

Statement of Accounts 2006/07

Subject to External Audit



The 2006/07 Statement of Accounts was approved at the Statement of Accounts Committee held on 28th June 2007.

Executive Member – Resources Portfolio

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Foreword by Strategic Director (Chief Financial Officer)

The Accounts of Stevenage Borough Council for the year ended 31st March 2007 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 2006 Statement of Recommended Practice (SORP) for Accounting in Local Government in 2006/07. They incorporate significant changes from the format of reporting last years Accounts, as required by the 2006 SORP, and the prior years figures have been accordingly restated to aid comparison.

The Council spends some £80 million pounds each year on your behalf providing Services for people in the town. Some 70% of the money to pay for these services comes directly from you, in the council tax you pay to us, in the rents for housing and the charges we make for some of our services. Each year, the Council is required to give the residents of Stevenage clear information about its activities and financial management and this is what this document sets out to show.

Sound financial management is essential to the Council's well being and this Statement of Accounts outlines how the Council's finances have been managed on your behalf. In January 2004 a team of Audit Commission Inspectors visited Stevenage to assess how the Council was performing under its Comprehensive Performance Assessment (CPA). They concluded that Stevenage was a "Good" Council that understands the needs of local people and provides a range of quality services. The driving force for CPA is improvement and we have continued over the last 12 months on focusing our attention on improvement in some key areas in order to seek to become an "Excellent" Council.

In addition, during 2005/06, all Councils underwent a 'use of resources' inspection by the Audit Commission that reviewed aspects of financial management and governance arrangements across the council and gave an opinion on whether the Council was delivering value for money for the services we provide. The Council, as did the majority of District Councils, achieved a Level 2 rating, which confirmed we are meeting the Audit Commission's prescribed standard. The Council worked actively during 2006/07 to implement an improvement plan to seek to achieve a Level 3 rating. In March 2007 the Council received its update Use of Resources Judgement from the Audit Commission, which confirmed that the Council had achieved a Level 3 – "Consistently above the minimum requirements – performing well" rating

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

The Council is committed to developing these strategies, alongside meeting the challenging demands of the Government's Gershon Efficiency Agenda to ensure a sustainable financial position, whilst addressing a range of spend pressures and continual service improvements. As

at the end of 2006/07, the Council has identified over £1.5 m of efficiency savings (£1.5 m of which are cashable savings).

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

On the 1st October 2006 the Council set up Stevenage Homes Limited (SHL) as an Arm's Length Management Organisation (ALMO). This means that Council housing is still owned by the Council, but managed and maintained by SHL as a separate organisation. SHL has tenants, Councillors and independent people on its management board and is a new way of delivering the Council's landlord services, to achieve the Decent Homes Standard, seek to increase service standards and efficiency generally and give tenants a bigger say. SHL is a Company Limited by Guarantee and is wholly owned by the Council. As such its Company Accounts have to be "grouped" with those of the Council for financial reporting purposes and these requirements are therefore reflected here within the Council's Statement of Accounts.

The Council has continued with its commitment to consultation regarding its priorities and resource allocation. Over the last 12 months we have run a consultation forum via the Hertfordshire Chamber of Commerce, with representatives from the local business community and other organisations, and a budget consultation exercise "the Community Conference" in order to obtain views and opinions of Stevenage residents on how the Council spends its money. Both of these events have helped shape our future financial priorities.

This Statement of Accounts is one of a number of publications giving information on the Council's finance and other activities.

Other publications include:

The Corporate Business Strategy – sets a clear direction for the Council, and a focus for service planning and budget setting.

Best Value Performance Plan – summarises the Council's strategic objectives and corporate priorities, service performance and targets.

We also produce a wide range of other publications including an A – Z of Services and other service-specific booklets and leaflets, available free from the Council offices at Daneshill House. You may also visit our website at www.stevenage.gov.uk.

Members of the public are welcome to attend Council, Executive and Panel meetings. You may also raise local issues at the various Area Committees held across the town. Information about meetings, agendas and copies of Council minutes are available from Council offices or by telephoning 01438 242 332.

We will promote equality and equal opportunity access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community. We will set out clear standards for services so that everyone knows what to expect. If you need any help with reading or understanding this document, take it to the Council Offices at Daneshill House or telephone 01438 242 242, or textphone 01438 242 555. We will try to provide a reading service, translation or any other format you may need.

Scott Crudginton

Strategic Director (Chief Financial Officer).

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

2005/06	Area and Population	2006/07
2,606	Area (hectares)	2,606
79,675	Population	80,480
30.57	Population per Hectare	30.88
	Council Tax	
33,230	Number of Chargeable Dwellings	33,920
	Council Tax per Property in Band D	
166.22	- Stevenage Borough Council	170.37
938.47	- Hertfordshire County Council	984.95
118.09	- Hertfordshire Police Authority	123.98
<u>1,222.78</u>	Total Council Tax	<u>1,279.30</u>
	Assets	
£1,143.8 million	Insurance Value	£1,064.6 million
	Loan Debt	

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

General information

Stevenage is situated about 30 miles north of London, with excellent road and rail links. The town is served by both GNER and First Capital Connect services giving a 25 minute journey time into Central London. The A1(M) motorway offers good north-south road links, with the town only 20 minutes from the M25. Stevenage has a fully pedestrianised town centre that fulfils a sub regional role and thus provides a wide range of shopping facilities, including Marks & Spencer and a Tesco Superstore. The Council is currently working to bring about a major regeneration project within the Town Centre to enhance the available facilities. In addition to the shopping facilities in the Town Centre there are also facilities in the Old Town and at the three retail parks in town.

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

The larger employers include MBDA, IFR, Astrium, Fujitsu, John Lewis, Dixons, the District Land Registry, Norwich Union, GlaxoSmithKline, The Lister Hospital and the Council itself.

Stevenage has been planned to facilitate ease of movement. It has a comprehensive road network with a cycleway system and ample car parking facilities. The town centre itself has parking for 3,000 cars.

Stevenage is proud of its landscape that includes 40 old established woodlands, covering a total area of 240 acres. The town has a further 300 acres of public and private playing fields and Fairlands Valley Park that extends to some 112 acres.

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

Services

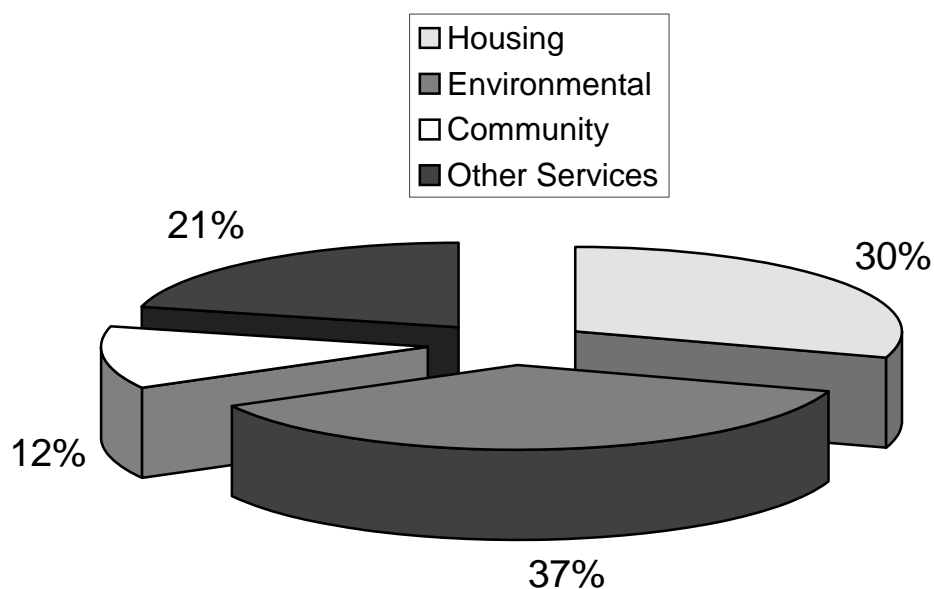
Stevenage Borough Council is one of ten district councils in Hertfordshire. For Electoral purposes, Stevenage is split into 13 areas known as wards. The 39 Councillors who make up the Borough Council are elected by the local Community to represent its interests and decide what services should be provided.

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

The main Services provided by the Borough Council are:

- ◆ Refuse Collection and Recycling
- ◆ Street Cleansing
- ◆ Leisure & Arts Services (including Stevenage Leisure Limited)
- ◆ Parks and Open Spaces
- ◆ Play & Youth Services
- ◆ Environmental Health
- ◆ Economic Development
- ◆ Building Control and Planning
- ◆ Car Parking
- ◆ Public Transport Subsidies
- ◆ Housing
- ◆ Community Services
- ◆ Community Safety
- ◆ Council Tax Collection
- ◆ Housing & Council Tax Benefits

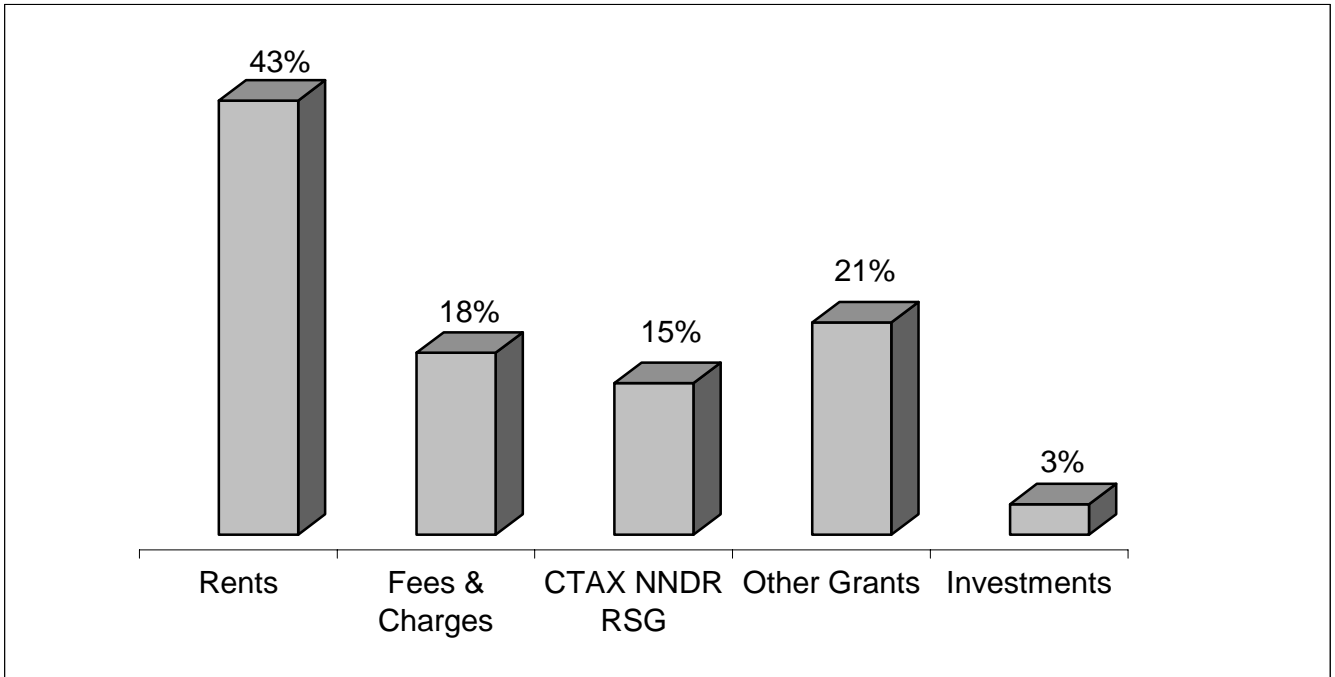
The chart below analyses the gross revenue expenditure over the main services areas provided by the Council.



Other services (21%) includes council tax and non domestic rates collection, housing and council tax benefits administration, commercial property management and expenditure undertaken by the Area Committees.

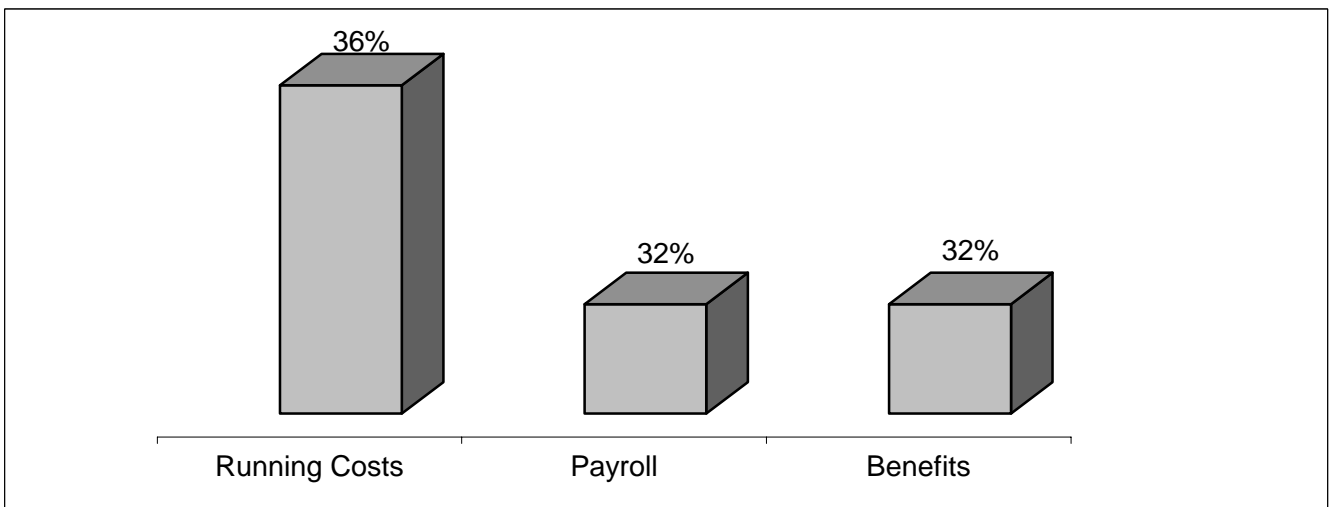
The charts below show in broad terms where the Council's money comes from and what it is spent on.

a) Where the money comes from



Specific government grants, which are largely accounted for by the Department For Work and Pensions (DWP) reimbursement in respect of Housing Benefit and Council Tax Benefit, account for some 21% of the Council's total income. The bulk of the Council's income arises from the services the Council provides through rents, fees and charges and from interest on balances. Council Tax collected, NNDR Grant and the Revenue Support Grant contribute a further 15% of the total income.

b) What the money is spent on



Running costs such as maintaining buildings, operating vehicles and purchase of supplies and services take up about 36% of the total expenditure. Employees' salaries and wages account for a further 32% of the total. A further 32% of the Council's gross expenditure goes towards meeting benefit payments in the form of rent rebates, rent allowances and council tax benefits.

