

**Statement of  
Accounts  
2007/08**

**Audit v2**

***Ste**venage*  
***BOROUGH COUNCIL*****

STATEMENT OF ACCOUNTS 2007/08

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The 2007/08 Statement of Accounts was approved  
at Full Council held on 25 June 2008.

Chair  
Audit Committee

Resources Portfolio Holder

STATEMENT OF ACCOUNTS 2007/08

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## Foreword by Strategic Director (Chief Financial Officer)

The Accounts of Stevenage Borough Council for the year ended 31<sup>st</sup> March 2008 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 2007 Statement of Recommended Practice (SORP) for Accounting in Local Government in 2007/08.

The Council spends some £123 million 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, coupled with our new accounts summary.

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, and prepare for the new external assessment, Comprehensive Area Assessment that reviews how well the Council is run and works with its partner organisations such as the Primary Care Trust, County Council, Police and Voluntary Sector.

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. Following a change in the assessment criteria in 2006/07, the Council was determined as reaching a Level 2 rating, which confirmed we are meeting the Audit Commission's prescribed standard. The Council is now actively working to implement an improvement plan agreed with the Audit Commission to achieve a Level 3 rating (Consistently above the minimum requirements – performing well).

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 continuing 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 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. To assist this, the Council established a Leader's Services Priority Group to prioritise the Council's services in order to determine future resource allocations and growth. Following this extensive exercise, the Council has identified over £2 m of savings that will be used to contribute to solving the underlying budget gap.

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 1 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.

Corporate Performance Plan 2007/08-delivering value for money, 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](http://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 Crudgington**

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

2006/07		2007/08
	<b>Area and Population</b>	
2,606	Area (hectares)	2,606
80,480	Population	80,500
30.88	Population per Hectare	30.89
	<b>Council Tax</b>	
33,920	Number of Chargeable Dwellings	34,083
	Council Tax per Property in Band D	
170.37	- Stevenage Borough Council	174.63
984.95	- Hertfordshire County Council	1,034.13
123.98	- Hertfordshire Police Authority	130.17
<hr/>	<b>Total Council Tax</b>	<hr/>
1,279.30		1,338.93

### 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 National Express East Coast 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. A major regeneration scheme within the Town Centre to enhance the range and quality of shopping and more generally improve the available facilities is currently close to being determined. 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 – Gunnels Wood - 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. Gunnels Wood is the largest employment area in Hertfordshire and one of the largest in the region. Consequently 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, the District Land Registry, GlaxoSmithKline, The Lister Hospital and the Council itself.

As Britain's first New Town, designated in 1946 Stevenage has been planned to facilitate ease of movement. It has a comprehensive road network with a segregated 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 to its current population of about 80,000. Each neighbourhood community is served by a range of local facilities including shops, a community centre, and medical facilities. The Borough Council owns a considerable number of residential and commercial properties in the town, especially in the New Town neighbourhoods.

The East of England Plan proposes that Stevenage should expand by an extra 16,000 new homes and at least 9,000 new jobs. The years to 2021 will see the greatest growth and change since the New Town was designated over 60 years ago. And whilst the town expands there will also be a major programme of re-investment and regeneration within the existing town – in the town centre; in the neighbourhood centres; in the housing stock and in schools and health facilities.

The Council is already working towards delivering this agenda, with a planning application for 3,600 new homes at Stevenage West and pre-application discussions underway on a second urban extension to the north of the town. The Council is working closely with its partners to re-

shape leisure, health and education provision within the town to address concerns about poor quality facilities, low educational attainment and higher than average levels of premature death. There are also proposals to develop new employment sites at the two motorway junctions which serve the town.

### Services

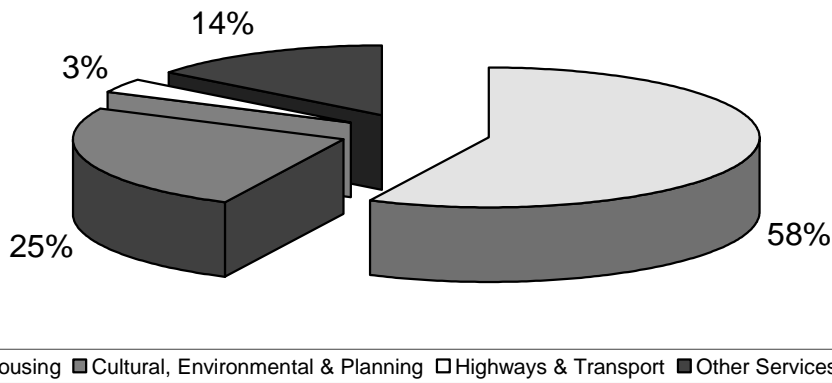
Stevenage Borough Council is one of ten district councils in Hertfordshire. For Electoral purposes, Stevenage is split into 13 areas known as wards. The 39 Councillors who make up the Borough Council are elected by the local Community to represent its interests and decide what services should be provided.

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 & Physical Regeneration
- ◆ Building Control and Planning
- ◆ Car Parking
- ◆ Public Transport Subsidies
- ◆ Housing (the housing stock is managed by Stevenage Homes Limited (SHL))
- ◆ Community Services
- ◆ Community Safety
- ◆ Council Tax Collection
- ◆ Housing & Council Tax Benefits

