'000
	Creditors:	
6,451	Central Government Bodies	5,169
8	Other Local Authorities	3,447
298	Collection Fund	-
436	Accumulated leave	535
8,872	Other Entities & Individuals	10,224
16,065	**Total Creditors**	**19,375**
	Receipts in Advance:	
1,094	Housing	1,205
562	Collection Fund	270
569	Other Entities & Individuals	1,702
2,225	**Total Receipts in Advance**	**3,177**
18,290	**Total Short Term Payables**	**22,552**

The Council has long term creditors (£24.148M) comprising principally:

Local Enterprise Partnership (LEP) – this relates to loans for land assemble to facilitate the town centre regeneration project (£6.139M)

85-100 Queensway and 24-26 The Forum This relates to a 37 year finance lease (£18.009M) for these properties, subsequently sublet to Queensway Properties (Stevenage) LLP.

Notes to the Core Financial Statements

21. 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.

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. 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

21. Assets held for sale (cont)

Disposals and Non-Current Assets Held for Sale *(contd)*

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 £10K 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

Disposals and Non-Current Assets Held for Sale *(contd)*

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

21. Assets held for sale (contd)

31-Mar-19 £'000		31-Mar-20 £'000
1,700	**Balance Outstanding at Start of the Year**	-
	Additions	
	Other movements	
	Assets newly classified as Held for Sale	
	Transfer from surplus assets	153
	Transfer from investment property	410
(1,700)	Assets sold	
-	**Balance at End of Year**	563

22. Provisions

Provisions *are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits, but where timing of the transfer is uncertain. 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 and included in debtors (Note21).

Notes to the Core Financial Statements

22. Provisions (cont)

Insurance provision: Provides for excesses relating to known claims.

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.

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 2019.

Other Provisions: All other provisions are individually insignificant.

Provisions	**Insurance Provision** £'000	**Organisation change** £'000	**Municipal Mutual Insurance** £'000	**NDR Appeals** £'000	**Water rates** £'000	**Other** £'000	**Total** £'000
Balance at the 1 April 2019	**(658)**	**(219)**	**(51)**	**(3,300)**	**(412)**	**-**	**(4,640)**
Additional Provisions made in 2019/20	(241)	(152)	-	-	(30)	(94)	(517)
Amounts Used in 2019/20	250	206	-	-	-	-	456
Unused Amounts reversed in 2019/20	266	13	-	463	442	-	1,184
Balance at the 31 March 2020	**(383)**	**(152)**	**(51)**	**(2,837)**	**-**	**(94)**	**(3,517)**

Provisions	**Insurance Provision** £'000	**Organisation change** £'000	**Municipal Mutual Insurance** £'000	**NDR Appeals** £'000	**Water rates** £'000	**Other** £'000	**Total** £'000
Balance at the 1 April 2018	**(621)**	**(203)**	**(51)**	**(3,354)**	**-**	**(60)**	**(4,289)**
Additional Provisions made in 2018/19	(359)	(221)	-	-	(412)	-	(992)
Amounts Used in 2018/19	322	201	-	-	-	-	523
Unused Amounts reversed in 2018/19	-	4	-	54	-	60	118
Balance at the 31 March 2019	**(658)**	**(219)**	**(51)**	**(3,300)**	**(412)**	**-**	**(4,640)**

Notes to the Core Financial Statements

23. 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.

On the 1 April 2015 a new company, **Hertfordshire CCTV Partnership Ltd,** was incorporated to conduct the commercial trading affairs of the CCTV Partnership. For the year ended 31 March 2020 the company produced a loss before tax of £9.5K. SBC's share of the loss is £3.5K. Due to the de minimis size of the new company, group accounts have not been completed.

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service and in August 2017, **Hertfordshire Building Control Ltd**, started trading. In 2019/20 Decorum Borough Council joined the integrated service. The council holds 12.5% of the share capital and is represented on the board. In August 2016 the council made a loan to the company of £107K which is held in Long Term Debtors on the balance sheet. Final result for the company had yet to be published but the profit/loss is not expected to be material.

Due to the Council's small share holding the Council has not included any further disclosure notes regarding this company.

24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £464K in 2019/20, (£461K in 2018/19). Payments made outside the scheme for Mayoral Allowances totalled £18K in 2019/20 (£19K in 2018/19).

Notes to the Core Financial Statements

25. Officers Remuneration

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

2019/20	Salary, Fees and Allowances £	Expenses Allowance £	Other Emoluments* £	Total Remuneration (excluding pension contributions) £	Pension Conts. £	Total Remuneration Incl Pension Contributions £
						0
Chief Executiveto 7 April 2019	2,368	99	12,509	14,976	663	15,639
Chief ExecutiveFrom 8 April 2019	111,069	1,225	9,160	121,454	33,664	155,118
Strategic Director and Deputy Chief Executive	101,657	330	2,041	104,028	28,465	132,493
Strategic Director (s151 Officer) From 12 February 2020	12,576	40	0	12,616	3,522	16,138
Strategic Directorto 7th April 2019	1,980	28	0	2,008	554	2,562
Strategic DirectorFrom 13 May 2019	76,163	265	684	77,112	21,325	98,437
Assistant Director Finance & Estates (s151 Officer) 1 April 2019 to 11 February 2020	70,993	30	630	71,653	19,878	91,531
Total	**376,806**	**2,017**	**25,024**	**403,847**	**108,071**	**511,918**

2018/19	Salary, Fees and Allowances £	Expenses Allowance £	Other Emoluments* £	Total Remuneration (excluding pension contributions) £	Pension Conts. £	Total Remuneration Incl Pension Contributions £
Chief Executive	119,379	1,193	4,353	124,925	34,723	159,648
Strategic Director and Deputy Chief Executive	99,840	403	482	100,725	28,013	128,738
Strategic Director	90,764	430	100	91,294	25,467	116,761
Assistant Director Finance & Estates(s151 Officer)	80,470	9	140	80,619	22,578	103,197
	390,453	2,035	5,075	397,563	110,781	508,344

** "Other emoluments" includes election duty payment and accrued annual leave In 2017/18 as part of the Future Town Future Council agenda legal services were procured through an ongoing shared service with Hertfordshire County Council including Borough Solicitor services*

The number of Council employees receiving more than £50K 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.

Notes to the Core Financial Statements

25. Officers Remuneration contd.

Remuneration band	2018/19 Number of Employees	2019/20 Number of Employees
£50,000 - £54,999	9	15
£55,000 - £59,999	4	6
£60,000 - £64,999	1	4
£65,000 - £69,999	-	2
£70,000 - £74,999	-	1
£75,000 - £79,999	6	3
£80,000 - £84,999	4	2
£85,000 - £89,999	-	1
£90,000 - £94,999	1	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
Total of Employees	**27**	**36**

The council directly employs circa 630 employees. With effect from 1st January 2014 the Council commenced paying the real living wage (promoted by Living Wage Foundation) to all employees (excluding apprentices who are paid above the national apprentice rate). As at the 1 April 2019 the Chief Executive was paid 6.74 times the lowest paid member of staff and 3.91 times the mean average (£31K).

Further information can be found in the annual pay policy statement published on the website:
https://democracy.stevenage.gov.uk/documents/s18261/Item%2015%20-%20Pay%20Policy%20Statement%202019-20.pdf

This document includes the remuneration of its chief officers and terms and conditions for staff including the approach to the payment of Chief Officers on the ceasing to hold office.

25. Officers Remuneration contd.

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

Exit package cost band (including special payments)	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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £39,999	2	3	0	0	2	3	11,195	78,136
£40,000 - £49,999	3	0	0	0	3	0	110,503	-
£50,000 - £149,999	3	2	0	1	3	3	205,585	162,553
Total	**8**	**5**	**0**	**1**	**8**	**6**	327,283	240,689

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

26. 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 asset.

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 2016 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 .*

Notes to the Core Financial Statements

26. Pension contd.

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*

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

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.

Notes to the Core Financial Statements

26. Pension contd.

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. 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.