Executive Summary

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

Income & Expenditure Account for the year ended 31 March 2007

2005/06 As restated £'000		2006/07	
		Single Entity £'000	Group £'000
18,018	Net Cost of Services	23,274	23,043
533	Interest, contributions and other charges	(1,899)	(1,968)
18,551	Net Operating Expenditure	21,375	21,075
(10,839)	Precepts, Grants & Contributions	(11,912)	(11,912)
7,712	(Surplus) / Deficit for Year	9,463	9,163
(6,386)	Net additional amount required by statute & non-statutory proper practices	(6,917)	(6,917)
1,326	Decrease in Revenue Balances	2,546	2,246
(11,248)	Balance at 1 April	(9,922)	(9,922)
(9,922)	Balance at 31 March	(7,376)	(7,676)

Balance Sheet as at 31 March 2007

2005/06 As restated £'000		2006/07	
		Single Entity £'000	Group £'000
Assets			
612,079	Long Term Assets	643,210	643,210
58,852	Current Assets	56,568	48,974
(13,071)	Current Liabilities	(21,967)	(14,032)
(41,099)	Long Term Liabilities	(34,015)	(34,937)
616,761	Total Assets Less Liabilities	643,796	643,215
Fund Balances & Reserves			
435,784	Fixed Asset Restatement Account	456,389	456,389
171,670	Capital Financing Account	179,495	179,495
9,307	Other	7,912	7,331
616,761	Total Fund Balances & Reserves	643,796	643,215

Explanatory Foreword

1. The Council's accounts for the year 2006/07 are set out below. The management of the Housing function was transferred to Stevenage Homes Limited (SHL), an Arms' Length Management Organisation (ALMO), on 1st October 2006. The Council has a controlling interest in the direction of SHL and has, in accordance with the Statement of Recommended Practice 2006 (SORP), produced Group Accounts to better reflect the overall financial performance of the Group in addition to Single Entity Accounts for the Council.

Single Entity Financial Statements

Core Statements

- ◆ **Income & Expenditure Account**
 - Which summarises the resources generated & consumed by the Council in the year
- ◆ **Statement of Movement on the General Fund Balance**
 - Which shows how the net resources consumed in the year are linked to the statutory requirements for raising council tax
- ◆ **Statement of Total Recognised Gains & Losses**
 - Which demonstrates how the movement in the net worth in the Balance Sheet is identified to the Income & Expenditure Account and other unrealised gains & losses
- ◆ **Balance Sheet**
 - Which sets out the financial position of the Council as at 31 March 2007 and includes a net pensions liability of £27.7m which represents the difference between estimated pension fund assets and liabilities.
- ◆ **Cash Flow Statement**
 - Which summarises the total movement of the Council's funds
- ◆ **Notes to Core Financial Statements**
 - Which provide additional information in support of the Core Financial Statements

Supplementary Statements

- ◆ **Housing Revenue Account Income & Expenditure Account & Notes**
 - Which shows income and expenditure on council housing
- ◆ **Statement of Movement on the HRA Balance**
 - Which shows how the HRA surplus/deficit for the year reconciles to the HRA Balance as at 31 March 2007

◆ Collection Fund Account & Notes

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

◆ Direct Service Organisation Accounts

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

Group Financial Statements**◆ Group Income & Expenditure Account**

- Which summarises the resources generated & consumed by the Group in the year

◆ Reconciliation of the Single Entity Surplus/Deficit to Group Surplus/Deficit

- Which shows the contribution Group entities make to the overall surplus/deficit as reported in the Group Income & Expenditure Account

◆ Group Statement of Total Recognised Gains & Losses

- Which demonstrates how the movement in the net worth in the Group Balance Sheet is identified to the Group Income & Expenditure Account and other unrealised gains & losses

◆ Group Balance Sheet

- Which sets out the financial position of the Group as at 31 March 2007 and includes a net pensions liability of £28.6m which represents the difference between estimated pension fund assets and liabilities.

◆ Group Cash flow Statement

- Which summarises the total movement of the Group funds

◆ Notes to Group Financial Statements

- Which provide additional information in support of the Group Financial Statements

2. The Financial Statements include significant changes in their presentation as a result of the SORP. These include the restatement of 2005/06 comparatives to eliminate notional interest charges, introduction of the new UKGAAP compliant Income & Expenditure account together with the Statement of Movement on General Fund Balance and Statement of Total Recognised Gains and Losses. In addition, Core and Supplementary Statements have been phased in accordance with the SORP to aid understanding.

Budget

The main components of the General Fund Budget for 2006/07 and how these compare with actual income and expenditure are set out below: -

	Original Budget £'000	Revised Budget £'000	Actual £'000	Difference £'000
Gross Expenditure on Services	140,359	130,923	138,260	7,337
Income	<u>(126,718)</u>	<u>(116,176)</u>	<u>(123,802)</u>	<u>(7,626)</u>
Net Expenditure on Services	13,641	14,747	14,458	(289)
Collection Fund Income	<u>(11,912)</u>	<u>(11,912)</u>	<u>(11,912)</u>	<u>0</u>
Net change in reserves for year	1,729	2,835	2,546	(289)
Balance brought forward	(9,922)	(9,922)	(9,922)	0
Balance Carried forward	<u>(8,193)</u>	<u>(7,087)</u>	<u>(7,376)</u>	<u>(289)</u>

When compared with the revised budget net expenditure on services was £289,000 less than the forecast. This is the net result of various expenditure and income variations.

These variations resulted in a net use of reserves of £2.5 million compared with the planned £2.8 million.

The Council's General Fund balance at 31 March 2007 was £7.4 million.

Capital

In 2006/07 the Council spent £21.1 million on capital projects.

Of this actual expenditure £8 million was for housing and £13.1 million for other services.

The major sources of finance for the 2006/07 capital expenditure plus un-financed 2005/06 expenditure are £14.1 million of capital receipts (the proceeds of the sale of assets) and £5.7 million from Housing Subsidy (Major Repairs Allowance).

Further Information

Further information about the accounts is available from:-

The Head of Finance
Stevenage Borough Council
Daneshill House
Danestrete
Stevenage
SG1 1HN

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

Income & Expenditure Account for the year ended 31 March 2007

2005/06		Gross	2006/07	Net
Net	Expenditure on Services	Expenditure	Income	Expenditure
£'000	Continuing Operations	£'000	£'000	£'000
1,460	Central Services to Public	7,812	6,760	1,052
12,615	Cultural Environmental & Planning Services	28,279	13,869	14,410
1,171	Highways Roads & Transport Services	4,805	2,897	1,908
399	Housing Services	52,484	48,890	3,594
334	Social Services	501	187	314
1,662	Corporate & Democratic Core	1,938	0	1,938
377	Non Distributed Costs	58	0	58
18,018	Net Cost of Services	95,877	72,603	23,274
106	(Gain)/loss on disposal of fixed assets			(3,323)
(298)	Surplus on Indoor Market		1	(265)
(2,319)	Interest or investment income			(2,484)
67	Interest payable			63
0	Investment losses			101
2,115	Contribution to Housing Pooled Receipts			3,405
862	Pensions Interest & Expected Return on Pensions Assets			604
18,551	Net Operating Expenditure			21,375
(4,540)	Precept demanded from Collection Fund		2	(4,661)
(63)	Collection Fund Surplus			(38)
(3,935)	Revenue Support Grant			(1,167)
(2,301)	Contribution from Non-Domestic Rate Pool			(6,046)
7,712	(SURPLUS)/ DEFICIT FOR YEAR			9,463

Statement of Movement on General Fund as at 31 March 2007

2005/06 £'000		2006/07 £'000
7,712	(Surplus)/Deficit for year on Income & Expenditure Account	9,463
(6,386)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(6,917)
1,326	Decrease/(Increase) in General Fund Balance for the Year	2,546
(11,248)	General Fund Balance brought forward	(9,922)
(9,922)	General Fund Balance carried forward and generally available for new expenditure	(7,376)

This Statement of Movement on General Fund Balance summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the last twelve months. However the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital expenditure is accounted for as it is financed, rather than as fixed assets are consumed.
- The payment of a share of housing capital receipts to the national pool scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax raised for the year, taking into account the use of Revenue reserves and contributions to earmarked reserves for future expenditure.

Statement of Total Recognised Gains & Losses as at 31 March 2007

In accordance with FRS 3, Reporting Financial Performance, all gains and losses are included in the Statement of Total Recognised Gains & Losses.

2005/06		2006/07
£000		£000
7,712	(Surplus) / Deficit for the year on Income & Expenditure Account	9,463
14,248	(Surplus) / Deficit arising on Revaluation of Fixed Assets	(30,686)
(2,400)	Actuarial (gains) / losses on Pensions Fund assets & liabilities	(5,791)
(318)	Other (gains) / losses	(21)
19,242	Total Recognised (gain)/loss for the year	(27,035)

Balance Sheet as at 31 March 2007

2005/06 £'000	Net Assets	Fixed	Notes	2006/07	
				£'000	£'000
497,953	Council Dwellings		13	521,277	
113,555	Other		13	118,275	
<u>611,508</u>					639,552
0	Deferred Charges		15	0	
	Long Term				
480	Debtors	- Mortgages		411	
0		- Investments	18	3,200	
91		- Car Loans		47	
					3,658
<u>612,079</u>	Total Long Term Assets				<u>643,210</u>
	Current Assets				
184	Stock and work in progress		16	64	
14,525	Debtors		17	17,511	
44,143	Investments	- Short Term	18	38,993	56,568
	Current Liabilities				
0	Borrowing repayable within 12 months			0	
(12,390)	Creditors		19	(21,229)	
	Cash				
(681)	Overdrawn			(738)	(21,967)
<u>45,781</u>	Net Current Assets				<u>34,601</u>
657,860	Total Assets less Current Liabilities				677,811
0	Long term borrowing		20	0	
(6,516)	Government Grants Deferred & Contributions Unapplied		21	(6,052)	
(365)	Deferred liability, credit arrangements			(245)	
(34,218)	Pensions Liability		11	(27,718)	(34,015)
<u>616,761</u>	Total Assets less Liabilities				<u>643,796</u>

Balance Sheet as at 31st March 2007 cont.

2005/06 £'000		Notes	2006/07 £'000
	Fund Balances & Reserves		
9,922	General Fund		7,376
4,077	Housing Revenue Account		2,847
978	Other Reserves	23	1,013
27,701	Usable Capital Receipts	24	23,703
169	Collection Fund	25	212
435,784	Fixed Asset Restatement Account	26	456,389
171,670	Capital Financing Account	27	179,495
480	Deferred capital receipts	22	479
(34,218)	Pensions Reserve	11	(27,718)
198	Major Repairs Reserve		0
<u>616,761</u>	Total Equity		<u>643,796</u>

Cash Flow Statement for the year ended 31 March 2007

2005/06 £'000		Notes	2006/07 £'000
	REVENUE ACTIVITIES		
	Cash outflows		
23,199	Cash paid to and on behalf of employees		21,817
19,697	Other operating Costs		17,633
5,951	Housing Benefits paid out		6,700
1,855	Payments to the Capital Receipts Pool		3,248
39,879	NDR Rates paid to National Pool		39,452
29,254	Disbursements from the Collection Fund		30,577
<u>119,835</u>	Total Expenditure		<u>119,427</u>
	Cash Inflows		
(20,256)	Rents (after rebates)		(19,527)
(28,418)	Council Tax Income		(29,799)
(2,301)	NNDR received from National Pool		(6,046)
(3,935)	Revenue Support Grant		(1,167)
(26,754)	DWP Grants for benefits		(28,221)
(36,552)	NNDR Receipts		(36,121)
(780)	Other Government Grants		(1,996)
<u>(118,996)</u>	Total Income		<u>(122,877)</u>
839	Net Cash (inflow)/Outflow from Servicing of Revenue Activities	33	(3,450)
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Expenditure		
0	Interest Paid		0
	Income		
(2,208)	Interest Received		(1,834)
(2,208)	Net Cash (inflow)/Outflow from Returns on Investment and Servicing of Finance		(1,834)
	CAPITAL ACTIVITIES		
	Expenditure		
19,773	Acquisition of fixed assets		21,621
0	Purchase of Long Term Investments		3,200
	Income		
(18,081)	Sale of Fixed Assets		(13,685)
(1,574)	Capital grants received		(544)
0	Other Capital Cash Receipts		(186)
<u>118</u>	Net Cash Inflow from Capital Activities		<u>10,406</u>
(1,251)	MANAGEMENT OF LIQUID RESOURCES	34	5,122
	Expenditure		
0	Repayments of amounts borrowed		0
	Income		
0	New loans raised		0
<u>(1,251)</u>	NET CASH (INFLOW)OUTFLOW AFTER FINANCING		<u>5,122</u>

Notes to the Single Entity Core Financial Statements

1. Market Undertaking

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

2005/06		2006/07
£'000		£'000
(774)	Income from stall holders and cafeteria takings	(760)
476	Expenditure	495
<u>(298)</u>	Surplus taken to General Fund	<u>(265)</u>

2. Collection Fund

The Council Tax is paid into the Collection Fund maintained by the Council. The Council, Hertfordshire County Council and Hertfordshire Police Authority draw from the collection fund the amounts that they have budgeted as required to meet their expenditure (the precept). Stevenage's precept on the Collection Fund for 2006/07 was £4.661 million (£4.540 million in 2005/06).

3. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended by Section 36 of the Local Government and Housing Act 1989) enabled a local authority to spend up to £5.30 per head of relevant population for the benefit of people in their area on activities or projects not specifically authorised by other legal powers. Expenditure amounted to £127,414 in 2006/07 (£121,959 in 2005/06). Section 137 is mostly used to provide school milk and grants to certain voluntary bodies serving the community. Some of the provisions covered by section 137 were repealed and new powers granted in the Local Government Act 2000 to promote well being in the area.

4. Agency Services

The Council has traditionally carried out certain work on an agency basis for which it is fully reimbursed, together with a contribution towards administrative costs. The principal area of work was as highways agent for Hertfordshire County Council. The Highways Agency agreement terminated in September 2002. The Council continues to supervise work carried out on the district's highways i.e. central reservations and highway verge grass cutting. Total expenditure in 2006/07 was £178,355 (2005/06 £170,400).