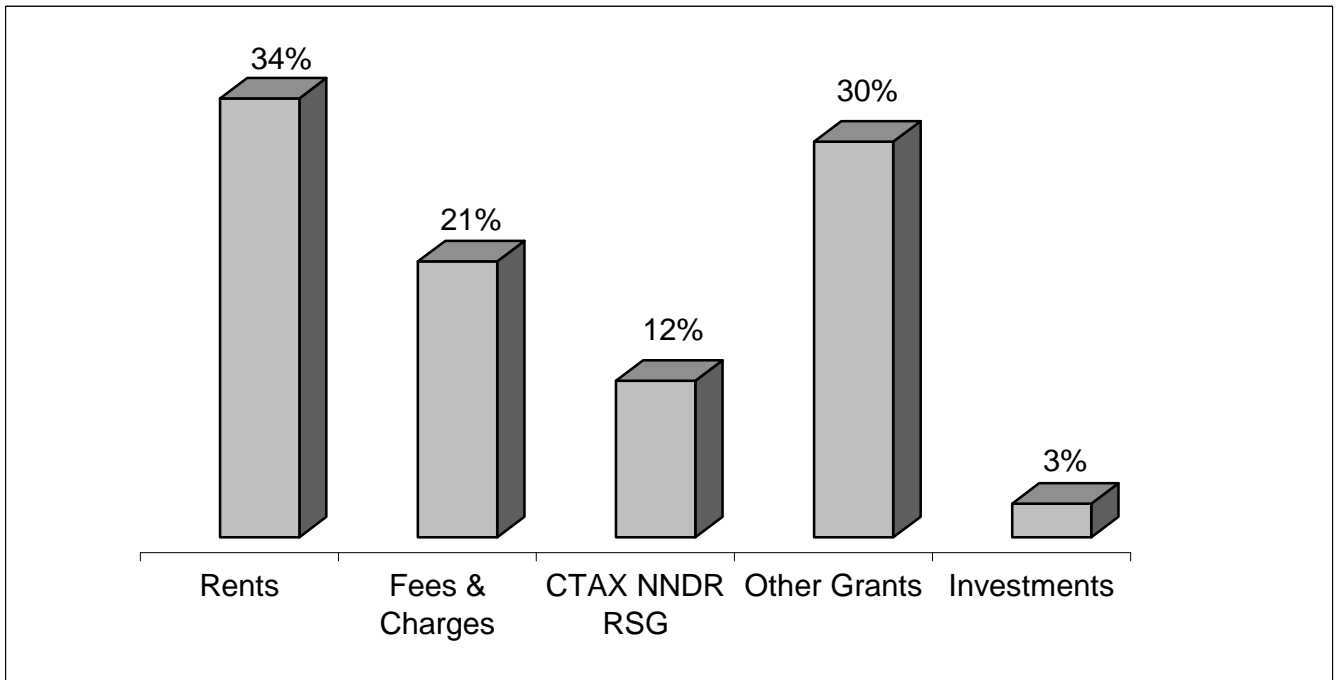
The chart below analyses the gross revenue expenditure over the main services areas provided by the Council.



Other services (14%), includes council tax and non domestic rates collection, council tax benefits administration, commercial property management and expenditure undertaken by the Area Committees.

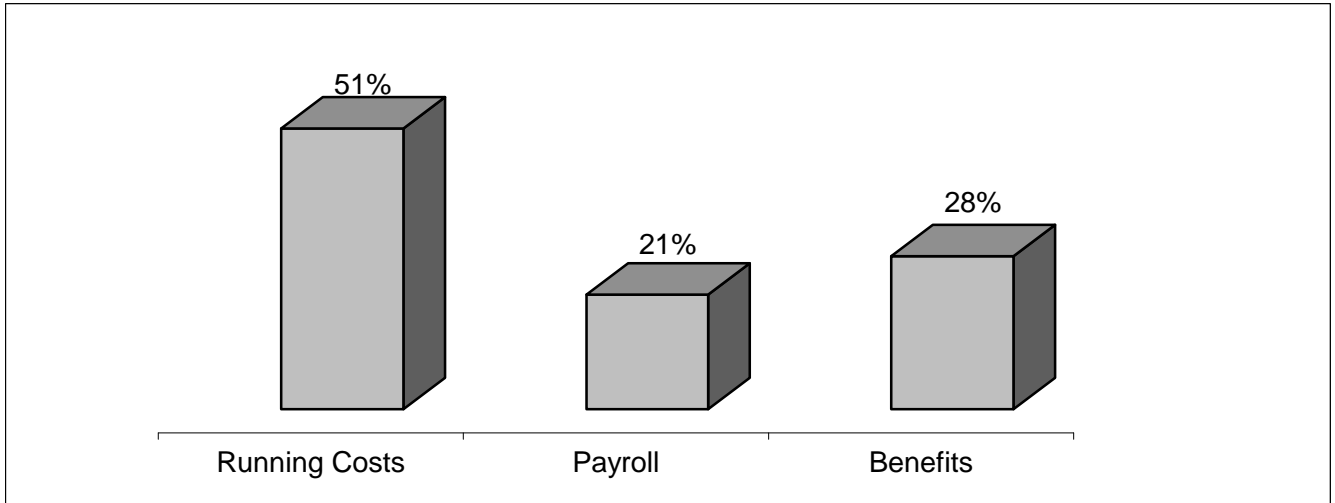
The charts below show in broad terms where the Council's money comes from and what it is spent on.

**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 30% 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 12% 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 51% of the total expenditure. A further 28% of the Council's gross expenditure goes towards meeting benefit payments in the form of rent rebates, rent allowances and council tax benefits. Employees' salaries and wages account for a further 21% of the total.

## 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.

<b>Income &amp; Expenditure Account for the year ended 31 March 2008</b>			<b>2007/08</b>	
<b>2006/07</b>				
<b>Single Entity Restated £'000</b>	<b>Group Restated £'000</b>		<b>Single Entity £'000</b>	<b>Group £'000</b>
23,155	22,960	Net Cost of Services	34,810	33,558
(1,899)	(2,005)	Interest, contributions and other charges	329	50
21,256	20,955	Net Operating Expenditure	35,139	33,608
(11,912)	(11,912)	Precepts, Grants & Contributions	(12,490)	(12,490)
9,344	9,043	(Surplus) / Deficit for Year	22,649	21,118
(6,798)	(6,798)	Net additional amount required by statute & non-statutory proper practices	(20,299)	(20,299)
2,546	2,245	Decrease in Revenue Balances	2,350	819
(9,922)	(9,922)	Balance at 1 April	(7,376)	(7,677)
(7,376)	(7,677)	Balance at 31 March	(5,026)	(6,858)

<b>Balance Sheet as at 31 March 2008</b>			<b>2007/08</b>	
<b>2006/07</b>				
<b>Single Entity Restated £'000</b>	<b>Group Restated £'000</b>		<b>Single Entity £'000</b>	<b>Group £'000</b>
<b>Assets</b>				
642,003	642,003	Long Term Assets	714,832	714,832
49,717	50,012	Current Assets	38,260	37,988
(15,141)	(14,980)	Current Liabilities	(18,750)	(16,558)
(34,609)	(35,647)	Long Term Liabilities	(32,604)	(32,610)
<b>641,970</b>	<b>641,388</b>	<b>Total Assets Less Liabilities</b>	<b>701,738</b>	<b>703,652</b>
<b>Fund Balances &amp; Reserves</b>				
634,676	634,676	Capital Adjustment Account	626,396	626,396
0	0	Revaluation Reserve	70,716	70,716
7,294	6,712	Other	4,626	6,540
<b>641,970</b>	<b>641,388</b>	<b>Total Fund Balances &amp; Reserves</b>	<b>701,738</b>	<b>703,652</b>

## **Explanatory Foreword**

1. The Council's Accounts for the year 2007/08 are set out below. The Council has a controlling interest in the direction of SHL and has, in accordance with the Statement of Recommended Practice 2007 (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 2008 and includes a net pensions liability of £22.5 million 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 2008
- ◆ **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.