31-Mar-19 £'000		31-Mar-20 £'000
-		-
	Cost of service	
6,303	Current service costs	7,149
551	Past service costs	(212)
	Financing and Investment Income & Expenditure	
5,416	Interest costs	5,475
(4,085)	Interest income on plan assets	(4,032)
8,185	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	**8,380**
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
(6,995)	Return on plan assets (excluding the amount included in the net interest expense)	8,786
-	Actuarial gains and losses arising on changes in demographic assumptions	(5,213)
11,939	Actuarial gains and losses arising on changes in financial assumptions	(17,612)
-	Other Actuarial gains and losses	(9,052)
13,129	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**(14,711)**

31-Mar-19 £'000		31-Mar-20 £'000
	Movement in Reserves Statement	
(8,185)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	**(8,380)**
		-
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	-
4,487	Employer's contributions payable to the scheme	4,570

Notes to the Core Financial Statements

26. Pension contd.

31-Mar-19 £'000		31-Mar-20 £'000
157,490	**Opening fair value of Scheme assets**	**168,023**
4,085	Interest Income	4,032
	Remeasurement gain/(loss)	
6,995	The return on plan assets, excluding the amount included in the net interest expense	(8,797)
4,487	Contributions from employer	4,581
1,110	Contributions from employees into the scheme	1,121
(6,144)	Benefits paid	(7,076)
168,023	**Closing fair value of scheme assets**	**161,884**

31-Mar-19 £'000		31-Mar-20 £'000
207,542	**Opening Balance of Obligations**	**226,717**
6,303	Current Service Cost	7,149
5,416	Interest Cost	5,475
1,110	Contributions from Scheme participants	1,121
	Remeasurement gain/(loss)	
-	Acturial gains/(losses) arising from changes in demographic assumptions	(5,213)
11,939	Acturial gains/(losses) arising from changes in financial assumptions	(17,612)
-	Other	(9,052)
551	Past service costs	(212)
(6,144)	Benefits paid	(7,076)
226,717	**Closing balance**	**201,297**
58,694	**Net Pension Liability**	**39,413**

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 2020.

Notes to the Core Financial Statements

26. Pension contd.

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

Asset Category	Period Ended 31 March 2019				Period Ended 31 March 2020			
	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
Equity Securities:								
Consumer	7,474	0	7,474	3.6%	3,128	0	3,128	1.9%
Manufacturing	6,515	0	6,515	4.0%	2,497	0	2,497	1.5%
Energy and Utilities	1,734	0	1,734	1.1%	0	0	0	0.0%
Financial Institutions	6,928	0	6,928	4.3%	2,400	0	2,400	1.5%
Health and Care	1,367	0	1,367	0.8%	1,474	0	1,474	0.9%
Information Technology	5,256	0	5,256	3.2%	5,612	0	5,612	3.5%
Other	451	0	451	0.3%	268.2	0	268.2	0.2%
Debt Securities:								
Corporate Bonds (investment grade)	0	0	0	0.0%	0	0	0	0.0%
UK Government	0	0	0	0.0%	0	0	0	0.0%
Other	0	77	77	0.0%	0	4245.5	4245.5	2.6%
Private Equity:								
All	0	7,878	7,878	4.9%	0	8,764	8,764	5.4%
Real Estate:								
UK Property	0	5952	5952	3.7%	0	4953.3	4953.3	3.1%
Overseas Property	0	6373	6373	3.9%	0	9776.3	9776.3	6.0%
Investment Funds and Unit Trusts:								
Equities	42,396	0	42,396	25.2%	50,964	0	50,964	31.5%
Bonds	58,456	0	58,456	35.1%	53,710	0	53,710	33.2%
Commodities	0	0	0	0.0%	0	0	0	0.0%
Infrastructure	0	1629	1629	1.0%	0	151	151	0.1%
Other	1420	8880	10300	6.4%	1381.8	11133.7	12515.5	7.7%
Derivatives:								
Interest Rate	0		0	0.0%	0	0	0	0.0%
Foreign Exchange	0	-200	-200	-0.1%	0	-173.2	-173.2	-0.1%
Cash and Cash Equivalents:								
All	5437	0	5,437	3.4%	1598.1	0	1,598	1.0%
Totals	**137,434**	**30,589**	**168,023**	**100%**	**123,033**	**38,851**	**161,884**	**100%**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

26. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

2018/19	Mortality Assumptions:	2019/20
	Longevity at 65 for current pensioners:	
22.5	Men	21.9
24.9	Women	24.1
	Longevity at 65 for future pensioners:	
24.1	Men	22.8
26.7	Women	25.5
	Other Assumptions:	
2.50%	Rate of pension inflation	1.90%
2.60%	Rate of increase in salaries	2.30%
2.40%	Rate for discounting scheme liabilities	2.30%
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 2020 (%)
Active members	68,441 (34%)
Deferred members	46,298 (23%)
Pensioner members	86,558 (43%)
Total	**201,297 (100%)**

Notes to the Core Financial Statements

26. Pension contd.

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.

Change in assumptions at year ended 31 March 2020	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	9	18,586
0.5% increase in salary increase rate	1	1,623
0.5% increase in pension increase rate (CPI)	8	16,824

The total contributions for current service cost expected to be made to the Pension Scheme in the year to 31 March 2021 is estimated at £4.613M.

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)

Notes to the Core Financial Statements

27. 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 11 Taxation and Non Specific and Specific Grant Income.

Other Public Bodies: Payments between the Council and Hertfordshire County Council (HCC) amounted to £1.061M (2018/19, £856K). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 26 Pension and Note 11 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 £487K in 2019/20 (£476K in 2018/19).
A legal shared service is provide to Stevenage BC by HCC for which the council paid £480K (2018/19 £408K).

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 2019/20 is shown in Note 24 Members Allowances.
A contract payment of £961K was paid to Stevenage Leisure Limited (SLL) (2018/19 £857K) and £37K was paid to Hertfordshire Building Control Limited (£45K in 2018/19). Also £1.517M was paid to other organisations (2018/19 £1.302M), either as grants or services received. With reference to all of these organisations, of the 39 Members, 38 Members declared interests through either the Register of Interests or completed related party transactions' forms. As at 31 March 2020 SBC had paid SLL nil amounts (March 2019 £157K) for management costs relating to 2020/21.

27. Related Parties (cont)

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 2019/20 expressions of interest, both potential financial and other interests, are declared and recorded in the minutes of the meeting 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 2019/20, the Chief Executive and Strategic Leadership Team declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972. The Assistant Director of Planning and Regulatory did not take part in any discussion, decision or administration relating to the Stevenage Leisure Limited and Hertfordshire Building Control Limited contract payments.

Other companies: Hertfordshire Building Control Limited and Hertfordshire CCTV Limited, please see note 23 Joint Arrangements. Disclosures regarding Queensway Properties (Stevenage) LLP and Marshgate Plc has been included in the Group Accounts section of this document.

Notes to the Core Financial Statements

28. 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 five contingent liabilities were identified, that related to:-

- There is a possibility that a new claim for mandatory relief from business rates on behalf of NHS Trust will be received. The second reading of the Hospital (Parking and Business Rates) Bill 2019-21 is scheduled for 10 September 2020. 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.
- The Council has signed a development agreement with Mace, its redevelopment partner for SG1. Should the council not be able to fulfil its development obligations penalty payments would be due to Mace.
- 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.

Notes to the Core Financial Statements

28. Contingent Liabilities and Assets (cont)

- There continues to be uncertainty as to the speed of recovery following the Covid-19 Pandemic and its impacts on a number of significant income streams to the Council including rent from tenants and carpark income. Central Government total funding to reimburse local authorities for additional costs incurred during the pandemic has yet to be confirmed and evaluated.

29. 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 2019/20 financial year are shown in the table below. The appointed auditor for 2019/20 is Ernst & Young LLP.