Notes to the Single Entity Core Financial Statements

5. Publicity

Section 5 of the Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity. Publicity is defined in the Act and refers to any communication in whatever form addressed to the public at large or to a section of the public. Total expenditure in 2006/07, which included that relating to Town Centre Regeneration was £482,079 (2005/06 £ 584,393) as summarised below :-

2005/06 £'000		2006/07 £'000
166	Marketing	96
242	Staff Advertising	161
176	Other Publicity	225
584	Total	482

6. Minimum Revenue Provision

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

7. Officers' Emoluments

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

2005/06 Number	Remuneration Band	2006/07 Number
11	£50,000 - £59,999	7
2	£60,000 - £69,999	2
-	£70,000 - £79,999	-
2	£80,000 - £89,999	1
-	£90,000 - £99,999	1
1	£100,000 - £109,999	-
-	£110,000 - £119,999	2

Notes to the Single Entity Core Financial Statements

8. Members' Allowances

Total expenditure on Members' allowances in 2006/07 was £530,165 (£514,902 in 2005/06)

9. The Euro

The Council incurred no significant expenditure in respect of the Euro in 2006/07. No future expenditure commitments have been made although the position continues to be monitored.

10. Building Control Account

Under the Building Act 1984 The Secretary of State issued Statutory Instrument 1998/3129 which requires a local authority to prepare a statement setting out the turnover and profits/losses of the building control account. In 2006/07 the Council generated a surplus of £18,080 on a turnover of £223,271.

11. Pension Costs

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

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

Notes to the Single Entity Core Financial Statements

11. Pension Costs (cont/d)

	2006/07 £000	2005/06 £000
<i>Net Cost of Services:</i>		
Current Service Costs	1,577	1,682
Past Service Costs	138	536
<i>Net Operating Expenditure:</i>		
Interest cost	5,599	5,206
Expected return on scheme assets	(4,995)	(4,344)
<i>Total Due</i>	<u>2,319</u>	<u>3,080</u>
Actual amount charged against council tax for pensions in the year:		
Employers' contributions payable to the scheme	(3,028)	(2,957)
<i>Movement on Reserve</i>	<u>(709)</u>	<u>123</u>

The actuarial gains in 2006/07 are as follows :-

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between expected & actual return on assets	160	0	12,707	35	1,757	9	7,399	28	(14,740)	(141)
Difference between actuarial assumptions about liabilities & actual experience	5,631	16	(10,307)	(28)	(18,941)	(95)	3	0	(2,080)	(20)
Actuarial Gain/(Loss) as at 31 March 2007	<u>5,791</u>		<u>2,400</u>		<u>(17,184)</u>		<u>7,402</u>		<u>(16,820)</u>	

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the Local Government Pension Scheme in which the Council participates. However, accounting for employees' pensions will be in accordance with generally accepted accounting practice, subject to the interpretations set out in the Code.

Where the payments made for the year do not match the change in the recognised Pensions liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation from the Pensions Reserve, which

Notes to the Single Entity Core Financial Statements

equals the net change in the Pensions Liability recognised in the Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31st March 2007 are as follows:

	2006/07 £000	2005/06 £000
Estimated assets in Scheme	69,860	54,396
Estimated liabilities in Scheme	(97,578)	(88,614)
Net asset/(liability)	(27,718)	(34,218)

The liabilities show the underlying commitments the Council has in the long term to pay retirement benefits. The total liability of £27.7 m has a significant impact on the net assets of the Council. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuation, the last review being at 31 March 2004. This valuation determined the rates payable from 1 April 2007. Under Pension Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

Liabilities have been assessed on an actuarial basis using the projected unit method that assesses the future liabilities of the fund discounted to their present value. Hymans Robertson, an independent firm of actuaries, has assessed both Stevenage Council and County Council fund liabilities. In order to assess the Pension Fund's liabilities as at 31st March 2007, the actuaries have rolled forward the actuarial value of the liabilities reported as at 31st March 2006, allowing for changes in financial assumptions. In addition, they have also considered the effect of investment returns, contribution paid into, and estimated benefits paid from, the Fund by the Council and its employees.

The main assumptions used in the calculations are as follows:

	2006/07 % per annum	2005/06 % per annum
Rate of inflation	3.2	3.1
Rate of increase in salaries	4.7	4.6
Rate of increase in pensions	3.2	3.1
Rate for discounting scheme liabilities	5.4	4.9

Notes to the Single Entity Core Financial Statements

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

	Long Term Return %	2006/07 %	2005/06 %
Equity investments	7.8	76	76
Bonds	4.9	12	13
Property	5.8	6	6
Cash	4.9	6	5
		100	100

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

The £27.7 m net liability represents the difference between the value of the Authority's pension fund assets at 31st March 2007 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2007 would also have an impact on the capital value of pension fund assets.

Further information can be found in Hertfordshire County Council Pension Fund's Annual Report that is available upon request from:

Hertfordshire County Council
Corporate Services
County Hall
Hertford SG13 8DQ
(Contact Nicola Webb 01992 555394)

Notes to the Single Entity Core Financial Statements

12. Note to the Statement of Movement on the General Fund Balance

2005/06 £000		2006/07 £000
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year :	
(4,769)	Depreciation and impairment of Fixed Assets	(5,316)
1,139	Government Grants deferred amortisation	992
(786)	Write downs of deferred charges to be financed from Capital Resources	(426)
(106)	Net gain/(loss) on sale of fixed assets *	3,323
<u>(3,080)</u>	Net charges made for retirement benefits in accordance with FRS 17	<u>(2,319)</u>
<u>(7,602)</u>		<u>(3,746)</u>
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year :	
0	Capital expenditure charged in year to Revenue	170
(2,115)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(3,405)
	Employer's contributions payable to the Hertfordshire Local Government Pension Scheme and retirement benefits payable direct to pensioners	3,028
<u>2,957</u>		<u>3,028</u>
<u>842</u>		<u>(207)</u>
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year :	
1,839	Housing Revenue Account Balance	(1,230)
0	Voluntary revenue provision for capital financing	0
<u>(1,465)</u>	Net transfer to/(from) earmarked reserves	<u>(1,734)</u>
<u>374</u>		<u>(2,964)</u>
<u>(6,386)</u>	Net additional amount required to be credited to the General Fund balance for the year	<u>(6,917)</u>

*Includes a gain of £4m in respect of the disposal of the Council's Depot in 2005/06. This was originally recognised as a Contingent Asset.

Notes to the Single Entity Core Financial Statements

13. Fixed Assets

Movements in fixed assets during the year were as follows:

	Operational					Non-operational			Total
	Council Dwellings	Other Land & Buildings	Infra-Structure	Vehicles Plant & Machinery	Intangible Assets	Community Assets	Investment Properties	Surplus for Disposal	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value B/fwd 01/04/06	504,824	77,303	4,378	12,112	146	9,118	22,765	0	630,646
Revaluation Adjustment	22,354	715	0	0	0	1,054	1,552	1,440	27,115
Impairment	0	(4,608)	0	0	0	0	(443)	0	(5,051)
Transfers	0	290	(290)	0	0	0	(160)	160	0
Additions/Enhancements	7,187	8,467	919	2,891	53	507	183	0	20,207
Disposals	(5,900)	(398)	0	(2,166)	0	(1,057)	(2,365)	0	(11,886)
Gross Book Value at 31/03/07	528,465	81,769	5,007	12,837	199	9,622	21,532	1,600	661,031
<i>Depreciation:</i>									
Accumulated B/fwd 01/04/06	6,871	5,415	734	5,585	0	533	0	0	19,138
Revaluation Adjustment	(6,871)	(1,700)	0	0	0	0	0	0	(8,571)
Current Year	7,188	3,103	300	(73)	11	383	0	0	10,912
Accumulated at 31/03/07	7,188	6,818	1,034	5,512	11	916	0	0	21,479
Net Book Value at 31/03/07	521,277	74,951	3,973	7,325	188	8,706	21,532	1,600	639,552

Notes to the Single Entity Core Financial Statements

13. Fixed Assets (Continued)

Fixed Asset Valuation

The freehold and leasehold properties which comprise the Authority's properties are valued by the Authority's Valuer in accordance with the Statement of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors except that not all properties were inspected. This was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are revalued at each 31st March as part of the continuous rolling revaluation which aims to cover all assets over a 5 year period by the Council's Estates Manager J. Angell B.A. M.R.I.C.S. 2006/07 was the last year of the rolling revaluation programme and a new one will be implemented from 2007/08.

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

Depreciation

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

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

Depreciation is charged on opening gross book value on a straight line basis. An analysis of Fixed Assets at 31 March 2007 is:-

2005/06 No.		2006/07 No.
1	Leisure Centre (Incorporating Theatre)	1
1	Swimming pool	1
258.7Ha	Parks, Playing Fields, Woodlands, Open Spaces, Commons	258.7Ha
1	Football Stadium	1
1	Horticultural Centre	1
13.52Ha	Allotments	11.77Ha
1	Golf Course	1
1	Museum	1
14	Community Centres	14
1	Market - Covered	1
2	Cemeteries	2
18	Car Parks	18
5	Civic Offices (Daneshill House/Area Offices)	5
359	Commercial Land and Properties	368
2	Depots	1
8,463	Council Housing	8,392

Notes to the Single Entity Core Financial Statements

13. Fixed Assets (Continued)

Expenditure on Fixed Assets

2005/06 £'000		2006/07 £'000
281	Leisure Centres	1,097
325	Shephalbury Academy Grant	0
102	Pavilions	0
217	Parks	252
162	Play	507
102	Community Buildings	0
585	Renovation Grants	640
1,149	Parking Facilities	687
140	Recycling	92
1,114	Environmental Improvements	1,196
46	Community Safety	115
1,335	Office Accommodation	1,581
929	Cavendish Road Depot Relocation	3,507
1,598	Caxton Way-Recycling Centre/Ridgemon Relocation	1,108
51	Commercial Properties	151
1,194	Information Technology	0
304	Vehicles	1,994
9,395	Housing	8,028
454	Other	118
19,483	Total	21,073

The capital expenditure was financed as follows:-

12,126	Capital Receipts	14,149
5,310	Housing Subsidy, Major Repairs Allowance	5,710
2,213	Contributions	1,358
124	Grants	234
0	Revenue Contributions	170
(1,961)	Unfinanced (BF)	(1,671)
1,671	Unfinanced (CF)	1,123
19,483	Total	21,073

Notes to the Single Entity Core Financial Statements

13. Fixed Assets (Continued)

As at 31st March 2007 significant commitments for major projects already underway included:-

	£'000
Central Heating Replacing	132
Decent Homes Phase III	244
Swimming Pool - Car Park	103

14. Leases

All leased assets held at 31st March 2007 and rental payments during the year are categorised as Plant, Vehicle and Equipment.

Operating Leases: There were no assets acquired by operating leasing during the year and the total capital value of all operating lease agreements at 31st March 2007 was approximately £1,438,000. Operating lease rental payments for the year amounted to £316,393 (2005/06 £423,691). Outstanding obligations at 31st March 2007 were £78,730 (31st March 2006 £371,228). All outstanding obligations are payable next year 2007/08.

Finance Leases: There were no assets acquired by finance leasing during the year. The gross amount of assets under finance lease agreements is approximately £549,000 with a net value after depreciation of approximately £244,000 at 31st March 2007 (accumulated depreciation of approximately £305,000). Depreciation is calculated on a straight line basis over 5 years and during the year was approximately £122,000. Outstanding obligations at 31st March 2007 were approximately £244,000 of which £122,000 is payable in 2007/08 with a further £122,000 payable in 2008/09. The aggregate rentals for the year amounted to £139,684, of which £17,684 represented finance charges.

15. Deferred Charges

	31 March 2006	Expenditure	Tfr to CFA*	31 March 2007
	£'000	£'000	£'000	£'000
Improvement Grants	0	406	(406)	0
Other Grants	0	20	(20)	0
	<u>0</u>	<u>426</u>	<u>(426)</u>	<u>0</u>

*Capital Financing Account

Notes to the Single Entity Core Financial Statements

16. Stocks and Work-in-Progress

31 March 2006 £'000		31 March 2007 £'000
	Stocks:	
106	Central Stores	2
78	Other	62
<u>184</u>	Total	<u>64</u>

On 1st October 2006 the Council Central Store was transferred to SHL. See Note 3 to the Group Financial Statements.

17. Debtors

31 March 2006 £'000		31 March 2007 £'000
61	Car Loans	47
6,740	Government Departments	2,715
226	Other Local Authorities	65
986	Housing Rents	979
3,071	Collection Fund	2,870
160	Temporary Investment interest	559
4,532	Other Debtors	3,828
0	Inter Company - Debtors	7,729
(1,251)	Provision for Bad Debts	(1,281)
<u>14,525</u>	Sub-Total	<u>17,511</u>

18. Investments

The investments consist of short and long term temporary deposits as follows:-

31 March 2006 £'000		31 March 2007 £'000
	Short Term :	
1,830	Money Markets	0
13,750	Banks	15,050
1,250	Building Societies	8,250
27,313	Fund Manager	15,693
<u>44,143</u>	Total short term	<u>38,993</u>
	Long term:	
0	Banks	3,200
<u>0</u>	Total Long term	<u>3,200</u>

At 31 March 2007 the externally managed fund totalled £15.693m being the initial sum of £ 20m less repayments of £12.5m plus accrued interest.

Notes to the Single Entity Core Financial Statements

19. Creditors

31 March 2006 £'000		31 March 2007 £'000
76	Employees	27
946	Government Departments	1,110
506	Inland Revenue	409
1081	Other Local Authorities	1,846
724	Housing Rents	840
3,669	Collection Fund	1,450
0	Inter Company - Creditors	10,128
5,388	Sundry Creditors	5,419
12,390	Total	21,229

The figure of £1.846 million above in respect of Other Local Authorities includes the sum of £465k in respect of the Local Area Agreement (LAA). LAA is a Government initiative, which seeks to pool previous Government funding across local areas in order to seek to prioritise spending within those areas and bring about targeted improvements. Stevenage is within the Hertfordshire LAA which is administered by Hertfordshire County Council "the Accountable Body" on behalf of all the partner bodies, which include the County and the ten Hertfordshire District Councils, the Local Strategic Partnerships, the Police, Fire, Probation and Health Services, and other local and charitable bodies. The sum of £465k represents Pump-priming Grant in respect of the Safer Stronger Communities Block that Stevenage BC is administering on behalf of the County Council. Over the three year pump priming period to 2008/09 Stevenage will allocate this funding to other Districts and Bodies as instructed by the responsible Chief Officer Group. In addition, during 2006/07 Stevenage received some £95k of pooled funding from the LAA to support Community Safety projects in the Borough. The expenditure in respect of these projects is reflected in the Council's Income and Expenditure Accounts, matched by LAA Grant Funding.