## 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 2008 and includes a net pensions liability of £22.5 million 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

## Budget

The main components of the General Fund Budget for 2007/08 and how these compare with actual income and expenditure are set out below: -

	<b>Original Budget £'000</b>	<b>Probable Budget £'000</b>	<b>Actual £'000</b>	<b>Difference £'000</b>
Gross Expenditure on Services	132,867	124,492	127,865	3,373
Income	(117,983)	(109,361)	(113,025)	(3,664)
Net Expenditure on Services	14,884	15,131	14,840	(291)
Collection Fund Income	(12,490)	(12,490)	(12,490)	0
Net change in reserves for year	2,394	2,641	2,350	(291)
Balance brought forward	(7,376)	(7,376)	(7,376)	0
<b>Balance Carried forward</b>	<b>(4,982)</b>	<b>(4,735)</b>	<b>(5,026)</b>	<b>(291)</b>

When compared with the revised budget net expenditure on services was £291,000 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 £2.3 million compared with the planned £2.6 million. The Council's General Fund balance at 31 March 2008 was £5.0 million.

## Capital

In 2007/08 the Council spent £16.8 million on capital projects.

Of this actual expenditure £6.0 million was for housing and £10.8 million for other services. The major sources of finance for the 2007/08 capital expenditure were £8.4 million of capital receipts (the proceeds of the sale of assets) and £5.8 million from Housing Subsidy (Major Repairs Allowance).

## Further Information

Further information about the accounts are available from:-

The Head of Finance  
 Stevenage Borough Council  
 Daneshill House  
 Danestrete  
 Stevenage  
 SG1 1HN  
 Email: [clare.fletcher@stevenage.gov.uk](mailto:clare.fletcher@stevenage.gov.uk)

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 &amp; Expenditure Account for the year ended 31 March 2008

2006/07			2007/08	
Net Expenditure Restated £'000	Expenditure on Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
225	Adult Social Care	317	139	178
1,052	Central Services to Public	11,646	10,169	1,477
89	Childrens Social Services	101	0	101
14,150	Cultural Environmental & Planning Services	33,404	13,145	20,259
2,086	Highways Roads & Transport Services	5,424	3,128	2,296
2,995	Housing Services	69,060	61,460	7,600
2,500	Corporate & Democratic Core	2,772	0	2,772
58	Non Distributed Costs	127	0	127
<b>23,155</b>	<b>Net Cost of Services</b>	<b>122,851</b>	<b>88,041</b>	<b>34,810</b>
			<b>Note</b>	
(3,323)	(Gain)/loss on disposal of fixed assets			(134)
(265)	Surplus on Indoor Market		<b>2</b>	(254)
(2,484)	Interest or investment income			(2,670)
63	Interest payable			106
3,405	Contribution to Housing Pooled Receipts			3,052
101	Investment losses			0
604	Pensions Interest & Expected Return on Pensions Assets			229
<b>21,256</b>	<b>Net Operating Expenditure</b>			<b>35,139</b>
(4,661)	Precept demanded from Collection Fund			(4,798)
(38)	Collection Fund Surplus			(38)
(1,167)	Revenue Support Grant			(1,100)
(6,046)	Contribution from Non-Domestic Rate Pool			(6,554)
<b>9,344</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>			<b>22,649</b>

**Best Value Accounting Code of Practice (BVACOP) :**

The above revenue service expenditure analysis is compliant with the latest accounting code of practice, with the exception noted in policy number 3 (accruals of income and expenditure), page 104.

## Statement of Movement on General Fund as at 31 March 2008

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 Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of the housing capital receipts to the Government score as a loss in the Income and Expenditure Account, but is met from the useable capital receipts rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund balance compares the Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 Restated £'000		2007/08 £'000
9,344	(Surplus)/Deficit for year on Income & Expenditure Account	22,649
(6,798)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(20,299)
2,546	Decrease/(Increase) in General Fund Balance for the Year	2,350
(9,922)	General Fund Balance brought forward	(7,376)
<b>(7,376)</b>	<b>General Fund Balance carried forward and generally available for new expenditure</b>	<b>(5,026)</b>

## Note to the Statement of Movement on General Fund Balance

The table below sets out the amounts not included in the Income & Expenditure Account but required by statute or non-statutory proper practices to be debited or credited to the General Fund for the year.

2006/07 Restated £000		2007/08 £000
	<i>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year :</i>	
(5,265)	Depreciation and impairment of Fixed Assets	(16,617)
(1,344)	Excess of Depreciation charged to HRA Services over the Major Repairs Allowance	(1,917)
991	Government Grants deferred amortisation	1,116
(653)	Write downs of deferred charges to be financed from Capital Resources	(785)
3,323	Net gain/(loss) on sale of fixed assets	99
(2,319)	Net charges made for retirement benefits in accordance with FRS 17	(1,900)
<u>(5,267)</u>		<u>(20,004)</u>
	<i>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year :</i>	
170	Capital expenditure charged in year to Revenue	2
(3,405)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(3,052)
3,028	Employer's contributions payable to the Hertfordshire Local Government Pension Scheme and retirement benefits payable direct to pensioners	2,722
<u>(207)</u>		<u>(328)</u>
	<i>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 :</i>	
(1,230)	Housing Revenue Account Balance	236
0	Voluntary revenue provision for capital financing	0
(94)	Net transfer to/(from) earmarked reserves	(203)
<u>(1,324)</u>		<u>33</u>
<b><u>(6,798)</u></b>	Net additional amount required to be credited to the General Fund balance for the year	<b><u>(20,299)</u></b>

## Statement of Total Recognised Gains & Losses as at 31 March 2008

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

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account (page 14), it includes gains and losses relating to the revaluation of fixed assets (see also page 47, note 27a) and re-measurement of the net liability to cover the cost of retirement benefits (see also page 45, note 26).

<b>2006/07 Restated £000</b>		<b>2007/08 £000</b>
9,344	(Surplus) / Deficit for the year on Income & Expenditure Account	22,649
(30,686)	(Surplus) / Deficit arising on Revaluation of Fixed Assets	(78,539)
(5,791)	Actuarial (gains) / losses on Pensions Fund assets & liabilities	(4,396)
1,924	Other (gains) / losses	518
<b>(25,209)</b>	<b>Total Recognised (gain)/loss for the year</b>	<b>(59,768)</b>

Accounting Policy changes and other adjustments have no effect on the 2006/07 General Fund balance as at 31 March 2007. However these adjustments have meant a reduction in the reserve balances or reduction in net worth of £1,826,000.