	2018/19 £'000	2019/20 £'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year.	49	49
Fees payable to External Auditor for the certification of grant claims and returns for the year.	9	25
Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor	-	(6)
Fees payable to former External Auditors for other services during the year.	-	2
Total	**58**	**70**

30. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

31 March 2019 £000		31 March 2020 £000
(745)	Interest received	(1,427)
7,326	Interest paid	7,539
6,581	**Total**	**6,112**

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

The surplus or deficit on the provision of services has been adjusted for the following non cash movements:

31 March 2019 £000		31 March 2020 £000
(27,703)	Purchase of property, plant and equipment, investment property and intangible assets	(41,217)
(7,121)	Purchase of short-term and long-term investments	(20,300)
70	Other payments for investing activities	-
19,695	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,504
(169)	Proceeds from short-term and long-term investments	25,100
1,554	Other receipts from investing activities	6,172
(13,674)	**Net cash flows from investing activities**	**(21,741)**

Notes to the Core Financial Statements

32. Going Concern

Section 1 – Basis of preparation

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.
The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code, therefore, assume that a local authority's services will continue to operate for the foreseeable future.

Section 2 – current & historical financial position

The COVID pandemic has caused adverse financial impacts for the Council, such as:

- Stevenage's businesses and residents may not or are unable to make payments due for items such as commercial rents, business rates and council tax.
- A number of the Council's income streams such as parking seeing a significant reduction in revenues
- The need to support the Council's leisure provider with emergency funding
- The increased cost of PPE and remote working equipment

The Council has identified the potential cost of COVID through regular updates of the Medium Term Financial Strategy (MTFS) over the course of 2020, with the first report in June 2020 recommended putting in place a number of precautionary measures to reduce General Fund net expenditure totaling £3.5M and then latterly the draft 2021/22 General Fund budget presented to the Executive in January 2021.

The 2020/21 and 2021/22 budget approved at Council in February 2021 projected General Fund balances to be £544K higher than the minimum level recommended for 2021/22.

The General Fund projections have been revised further as part of the MTFS update to the September 2021.

The latest MTFS General Fund projections are shown below are higher than the minimum balances estimated for 2021/22 and 2022/23

General Fund balances	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Opening Balance	(£6,401)	(£4,932)	(£3,701)	(£3,421)	(£3,475)
In Year	£1,469	£1,232	£280	(£53)	(£126)
Closing Balance	(£4,932)	(£3,701)	(£3,421)	(£3,475)	(£3,601)

Notes to the Core Financial Statements

32. Going Concern (cont)

Section 3 & 4 – Impact of Covid

The 2020/21 budget was approved in February 2020, and required a contribution of £149K from General Fund reserves. However, since the budget was set, the projected impact of COVID on the Council's General Fund has been significant, with increasing arrears, increase in costs and a significant down turn in fees and charges.

The Council proactively sought to increase revenue balances in March 2020 by reducing the use of revenue capital contributions, with a similar approach in 2020/21 and following years. This has been achieved by a combination of unused capital receipts £1.7M and the identification of small land sales as part of the Locality Reviews of £4M.

In addition a number of financial resilience measures were taken at the June 2020 Executive committee, to increase General Fund balances and these included reducing some revenue and capital spend.

The Council's January 2021 Executive committee approved a further package of 2021/22 Financial Security savings totaling £1.704M which was General Fund Options totaling £1.462M plus a further £131K of proposed fee increases which enabled a 2021/22 General Fund budget with estimated year end reserves of £4.194M, considered to be above minimum balances as set out in section two above and therefore financially resilient.

The General Fund yearend position for 2020/21 was reported at the August 2021 Executive projecting that in 2020/21 there was an estimated:

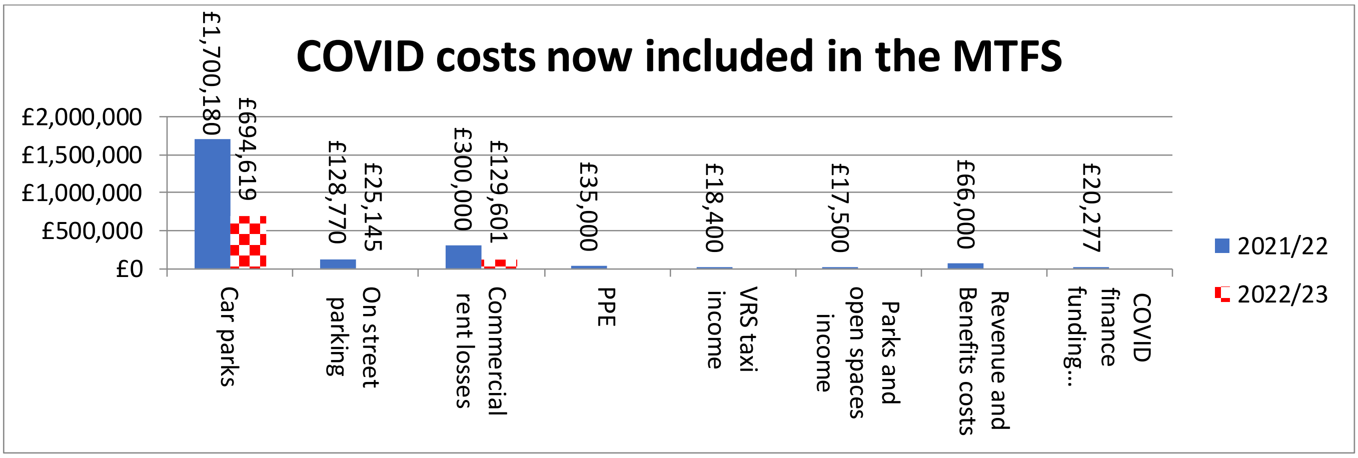
- £6.584M of additional spend or income foregone as a result of COVID during 2020/21.
- Business Rates losses of £1.164M
- Government grant funding of £5.269M including £2.453M from the income guarantee scheme, £1.422M across tranches 2-4 of the Government support package and £886K Tax Income Guarantee support (TIG)

This meant a net cost to the Council arising from COVID of £2.478M funded from the mitigation measures included in the June 2020 MTFS report, (with £1.218M of the measures were realised in 2019/20).

The revised costs for 2021/22 and 2022/23 projections for this and next year have been revised and included in the September 2021 MTFS update, based on lower projected income levels predominately relating to parking income. This is shown in the chart below and total £3.13M over the two financial years.

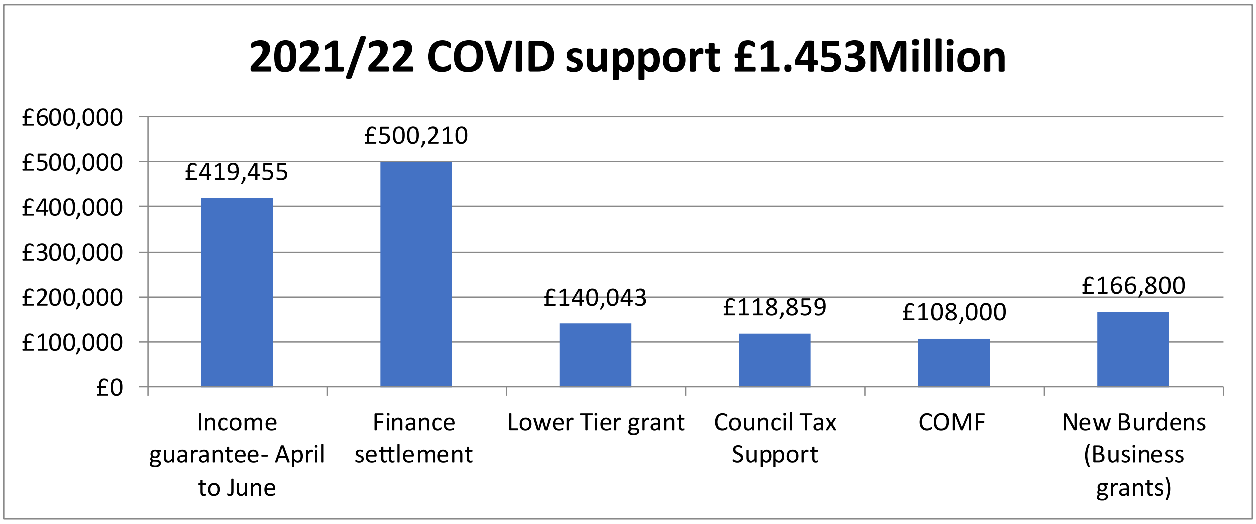
Notes to the Core Financial Statements

32. Going Concern (cont)



In addition to these costs homeless costs of £506K are projected for 2021/22, although £100K was added to the £80K budget for 2021/22 for assumed COVID impact on homeless or bed and breakfast costs. Funding has been identified from government funding included in the finance settlement but there is a further 2022/23 pressure estimated at £200K higher than the base budget.