20. Long Term Borrowing

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

21. Government Grants Deferred and Contributions Unapplied

Government grants and other contributions which have not been applied are required to be credited here and written off to the service to which they relate.

Notes to the Single Entity Core Financial Statements

22. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main element of Mortgages under Long Term Debtors.

23. Other Reserves

	1 April 2006 £'000	Receipts in year £'000	Payments in year £'000	31 March 2007 £'000
Insurance Fund	679	272	357	594
Renewals Fund	(23)	152	104	25
House Purchase	50	-	13	37
Rental Fund	-	100	-	100
Other	272	349	364	257
Total	978	873	838	1,013

The Insurance Fund provides against possible future uninsured losses.

The Renewals Fund provides for the payment of lease rentals for vehicles, funded through notional depreciation charges on vehicles.

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

The Rental Fund is used to smooth potential fluctuations in future levels of commercial rental income.

Other reserves include various overhead and on-cost accounts.

24. Usable Capital Receipts Unapplied

Capital receipts from the disposal of assets are held until such time as they are used to finance new capital expenditure. As the Council is now debt free, it is no longer required to set aside part of its receipts for debt repayment and the balance of set aside receipts has now been converted to usable receipts. From April 2004 under the Capital Receipts Pooling Legislation, a proportion of Housing Capital Receipts is payable to central government. For 2006/07 a total of £3.388m was paid over (2005/06 £2.069m). Usable capital receipts unapplied as at 31 March 2007 total £23.703m.

Notes to the Single Entity Core Financial Statements

25. Collection Fund

The Collection Fund is a statutory fund in which the Council records transactions for council tax, business rates and residual community charges. The balances on the Fund due to the Council, Hertfordshire Police Authority and the County Council are £212,168, £154,397 and £1,226,593 respectively. The balance available to the Council will be used to reduce the Council Tax in future years.

26. Fixed Asset Restatement Account (FARA)

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

27. Capital Financing Account

The Capital Financing Account includes the amount of capital expenditure financed from revenue, capital receipts and grants less depreciation of capital assets.

2005/06 £'000		2006/07 £'000
164,556	Balance brought forward	171,670
17,315	Capital financing	19,738
1,139	Write down of contributions	992
(786)	Write down of deferred charges	(426)
(10,554)	Depreciation/Impairment	(12,649)
-	Revenue Contribution to Capital Outlay	170
<u>171,670</u>	Balance Carried Forward	<u>179,495</u>

Notes to the Single Entity Core Financial Statements

28. Analysis of Movement on Reserves

	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Usable Receipts/ Contributions £'000	General Fund £'000	Other Reserves £'000	HRA £'000	Pensions Reserve £'000	Deferred Capital Receipts £'000	Collection Fund £'000	Major Repairs Reserve £'000	Total £'000
Balance as at 01/04/06	(435,784)	(171,670)	(27,701)	(9,922)	(978)	(4,077)	34,218	(480)	(169)	(198)	(616,761)
Net (surplus)/ deficit for year	0	11,913	0	2,546	(35)	1,230	0	1	(43)	198	15,810
Actuarial (gains)/losses	0	0	0	0	0	0	(5,791)	0	0	0	(5,791)
Unrealised (gains)/loss, from revaluation of fixed assets	(30,671)	0	0	0	0	0	0	0	0	0	(30,671)
Cost/Value of Assets	10,066	0	0	0	0	0	0	0	0	0	10,066
Proceeds of disposal	0	0	(10,151)	0	0	0	0	0	0	0	(10,151)
Appropriations to/(from)	0	0	0	0	0	0	(709)	0	0	0	(709)
Financing of fixed assets	0	(19,738)	14,149	0	0	0	0	0	0	0	(5,589)
Balance as at 31/03/07	(456,389)	(179,495)	(23,703)	(7,376)	(1,013)	(2,847)	27,718	(479)	(212)	0	(643,796)

Notes to the Single Entity Core Financial Statements

29. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals – that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Members of the Council have ultimate control over the Council's financial and operating policies. The Council paid grants of £1,129,070 to Stevenage Leisure Ltd. and £733,964 to other sundry bodies and relevant members declared various interests in relation to those bodies. The grants were made with the knowledge of those declarations of interest. All members have completed the Register of Interests required under the statutory Code of Conduct for Members (Local Government Act 2000). The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies.

During 2006/07, the Chief Executive and one Strategic Director were directors of three organisations in receipt of grants totalling £123,000 from the Council and have noted their directorships in a register kept by the Council for the noting of officers' interests.

There are no other material related party transactions other than those shown elsewhere in the accounts.

30. Audit Costs

In 2006/07 Stevenage Council incurred the following fees relating to external audit and inspection.

	2005/06 £'000s	2006/07 £'000s
Fees payable to the Audit Commission with regard to external audit services and statutory inspection carried out by the appointed Auditor	115	135
Fees payable to the Audit Commission for the certification of Grant claims and returns	119	105
	234	240

31. Group Accounts

Group Accounts are required where there is a significant interest in subsidiaries, associates and joint ventures. The Council formed an ALMO, Stevenage Homes Limited, on 1st October 2006, the results of which are included in the Group Financial Statements.

Notes to the Single Entity Core Financial Statements

32. Other Bank Accounts

The Council administers bank accounts in respect of the Mayors' Charity and SBC appeals. The balances on these accounts as at 31 March 2007, which have not been included in the Balance Sheet, were £7,897.33 and £559.04 respectively. Both accounts are used to fund various charitable events.

33. Revenue Activities

		2006/07	
		£'000	£'000
Reconciliation of revenue surplus to net cash flow:			
2005/06 Restated £'000			
(7,712)	Surplus/(Deficit) for the year		(9,463)
Non Cash Items			
10,676	Removal of Depreciation and Impairment from Income and Expenditure Account	10,802	
123	Removal of FRS 17 pension entries in Income and Expenditure Account	(709)	
106	Removal of Profit/Loss on Sale of Assets	(3,323)	
1,436	Removal of Contributions to Reserves	1,734	
12,341			8,504
Costs charged elsewhere in Cash Flow			
(2,207)	Interest	(1,834)	
(2,207)			(1,834)
Items on an accruals basis			
260	Adjustment for pooled capital receipts payment	157	
6	Add/(less) decrease/(increase) in stock	120	
(6,350)	Add/(less) decrease/(increase) in debtors	(2,986)	
48	Add/(less) decrease/(increase) in long term debtors	113	
2,775	Add/(less) increase/(decrease) in creditors	8,839	
(3,261)			6,243
(839)	Net cash flow (from)/to revenue activities		3,450

Notes to the Single Entity Core Financial Statements

34. Analysis of Net Cash Inflow/Outflow

2005/06 Net movements £'000		Balance 1 Apr £'000	2006/07 Balance 31 Mar £'000	Net Movements £'000
(246)	Cash at bank	(645)	(617)	(28)
(1,005)	Short Term Investments	44,143	38,993	5,150
<u>(1,251)</u>				<u>5,122</u>

35. Movement in Liquid Resources

Short Term Investments movements include :-

Call	1,770
Up to 3 months	(9,600)
3-6 months	6,000
6-9 months	(3,320)
9-12 months	0
	<u>(5,150)</u>

The Council's liquid resources comprise of cash investments with a maturity date of less than one year.

Notes to the Single Entity Core Financial Statements

36. Analysis of Government Grants

2005/06 £'000		2006/07 £'000
	Revenue Activities	
3,935	Revenue Support Grant	1,167
2,301	NNDR Receipt from Pool	6,046
26,753	Department of Work and Pensions Grants for rebates	28,221
103	Non Domestic Rates Administration	0
	Local Authority Business Growth	
136	Incentives	97
74	Housing Subsidy	67
234	Single Regeneration Budget	66
125	Building Safer Communities	0
108	Planning Delivery Grant	213
0	Growth Area's Delivery Grant	688
0	Local Area Agreement	652
0	Children's Centres Grant	213
33,769	Sub Total	37,430
	Capital Activities	
878	Growth Areas Delivery Grant	194
422	Recycling Grants	116
124	Improvement Grants	0
150	Implementing Electronic-Government	234
1,574	Sub Total	544
35,343	Total Grants	37,974

Housing Revenue Account Income & Expenditure Account

2005/06 £000		Notes	2006/07 £000
	Income		
(27,290)	- Dwelling rents	1	(28,349)
(60)	- Non-dwellings rents		(564)
(1,304)	Charges for Services & Facilities		(1,353)
(939)	Contributions towards expenditure		(924)
0	HRA Subsidy Receivable	2	0
0	Sums directed by the National Assembly that are income in accordance with UK GAAP		0
(29,593)	Total Income		(31,190)
	Expenditure		
5,290	Repairs & Maintenance		6,557
6,965	Supervision & Management		9,432
49	Rents, Rates, Taxes & Other Charges		42
8,894	Negative HRA Subsidy Payable	2	10,007
6,973	Depreciation and impairment of Fixed Assets	4	7,347
106	Debt Management Costs		109
155	Increase in bad debt provision		136
0	Sums directed by the National Assembly that are expenditure in accordance with UK GAAP		0
28,432	Total Expenditure		33,630
(1,161)	Net Cost of HRA Services per Authority Income & Expenditure Account		2,440
413	HRA Services share of Corporate & Democratic Core		414
205	HRA share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific services		215
(543)	Net Cost of HRA Services		3,069
0	(Gain) or Loss on sale of Fixed Assets		0
0	Interest payable & similar charges		0
0	Amortisation of premiums and discounts		0
(1,666)	Interest and Investment Income	5	(1,644)
0	Pensions interest cost & expected return on scheme assets	12	0
(2,209)	(Surplus) or deficit for the year on HRA services		1,425

Statement of Movement on the HRA Balance

2005/06 £000's	Notes	2006/07 £000's
(2,209)	(Surplus) or deficit for Year on the HRA Income and Expenditure Account	1,425
370	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(195)
(1,839)	(Increase) or decrease in the Housing Revenue Account Balance	1,230
(2,238)	Housing Revenue Account Surplus brought forward	(4,077)
(4,077)	Housing Revenue Account Surplus carried forward	(2,847)

Note to the Statement of Movement on the HRA Balance

2005/06 £000's	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	2006/07 £000's
	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	
0	Difference between any other item of income and expenditure determined in accordance with statutory HRA requirements (if any)	0
0	Gain or loss on sale of HRA fixed assets	0
0	Net charges made for retirement benefits in accordance with FRS17	0
	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAPP	
0		0
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
370	Transfer to/from Major Repairs Reserve	(365)
0	Transfer to/from Housing Repairs Account	0
0	Employers Contributions payable to the HCC Pension Fund and retirement benefits payable direct to pensioners	0
0	Voluntary set aside for debt repayment	0
0	Capital Expenditure funded by HRA	170
370		(195)
370	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(195)

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

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.06% of lettable properties were vacant. In 2005/06 the figure was 1.55%. Average rents were £66.37 a week in 2006/07.

2. Housing Subsidy Receivable/Payable

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

Notional Subsidy Calculation

2005/06			2006/07	
£000	£000		£000	£000
		Notional Expenditure		
<u>11,294</u>		Management and Maintenance	<u>12,061</u>	
	11,294			12,061
		Less Notional Income		
(25,826)		Rents	(27,534)	
<u>(1,705)</u>		Interest	<u>(1,576)</u>	
	(27,531)			(29,110)
	<u>0</u>	Rental Constraint Allowance		<u>61</u>
	(16,237)	Housing Subsidy Withdrawal		(16,988)
	<u>6,120</u>	Major Repairs Allowance		<u>6,002</u>
	(10,117)	Negative Subsidy Entitlement (inc MRA)		(10,986)
	1,224	Transitional Negative Subsidy		979
	<u>(8,894)</u>	Overall Subsidy Position		<u>(10,007)</u>

3. Transitional Negative Subsidy Transfer

Under section 80(2) of the Local Government and Housing Act 1989 the Housing Revenue Account was required to make a transfer to the General Fund of an amount equal to the level of negative subsidy. With effect from April 2001 transitional measures allow a transfer to continue on a reducing basis up until 2009/10, funded initially wholly from the Major Repairs Allowance and from 2004/05 funded one third from the MRA and two thirds by Government.

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

4. Depreciation of Assets

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

	2005/06	2006/07
HRA Dwellings	6,871	7,188
Other Assets	<u>102</u>	<u>159</u>
	6,973	7,347

5. HRA Investment Income

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

	2005/06	2006/07
Interest on reserved receipts	1,516	1,512
Interest on revenue balances	119	104
Interest on mortgages	<u>31</u>	<u>28</u>
	1,666	1,644

6. Capital Expenditure Funded by HRA

There was Capital Expenditure of £170,000 funded by the Housing Revenue Account in 2006/07.

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

7. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve.

2005/06			2006/07	
£000's	£000's		£000's	£000's
	0	Opening Balance as at 1st April		(198)
		Transfers to the MRR -		
(6,871)		Depreciation of HRA Dwellings	(7,188)	
<u>(102)</u>		Depreciation of other HRA Assets	<u>(159)</u>	
	(6,973)			(7,347)
		Transfers from MRR -		
	5,310	Financing of HRA Capital Expenditure		5,711
		To HRA Appropriations - Transitional Negative Subsidy Transfer	1,469	
1,836		Depreciation in excess of MRA & other HRA Assets	<u>1,344</u>	
<u>853</u>	2,689			2,813
		Government Contribution to Negative Subsidy Transfer		<u>(979)</u>
	<u>(1,224)</u>	Closing Balance as at 31 March		<u>0</u>
	<u>(198)</u>			

8. Housing Stock Numbers

The stock movement can be summarised as follows:-

2005/06		2006/07
8,532	Stock as at 1st April	8,463
(69)	Less Right to Buy Sales	(64)
0	Prior Year Disposals	(6)
0	Conversions/other	(1)
<u>8,463</u>	Stock at 31st March	<u>8,392</u>
5,480	Houses	5,439
2,983	Flats	2,953
<u>8,463</u>	Total	<u>8,392</u>

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

9. Fixed Assets Valuations

(i) Housing Stock

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

As at 1 April 2006	£	497,953,000
As at 31 March 2007	£	521,277,000
The Vacant Possession value of the dwellings as at 1 April 2006 was	£	1,147,340,000

The valuation of the dwellings in the Balance Sheet is on the basis of Existing Use as Social Housing with secure tenancies. This adjusts the vacant possession value using factors supplied by the then Office of the Deputy Prime Minister (ODPM). 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.