## Balance Sheet as at 31 March 2008

2006/07 Restated £'000	Net Fixed Assets	Notes	2007/08	
			£'000	£'000
188	Intangible fixed assets	14	167	
	<i>Tangible fixed assets: Operational</i>			
521,277	Council Dwellings	13	566,259	
82,312	Other Land & Buildings	13	94,201	
7,325	Vehicles, plant, furniture & equipment	13	7,105	
2,763	Infrastructure assets	13	2,726	
953	Community assets	13	419	
	<i>Tangible fixed assets: Non-operational</i>			
21,532	Investment properties	13	21,795	
395	Assets under construction	13	4,582	
1,600	Surplus assets held for disposal	13	4,759	
<u>638,345</u>				702,013
3,200	Long term investments	19	12,469	
411	Long Term Debtors		332	
47			18	
				12,819
<u>642,003</u>	<b>Total Long Term Assets</b>			<u>714,832</u>
	<b>Current Assets</b>			
64	Stock and work in progress	17	44	
10,647	Debtors	18	11,146	
38,993	Investments	19	26,951	
13	Cash at bank & in hand		119	38,260
	<b>Current Liabilities</b>			
0	Borrowing repayable within 12 months		0	
(14,524)	Creditors	20	(18,750)	
(617)	Cash overdrawn		0	(18,750)
<u>34,576</u>	<b>Net Current Assets</b>			<u>19,510</u>
676,579	<b>Total Assets less Current Liabilities</b>			<u>734,342</u>
0	Long term borrowing	23	0	
(594)	Provisions	22	(2,019)	
(6,052)	Government Grants Deferred & Contributions Unapplied	24	(7,962)	
(245)	Deferred liability, credit arrangements		(123)	
(27,718)	Pensions Liability	26	(22,500)	(32,604)
<u>641,970</u>	<b>Total Assets less Liabilities</b>			<u>701,738</u>

## Balance Sheet as at 31 March 2008 (continued)

2006/07 As restated £'000		Notes	2007/08 £'000
	<b>Fund Balances &amp; Reserves</b>		
0	Revaluation Reserve	27a	70,716
0	Available for Sale Financial Instruments Reserve		0
634,676	Capital Adjustment Account	27b	626,396
0	Financial Instruments Adjustment Account		0
(27,718)	Pensions Reserve	26	(22,500)
23,772	Usable Capital Receipts	27e	17,837
0	Major Repairs Reserve		0
411	Deferred capital receipts	25/27	332
7,376	General Fund		5,026
2,847	Housing Revenue Account		3,083
394	Earmarked Reserves	27f	559
212	Collection Fund		289
<b>641,970</b>	<b>Total Equity</b>		<b>701,738</b>



## Cash Flow Statement for the year ended 31 March 2008

2006/07 Restated £000		Notes	2007/08 £000
	<b>REVENUE ACTIVITIES</b>		
	<i>Cash outflows</i>		
21,817	Cash paid to and on behalf of employees		21,607
17,633	Other operating cash payments		31,448
6,700	Housing Benefits paid out		7,225
39,452	National non-domestic rate payments to national pool		39,128
3,248	Payments to the Capital Receipts Pool		2,136
30,577	Disbursements from the Collection Fund		32,227
<u>119,427</u>	<b>Total Expenditure</b>		<u>133,771</u>
	<i>Cash Inflows</i>		
(19,527)	Rents (after rebates)		(13,757)
(29,799)	Council Tax receipts		(31,867)
(6,046)	National non-domestic rate receipts from national pool		(6,554)
(36,121)	Non-domestic rate receipts		(40,028)
(1,167)	Revenue Support Grant		(1,100)
(28,221)	DWP Grants for benefits	34	(30,096)
(1,996)	Other Government Grants	34	(927)
0	Cash Received for Goods and Services		(11,301)
<u>(122,877)</u>	<b>Total Income</b>		<u>(135,630)</u>
<u>(3,450)</u>	<b>Net Cash (inflow)/Outflow from Revenue Activities</b>	31	<u>(1,859)</u>
	<b>RETURNS ON INVESTMENT &amp; SERVICING OF FINANCE</b>		
	<i>Cash outflows</i>		
0	Interest Paid		106
	<i>Cash inflows</i>		
(1,834)	Interest Received		(2,370)
<u>(1,834)</u>	<b>Net Cash (inflow)/Outflow from Returns on Investments &amp; Servicing of Finance</b>		<u>(2,264)</u>
	<b>CAPITAL ACTIVITIES</b>		
	<i>Cash outflows</i>		
21,621	Purchase of fixed assets		12,577
0	Other Capital Spend		1,046
3,200	Purchase of Long Term Investments		10,800
	<i>Cash inflows</i>		
(13,558)	Sale of Fixed Assets		(5,257)
(544)	Capital grants received		(872)
(186)	Other Capital Cash Receipts		(390)
<u>10,533</u>	<b>Net Cash Inflow from Capital Activities</b>		<u>17,904</u>
<u>5,249</u>	<b>Net cash (inflow)/outflow before financing</b>		<u>13,781</u>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(5,150)	Net increase/(decrease) in short term deposits	32	(14,503)
<u>(5,150)</u>	<b>Net cash (inflow)/outflow-Management of Liquid Resources</b>		<u>(14,503)</u>
	<b>FINANCING</b>		
	<i>Cash outflows</i>		
0	Repayments of amounts borrowed		0
	<i>Cash inflows</i>		
0	New loans raised		0
<u>0</u>	<b>Net Cash (inflow)/outflow from Financing</b>		<u>0</u>
<u>99</u>	<b>Net (jncrase)/decrease in Cash</b>	33	<u>(722)</u>

## Notes to the Single Entity Core Financial Statements

### 1. Prior year adjustments

#### **New Accounting Policies**

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 11, Tangible Fixed Assets). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £456,389,018 on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£179,495,882) to form the new Capital Adjustment Account with a balance of £635,884,900. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007. In summary the impact on the Balance sheet is detailed below:

- The balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007 of £179,495,882 and £456,389,018 respectively have been amalgamated to form the Capital Adjustment Account with a balance of £635,884,900.
- The new Revaluation Reserve has been introduced with a nil closing balance as at 31 March 2007.