To fund some of these costs some government funding is projected or already received. A summary of the COVID grants included in the MTFS for 2021/22 are shown below, however no funding is anticipated beyond 2021/22.

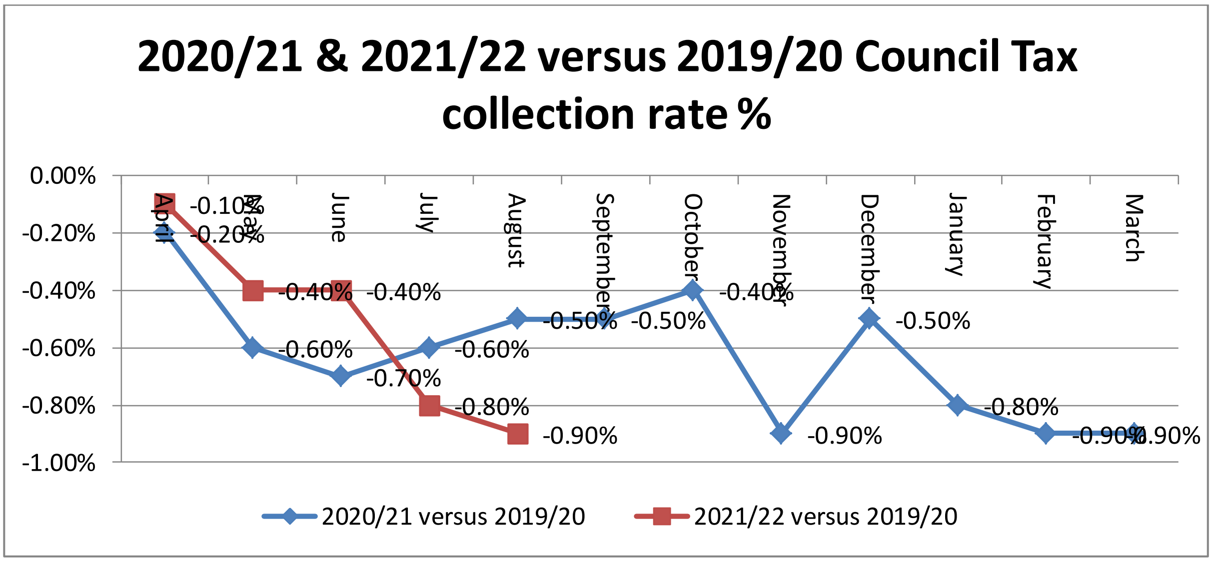


Council Tax collection rates for 2020/21 were below the expected profile and were 0.9% lower than 2019/20, as shown in the chart below. However during 2020/21 a number of payment arrangements have been made, (5,764 April 2020-January 2021 as reported in COVID losses return to the government in January 2021). The 2020/21 tax base assumption is that 98.25% of council tax will be collected and of which 95.1% was actually achieved. However, any loss on collection will only be realised if the debt is deemed uncollectable.

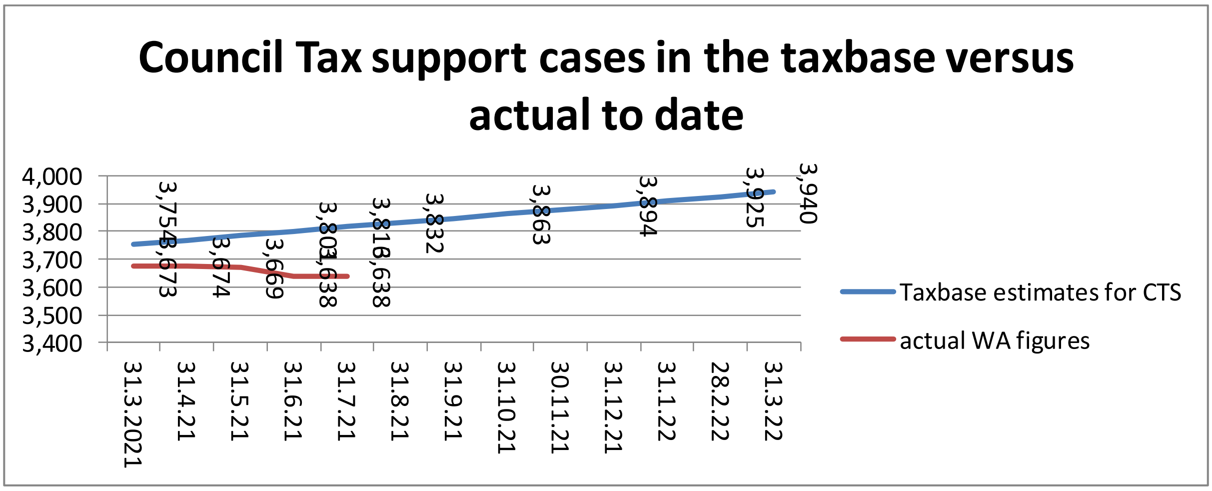
The collection rate as at the 31 August 2021 was 0.9% lower than compared to 2019/20, which would equate to a £55K loss for Stevenage Borough Council. The position for 2021/22 looks slightly worse than 2020/21, however this will be impacted by the hardship scheme payments made in 2020/21.

Notes to the Core Financial Statements

32. Going Concern (cont)



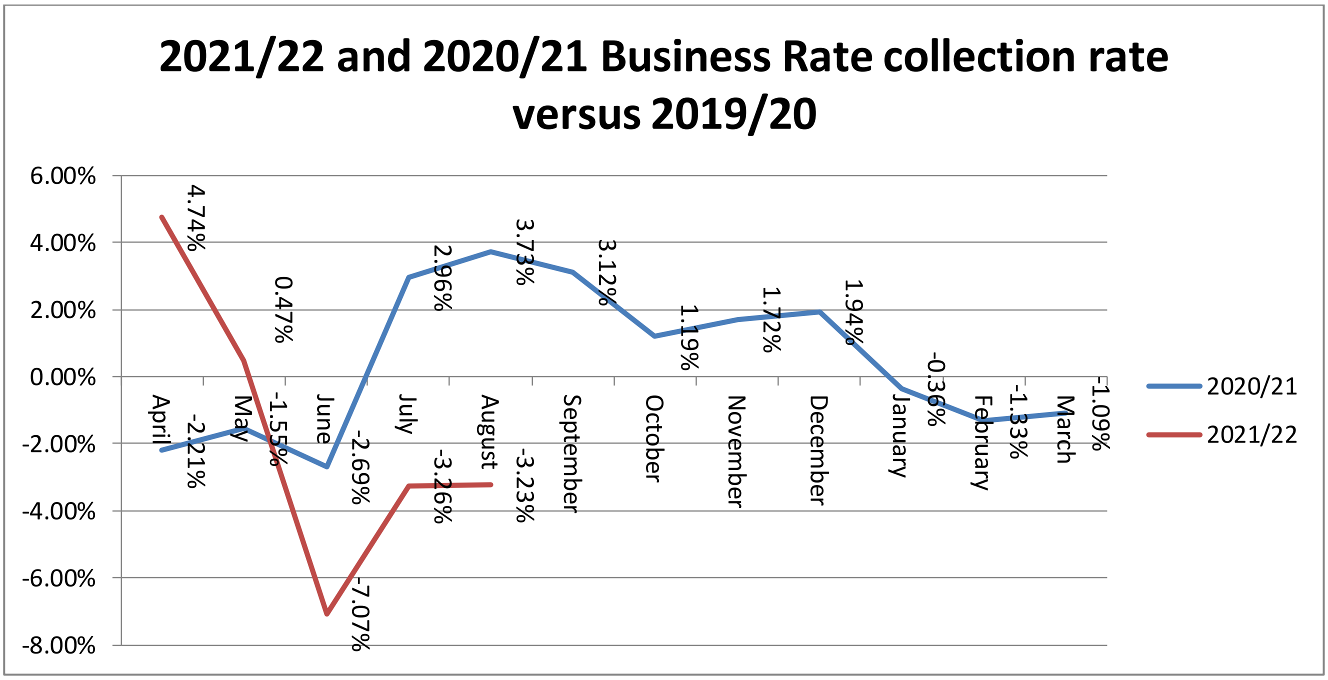
This is partly offset by the projected current taxbase, (the net number of properties on which council tax is raised), which is already higher than the estimated for 2021/22 as the anticipated rise in council tax support case for working age claimants has not yet materialised as shown below. The taxbases as at 1 September 2021 is 44 properties higher than estimated yearend taxbase and before new properties are included for the rest of the year. This equates to an additional £9.8K council tax income.