	01.04.2006	31.03.2007
(ii) Other Land and Buildings	£ 152,000	£ 152,000
(iii) Non Operational Assets	£ 426,000	£ 426,000
(iv) Vehicles Plant & Equipment	£ 630,000	£ 1,068,000

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

10. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2006/07 is summarised as follows:-

2005/06 £000's		2006/07 £000's
	Capital Expenditure	
7,962	Major Repairs & Improvements	6,598
633	Disabled Adaptations	573
285	Equipment	438
8,880		7,609
	The Capital Expenditure was financed as follows:	
3,877	Capital Receipts	1,893
5,310	Major Repairs Allowance	5,710
0	Revenue Contributions	170
(806)	Unfinanced (BF)	(499)
499	Unfinanced (CF)	335
8,880		7,609

Total Capital Receipts in 2006/07 from the sale of property within the HRA can be summarised as follows :-

2005/06 £000's		2006/07 £000's
5,428	Right to Buy Sales	5,900
72	Right to Buy Mortgage Repayments	78
48	Other Land & Property	45
5,548		6,023

11. Rent Arrears

During the year 2006/07 rent arrears as a proportion of gross rent income were 2.81% (3.16% in 2005/06).

2005/06 £'000		2006/07 £'000
1,045	Arrears at 31 March	976
241	Amounts written off during the year	137

The bad debts provision stood at £265,500 at 31 March 2007

12. Accounting for Pension Costs in the HRA

In accordance with DCLG guidelines, the pension costs in the HRA are in respect of defined benefits and not on an FRS 17 basis. The pensions cost shown in the Income & Expenditure Account are on an FRS 17 basis as set out in the 2006/07 SORP and includes an adjustment for the HRA element of net cost of services within the Housing Services line.

The Collection Fund Income and Expenditure Account 2006/07

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

2005/06 £'000		Notes	2006/07	
			£'000	£'000
	INCOME			
	National Non-Domestic			
33,645	Rates (NNDR) Pool	2	38,194	
28,481	Council Tax	1	29,848	
5,387	Council Tax/Community Charge Benefit	1	5,781	
<u>67,513</u>				<u>73,823</u>
	EXPENDITURE			
	Precepts and Demands:-			
25,985	Hertfordshire County Council		27,158	
4,540	Stevenage Borough Council		4,661	
3,270	Hertfordshire Police Authority		3,418	
				<u>35,237</u>
	National Non-Domestic Rates			
33,558	Payment to National Pool		38,066	
103	Cost of Collection Allowance		104	
				<u>38,170</u>
38	Movement in provision for Doubtful Debts			35
	Contributions			
63	-Towards previous year's estimated collection fund surplus			38
<u>67,557</u>				<u>73,480</u>
(44)	Surplus/(Deficit) for the year			343
<u>1,294</u>	Surplus/(Deficit) as at 1 April			<u>1,250</u>
<u>1,250</u>	Surplus/(Deficit) as at 31 March			<u>1,593</u>

Notes to The Collection Fund Accounts

1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated; by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D property equivalent and adjusted for discounts; £27,356 for 2006/07). The basic amount of council tax for a band D property £1279.30 (£1,222.78 for 2005/06) is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	A (Disblid.)	A	B	C	D	E	F	G	H	TOTAL
Properties	0	1,368	5,966	20,077	2,968	2,560	890	409	10	34,248
Exemptions	0	(74)	(247)	(286)	(49)	(19)	(4)	(7)	(4)	(690)
Disabled Relief	1	5	84	(73)	3	(17)	2	(4)	(1)	0
Discounts (25%)	(1)	(903)	(3,506)	(5,927)	(666)	(354)	(98)	(42)	(0)	
Discounts (50%)	(0)	(41)	(163)	(148)	(27)	(25)	(17)	(6)	(2)	
Equated Value Discount	(0.25)	(246.25)	(958.00)	(1,555.75)	(180.00)	(101.00)	(33.00)	(13.50)	(1.00)	(3,088.75)
Effective Properties	0.75	1,052.75	4,845.00	18,162.25	2,742.00	2,423.00	855.00	384.50	4.00	30,469.25
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	0.42	701.83	3,768.33	16,144.22	2,742.00	2,961.44	1,235.00	640.83	8.00	28,202.07
Council Tax Base										Band D equivalent multiplied by collection rate of 97% 27,356

The income chargeable of £40,161,042 for 2006/07 is from the following sources:

2005/06 £		2006/07 £
28,484,859	Billed to Council Tax Payers	29,848,500
5,387,122	Council Tax Benefits	5,780,508
4,260,608	Exemptions, Discounts, etc.	4,532,034
38,132,589		40,161,042

Notes to The Collection Fund Accounts

2 National Non-Domestic Rates

The Government specifies an amount (42.2p in 2005/06 and 43.3p in 2006/07) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income due to the NNDR pool, after relief and provisions was £38.07 million for 2006/07 (£33.56m 2005/06). The rateable value for the Council's area is £102.8 million at 31 March 2007 (£102.2m at 31 March 2006). The rateable value changes throughout the year due to increases and decreases in assessments.

3 Contributions to Collection Fund Surpluses and Deficits

The balance of £1,593,158 on the Collection Fund as at 31 March 2007 will be distributed in subsequent financial years to Hertfordshire County Council, Hertfordshire Police Authority and the Council in the proportion to the value of the respective precept and demand made by the three authorities on the Collection Fund as follow:-

2005/06 £		2006/07 £
169,948	Stevenage Borough	212,168
120,738	Hertfordshire Police Authority	154,397
959,518	Hertfordshire County Council	1,226,593
1,250,204	Total	1,593,158

Direct Service Organisations (DSOs) Summary Revenue Account for the year ending 31 March 2007

2005/06 Surplus/ (Deficit) £'000		2006/07 Income £'000	2006/07 Expenditure £'000	2006/07 Surplus/ (Deficit) £'000
49	Building Maintenance	1,740	1,772	(32)
91	Street Cleansing	1,678	1,573	105
157	Refuse Collection	2,821	2,589	232
61	Grounds Maintenance	2,816	2,741	75
358	Total	9,055	8,675	380

2005/06 £'000		2006/07 £'000
	Movement in DSO Reserves:-	
358	Surplus for year	380
(309)	Transfer to General Fund	(412)
(49)	Transfer to HRA	32
0	Total	0

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

In January 2000 the majority of the Compulsory Competitive Tendering legislation was repealed as part of the Government's commitment to Best Value in the provision of local authority services. The Code of Practice on Commissioning Local Authority Work and Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in September 1999 recommended that authorities maintain such accounts where this is consistent with the aims of Best Value. Accordingly, the statement above summarises the DSOs operations for 2006/07.

Expenditure under Section 137 Local Government Act 1972

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

The expenditure under this Section in any financial year must not exceed £5.30 per head of relevant population for the area, and for Stevenage this limit amounted to £426,544 in 2006/07.

The expenditure incurred during the year is as follows :-

2005/06 £	Expenditure	2006/07 £
	Grants to Sundry Bodies Local Welfare	
1,990	- Victim Support Scheme	1,540
0	- Herts Area Rape Crisis	0
1,020	- Garden House Hospice	500
1,020	- Pasque Hospice	500
<hr/> 4,030		<hr/> 2,540
117,929	School Milk	124,874
<hr/> 121,959	Total	<hr/> 127,414

On 18 October 2000, the provisions covered by section 137 were partly repealed. The above reflects equivalent expenditure for the whole of 2005/06 and 2006/07.

Group Income & Expenditure Account

2005/06			2006/07	
Net		Gross		Net
Expenditure	Expenditure on Services	Expenditure	Income	Expenditure
£'000	Continuing Operations	£'000	£'000	£'000
1,460	Central Services to Public	7,812	5,584	2,228
12,615	Cultural Environmental & Planning Services	28,033	13,675	14,358
1,171	Highways Roads & Transport Services	4,805	2,897	1,908
399	Housing Services	50,618	48,379	2,239
334	Social Services	501	187	314
1,662	Corporate & Democratic Core	1,938	0	1,938
377	Non Distributed Costs	58	0	58
18,018	Net Cost of Services	93,765	70,722	23,043
106	(Gain)/loss on disposal of fixed assets			(3,323)
(298)	Surplus on Indoor Market			(265)
(2,319)	Interest and investment income			(2,484)
67	Interest payable			63
0	Investment losses			101
2,115	Contribution to Housing Pooled Receipts			3,405
862	Pensions Interest Cost & Expected Return on Pensions Assets			535
0	Taxation (SHL)			0
18,551	Net Operating Expenditure			21,075
(4,540)	Precept demanded from Collection Fund			(4,661)
(63)	Collection Fund Surplus			(38)
(3,935)	Revenue Support Grant			(1,167)
(2,301)	Contribution from Non-Domestic Rate Pool			(6,046)
7,712	(SURPLUS)/ DEFICIT FOR YEAR			9,163

Reconciliation of Single Entity Deficit to Group Deficit

Reconciliation of Single Deficit to Group Deficit		£'000
7,712	Deficit for the year on Income & Expenditure Account for Stevenage Borough Council	9,463
0	Adjustments for transactions with Group entities	(6,581)
7,712	Deficit in Group Income & Expenditure Account attributable to Stevenage Borough Council	2,882
0	Deficit in Group Income & Expenditure Account attributable to Stevenage Homes Limited	(300)
0	Adjustments for transactions with Group entities	6,581
7,712	Deficit for the year on Group Income & Expenditure Account	9,163

Group Statement of Total Recognised Gains & Losses

2005/06 £000		2006/07 £000
7,712	(Surplus) / Deficit for the year on the Income & Expenditure Account	9,163
14,248	(Surplus) / Deficit arising from revaluation of fixed assets	(30,686)
-2,400	Actuarial (Gains)/Losses on the Pension Scheme assets & liabilities	(4,910)
-318	Other (gains) / losses	(21)
19,242	Total Recognised (gain)/loss for the year	(26,454)

Group Balance Sheet as at 31 March 2007

2005/06 £'000		Notes	2006/07	
			£'000	£'000
	Net Fixed Assets			
497,953	Council Dwellings		521,277	
113,555	Other		118,275	
<u>611,508</u>				639,552
0	Deferred Charges		0	
480	Long Term Debtors	- Mortgages	411	
		- Investments	3,200	
91		- Car Loans	47	
				3,658
<u>612,079</u>	Total Long Term Assets			643,210
	Current Assets			
184	Stock and work in progress	3	208	
14,525	Debtors	4	9,773	
44,143	Investments		38,993	48,974
	Current Liabilities			
0	Borrowing repayable within 12 months		0	
(12,390)	Creditors	5	(13,455)	
(681)	Cash Overdrawn	7	(577)	(14,032)
<u>45,781</u>	Net Current Assets			34,942
657,860	Total Assets less Current Liabilities			678,152
0	Long term borrowing		0	
(6,516)	Government Grants Deferred & Contributions Unapplied		(6,052)	
(365)	Deferred liability, credit arrangements		(245)	
(34,218)	Pensions Liability	8	(28,640)	(34,937)
<u>616,761</u>	Total Assets less Liabilities			643,215

Group Balance Sheet as at 31st March 2007 cont.

2005/06 £'000		Notes	2006/07 £'000
	Fund Balances & Reserves		
9,922	General Fund		7,376
0	SHL Revenue Reserve		341
4,077	Housing Revenue Account		2,847
978	Other Reserves		1,013
27,701	Usable Capital Receipts		23,703
169	Collection Fund		212
435,784	Fixed Asset Restatement Account		456,389
171,670	Capital Financing Account		179,495
480	Deferred capital receipts		479
(34,218)	Pensions Reserve	8	(28,640)
198	Major Repairs Reserve		0
<u>616,761</u>	Total Equity		<u>643,215</u>

Group Cash Flow Statement

2005/06 £'000		Note	2006/07 £'000
	REVENUE ACTIVITIES		
	Cash outflows		
23,199	Cash paid to and on behalf of employees		22,939
19,697	Other operating Costs		16,387
5,951	Housing Benefits paid out		6,700
1,855	Payments to the Capital Receipts Pool		3,248
39,879	NDR rates paid to National Pool		39,452
29,254	Disbursements from the Collection Fund		30,577
<u>119,835</u>	Total Expenditure		<u>119,303</u>
	Cash Inflows		
(20,256)	Rents (after rebates)		(19,527)
(28,418)	Council Tax Income		(29,799)
(2,301)	NNDR received from National Pool		(6,046)
(3,935)	Revenue Support Grant		(1,167)
(26,754)	DWP Grants for benefits		(28,221)
(36,552)	NNDR receipts		(36,121)
(780)	Other Government Grants		(1,996)
<u>(118,996)</u>	Total Income		<u>(122,877)</u>
839	Net Cash (inflow)/Outflow from Servicing of Revenue Activities	9	(3,574)
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Expenditure		
0	Interest Paid		0
	Income		
(2,208)	Interest Received		(1,870)
(2,208)	Net Cash (inflow)/Outflow from Returns on Investment and Servicing of Finance		(1,870)
	CAPITAL ACTIVITIES		
	Expenditure		
19,773	Acquisition of fixed assets		21,621
0	Purchase of Long Term Investments		3,200
	Income		
(18,081)	Sale of Fixed Assets		(13,685)
(1,574)	Capital grants received		(544)
0	Other Capital Cash Receipts		(186)
<u>118</u>	Net Cash Inflow from Capital Activities		<u>10,406</u>
(1,251)	MANAGEMENT OF LIQUID RESOURCES		4,962
	Expenditure		
0	Repayments of amounts borrowed		0
	Income		
0	New loans raised		0
<u>(1,251)</u>	NET CASH (INFLOW)OUTFLOW AFTER FINANCING	10	<u>4,962</u>

Notes to Group Financial Statements

1. Accounting policies

The Group financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting – A Statement of Recommended Practice (the SORP). Details are given in the Statement of Accounting Policies on page 88.

Where material additional amounts are included in the Group Financial Statements, notes have been included to give further details. The notes to the Single Entity Core Financial Statements provide supporting information in other cases.