The Income and Expenditure Account for 2006/07 has been restated to reflect the reclassification of Social Services (£316,000), to two new categories; Children Social Services (£89,000) and Adult Services (£227,000), within the Net Cost of Services on the Income and Expenditure Account.

The Council has made some Prior Year Adjustments in this set of accounts. Financial Reporting Standard 3 (FRS 3) sets out the criteria for such adjustments. The 2007 SORP has required a number of changes to our Accounting Policies and therefore we have applied Prior Year Adjustments under FRS 3 in this respect. In preparing these statements, we have performed a Balance Sheet cleansing exercise and have made a number of other adjustments to the 2006/07 comparative figures. These are not technically Prior Year Adjustments under FRS 3 as they correct errors which are neither material nor fundamental to the accounts. They do in our view provide the reader with a more comparable set of statements over time. We have disclosed the full details of these amendments to our Auditors. The table below summarises these adjustments.

**Notes to the Single Entity Core Financial Statements**

**1. Prior year adjustments (continued)**

**Extract from Income & Expenditure Account**

	2006/07 Published £'000	Accounting Policy changes	Other adjustments : Fixed Asset related	Other Adjustments : Not relating to fixed assets	2006/07 Restated £'000
<b>Expenditure on Services</b>					
Adult Social Care	0	225	0	0	225
Central Services	1,052	0	0	0	1,052
Childrens Social Services	0	89	0	0	89
Cultural Environmental & Planning Services	14,410	0	(3)	(257)	14,150
Highways Roads & Transport Services	1,908	0	178	0	2,086
Housing Services	3,594	0	0	(599)	2,995
Social Services	314	(314)	0	0	0
Corporate & Democratic Core	1,938	0	0	562	2,500
Non Distributed Costs	58	0	0	0	58
<b>Net Cost of Services</b>	<b>23,274</b>	<b>0</b>	<b>175</b>	<b>(294)</b>	<b>23,155</b>

	2006/07 Published £'000	Accounting Policy changes	Other adjustments : Fixed Asset related	Other Adjustments : Not relating to fixed assets	2006/07 Restated £'000
<b>Extract from Movement on General Fund Balance</b>					
(Surplus) / Deficit for the year on Income & Expenditure Account	9,463	0	175	(294)	9,344
Net additional amount required to be credited to the General Fund balance for the year	(6,917)	0	(175)	294	(6,798)
General Fund Balance brought forward	(9,922)	0	0	0	(9,922)
<b>General Fund Balance carried forward</b>	<b>(7,376)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,376)</b>

## Notes to the Single Entity Core Financial Statements

## 1. Prior year adjustments (continued)

The changes identified above also effect the comparative figures for the Balance Sheet as detailed in the next table:

<b>Extract from Balance Sheet</b>	2006/07 Published £'000	Accounting Policy changes	Other adjustments : Fixed Asset related	Other Adjustments : Not relating to fixed assets	2006/07 Restated £'000
Intangible Fixed Assets	0	0	188	0	188
Council Dwellings	521,277	0	0	0	521,277
Other Land & Buildings	0	0	82,312	0	82,312
Vehicles, Plant, Furniture & Equipment	0	0	7,325	0	7,325
Infrastructure assets	0	0	2,763	0	2,763
Community assets	0	0	953	0	953
Investment properties	0	0	21,532	0	21,532
Assets under construction	0	0	395	0	395
Surplus assets held for disposal	0	0	1,600	0	1,600
Other	118,275	0	(118,275)	0	0
	639,552	0	(1,207)	0	638,345
Long term investments	3,200	0	0	0	3,200
Long term debtors	458	0	0	0	458
Current assets	56,568	0	0	(6,851)	49,717
Current liabilities	(21,967)	0	0	6,826	(15,141)
Total Assets less Current Liabilities	677,811	0	(1,207)	(25)	676,579
Provisions	0	0	0	(594)	(594)
Government Grants Deferred & Contributions Unapplied	(6,052)	0	0	0	(6,052)
Other Long term liabilities	(27,963)	0	0	0	(27,963)
Total Assets less Liabilities	643,796	0	(1,207)	(619)	641,970
Revaluation Reserve	0	0	0	0	0
Capital Adjustment Account	0	635,884	(1,208)	0	634,676
Capital Financing Account	179,495	(179,495)	0	0	0
Fixed Asset Restatement Account	456,389	(456,389)	0	0	0
Usable Capital Receipts Reserve	23,703	0	0	69	23,772
Deferred capital receipts	479	0	0	(68)	411
General Fund Balance	7,376	0	0	0	7,376
Housing Revenue Account Balance	2,847	0	0	0	2,847
Earmarked Reserves	1,013	0	0	(619)	394
Other	(27,506)	0	0	0	(27,506)
Total Net worth	643,796	0	(1,208)	(618)	641,970

## Notes to the Single Entity Core Financial Statements

### 2. Trading Operations

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

2006/07		2007/08
£'000		£'000
(760)	Income from stall holders and cafeteria takings	(754)
495	Expenditure	500
<u>(265)</u>	<b>Surplus taken to General Fund</b>	<u>(254)</u>

The indoor market cafeteria was closed in March 2008 for refurbishment and will re-open in September 2008.

### 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) enables a local authority to incur expenditure for the benefit of people in their area on activities or projects not specifically authorised by other legal powers. Expenditure amounted to £101,303 in 2007/08 (£124,874 in 2006/07 restated). The 2006/07 figure has been restated as most expenditure previously identified under the Act can now be given under Section 2 of the 2000 Act and does not have to be disclosed as a note to the accounts. Section 137 is used to provide school milk.

### 4. Agency Services

The Council has an agency agreement with Hertfordshire County Council whereby the Council is responsible for grass cutting and maintaining verges within the borough on behalf of the County Council. The County Council fully reimburses the Council for this work together with a contribution towards administrative costs. A summary of the expenditure incurred in respect of the activity is given below.

2006/07		2007/08
£'000		£'000
154	Grass Cutting	154
24	Other Verge Maintenance	24
<u>178</u>	<b>Total Reimbursable</b>	<u>178</u>

**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 2007/08, which included the promotion of the Town Centre Regeneration scheme, was £406,331, (2006/07, £482,079) as summarised below :-

2006/07 £'000		2007/08 £'000
96	Marketing	82
161	Staff Advertising	108
225	Other Publicity	216
<b>482</b>	<b>Total</b>	<b>406</b>

**6. Officers' Emoluments**

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

2006/07 Number of employees (Total)	Remuneration Band	2007/08 Number of employees (Total)	2007/08 Number of employees (Left during year)
7	£50,000 - £59,999	6	0
2	£60,000 - £69,999	6	1
0	£70,000 - £79,999	1	0
1	£80,000 - £89,999	1	0
1	£90,000 - £99,999	1	0
0	£100,000 - £109,999	0	0
2	£110,000 - £119,999	1	0
<b>13</b>	<b>Total</b>	<b>16</b>	<b>1</b>

**7. Members' Allowances**

Total expenditure on Members' allowances in 2007/08 was £520,085, (2006/07, £530,925, previously published as £530,165).