Business Rate 2020/21 collection rates were 1.09% lower than 2019/20 and as at 1 September were 3.23% lower than 2019/20 , but 0.5% higher than the same point in 2020/21. However, there is likely to be a distortion in the collection profile in both 2020/21 and 2021/22, due to the significant level of business rate reliefs granted. Furthermore, the 2021/22 reliefs, are more complex in calculation (than in 2020/21) and this has meant system changes for the July payment not being set up until August 2021 in some cases. Arrears reports are run monthly and reviewed by the CFO and will continue to be for the remainder of the year. The General Fund is forecasting business rate gains for 2021/22, however the majority of this (£474K) has been transferred to an earmarked reserve with no assumptions about the resources being utilised by the General Fund. If the collection rate for 2021/22 is also 1.09% lower (as in 2020/21), this would equate to £178K loss for Stevenage, if not collected in subsequent years.

Notes to the Core Financial Statements

32. Going Concern (cont)



The Council's **commercial rent** arrears as at the 31 March 2021 for the commercial shops over 30 days was £609K. However the Council has a rent policy which aims to work with commercial tenants to reduce their arrears over an 18 month period and has provided a bad debt provision of £426K or 70%. As at the 1 July 2021, commercial arrears were £411K for arrears over 32 days.

In summary, despite the financial impact of COVID on the Council's General Fund, the current projections give General Fund reserves of £3.7M as at 31 March 2023 and a total of £3.1M earmarked reserves as set out in the September 2021 MTFS update.

The CFO is content that the Council's subsidiary companies are not reliant on funding from the parent Stevenage Borough Council, other than that included in the Council's 2021/22 estimates.

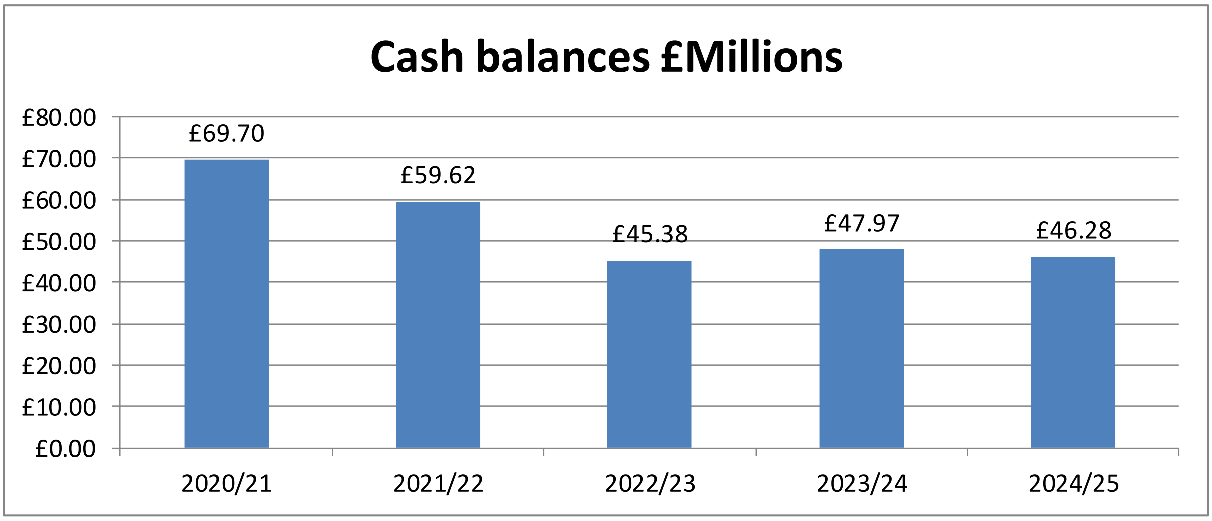
Section 5 – cash position

The Council had cash balances made up of Money Market Funds, Call Account and Bank Account as at 31 March 2021 of £69.7M.This included £41M invested in term deposits, of which only £2.3M had a maturity date beyond 31 December 2021 and £21.7M in instant access accounts. The Treasury Management Strategy to the 2021 February Council, projected cash balances reducing based on current plans but still significantly levels at £41.75M by 31 March 2025.

The Council has undertaken further cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework in addition there is headroom within the operational borrowing boundary of £5M for the General Fund and further £2Million for the HRA to fund capital expenditure. The projected cash balances (net of internal borrowing) are shown in the chart below.

Notes to the Core Financial Statements

32. Going Concern (cont)



Throughout the medium term the Council remains confident in its ability to maintain enough cash for its services.

In the unlikely event the Council did run in to cash flow problems, the current cash balances are net of under borrowing not yet taken totaling £7.8M for the General Fund and £3M for the HRA , which could be borrowed and in addition the Council is able to borrow money from its bank over the short-term.

This together with the cash and short term investment balances demonstrates that the Council has sufficient liquidity over the same period. As at the balance sheet date the Council held no short term borrowing.

Section 6 – Conclusion

These accounts have been prepared on a going concern basis, the 2020/21 General Fund yearend balance was £6.7Million and the projected 2021/22 year end reserves are estimated to be £4.9Million as set out in the Final General Fund budget report to the February 2022 Executive. The Council took early action to ensure that the General Fund reserves would be financially resilient despite projecting COVID pressures by implementing the June 2020 MTFS recommendations and also having under review continuing COVID pressures, with the last revision in September 2021. In addition the Final General Fund budget report to the February 2022 Executive recommended that the CFO reports to the June Executive with an update on the Council's MTFS, together with savings options up to £500K.The CFO considered this essential as a further financial resilience measure if the impact of COVID or other pressures worsen the Council's General Fund position.

The 2022/23 projected year end balances are £425K above the level of risk assessed general Fund useable reserves of £3.47illion for 2022/23. The 2022/23 budgets assume COVID losses of £849K, plus a further £1.086Million in the minimum level of balances assessment.
There are resources the General Fund can access to increase minimum balances which include the return of any business rate gains to the General Fund when realised and return monies from the equalisation reserve.