2. Basis of Preparation

The Group Financial Statements include the accounts of SHL from its formation on 1st October 2006 to 31st March 2007.

In accordance with FRS 2 'Accounting for Subsidiary Undertakings' and FRS 9 'Associates & Joint Ventures', acquisition accounting has been applied as the Council has control over the operating and financial policies of SHL.

In accordance with FRS 6 'Acquisitions & Mergers' the Council is required to disclose details of changes in Group structure during the year.

The consideration together with the book and fair value of assets acquired was nil therefore there was no Goodwill arising on acquisition. Neither were there any revaluations or asset write downs or provisions immediately after acquisition.

In accordance with FRS 3 'Reporting Financial Performance' the post acquisition results of SHL have been included under Continuing Operations.

3. Stock and Work in progress

31 March 2006 £'000		31 March 2007 £'000
106	Central Stores	2
78	Other	62
184	Total Stevenage Borough Council	64
-	Central Stores	144
-	Total Stevenage Homes Ltd	144
184	Total for Group	208

Notes to Group Financial Statements

4. Debtors

31 March 2006 £'000		31 March 2007 £'000
61	Car Loans	47
6,740	Government Departments	2,715
226	Other Local Authorities	65
986	Housing Rents	979
3,071	Collection Fund	2,870
160	Temporary Investment interest	559
4,532	Other Debtors	3,817
(1,251)	Provision for Bad Debts	(1,281)
14,525	Stevenage Borough Council Total	9,771
0	Trade Debtors	2
0	Stevenage Homes Limited Total	2
14,525	Group Total	9,773

5. Creditors

31 March 2006 £'000		31 March 2007 £'000
76	Employees	27
946	Government Departments	1,110
506	Inland Revenue	409
1	Other Local Authorities	1,836
724	Housing Rents	840
4,749	Collection Fund	1,450
5,388	Sundry Creditors	5,419
12,390	Stevenage Borough Council Total	11,091
0	Trade Creditors	320
0	Inland Revenue	543
0	Sundry Creditors	1,384
0	Provisions	117
0	Stevenage Homes Limited Total	2,364
12,390	Group Total	13,455

Notes to Group Financial Statements

6. Intercompany Adjustments

The Group Accounts require balances between Group entities to be eliminated. The table below shows the relevant adjustments.

	Stevenage Borough Council £000	Stevenage Homes Limited £000	Adjustment entries £000	Adjustment entries £000's	Group £000
Debtors	17,511	10,130	(7,739)	(10,129)	9,773
Creditors	(21,229)	(10,094)	10,129	7,739	(13,455)

The intercompany balances arise through trading between Stevenage Homes Ltd and Stevenage Borough Council in relation to the management of housing stock. UK GAAP requires that intercompany debtors and creditors are eliminated in the presentation of group financial statements and this is reflected in the adjustments shown in the table above.

7. Cash overdrawn

31 March 2006 £'000		31 March 2007 £'000
(681)	Cash overdrawn	(738)
(681)	Total Stevenage Borough Council	(738)
-	Cash at Bank & in hand	161
-	Total Stevenage Homes Ltd	161
(681)	Total for Group	(577)

Notes to Group Financial Statements

8. Pensions Liability

The Net Pensions Liability has been analysed between Stevenage Borough Council and Stevenage Homes Ltd which was admitted to the LGPS on 1st October 2006.

	2006/07 £000	2005/06 £000
Estimate assets in Scheme	69,860	54,396
Estimated liabilities in Scheme	(97,578)	(88,614)
Net asset/(liability) attributable to Stevenage Borough Council	(27,718)	(34,218)
Estimate assets in Scheme	12,740	-
Estimated liabilities in Scheme	(13,662)	-
Net asset/(liability) attributable to Stevenage Homes Ltd	(922)	-
Net asset/(liability) for Group	(28,640)	(34,218)

Notes to Group Financial Statements

9. Revenue Activities

		Reconciliation of revenue surplus to net cash flow:	
2005/06 Restated £'000		2006/07 £'000	£'000
(7,712)	Surplus/Deficit for the year		(9,163)
Non Cash Items			
10,676	Removal of Depreciation and Impairment from Income and Expenditure Account	10,802	
123	Removal of FRS 17 pension entries in Income and Expenditure Account	(778)	
106	Removal of Profit/Loss on Sale of Assets	(3,323)	
1,436	Removal of Contributions to Reserves	1,734	
<u>12,341</u>			<u>8,435</u>
Costs charged elsewhere in Cash Flow			
(2,207)	Interest	(1,834)	
<u>(2,207)</u>			<u>(1,834)</u>
Items on an accruals basis			
260	Adjustment for pooled capital receipts payment	157	
6	Add/(less) decrease/(increase) in stock	(24)	
(6,350)	Add/(less) decrease/(increase) in debtors	(12,926)	
48	Add/(less) decrease/(increase) in long term debtors	113	
2,775	Add/(less) increase/(decrease) in creditors	18,816	
<u>(3,261)</u>			<u>6,136</u>
(839)	Net cash flow (from)/to revenue activities		3,574

10. Analysis of Net Cash Inflow/Outflow

2005/06 Net movements £'000		Balance 1 Apr £'000	2006/07 Balance 31 Mar £'000	Net Movements £'000
(246)	Cash at bank	(645)	(457)	(188)
(1,005)	Short Term Investments	44,143	38,993	5,150
<u>(1,251)</u>				<u>4,962</u>

Statement on Internal Control

1. Introduction

Regulation 4 of the Accounts and Audit Regulations 2003, which came into force on 1 April 2003, requires the Council to publish a statement on internal control (SIC) with its financial statements in accordance with proper practice. The necessary assurances in support of a full statement for 2006/07 were presented to the Audit Committee on 26th June 2007.

2. Corporate Governance

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, Members, the Strategic Management Board (SMB) and other senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

3. Internal Control

i. Scope of Responsibility

Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make the arrangement to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of the Council's functions and which include arrangements for the management of risks.

ii. The Purpose of the System of Internal Control

The system of internal control is designed to manage risks to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them economically, efficiently and effectively. The system of internal control has been in

Statement on Internal Control

place for the year ended 31 March 2007 and up to the date of approval of the annual accounts.

iii. The Internal Control Environment

The Council's internal control environment consists of a number of key elements and these are described below:

Establishing and Monitoring the Achievement of Objectives

In June 2006 the Council published its Best Value Performance Plan 2006/07 setting out the Council's vision for the town, its values and its strategic ambitions and priorities. The Plan links with the Stevenage Community Strategy, which is produced in liaison with the Council's strategic partners through the Local Strategic Partnership (LSP). The Plan is supported by a series of other strategies and plans including Service Plans and has been placed at the centre of the Council's policy and financial planning framework to inform service priorities and budget decisions. Each ambition has an associated programme of work, with projects to deliver the priorities. Programme Management Board (PMB) review each programme on a bimonthly cycle. At member level the programmes are reported to the Performance, Priorities and Improvement Group (PPIG). The PPIG ensures that performance monitoring focuses on priorities and outcomes whilst enabling members and officers to understand the reasons for variations in performance against targets with corrective action taken where necessary.

The Facilitation of Policy and Decision-Making

The Council has an approved Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The majority of the Council's functions are vested in the Executive. Therefore, most decisions are taken by the Executive, Committees of the Executive, or by the relevant individual Portfolio Holder. Those Council functions which are not vested in the Executive (mainly planning and development and licensing functions) as taken by various regulatory Committees appointed by the Council. Under the Council's Constitution, the Executive meets on a monthly basis and comprises the Leader of the Council, an Opposition Member and eight other Councillors from the Majority Group who have a specific area of responsibility, or Portfolio.

Statement on Internal Control

The Portfolio areas are:-

- Housing & Health
- Community and Culture
- Economic Regeneration
- The Environment & E-government
- Resources
- Equalities & Human Resources
- Community Safety
- Performance and Improvement.

The Council appoints the Leader and agrees the extent of the eight individual portfolios of executive functions. Major or 'Key' decisions are required to be published in advance on the Council's website as part of the Executives four month 'Forward Plan/Rolling Programme' and will generally be discussed in a meeting open to the public. All decisions must be made within the parameters of the overall policy and budgetary framework, which has been set by full Council. Any decisions the Executive wishes to take outside the budgetary or policy framework must be referred to Full Council for approval. All Committee reports are produced on a standard template to facilitate understanding and all reports are supported by comprehensive assessments of the Legal, Financial and other implications of the proposed recommendations. The Strategic Director (Chief Finance Officer) briefs the Resources Portfolio-holder on a monthly basis with regard to Financial, Legal and other resource issues. There is a Scrutiny Overview Committee, which forms "topic groups", as necessary, to scrutinise specific issues and thereby supports and monitors the work of the Executive and also monitors other decisions such as Portfolio Holder decisions and service performance. A "call-in" procedure allows the Scrutiny Committee/relevant Panel to scrutinise decisions taken by the Executive or individual Portfolio Holder before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered by the decision taker. In May 2006 the Council established an Audit Committee. The Constitution itself is subject to periodic review.

Compliance with Policies, Procedures, Laws and Regulations

The Council has structured its Executive and Scrutiny Committee/Panels plus other committees such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. It also appoints officers, qualified to undertake statutory responsibilities such as contained within section 151 of the Local Government Act 1972, section 114 of the Local Government Finance Act 1988 (Chief Financial Officer) and section 5 of the Local Government and Housing Act 1989 (Monitoring Officer). The Monitoring Officer, who is the Borough Solicitor, and, as such, is the Council's senior legal adviser, is responsible for reporting to the Council on any act or proposed act by the Executive, or by any Committee, or

Statement on Internal Control

individual Member or Officer that would give rise to a contravention of the law, a code of practice or maladministration. He is also available to provide professional legal advice to Members and officers of the Council.

The Council has a duty to ensure that it acts in accordance with the relevant legislation in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contract Standing Orders, which are available to all members and officers on the Council's Intranet as well as available to the public as part of the constitution. The Financial Regulations and Contract standing Order are reviewed at least annually and any proposed amendments are put forward to Council for approval.

The Council has an approved Risk Management Strategy and Strategic and Operational Risk Registers. Both the Strategic and Operational Risk Registers require risks to be scored (e.g. likelihood and impact) and require the risk owner to list a mitigation strategy including date of implementation. All risks are subject to quarterly reviews per the Strategy. During 2006/07 each service has identified both Strategic and Operational Risks as part of the service planning process. The Strategic Risk Register is monitored, on a quarterly basis, by the Council's Programme Management Board (PMB). The Operational Risk Registers are monitored by the relevant Heads of Service and reported to the Council's Programme Management Board on an exception basis. The Council also requires project risks to be identified for major projects and capital schemes before approval. Some specific work was undertaken in 2006/07 to seek to identify any risks associated with our major partnership arrangements and this work is ongoing.

Various facilitated risk management awareness and training workshops have been held for relevant staff and Members. These sessions were attended by a number of senior managers and explained the revised Risk Management Strategy, updated in January 2006. All Strategic Risks are cross-referenced to the Council's ambitions and priorities, list the risk and mitigation owners and explain the potential consequences if a risk were to materialise. The outturn plans are periodically reported to the Programme Management Board. A full training programme in risk management is to be established for Members and Officers who have yet to receive the training. Risk Management processes are now reported into the new Audit Committee, which was established in May 2006.

The Council's processes in relation to risk management are subject to a review by the Council's Insurance - Risk Management Consultants, which may lead to a further

Statement on Internal Control

strengthening of the overall processes and help to ensure that they are embedded within the way the organisation operates on a day to day basis. As part of the effort to embed a risk management approach the Resources Portfolio-holder will be the Council nominate member Risk Management Champion.

Internal Audit Arrangements

In 2006/07 Internal audit was delivered in partnership with Uttlesford District Council, an arrangement that has satisfied the statutory regulation for internal audit set out in section 151 of the Local Government Act 1972 and section 114 of the Local Government Finance Act 1988. In April 2007 Uttlesford District Council gave notice of their intention to withdraw from the partnership. Stevenage Borough Council feels that the Audit Partnership arrangements have served the Council well over the four years of the partnership and will pursue the opportunity to re-establish a new Audit partnership with other Councils. Annual audit coverage is linked to an approved strategic work plan and ensures that all services are reviewed on a cyclical basis. The frequency with which services are audited within the cycle is determined by risk assessment. By reviewing the Council's systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework. Internal Audit operate to defined standards (CIPFA/IIA). The Audit Manager reports to the Council's Head of Finance and Strategic Director (Chief Financial Officer /Section 151 Officer), and provides updates on internal audit progress and issues at regular Section 151 meetings.

The Audit Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control and previously reported this annually to the Council's Resources and Corporate Management Scrutiny Panel. From 2006/07, this report will be submitted on a yearly basis to the Audit Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control systems of the Council to SMB and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems, providing advice on matters pertaining to risk and control.

The Audit Manager's Annual Internal Audit Report 2006/07 was reviewed by SMB and reported to the Audit Committee in June 2007. The Audit Manager's opinion is that for 2006/07 the risks identified by Internal Audit are largely adequately controlled.

Statement on Internal Control

Audit Committee

An Audit Committee was established in May 2006 and its duties include advising and commenting on:-

- Internal Audit Matters including:
 - o the Annual Internal Audit Plan
 - o the adequacy of management response to Internal Audit reports and recommendations
 - o the Audit Manager's Annual Report and Opinion
 - o summaries of specific internal audit reports
- External Audit matters including:
 - o the External Auditor's plans for auditing and inspecting the authority
 - o the annual Audit and Inspection Letter from the external auditor
- anti-fraud and corruption issues including the Council's policies on anti-fraud and corruption
- The Council's Constitution in respect of Contract Standing Orders and Financial Regulations
- the Council's risk management arrangements
- the Council's arrangements for delivering value for money
- the Council's Statement of Accounts and Statement on Internal Control

The Audit Committee is an advisory committee of the Council. It has been constituted in line with the best practice recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. In 2006/07 the Audit Committee was comprised of four appropriately skilled Council Members, including only one Executive member, one member from an opposition group and one member from the Scrutiny Overview Committee. The Committee is further supported by an independent representative who, in addition to independence, also brings further financial / accountancy professional skills. The Chair of the Audit Committee is neither a member of the Executive nor a member who serves as a Scrutiny member. For 2007/08 the membership of the Audit Committee has been extended by one additional member. The Committee meets on four occasions during the year, at times scheduled to handle the main responsibilities contained in the Committee's terms of reference. The Committee has received specific training during the year regarding its role within the Council. Some training was provided by the Audit Commission and further familiarisation sessions have been presented by officers of the Council and other specialists, including areas such as Risk Management.