**8. The Euro**

The Council incurred no significant expenditure in respect of the Euro in 2007/08. No future expenditure commitments have been made although the position continues to be monitored.

## Notes to the Single Entity Core Financial Statements

## 9. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering the costs incurred. There are certain activities that cannot be charged for. The statement below shows the total cost of operating the building control function divided between chargeable and non chargeable activities.

<b>Building Control Account</b>	<b>Non chargeable</b>	<b>Chargeable</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>			
Employee expenses	174	195	369
Supplies & Services	0	2	2
Payments to third parties	0	17	17
Central & Support charges	54	60	114
<b>Total expenditure</b>	<b>228</b>	<b>274</b>	<b>502</b>
<b>Income</b>			
Building Regulation charges	0	(246)	(246)
Miscellaneous income	0	0	0
<b>Total income</b>		<b>(246)</b>	<b>(246)</b>
<b>(Surplus) Deficit for 2007/08</b>	<b>228</b>	<b>28</b>	<b>256</b>
<b>Comparatives for Prior year</b>			
Expenditure	206	241	447
Income	0	(223)	(223)
<b>(Surplus) Deficit for 2006/07</b>	<b>206</b>	<b>18</b>	<b>224</b>

**Notes to the Single Entity Core Financial Statements**

**10. Audit Costs**

The Council incurred fees in respect of external audit & inspection for 2006/07 and estimates the costs for 2007/08 as shown below:

<i>Fees payable:</i>	<b>2006/07 £'000s</b>	<b>2007/08 £'000s</b>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	184	145
Fees payable to the Audit Commission in respect of statutory inspection	0	6
Fees payable to the Audit Commission for the certification of grant claims and returns	105	76
Fees payable in respect of other services provided by the appointed auditor	0	0
	289	227



## Notes to the Single Entity Core Financial Statements

### 11. Local Area Agreements

The council is a participant in a Local Agreement Partnership (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement. The agreement aims to improve local services through partnership working. Improvement areas are set out in blocks: Safer and Stronger Communities; Healthier Communities; Older People; Children and Young People; Economic Development and Enterprise. Stevenage Borough Council has an important role in the LAA, as the Chief Executive, is the lead officer for the Safer and Stronger Communities Block

The purpose of the LAA is:

To form an agreement between the Hertfordshire Local Strategic Partnership, Government (Go-East Office) and other external agencies.

- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Hertfordshire by pooling and aligning funding streams.

The LAA partners are:

Local government bodies – Hertfordshire County Council, Stevenage Borough Council, Borough of Broxbourne, Dacorum Borough Council, East Hertfordshire Borough Council, Hertsmere Borough Council, North Hertfordshire Borough Council, St Albans Borough Council, Three Rivers District Council, Watford Borough Council and Welwyn Hatfield District Council.

Community protection authorities – Hertfordshire Fire and Rescue Authority, Hertfordshire Constabulary

Health bodies – East and North Hertfordshire Primary Care Trust and West Hertfordshire Primary Care Trust

Learning bodies – learning bodies: Learning and Skills Council Hertfordshire, University of Hertfordshire and Further Education Consortium

Voluntary organisations cover a broad spectrum of Voluntary organisations including, the Hertfordshire Rural Forum, Community Development Agency for Herts., Stevenage CVS, Stevenage CAB, Dacorum CVS, Herts. infrastructure Consortium, Investors in Communities, North Herts. CVs, Broxbourne CVS, East Herts. VOCAL, Herts. CVS group, Herts. CAB Managers group, Hertset-Social Enterprise Network, Herts. Association of Parish and Town Councils.

## **Notes to the Single Entity Core Financial Statements**

### **11. Local Area Agreements (continued)**

Hertfordshire County Council acts as the accountable body for the LAA. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the County does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, the County acts as an agent to the partnership. Stevenage Borough Council recognises the part of the LAA grant to be spent by the council in providing services.

Stevenage Borough Council is the administering body the pump priming grant for the Safer, Stronger Communities block, the Council held £246,515 as at 31 March 2008.

The total amount of LAA Grant received by the LSP in 2007/08 was £9,421,022. The council received £161,369 of this total to fund its own services.

### **12. 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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. housing benefits). Details of transaction with Government Departments are set out in a note relating to the Cash Flow Statement. In addition payments between the Council and Hertfordshire County Council are disclosed in both the Collection Fund accounts, the Agency Services note 4 and the pensions disclosure note 26.

## Notes to the Single Entity Core Financial Statements

### 12. Related Party Transactions (continued)

Members of the Council have direct control over the Council's financial and operating policies. During 2007/08 the Council paid a management fee totalling £17.4 million to Stevenage Homes Limited, a £1.3 million grant was paid to Stevenage Leisure Limited and £0.67 million paid to other organisations, either as a grants or services received. With reference to all these organisations a total of 28 Members declared interests through either the register of interests or the completed related party transactions forms.

The relevant members did not take part in any discussions or decision relating to the grants. The grants were made with proper consideration of the declarations which all members completed in accordance with the statutory Code of Conduct for Members (Local Government Act 2000). The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies. This is available for public inspection at the Council Offices. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2007/08, the Chief Executive and Strategic Director declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972, in grants totalling £75,900 paid by the Council to 3 organisations. Neither the Chief Executive nor the Strategic Director took part in any discussion, decision or administration relating to the grant.