The following steps have also been taken to ensure financial resilience in setting the General Fund budget and in the MTFS update:

Notes to the Core Financial Statements

32. Going Concern (cont)

- 2021/22 Business Rate gains of £586K of which £542K has been transferred to an allocated reserve until realised, limiting the Council's exposure to a reduction in collectable income and no gains have been assumed in the MTFS 2022/23 onwards.
- 2022/23 Business Rate gains of £619K of which £619K has been transferred to an allocated reserve until realised, limiting the Council's exposure to a reduction in collectable income and meaning that over a £1Million of gains will be available to improve financial resilience if achieved and required.
- In calculating total 2021/22 business rate gains the bad debt provision has been increased to £750K before any income is distributed
- A 2.26% increase in council tax for 2022/23 and 1.99% thereafter
- A lower projected 2021/22 council tax base on which to raise council tax (0.17% reduction on the 2020/21 tax base) to reflect a higher level of discounts such as council tax support which did not materialize as at 11 February 2022.
- A deliverable £1.5Millionsavings package to be implemented in 2021/22 and a savings package of £780K for 2022/23 in line with the target required.
- 2021/22 General Fund balances assume the transfer of £250K to an income equalisation reserve to fund further fluctuations in fees and charges, with a further contribution of £150,000 in 2022/23 and a MTFs assumption of £100K in 2023/24
- A built in assumption of COVID loses in the General Fund budget as set out above.
- Further government funding of only £120K in 2023/24 and 2024/25 based on a minimum lower tier grant or similar funding.
- The 2022/23 level of General Fund minimum balances has been increased to £3.47Million to allow for further COVID losses above that included in the General Fund budget set by the CFO.
- The Council has set up a Transformation programme as part of the 'Making Your Money Count' Council priority to deliver savings for the General Fund and HRA from 2023/24 onwards.

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.

2018/19		2019/20	
£000		£000	
	Expenditure		
6,823	Repairs & Maintenance	7,246	
10,917	Supervision & Management	11,186	
207	Rents, Rates, Taxes & Other Charges	266	
12,520	Depreciation & Impairment of Non-Current Assets - HRA Dwellings	10,514	
260	Depreciation & Impairment of Other Non-Current Assets	472	
0	Revaluation gains/losses	0	
156	Movement in the allowance for bad debts	306	
30,883	**Total Expenditure**		**29,991**
	Income		
(38,782)	Dwelling rents	(38,402)	
(251)	Non-dwellings rents	(289)	
(3,517)	Charges for Services & Facilities	(3,944)	
(497)	Contributions towards expenditure	(480)	
(43,047)	**Total Income**		**(43,115)**
(12,164)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**		**(13,124)**
1,043	HRA Services share of Corporate & Democratic Core		944
(11,121)	**Net income for HRA services**		**(12,180)**
(2,947)	Gain on sale of HRA Non-Current Assets		(2,387)
6,514	Interest payable (PWLB loans - Self financing)		6,514
407	Interest payable (Decent Homes borrowing)		353
(405)	Interest recievable on revenue balances		(398)
0	Interest recievable on mortgages		0
0	Apprentice levy		(19)
(52)	Capital grants & Contributions receivable		0
374	Pension Interest and expected return on pension assets		374
(7,230)	**(Surplus)/Deficit for the year on HRA services**		**(7,743)**

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.

2018/19			2019/20	
£000			£000	£000
(24,115)	**Balance on the HRA at the end of the previous year**			**(21,302)**
(7,230)	Deficit for the year on the HRA Income & Expenditure Statement		(7,743)	
10,043	Adjustment between accounting basis and funding basis under statute		3,513	
0	Transfer to Earmarked Reserves		5,713	
2,813	(Increase)/Decrease in year on the HRA			1,483
(21,302)	**Balance on the HRA at the end of the year**			**(19,821)**

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 0.8% of let-able properties were vacant (in 2018/19 figure was 0.75%). Average rents - excluding service charges - were £94.79 a week in 2019/20 (£95.72 in 2018/19).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2019/20 rent arrears as a proportion of gross rent income were 3.07% (2.49% in 2018/19).

2018/19 £'000		2019/20 £'000
1,083	Arrears at 31 March	**1,349**
190	Amounts written off during the year	**106**

The bad debts provision stood at £786K at 31 March 2020 (£586K at 31 March 2019).

Notes to the Housing Revenue Account (HRA)

HRA 3. Housing Stock Numbers

The stock movement can be summarised as follows:-

2018/19 £000		2019/20. £000
7,997	Stock as at 1st April	7,965
	Opening balance adjustment	5
(32)	Less Right to Buy Sales	(42)
31	New Build acquisitions	64
(31)	Demolitions	0
0	Conversions/other	2
7,965	**Stock at 31st March**	**7,994**
5,151	Houses	5,140
2,814	Flats	2,854
7,965	**Total**	**7,994**

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

New homes at Blackwell Close completed in October 2019

Notes to the Housing Revenue Account (HRA)

HRA 4. Non Current Asset Valuations

Housing Stock

The total balance sheet value (£'000's) of the dwellings within the HRA can be summarised as follows:-

	£'000's
As at 31 March 2019	£618,675
As at 31 March 2020	£632,400
The Vacant Possession value of the dwellings as at 31 March 2020 was	£1,662,513

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-Mar-19 £'000		**31-Mar-20 £'000**
2,846	Assets Under construction	5,025
1,296	Vehicles Plant & Equipment	1,188
4,142	**Total**	**6,213**

:

Notes to the Housing Revenue Account (HRA)

HRA 5. Major Repairs Reserve (MRR)

2018/19 £'000	2018/19 £'000		2019/20 £'000	2019/20 £'000
	(9,264)	**Opening Balance as at 1st April**		(10,920)
		Transfers to the MRR -		
(12,520)		Depreciation of HRA Dwellings	(10,515)	
		Voluntary contribution in year	(498)	
(260)		Depreciation of other HRA Assets	(472)	
	(12,780)			(11,484)
		Transfers from MRR -		
	11,124	Financing of HRA Capital Expenditure		17,657
	(10,920)	**Closing Balance as at 31 March**		**(4,746)**

HRA 6. Capital Expenditure, Financing & Receipts

2018/19 £'000		2019/20 £'000
	Capital Expenditure:	
13,067	Major Repairs & Improvements	24,889
3,604	New Council Housing	3,665
768	Disabled Adaptations	650
1,644	Equipment	346
3,283	Assets under construction	463
22,366		**30,013**
	The Capital Expenditure was financed as follows:	
697	Capital Receipts	1,325
1,964	Retained 1 for1 receipts	3,270
11,124	Major Repairs Reserve	17,657
6,770	Contributions	705
1,811	New Borrowing	7,056
22,366		**30,013**

Total Capital Receipts in 2019/20 from the sale of property within the HRA can be summarised as follows:-

2018/19 £'000		19/20 £'000
(4,910)	Right to Buy Sales	(6,932)
(1)	Right to Buy Mortgage Repayments	(2)
(103)	Other Land & Property *	(104)
(5,014)		(7,038)

*Includes repayment of Right to Buy discounts

Collection Fund Statement 2019/20

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.

2018/19			Collection Fund	2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			Income			
(46,590)		(46,590)	Council Tax Receiveable	(49,235)		(49,235)
	(45,047)	(45,047)	Business Rates Receivable		(48,477)	(48,477)
	1,625	1,625	Transitional Payment Protection receiveable		342	342
(46,590)	(43,422)	(90,012)	Total income	(49,235)	(48,135)	(97,370)
			Expenditure			
			Precepts, Demands and Shares			
35,730	4,371	40,101	Hertfordshire County Council	37,167	18,146	55,313
4,438		4,438	Hertfordshire Police Authority	5,138		5,138
5,532	**17,483**	**23,015**	**Stevenage Borough Council**	**5,755**	**15,877**	**21,632**
	21,854	21,854	Central Government		11,341	11,341
			Charges to Collection Fund			
	107	107	Costs of collection		110	110
183	200	383	Write offs of uncollectable amounts	241	284	525
57	(396)	(339)	Increase/(decrease) for impairment	(15)	103	88
	(134)	(134)	Increase/(decrease) in provision for appeals		(143)	(143)
876	8	884	Hertfordshire County Council	359	95	454
107		107	Hertfordshire Police Authority	45		45
140	**30**	**170**	**Stevenage Borough Council**	**56**	**381**	**437**
	38	38	Central Government		476	476
47,063	43,561	90,624	Total expenditure	48,746	46,670	95,416
473	139	612	Movement on fund balance (deficit/(surplus))	(489)	(1,465)	(1,954)
(886)	(1,028)	(1,914)	Balance at beginning of year	(413)	(889)	(1,302)
(413)	(889)	(1,302)	Balance at end of year	(902)	(2,354)	(3,256)