Statement on Internal Control

Operation of the Audit Committee, during this first year since establishment, has been particularly effective. As such it has, in itself, significantly contributed to further strengthening the Council's overall systems of Internal Control.

Ensuring Economic, Efficient and Effective Use of Resources

The Council continues to review and develop its budgetary monitoring and control processes to ensure that financial resources are used to their best advantage. Financial Planning is underpinned by Service Planning with increased expenditure in any service being justified to the SMB and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several years. The Service Planning process is cascaded throughout the organisation with plans being prioritised through to front line service provision in the Council's Performance Development Management (PDM) scheme, used as part of the management review processes for all members of staff. The effectiveness of these processes is recognised in the Council's achievement of Investors in People (IiP) status. Effective Workforce Planning also forms a key part of the Council's processes to seek to ensure efficient use of resources. PMB is tasked with prioritising resources to ensure that the priorities within the Best Value Performance Plan are supported by the individual service plans and that improvements are in line with the Council's corporate priorities. Economic and effective use of services is subject to review through the work of both Internal and External Audit.

Consultation exercises are used to inform decisions about strategies and policies and therefore influence the service planning process. A variety of approaches to consultation are used in line with a Consultation Strategy and Programme. For example, in 2006/07 the Council held a Community Conference, which sought the views of members of the public on relative priorities and levels of service provision and budgetary implications. In addition further communication and consultation has been conducted using surveys, vox-pox interviews etc., reflecting the Council's ongoing commitment to public consultation.

The Council continues to be strongly committed to the principles of Best Value (BV) and continuous improvement. The BV Review methodology takes into account the requirements of the Gershon efficiency and collaboration agendas. An essential part of Internal Audit's role is to make recommendations where appropriate through Management Action Plans to ensure measures are taken to improve and strengthen the efficiency and effectiveness of the Council's services.

Statement on Internal Control

In support of the Council's commitment to efficient and effective use of its resources work has been undertaken during 2006/07 to enhance the assessment of detailed unit costs for various Council services and to compare these with other similar Council's. Such detailed analysis and benchmarking is assisting the Council's in seeking to ensure continuous improvement in its achievement of Value for Money.

Financial Management

Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer. The systems of internal financial control provide reasonable but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structures including appropriately skilled, trained and qualified staff and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council. In particular, the Council's processes in 2006/07 include the following:

- comprehensive processes to review priorities in the formation of the Council's annual Forward Planning and Savings exercises;
- the setting of detailed annual budgets, the Council Tax and Housing Rents;
- monitoring of actual income and expenditure against the annual budgets;
- specific detailed monitoring of the Council's Salaries budgets;
- availability of financial information at all times online 'live' within the Council's Financial Information System (Integra);
- production of monthly reports for budget managers and publication of these on the Council Intranet;
- the detailed use of Commitment Accounting processes;
- a mid year review of the annual budget;
- monthly budget reviews to estimate likely outturn figures;
- production of monthly Key Budget Information (KBI) reports to SMB;
- periodic reporting of the Council's financial position to Members;
- clearly defined capital expenditure guidelines as outlined in the Capital Strategy;
- detailed monitoring of the Council's Capital Schemes through the Corporate Capital Review Group (CCRG) and reported onto PMB;
- the monitoring of finances against the Medium Term Plans;

Statement on Internal Control

- Continuous reviews, updating and reporting of the Council's Medium Term Revenue and Capital Strategies;
- Provision of financial training for non-financial managers and members to equip them to perform their respective roles in respect of financial management responsibilities.

The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- economic and efficient use of resources;
- compliance with policies, procedures, laws and regulations;
- the safeguarding of Council assets;
- the integrity and reliability of information and data.

The Council's financial management arrangement consists of a number of interlocking strands:

Financial Regulations – The regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Executive, Portfolio Holders and Officers. They also set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services including standing orders for contracts.

Medium Term Financial Planning – The Council publishes in its Budget Book revenue and capital projections for the next few years. The projections are reviewed and updated on at least an annual basis. Additionally, to inform the capital planning process the Council has developed a Capital Strategy to prioritise, target and measure the performance of its capital resources. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.

Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Best Value Performance Plan. In 2006/07 the Council has sought to strengthen the links between the budget and the Plan by continuing to develop a process to prioritise the allocation of resources in line with the objectives of the Plan.

Statement on Internal Control

Budget Management – A protocol is in place for the management of budget over and under spends and the Council's financial reserves that is designed to manage areas of known budget risk, the planning for predictable budget peaks and change management issues. Further work is taking place to identify reasons for underspends and implement systems to avoid material variances. The process to approve the carry forward of budget underspends from one year to the next has been considerably strengthened in recent years. The responsibility for all earmarked reserves is assigned to individual officers.

Budgeting, Monitoring and Reporting – Officers are provided with information enabling them to manage their budgets. All budgets are assigned to responsible officers. Additionally, key budget control information is produced on a monthly basis for SMB and periodically to Members. In 2007/08 it is intended to strengthen the monitoring processes and reinforce budgetary responsibility by reporting monthly through the Heads of Service Group.

Performance Management

The Council has had a performance management process for several years based on a range of local and national performance indicators. Performance data is reported quarterly to SMB and to meetings of the PPIG. Areas where performance is below target are highlighted and responsible officers are required to provide a Performance Improvement Plan for these items. Following each quarterly analysis and reporting, Performance Clinics (BVPI Clinics) are scheduled with a focus on exception reporting and with relevant officers required to attend. The Council uses benchmarking figures to compare itself with other Councils and is working on re-engineering processes as a key step to improving performance. During 2006/07 SMB reviewed high risk or below target BVPI's on a weekly basis, discussing issues in detail with relevant officers to seek to drive improvements in service.

Establishment of Stevenage Homes Limited

On the 1st October 2006 the Council established an Arms Length Management Organisation (ALMO), Stevenage Homes Limited (SHL), to manage and maintain the Council's Housing Stock. The Board of SHL have overall responsibility for the Company and the provision of Housing Services for the Council's tenants. SHL, as a Company, has its own External Auditors and will report on its own systems of internal control in line with its governance arrangements. However, the Company has significant inter-relationships with the Council and is required to be included within the Council's 'Group Account' for publication of accounts reporting purposes. The effect

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of the establishment of SHL on the Council's Systems of Internal Control are considered to be managed in the following ways:

- The Council invested appropriate resources and expertise into the establishment of SHL in the period prior to 'go-live' on 1st October 2006.
- Part of the rationale for establishing SHL was that concentrated management focus on the Housing Service should bring about and overall improvement in the Service and its associated controls.
- Relevant Housing staff and management and appropriate support staff (including Finance and Human Resources staff) were transferred to SHL under TUPE arrangements. As such the organisation was established with experienced and appropriately qualified expertise to deliver the Service and maintain internal control.
- The constitutional and procedural relationships between the Council and SHL are detailed in a Management Agreement.
- SHL has established appropriate constitutional and governance arrangements, including its own Audit Committee.
- SHL responsibilities for the Housing Service, the objectives and priorities, are detailed in the published Service Delivery Plan.
- Monitoring arrangements between the Council and SHL have been established and are being enhanced.
- Upon establishment SHL adopted in the first instance many of the Council's Policies and Procedures and subsequent review of these is generally subject to consultation with the Council. Policies and Procedures adopted include:
 - Financial Regulations & Contract Standing Orders
 - Housing Services policies & procedures
 - Performance Management arrangements
 - Risk management approach
- SHL main financial processes continue to be provided in liaison with the Council through Service Level Agreements (SLA's). As such, the Council's internal controls continue to apply and economies of scale have been maintained.
- The Council's Internal Audit Service provides Internal Audit to SHL through a SLA. The Internal Audit Manager reports directly to SHL's Audit Committee, as appropriate, or produces joint reports to the Council and SHL for Audits in respect of shared systems.
- SHL adopted the Council's financial systems and financial planning, budget setting, monitoring procedures. SHL finances have been subject to monthly monitoring between the Council and SHL.

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As such it is considered that, although the establishment of SHL was a major structural change for the Council, sufficient mechanisms are in place to ensure that the Council's overall systems of Internal Control have been maintained.

Improvements made to the Internal Control environment during 2006/07 -

In response to previous recommendations, the Audit Commissions 2004/05 Annual Audit and Inspection Letter and the 2005/06 Annual Internal Audit Report improvements were made to the overall systems of Internal Control during 2006/07 in the following main areas:

- Audit Committee established in May 2006 and a successful first year of operation completed throughout 2006/07
- Problems associated with the Bank Reconciliation were resolved and during 2006/07 reconciliations have been completed accurately and on a timely basis.
- A new Head of Service was appointed to develop and implement improvement in Benefits service administration.
- Risk Management Processes were further developed.
- Unit cost analysis was developed together with benchmarking against other similar Councils to seek to enhance Value for Money investigations.
- Further Improvements in financial reporting were introduced with publication of monthly reports on the Council's Intranet

The Council constantly seeks to strengthen its management processes. Such improvements are ongoing in the spirit of continuous improvement.

Review of Effectiveness of Systems of Internal Audit

The Accounts and Audit (Amendment)(England) Regulations 2006 place a new requirement on Local Authorities that as part of considering its systems of internal control they should also review and report to Committee on the effectiveness of Internal Audit. This review has been undertaken by the Head of Finance, review by the Council's Strategic Director (Section 151 Officer), SMB and reported to the Audit Committee. The review has been considered against the Department for Communities and Local Government (DCLG) guidance and concluded that the Internal Audit Service in 2006/07 is judged to have been effective, having considered the following factors:

Statement on Internal Control

- Assessment of the Service against the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit indicated substantial compliance with the code.
- The Internal Audit Manager's Annual Internal Audit Report 2006/07 indicated that in his opinion risks within the Authority as identified by Internal Audit are largely adequately controlled
- The work undertaken by Internal Audit is assessed to have been undertaken in an effective manner resulting in effective outcomes
- Processes are in place for the Section 151 & Deputy Section 151 Officers to review the work of Internal Audit throughout the year.
- The establishment of the Audit Committee in May 2006 has significantly enhanced the overall system of Internal Audit.
- The Audit Commissions Draft Review of Internal Audit Management Arrangements indicates the following main conclusion:
 - Our overall conclusion is that Internal Audit's corporate arrangements broadly meet the required CIPFA standards. We have noted areas where further improvements can be made. These mainly relate to improving the way in which Internal Audit engages with and reports to the recently formed Audit Committee.
- The Audit Commission has to date been able place reliance on the work of internal audit.
- The Audit Commissions Use of Resources Assessment, issued in March 2007, increased the Council's overall score from 2 to 3, notably reflecting and increase to a score of 3 in respect of Internal Control. The findings recognised the establishment of the Audit Committee and that Internal Audit continued to operate in accordance with the CIPFA code of practice.
- Satisfaction with the Internal Audit Service amongst auditees remains very high.

Review of Effectiveness of Systems of Internal Control

The Council has responsibility for conducting at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness is informed by the work of the internal auditors and the managers within the Council who have responsibility for the development and management of the internal control environment and also through comments made by external auditors and other review agencies and inspectorates.

The review will be principally informed by :-

- the work of the Internal Auditors
- the Council's review of the Effectiveness of Internal Audit
- the work of managers within the Council
- the external auditors in their annual audit and inspection letter and other reports

Statement on Internal Control

- comments by other review agencies and inspectorates

The Internal Audit Manager's Annual Report for 2006/07 was presented to the Audit Committee in June 2007. It is the Internal Audit Manager's opinion that during 2006/07 the risks identified by Internal Audit were "largely adequately controlled". Issues that the Audit Manager considers should be included in this Statement of Internal Control are shown in the future improvements table below.

The Audit Commission's 2005/06 Annual Audit and Inspection Letter was discussed with Officers and the Leader of the Council and Executive Councillor (Resources) in March 2007 and reported to the Audit Committee in June 2007. The Letter was largely positive and can be summarised as follows:

The main messages for the Council are:-

- The Council has made improvements in key priority services and overall performance. The rate of improvement, as measured by a basket of performance indicators, is above average for District Councils, although improvement is less strong in some public facing services.
- The Council provides strong community leadership and a commitment to partnership working to deliver community outcomes. Community consultation is a strength. Links with, and better understanding of, ethnic minorities are developing.
- There is a growing culture of value for money within the Council, with a developing understanding of costs which will support improvements in service quality and efficiencies. Comparative performance in terms of costs has improved over the last three years; levels of reduction were one of the best within the Council's comparator group in 2005/06.
- The quality of working papers supporting the accounts has improved however there is scope for further improvement, particularly in relation to arrangements for capital accounting.

Financial Management and Value for Money -The appointed auditor provided:

- An unqualified opinion on the 2005/06 accounts;
- A conclusion on value for money arrangements to say that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- A report on the best value performance plan confirming that the plan has been audited.

Statement on Internal Control

Use of Resources Assessment - The Audit Commission have assessed the Council's use of resources, and concluded that progress has been made to strengthen and embed arrangements in a number of areas. In particular, improvements have been made in relation to financial standing and internal control, which have resulted in an increase in the Council's overall use of resources assessment from a score of 2 to a score of 3 - "consistently above the minimum requirements – performing well".

Actions needed by the Council, as identified in the AAIL, are detailed in the future improvements table below.

The Audit Commission Use of Resources Judgements was published in March 2007 and was summarised in their AAIL. The more detailed finding with regard to Internal Control, which resulted in an increase in the overall Internal Control Score from 2 to 3, are as follows:

Key Line of Enquiry	Score 2006	Score 2005
4. Internal Control	3	2
4.1 The Council manages its significant business risks	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control	2	1
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	3	3

During 2006/07 an issue arose that was required to be reported under Section 114A of the Local Government Act 1988. The Council's Monitoring Officer and Section 151 Officer reported to the Executive in November 2006 that during April and May 2006 the Council had commissioned a publication on Hertbeat Radio. As this publication fell within the "purdah" period prior the Council elections in May 2006 (when the Council is required by law not to publicise information of a nature that could be considered to influence the elections) it was retrospectively judged, following a complaint, that this publication was contrary to the regulations and the Section 151 Officer sought to recover the costs incurred. The Council learnt from this unfortunate mistake and issued further guidance to all officers in advance of the 2007 elections and monitored the position closely.

Significant Control Issues

The External and Internal Auditors have concluded that the Council's Systems of Internal Control are generally sound and risks are largely adequately controlled.