## Notes to the Single Entity Core Financial Statements

## 13. Fixed Assets

	Operational					Non-operational			Total	
	Council	Other	Infra-Structure	Vehicles	Intangible Assets	Community Assets	Investment Properties	Assets under construction		Surplus for Disposal
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Dwellings	89,585	3,587	12,837	199	1,386	21,532	395	1,600	659,586	
Buildings	7,273	824	5,512	11	433	0	0	0	21,241	
<b>Certified valuation as at 31 March 2007 - Restated Accumulated Depreciation &amp; impairment</b>	<b>528,465</b>	<b>89,585</b>	<b>3,587</b>	<b>12,837</b>	<b>199</b>	<b>1,386</b>	<b>21,532</b>	<b>395</b>	<b>1,600</b>	<b>659,586</b>
<b>Net book value as at 31 March 2007</b>	<b>521,277</b>	<b>82,312</b>	<b>2,763</b>	<b>7,325</b>	<b>188</b>	<b>953</b>	<b>21,532</b>	<b>395</b>	<b>1,600</b>	<b>638,345</b>
<i>Movement in 2007/08 :</i>										
Additions	5,676	3,107	189	2,204	0	0	386	4,214	0	15,776
Transfers	0	(591)	0	0	0	(375)	(1,107)	0	2,073	0
Disposals	(3,940)	(9)	0	(149)	0	0	(27)	0	(1,040)	(5,165)
Other	0	(486)	0	(46)	0	0	(149)	(27)	0	(708)
Revaluations	56,656	17,947	0	0	0	0	1,794	0	2,142	78,539
Depreciation	(7,803)	(3,304)	(218)	(2,192)	(21)	(159)	0	0	(16)	(13,713)
Impairments	(5,607)	(4,775)	(8)	(37)	0	0	(634)	0	0	(11,061)
<b>Net book value as at 31 March 2008</b>	<b>566,259</b>	<b>94,201</b>	<b>2,726</b>	<b>7,105</b>	<b>167</b>	<b>419</b>	<b>21,795</b>	<b>4,582</b>	<b>4,759</b>	<b>702,013</b>

## 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 31 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 previous 5 year rolling revaluation programme and a new programme was implemented in 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 a straight line basis over the life of the asset.

#### Impairment

A review for impairment is carried out each year to determine whether any of the carrying amounts of a fixed asset may not be recoverable. Such events would include a significant decline in market value, obsolescence or physical damage to the asset.

HRA properties are re-valued at 1 April on a Beacon Basis. Beacon types being defined by the number of bedrooms, the type of property, its area and whether it is a traditional or non-traditional build. So, with the exception of the properties which were converted into maisonettes, works done after this date have not been deemed to add value to the Beacon.

General fund properties are re-valued at 31 March, so any additions to the properties have already been taken into consideration. These properties are usually valued on one of three bases, market value, depreciated replacement cost or existing use value.

## Notes to the Single Entity Core Financial Statements

## 13. Fixed Assets (Continued)

An analysis of Fixed Assets at 31 March 2008 is:-

2006/07 No.		2007/08 No.
8,392	<i>Council Dwellings</i> Council Housing	8,357
	<i>Other Land &amp; Buildings :</i>	
18	Car Parks	18
5	Civic Offices (Daneshill House/Area Offices)	5
1	Depots	1
1	Museum	1
14	Community Centres	14
1	Market - Covered	1
2	Cemeteries	2
1	Leisure Centre (Incorporating Theatre)	1
1	Swimming pool	1
1	Football Stadium	1
1	Horticultural Centre	1
11.77Ha	Allotments	11.77Ha
1	Golf Course	1
	<i>Community assets:</i>	
258.7Ha	Parks, Playing Fields, Woodlands, Open Spaces, Commons	258.7Ha
	<i>Investment properties:</i>	
368	Commercial Land and Properties	366

## Notes to the Single Entity Core Financial Statements

## 13. Fixed Assets (Continued)

## Capital Expenditure &amp; Financing

2006/07 Restated £'000		2007/08 £'000
	<i>Capital investment :</i>	
19,745	Operational	11,176
183	Non operational	4,600
1,092	Deferred charges	1,046
53	Intangible assets	0
<u>21,073</u>		<u>16,822</u>
	<i>Sources of Finance :</i>	
(14,149)	Capital Receipts	(8,358)
(234)	Grants	(2,951)
(1,358)	Contributions	(873)
(170)	Sums set aside from Revenue	(2)
(5,710)	Housing Subsidy & Major Repairs Allowance	(5,761)
548	Unfinanced capital expenditure *	1,123
<u>(21,073)</u>		<u>(16,822)</u>

\* From 2007/08 the Council finances accruals in respect of Capital expenditure

As at 31 March 2008 significant commitments for major projects already underway included:-

	£'000
Decent Homes Phase II	938
Fairlands Valley Park Sailing Centre	358
Town Centre Gardens	166
Business Technology Centre Extension *	3,026
Fairlands Valley Lake	168

\* This contract will be funded by Stevenage Borough Council £1.100 million and East of England Development Agency (EEDA) £1.926 million.

## Notes to the Single Entity Core Financial Statements

## 14. Movement in Intangible Fixed Assets

	31 March 2007	Expenditure	Written off in the year	31 March 2008
	£'000	£'000	£'000	£'000
Computer Software	188	0	(21)	167
	<u>188</u>	<u>0</u>	<u>(21)</u>	<u>167</u>

The intangible assets relate to software licences purchased in 2005/06 and 2006/07. The software licences relate to a number of services such as Business Objects and Prince 2 which are report and project modelling tools.

## 15. Deferred Charges

	31 March 2007	Expenditure	Written off in the year	31 March 2008
	£'000	£'000	£'000	£'000
Improvement Grants	0	505	(505)	0
Other Grants	0	541	(541)	0
	<u>0</u>	<u>1,046</u>	<u>1,046</u>	<u>0</u>

Expenditure that may be capitalised but does not result in the creation of an asset is written off in the year to the relevant revenue account, in line with Accounting Policy 13.

In 2007/08 the Council reclassified works on residential parking from Infrastructure assets to Deferred Charges.



## Notes to the Single Entity Core Financial Statements

### 16. Leases

#### Operating Leases

##### Plant Vehicles & Equipment

The Council uses the Mayoral car, vans and various items of plant & machinery under the terms of operating leases. The amount paid under these arrangements in 2007/08 was £135,205 (2006/07 £323,219). However the amount charged to the Income and Expenditure Account was £123,367 because a number of vehicles are sub-let to Stevenage Homes Limited (SHL) and the rental paid on these vehicles is reimbursed by SHL via the Inter-company Account.

Authority as Lessor – the authority sub-leases a total of 17 vehicles to SHL all of which are in a secondary period of lease and are accounted for as an operating lease. The total rental for 2007/08 was £11,838 (2006/07 £4,422).

##### Land and Buildings

Authority as Lessor - the authority leases 268 premises which include 176 shops, 22 workshops, 12 public houses, 12 surgeries and 46 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2007/08 was £2,028,315 (2006/07 £1,989,559).