Notes to the Collection Fund Statement 2019/20

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; (27K for 2019/20, 27K for 2018/19). The basic amount of council tax for a band D property £1,758.51 for 2019/20 (£1,688.92 for 2018/19) 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	1,640.84	6,623.59	21,477.46	3,305.64	3,172.26	918.9	429.5	15	37,583.19
Exemptions		-38	-136	-153	-34	-22	-3	-4	-5	-395
Disabled Relief	1	8	74	-68	14	-24	2	-5	-2	0
Discounts (25%)	0	1,181.78	3,944.33	6,356.72	787.49	529.21	121.65	57.74	0	12,978.92
Discounts (50%)	0	1	7	15	0	2	5	7	5	43
Council Tax Support Scheme	0.69	357.7	1,312.66	2,298.55	211.94	48.95	11.56	2.77	0	4,244.82
Empty Homes Premium	0	4	14	15	4	4	2	0	0	43
Effective Properties	0.31	959.2	4,266.35	17,368.71	2,878.83	2,946.01	874.43	399.8	5.5	29,699.14
Proportions	05-Sep	06-Sep	07-Sep	08-Sep	09-Sep	11-Sep	13-Sep	15-Sep	18-Sep	
Band D Equivalents	**0.17**	**639.46**	**3,318.27**	**15,438.88**	**2,878.83**	**3,600.67**	**1,263.06**	**666.33**	**11**	**28,816.67**
Council Tax Base	Band D equivalent multiplied by collection rate of 98.25%									27,329.90

Notes to the Collection Fund Statement 2019/20

CF 1. Council Tax (cont)

The income chargeable of £60.712M in 2019/20 is from the following sources:

2018/19 £		2019/20 £
£46,407,418	Billed to Council Tax Payers	£48,993,784
£0	Council Tax Benefits	£0
£5,935,068	Local Council Tax Scheme	£5,779,821
£5,573,702	Exemptions, Discounts, etc.	£5,937,929
£57,916,188		**£60,711,534**

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 50.4p in 2019/20 (49.3p in 2018/19) 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 49.1p in 2019/20 (48.0p in 2018/19). The rateable value for the Council's area is £109.559M at 31 March 2020 (£110.353M at 31 March 2019). 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%.

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(£ 323,317)	(£ 88,912)	(£ 412,229)	Hertfordshire County Council	(£697,831)	(£960,900)	(£1,658,431)
(£ 39,651)		(£ 39,651)	Hertfordshire Police Authority	(£96,934)		(£96,934)
(£ 50,062)	**(£ 355,649)**	**(£ 405,711)**	**Stevenage Borough Council**	**(£107,417)**	**(£820,747)**	**(£928,164)**
	(£ 444,561)	**(£ 444,561)**	Central Government		(£572,688)	(£572,688)
(£ 413,030)	(£ 889,122)	(£ 1,302,152)	Total	(£902,182)	(£2,354,335)	(£3,256,217)

Group Accounts 2019/20

These Group Accounts include the consolidation of:

Queensway Properties (Stevenage) LLP Company number: OC424782

The Members of Queensway Properties (Stevenage) LLP have taken the exemption from having an audit of its financial statements for the year ended 31 March 2020. This exemption is taken in accordance with Companies Act Section 479A.

Stevenage Borough Council also has a 100% holding of

Marshgate PLC Company number: 11649451

The Director of Marshgate PLC has taken the exemption from having an audit of its financial statements for the year ended 31 March 2020. This exemption is taken in accordance with Companies Act Section 477 relating to small companies. Due to the deminimus size of Marshgate PLC they have not been consolidated within these group accounts

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Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk the accounting statement s of a material subsidiary are consolidated with the Council's accounts. They include the core accounting statements (movement in reserves statement., comprehensive income and expenditure statement, balance sheet and cash flow statement) presented in a similar manner to the Council's accounts. Further explanatory notes are given and these should be read in conjunction with the Council's (single entity) accounts.

Group accounts has been prepared under the requirement of the Code of Practice on Local Authority Accounting, consolidating and material subsidiary, associate or joint venture entities which the Council exercises control or influence (See also Note 3 –Critical judgements in applying Accounting Policies and Note 23 – Hertfordshire CCTV Limited and Hertfordshire Building Control Ltd).

On 7 November 2018 Stevenage BC formed a limited Liability Partnership called Queensway Properties (Stevenage) LLP (further referred to as Queensway LLP). The Council holds 99.9% of the partnership with the remaining 0.1% held by Marshgate Ltd, a company wholly owned by Stevenage Borough Council (incorporated on 30 October 2018). The purpose for establishing Queensway LLP was to facilitate the regeneration of 85-100 Queensway and 24-26 The Forum, a large element of the new town centre. The Council has entered into a partnership with REEF and Aviva (the funding partner) to deliver a mixed use redevelopment of the site including commercial, residential, and leisure uses. The Council has taken the head lease of the property from Aviva and sublet to Queensway LLP over a 37 year period.

Accounting Policies

Queensway LLP has its first year end as 31 March 2020. As such accounts have been prepared for the first 15 months of trading and these accounts have not been subject to their auditors (yet to be appointed). In compiling the Group Accounts the first accounting period has been split to match the Councils accounting period, ie the first three months trading in 2018/19 and 12 months to 31 March 2020. The Council has reviewed the accounting policies applied to Queensway LLP and has concluded that there is no material adjustments required to align accounting policies of both entities.

As a subsidiary, the accounts have been consolidated with those of the Council on a line by line basis and any balances and/or transactions between the parties have been eliminated in full in both the Comprehensive Income and Expenditure account and Balance sheet.

Group Accounts – Movement in Reserves Statement

Movements in Reserves during 2019/2020	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2019	**(57,782)**	**690**	**(57,092)**	**(478,082)**	**-**	**(478,082)**	**(535,174)**
Group (Surplus)/Deficit	(11,057)	659	**(10,398)**	-	142	142	(10,256)
Other Comprehensive Expenditure and Income			-	(26,660)		(26,660)	(26,660)
Total Comprehensive Expenditure and Income	**(11,057)**	**659**	**(10,398)**	**(26,660)**	**142**	**(26,518)**	**(36,916)**
Adjustments between Accounting Basis and Funding Basis under Regulations	9,542		**9,542**	(9,542)		- (9,542)	- -
Net (Increase)/Decrease before Transfers to Reserves	**(1,515)**	**659**	**(856)**	**(36,202)**	**142**	**(36,060)**	**(36,916)**
Transfer to/from Reserves	-					-	-
(Increase)/Decrease in Year 2019/2020	**(1,515)**	**659**	**(856)**	**(36,202)**	**142**	**(36,060)**	**(36,916)**
Balance at 31 March 2020 Carried Forward	**(59,297)**	**1,349**	**(57,948)**	**(514,284)**	**142**	**(514,142)**	**(572,090)**

2018/19 Movement in Reserves Statement

Movements in Reserves during 2018/2019	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2018	**(58,846)**	**-**	**(58,846)**	**(503,897)**		**(503,897)**	**(562,743)**
Group (Surplus)/Deficit	363	690	- **1,053**			- -	- 1,053
Other Comprehensive Expenditure and Income	-		-	26,516		26,516	26,516
Total Comprehensive Expenditure and Income	**363**	**690**	**1,053**	**26,516**	**-**	**26,516**	**27,569**
Adjustments between Accounting Basis and Funding Basis under Regulations	701		**701**	(701)		- (701)	- -
Net (Increase)/Decrease before Transfers to Reserves	**1,064**	**690**	**1,754**	**25,815**	**-**	**25,815**	**27,569**
Transfer to/from Reserves	-					-	-
(Increase)/Decrease in Year 2018/2019	**1,064**	**690**	**1,754**	**25,815**		**25,815**	**27,569**
Balance at 31 March 2019 Carried Forward	**(57,782)**	**690**	**(57,092)**	**(478,082)**		**(478,082)**	**(535,174)**