Statement on Internal Control

However, in the spirit of continuous improvement, detailed Improvement Plans have been developed which seek to enhance any areas where the scope to strengthen internal controls has been identified by management, members, Internal Audit, the Audit Commission or other review agencies. In summary, these are as follows:

Action Plan for Future Improvements to enhance Internal Controls		
Area for action	What needs to be done	Target Date
Internal Audit & Audit Committee	<ul style="list-style-type: none"> • Strengthen the procedures for Internal Audit to engage with the Audit Committee, reporting quarterly activity and performance • Review the arrangements for delivery of Internal Audit and the associated Audit Plan, seeking to re-establish a partnership • Promote robust scrutiny of the Accounts by members 	<p>June 2007</p> <p>September 2007</p> <p>June 2007</p>
Value of Money (VFM) Investigations	Ensure that the improvements made in units costing and benchmarking are embedded as an integral part of Service Reviews and developing key corporate indicators for VFM	March 2008
Risk Management	<p>Ensure arrangements for risk management are embedded and that risk management is key to the Council's processes, including :-</p> <ul style="list-style-type: none"> • Conduct review of overall risk management arrangements facilitated by the Council's Insurance – Risk Management Consultants • Establish a full training programme for members and managers • Establish member champion role 	March 2008

Statement on Internal Control

Action Plan for Future Improvements to enhance Internal Controls		
Area for action	What needs to be done	Target Date
Financial Management	<ul style="list-style-type: none"> • Strategic <ul style="list-style-type: none"> ○ Major review of the Revenue & Capital Medium Term Strategies to ensure plans continue to be brought into balance • Budget Monitoring, including: <ul style="list-style-type: none"> ○ Strengthening of budget responsibility, variance analysis and reporting, including through Heads of Service Group ○ Simplification of some accounting & recharge processes ○ Review of Salaries monitoring procedures linked to HR system ○ Review of Key Budget Information report format to SMB • Embed Financial Training for members and non-financial managers and communicate understanding of Medium Term Financial Strategies. 	December 2007
Financial Administration	<ul style="list-style-type: none"> • Main Accounting <ul style="list-style-type: none"> ○ Ensure improvements in Bank Reconciliation processes are maintained ○ Ensure Journal and Virement procedures are complied with ○ Maintain continuous improvement to year end working papers • Ensure main financial systems “back up” and business continuity arrangements are effective • Review improvements to: <ul style="list-style-type: none"> ○ Capital accounting arrangements ○ Financial systems procedure notes 	December 2007
Financial Reporting	Enhance external reporting of summary accounts to stakeholders	September 2007
Ethics & Probity	<ul style="list-style-type: none"> • Continue to issue detailed guidance and monitor closely publications issued by the Council during the pre election “purdah” period. • Continue to promote ethical standards • Review risk assessment of likely areas for fraud and corruption to ensure counter fraud activity is appropriately focused & resourced 	May 2007 & ongoing December 2007 December 2007
Over Internal Control	Develop an assurance framework to map the Council's strategic objectives to risks, controls and assurances.	December 2007

Statement on Internal Control

We have been advised on the progress in implementing a co-ordinated review of effectiveness of the system on internal control and are aware of the issues identified in this statement, which require actions.

Strategic Director (Chief Financial Officer) 28th June 2007

Chief Executive 28th June 2007

Leader of the Council 28th June 2007

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.

The Strategic Director's (Chief Financial Officer) Responsibilities

The Strategic Director (Chief Financial Officer) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

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 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 7 of the Accounts and Audit Regulations 2003 and present fairly the financial position of the Authority as at 31 March 2007 and its Income and Expenditure account for the year then ended.

Strategic Director (Chief Financial Officer)

Independent Auditor's Report to Stevenage Borough Council

Opinion on the financial statements

I have audited the financial statements of Stevenage Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Housing Revenue Account, the Collection Fund, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of Movement on General Fund Balance, the Cash Flow Statement, the Group Accounts, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Stevenage Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Independent Auditor's Report to Stevenage Borough Council

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council as at 31 March 2007 and its income and expenditure for the year then ended.

Debbie Hanson

District Auditor

_____ 2007

Audit Commission

1st Floor, Sheffield House, Lytton Way, off Gates Way, Stevenage, Herts SG1 3HG

Independent Auditor's Report to Stevenage Borough Council

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Stevenage Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Independent Auditor's Report to Stevenage Borough Council

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Debbie Hanson
District Auditor

2007
Audit Commission
1st Floor, Sheffield House, Lytton Way, off Gates Way, Stevenage, Herts SG1 3HG

Statement of Accounting Policies

1. General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting – A Statement of Recommended Practice (the SORP) produced by the Chartered Institute of Public Finance and Accountancy. Guidance notes have been observed except where disclosed. Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) have been observed unless indicated to the contrary. Service expenditure analyses show expenditure in the BVACOP categories.

2. Basis of Consolidation

The Balance Sheet brings together the year-end balances from three major Accounts i.e.

The General Fund
Housing Revenue Account
The Collection Fund

All internal balances are eliminated on consolidation.

The Group Financial Statements have been compiled using the principle of Acquisition Accounting as there is the presumption of control over Stevenage Homes Limited.

Merger and Equity Accounting assume substantially equal partnership and significant influence respectively. As such these were not considered relevant in the preparation of the Group Financial Statements.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular fees, charges and rents due from customers are accounted for as income at the date due. Supplies are generally recorded as expenditure when they are consumed. The exception is electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This debtors and creditors policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Interest payable and receivable on borrowings is accounted for in the year to which it relates on a basis that reflects the overall effect of the loan or investment. The proportion payable to the Housing Revenue Account is specified in regulations and based on net balances. Where income and expenditure has been recognised but cash has not been

Statement of Accounting Policies

received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited or debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

4. Provisions

The Council sets aside provisions for specific future expenses which are likely or certain to be incurred, but where the timing of the transfer is uncertain. Provisions for doubtful debts are separately disclosed against debtors

5. Reserves

The Council maintains certain reserves to meet general, rather than specific future expenditure. These include the Insurance Fund, the House Purchase Scheme, the Rental Income Fund and the Renewals Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year, to score against the Net Cost of Services. The reserve is then appropriated back through the Statement of Movement on General Fund so there is no net charge against council tax for the expenditure.

6. Government Grants

Government Grants are accounted for on an accruals basis. Revenue grants have been credited to the appropriate revenue account in the same period in which the expenditure to which they relate is charged. Capital grants are matched with the cost of the relevant assets.

Where balances of receipts are still available in connection with local development schemes (e.g. under Section 106 Agreements) these are included in Government Grants and other Contributions Unapplied in the Balance Sheet.

7. Pensions

Accounting for Pension costs complies with the requirements of FRS17. This requires the accounts to show as current service cost, the amount of benefit earned in the year by current employees against the services on which they work. Past service cost relates only to the benefit entitlement of employees granted early by retirement/redundancy in the year. The policy shows the Council's commitment in the long term to increase contributions to make up any shortfall in attributable assets in the pension fund.

Statement of Accounting Policies

The change to the net pension liability is analysed into six components:

- Current service cost – the increase in liabilities, as result of years of service earned this year – allocated 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 Net Cost of Services as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities, during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue.
- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employees contributions to the pension fund.
- Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on the average of the expected long-term return - credited to Net Operating Expenditure.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on General Fund this means that there is an appropriation to the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

8. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable providing the 5% partial exemption limit is not breached

Statement of Accounting Policies

9. Cost of Support Services

All costs of direct support services are fully charged to services. The basis for internal charging is, wherever possible on a unit basis appropriate for the service provided, e.g. office accommodation by floor area, HR charges by number of employees etc. Other categories of internal charge are apportioned on an appropriate percentage basis, in particular the costs of direct service administration.

The basis for accounting for overheads complies with the Best Value Accounting Code of Practice 2006 (BVACOP) which was introduced in 2001 and introduced the expenditure category of Corporate and Democratic Core consisting of Democratic Representation and Management (DRM) and Corporate Management (CM).

10. Fixed Assets

A proportion of the Council's assets are revalued on an annual basis as part of the continuous rolling revaluation that aims to cover all assets over a 5 year period. This process is co-ordinated by the Council's Estates Manager J Angell BA, MRICS. The latest valuation certificates are dated 31 March 2007 and revaluations are carried out by both the Council's in-house professional staff and a private firm of Chartered Surveyors.

Fixed assets are valued as at 31 March on the basis recommended by CIPFA and in accordance with the Royal Institution of Chartered Surveyor's Appraisal and Valuation standards. The following valuation basis were employed:

- non-operational property (investments, surplus and development property), valued on the basis of Market Value;
- operational, non-specialised property, valued on the basis of Existing Use Value (EUV);
- operational housing valued on the basis of Existing Use Value for Social Housing (EUV-SH);
- operational specialised properties, valued using the depreciated replacement cost method;
- Vehicles, Plant and Equipment, valued on the basis of purchase price written down over its useful life.

Statement of Accounting Policies

- Intangible assets valued on the basis of purchase price and written down over useful economic life.

Asset revaluations are accounted for via the Fixed Asset Restatement Account and capital financing via the Capital Financing Account (the charges to the Housing Revenue Account are prescribed by regulation).

11. Impairment

The value of an asset will be impaired if its service potential over the course of its expected useful life is significantly reduced. Examples of events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in a fixed asset's market value during the period.
- evidence of obsolescence or physical damage to the fixed asset.

12. Disposals

Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account. When an asset is disposed of or decommissioned the value of the asset in the Balance Sheet is written off to the Fixed Asset Restatement Account.

13. Depreciation

In accordance with FRS15, depreciation is provided on all assets except investment properties. Depreciation is on a straight - line basis on most assets over their assessed remaining useful asset lives. The calculation of the depreciation charge for the Council's housing stock is made using a robust methodology that takes into account both the pattern of the Council's dwelling types and the depreciation elements appropriate to them.

14. Basis of Capital Charges

i. General Fund Service and HRA Accounts

Services were charged for fixed assets used by the service irrespective of historic funding methodology. The charge had two elements. The first was an element for depreciation based on the estimated net current value divided by the total expected life of the asset. The second was an interest charge at a rate prescribed by CIFPA.

Statement of Accounting Policies

Under the SORP 2006, notional interest is no longer charged to either the General Fund or HRA. Therefore, capital charges as such no longer exist. The only charge is depreciation.

ii. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. In accordance with the SORP all deferred charges are now written out of the Balance Sheet to capital reserves/revenue.

iii. Long-Term Debtors

These are amortised by an annual amount equalling the annual repayments of principal paid by borrowers.

15. Leasing

Rentals and depreciation for assets held under operating and finance leases respectively are charged to revenue on a straight line basis over the term of the lease. The Council is not entering into any new lease agreements.

16. Capital Receipts

As the Council is a debt-free Authority, capital receipts with the exception of HRA receipts that are subject to Government pooling arrangements, can be retained in order to finance future capital schemes.

17. Employee Costs Charged to Capital Schemes

Where employees are involved directly with the implementation of a capital scheme, a charge for time spent is made under FRS15. This includes Building Surveyors, Architects and computer staff on a regular basis but can also include other professions, especially when implementation of specialist computer systems is concerned.

18. Stocks and Work in Progress

Stocks are valued at the latest purchase price paid, with an allowance made for obsolete items. The Council does not comply with SORP which requires stocks to be shown at actual cost less an allowance for loss in value. The effect of the different treatment is not significant. Work in progress on uncompleted jobs is valued at cost price.

Statement of Accounting Policies

19. Investments

Investments in the money market are shown at their nominal value. Fund Manager investments are included on the basis of Book Cost.

Glossary of Terms

Agency Services

Services which are provided by the Council for another local Authority or public body and the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out.

Appointed Auditors

External auditors of local authorities appointed by the Audit Commission. They may be from the Commission's own operations directorate or from the major accountancy firms.

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.

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. However, in order to reduce the immediate impact on debt-free authorities, implementation is phased over a three year period.

Capital Financing Costs

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

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

Glossary of Terms

Authority and District/Borough Council) whilst National Non-Domestic Rates income is passed to the Government.

Council Tax

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

Current Expenditure

Running costs including:-

Employee costs - the cost of employee's salaries and wages and is charged in full in the year's account.

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

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

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.

Direct Service Organisation (D.S.O.)

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

Estimates

The amounts which are expected to be spent or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

Glossary of Terms

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

Probable – an updated revision of the estimates for a financial year.

Supplementary estimate – an amount, which has been approved by the Council, to allow spending to be increased above the level of provision in the original or probable estimates.

Fees and Charges

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

Formula Grant Allocation

The Central Government Grant towards the cost of services provided by Local Authorities. It is paid directly into each authority's General Fund and was previously called Revenue Support Grant.

General Fund

The main revenue fund of the Council. Day to day spending on services is met from this fund. Spending on the provision of Council housing, however, must be charged to the separate Housing Revenue Account.

Housing Revenue Account (HRA)

A separate account dealing with expenditure and income arising from the letting of Council dwellings. Expenditure includes supervision and management costs, repairs and capital financing charges. Income includes rent, Government subsidies and investment interest. It is now "ring fenced" (i.e. the transfer of amounts between the HRA and the General Fund is restricted by legislation).

Housing Subsidy

The subsidy payable by Central Government towards council housing costs. It consists of five main elements – management and maintenance, capital financing charges, rent income, rebates and the Major Repairs Allowance.

Infrastructure Assets

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

Glossary of Terms

Interest on Balances and from Investments

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

Inter-company balances

Debtors and creditors arising in Group entities as a result of transactions within the Group.

Major Repairs Allowance (MRA)

A significant new element of Housing Subsidy which must be transferred to a Major Repairs Reserve and used only for the refurbishment of the Council's own housing stock

National Non Domestic Rates (NNDR)

A levy on businesses based on a notional rate in the pound (multiplier) set by Central Government and multiplied by the 'rateable value' (RV) of the premises they occupy. The amount depends on the RV assigned to the property by the District Valuer and the multiplier, which is uniform across the whole country. Increases in the multiplier are limited to no more than increases in the Retail Price Index. NNDR is collected by billing authorities on behalf of the Government who then redistributes the income among all Local Authorities and Police Authorities on the basis of population.

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.

Rateable Value

A value on all non-domestic properties subject to National Non-Domestic Rates (NNDR). The value is based on a notional rent that the property could be expected to yield and revaluations take place every five years.

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

Also known as Direct Revenue Financing. Resources provided from an authority's revenue budget to finance the cost of capital projects.

Glossary of Terms

Revenue Expenditure

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