Group Accounts – Comprehensive Income & Expenditure Statement

2018/2019			Note		2019/2020		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,824	(325)	5,499		Community Services	4,837	(341)	4,496
34,864	(32,297)	2,567		Housing Services	30,566	(27,328)	3,238
16,849	(7,322)	9,527		Environmental Services	16,084	(8,893)	7,191
101	-	101		Local Community Budgets	92	-	92
7,870	(5,860)	2,010		Resources	7,615	(5,952)	1,663
2,523	(1,840)	683		Resources - Support	3,670	(2,097)	1,574
31,903	(43,025)	(11,122)		Housing Revenue Account	29,990	(43,115)	(13,124)
598	(208)	390		Queensway Properties LLP	475	(342)	133
100,532	**(90,877)**	**9,655**		**Cost of Services**	**93,330**	**(88,067)**	**5,263**
		(1,809)	10	Other Operational Expenditure			(2,501)
		6,163	10	Financing & Investment Income and Expenditure			6,490
		(17,428)		Taxation & Non-Specific Grant Income: Retained Business rates			(17,466)
		14,842		Taxation & Non-Specific Grant Income: NNDR expenditure (tarriff to DCLG)			12,968
		(10,372)	11	Taxation & Non-Specific Grant Income: Other			(15,010)
		1,054		**(Surplus)/Deficit on Provision of Services**			**(10,256)**
		21,553		Deficit/(Surplus) on revaluation of fixed assets			(3,569)
		4,146		Actuarial (gains)/losses on pensions assets/liabilities			(23,091)
		26,516		**Other Comprehensive Income and Expenditure**			**(26,660)**
		27,570		**Total Comprehensive Income and Expenditure**			**(36,916)**

Stevenage BOROUGH COUNCIL

Group Accounts – Group Balance Sheet

31-Mar-19 £'000	Note		31-Mar-20 £'000
745,378		Property, Plant and Equipment	771,294
598		Heritage Assets	560
24,988		Investment Property	24,024
781		Intangible Assets	835
10,010		Long Term Investments	9,710
266		Long Term Debtors	266
18,043	18	Long Term Debtor - Queensway	
782,021		**Long Term Assets**	**806,689**
43,034		Short Term Investments	38,495
-		Assets Held for Sale	563
142		Inventories	129
10,016		Short Term Debtors	13,230
7,888		Cash and Cash Equivalents	10,873
61,080		**Current Assets**	**63,290**
(263)		Short Term Borrowing	(407)
(18,305)		Short Term Creditors	(22,369)
(4,640)		Provisions	(3,517)
(23,208)		**Current Liabilities**	**(26,292)**
(11,788)		Queensway Finance Lease	(11,824)
(2,094)		Long term creditors	(4,833)
(205,220)		Long term borrowing	(208,966)
(6,255)		Long term borrowing (Queensway)	(6,243)
(58,694)		Pension Liability	(39,413)
(668)		Grants Receipts in Adv - Capital	(317)
(284,719)		**Long Term Liabilities**	**(271,597)**
535,174		**Net Assets**	**572,090**
(57,092)		Usable Reserves	(57,948)
(478,082)		Unusable Reserves	(514,142)
(535,174)		**Total Reserves**	**(572,090)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 28 February 2022

CD Fletcher

Clare Fletcher

Group Accounts – Cash Flow Statement

2018/19 £'000	Note		2019/20 £'000
(1,054)	CIES	Net Surplus or (Deficit) on the Provision of Services	10,256
39,793		Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements	21,768
(21,219)		Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(16,058)
17,520		**Net Cash flows from Operating Activities**	**15,966**
(30,681)		Investing Activities	(20,097)
13,349		Financing Activities	7,116
188		**Net Increase or Decrease in Cash and Cash Equivalents**	**2,985**
7,700		Cash and Cash Equivalents at the beginning of the Reporting Period	7,888
7,888		**Cash and Cash Equivalents at the End of the Reporting Period**	**10,873**

Artist impression of Queensway redevelopment

Group Accounts - Notes to the Group Accounts

The following notes are given below on areas that have materially changed in consolidating the accounts.

G1. Accounting Policies

The Accounting policies of the group are the same as those applied to the Council's single entity accounts.

G2. Leases

Queensway Properties LLP has entered into a 37 year lease for properties 85 Queensway and 89-103 Queensway and 24-26 The Forum, Stevenage, Hertfordshire. This long term liability and long term borrowing has been recognised on the balance sheet with corresponding land and building and cash balances. Paid and future expected lease payments (including interest) are detailed in the following table;

	Land £'000	Borrowing £'000	Total £'000
Paid in year	£327	£648	**£975**
Due less than one year	£278	£526	**£804**
Due in 1-5 years	£1,583	£2,693	**£4,276**
Due in 6-35 years	£15,232	£15,120	**£30,352**
Total	**£17,093**	**£18,339**	**£35,432**

G3. Group short term Debtors

31-Mar-19 £'000		31-Mar-20 £'000
2,209	Central Government Bodies	1,679
177	Other Local Authorities	210
509	Housing Rents & Leaseholders	1,198
699	Collection Fund	379
6,422	Other Debtors	9,764
10,016	**Total**	**13,231**

Group Accounts - Notes to the Group Accounts

G4. Group short term Creditors

31-Mar-19 £'000		31-Mar-20 £'000
	Creditors:	
6,451	Central Government Bodies	5,169
8	Other Local Authorities	3,447
298	Collection Fund	-
436	Accumulated leave	535
8,887	Other Entities & Individuals	10,224
16,080	**Total Creditors**	**19,376**
	Receipts in Advance:	
-	Other Local Authorities	0
1,094	Housing	1,205
562	Collection Fund	270
569	Other Entities & Individuals	1,517
2,225	**Total Receipts in Advance**	**2,992**
18,305	**Total**	**22,368**

G5. Queensway Properties LLP Summary Profit and Loss Account for 1st April 2019 – 31 March 2020

2018/19 7-11-18 to 31-3-19 Net Expenditure £'000		2019/20 Net Expenditure £'000
(208)	Turnover	(341)
286	Cost of Sales	107
78	**Gross (Profit)/ Loss**	**(234)**
23	Other operational costs	102
290	Support Costs (incl set up costs)	145
-	Financing costs	647
300	Other Costs	-
-	Revaluation deficit on assets	142
691	**Loss for the period**	**802**

Group Accounts - Notes to the Group Accounts

G6. Queensway Properties LLP Summary Balance Sheet

31-Mar-19 £'000		31-Mar-20 £'000
11,875	Land & Buildings	11,733
11,875	**Total Long Term Assets**	**11,733**
75	Short Term Debtors	293
5,804	Cash and Cash Equivalents	4,613
5,879	**Current Assets**	**4,906**
(402)	Creditors due in less than one year	(31)
-	Provisions	(92)
(402)	**Current Liabilities**	**(123)**
(11,788)	Finance Lease	(11,766)
(6,255)	Long term Borrowing	(6,243)
(18,043)	**Long Term Liabilities**	**(18,009)**
(691)	**Net Assets**	**(1,493)**
(691)	Profit and Loss account	(660)
	Partnership funds bfwd	(691)
	Revaluation Reserve	(142)
(691)	**Total Reserves**	**(1,493)**

G7. Queensway Debtors and Creditors

In the group accounts the transactions between the Council and Queensway LLP are eliminated.

31-Mar-19 £'000	Queensway Debtors due in less than 1 year	31-Mar-20 £'000
0	Stevenage Borough Council	199
75	Other Debtors	94
75	**Total**	**293**

31-Mar-19 £'000	Queensway Creditors due in less than 1 year	31-Mar-20 £'000
(387)	Stevenage Borough Council	(77)
(15)	Other Creditors	(15)
(402)	**Total**	**(92)**

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.

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

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

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

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

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

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

Glossary of Terms

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.

Council Tax
The property based tax by which Local Authorities and Police Authorities, raise revenue from the local community. All domestic properties have been valued and placed within eight bandings to which is applied the local rate assessed by the relevant authorities. A discount on charges is

Glossary of Terms

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

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

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

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

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.

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.

Glossary of Terms

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.

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

Glossary of Terms

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. It does not represent the sale value.

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.

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

To follow