The Council was committed as at 31 March 2008 to making payments of £27,822 under operating leases in 2008/09, comprising the following elements:

<b>Vehicles, Plant &amp; Equipment</b>	<b>£'000</b>
Leases expiring in 2008/09	24
Leases expiring between 2009/10 – 2013/14	4
Leases expiring after 2014/15	0

## Notes to the Single Entity Core Financial Statements

## 16. Leases (continued)

## Finance Leases : Plant, Vehicles &amp; Equipment

The Council has a five year lease in respect of Vehicles Plant & Equipment which has been accounted for as a finance lease. The rentals payable in 2007/08 £139,684 (2006/07 £139,684) accounted for as £17,684 finance costs and £122,000 write down of obligations.

The following values of assets are held under finance leases by the Council, accounted for as part of Tangible Fixed Assets:

Plant, Vehicles & Equipment	£'000
Value as at 01 April 2007	549
Additions	0
Revaluations	0
Depreciations	(427)
Disposals	0
Value as at 31 March 2008	<u>122</u>

Outstanding obligations to make payments under finance leases (excluding finance costs) as at 31 March 2008, are as follows:

Plant, Vehicles & Equipment	£'000
Leases expiring in 2008/09	106
Leases expiring between 2009/10 – 2013/14	0
Leases expiring after 2014/15	0

The Council was not a lessor in respect of any assets disclosed within the Tangible Fixed Assets.

## 17. Stocks and Work-in-Progress

31 March 2007 £'000		31 March 2008 £'000
	Stocks:	
2	Central Stores	3
62	Other	41
<u>64</u>	<b>Total</b>	<u>44</u>

Stocks of Computer peripherals and credits in the Council's franking machines have decreased from last year.

## Notes to the Single Entity Core Financial Statements

## 18. Debtors

Restated 31 March 2007 £'000		31 March 2008 £'000
47	Car Loans	26
3,694	Government Departments	5,031
65	Other Local Authorities	43
877	Housing Rents	949
2,870	Collection Fund	2,899
559	Investment interest	-
3,816	Other Debtors	3,692
(1,281)	Provision for Bad Debts	(1,494)
<b>10,647</b>	<b>Sub-Total</b>	<b>11,146</b>

**Government Departments** includes money owed by the Government from the NNDR pool. The 2007/08 figure owed was £1,053,956, a reduction of £331,536 on the 2006/07 debtor, (2006/07, £1,385,492). Monies were also owed for the 2007/08 final pre-audited housing subsidy claim, resulting in a debtor of £145,685, this is a reduction of £168,621 compared to the 2006/07 housing subsidy debtor (2006/07, £314,306). There is a 2007/08 debtor accrual of £2,111,112 for the Growth Area Funding grant which relates to a number of capital projects including the Business Technology Centre.

The remaining Government debtors balance relates to monies owed for transitional negative subsidy relief on the HRA and monies owed to HM Revenue and Customs.

**Investment Interest** is paid on repayment of the investment to the Council and represents interest due up to the 31 March 2008. The accrued interest has been included within short & long term investments (see note 19, page 39).

**Other Debtors** includes debtor accruals. These are monies that the Council would be due in grants or for goods and services provided, but not received by 31 March 2008 and an adjustment is put through the accounts to reflect this.

## Notes to the Single Entity Core Financial Statements

## 19. Investments

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

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
0	<b>Short Term :</b>	0
15,050	Money Markets	8,678
8,250	Banks	18,273
15,693	Building Societies	0
<u>38,993</u>	Fund Manager	<u>26,951</u>
	<b>Total short term</b>	<b>26,951</b>
	<b>Long term:</b>	
3,200	Banks	12,469
<u>3,200</u>	<b>Total Long term</b>	<u>12,469</u>

At 31 March 2008 no funds were managed externally as during the course of the year the contract with the fund manager was terminated.

The opening balance on investments at 1 April 2008 included an unrealised loss of £23,168. £7 million of the £12 million long term investments are callable deposits. These are stated as long term investments based on their maturity dates, though it is recognised there are interim dates in the current financial year in which these investments could be repaid by the borrower.

The decision to close the externally managed fund was approved at the Executive meeting of 12 September 2007. The balance of £15.693 million was recalled throughout the year, the final repayment being on 18 December 2007.

The result of the recalled funds on the in-house portfolio was an increase of approximately £9 million in longer term investments since 2006/07.

The short term investments show a percentage increase in levels of funds invested with Building Societies as opposed to Banks. This is due to Building Societies paying higher rates and being more freely available in the market.

Short and Long term deposits included £460,917 and £469,463 respectively relating to accrued interest as at 31 March 2008.

## Notes to the Single Entity Core Financial Statements

## 20. Creditors

Restated 31 March 2007 £'000		31 March 2008 £'000
2,498	Government Departments	1,791
1,846	Other Local Authorities	2,538
701	Housing Rents	593
1,450	Collection Fund	1,962
2,399	Inter Company - Creditors	3,042
5,630	Sundry Creditors	8,824
<b>14,524</b>	<b>Total</b>	<b>18,750</b>

**Other Local Authorities** creditor includes £1,926,737 million payable to HCC and the Police Authority for their share of the surplus on the Collection Fund, an increase of £545,747 compared to 2006/07 (2006/07 £1,380,990).

**The Collection Fund** creditor of £1,962,213 million relates to pre-payments for NNDR and Council Tax an increase of £512,532 compared to 2006/07, (2006/07, £1,449,681).

**Inter Company** creditors comprise those amounts due to Stevenage Homes Limited as at 31 March 2008. This includes a management fee payable in respect of the management of the Council's housing stock.

**Sundry Creditors** includes creditor accruals which have increased by £3,025,945, these are invoices that the Council has received goods and services for, but had not paid for by 31 March 2008 and an adjustment has been put through the accounts to reflect this. There were significant capital creditor accruals relating to, Growth Area Funding capital schemes which increased the value of accruals at the year end by £894,144 and Decent Homes heating and boiler replacements by £1,070,176.

## 21. 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 2008, which have not been included in the Balance Sheet, were £19,596 and £559 respectively. Both accounts are used to fund various charitable events.

## Notes to the Single Entity Core Financial Statements

### 21. Other Bank Accounts (continued)

The Council also administers an account entitled Local Returning Officer Stevenage (Eastern Region) at 31 March 2008 there was a balance of £4,938.45. This is held outside the Councils accounts.

There is also an SBC Peacetime Emergency Plan Account which has a nil balance.

### 22. Provisions

The Council maintains provisions for certain obligations, which arise through legal requirements or constructive arrangements. In accordance with the requirements of FRS 12, the opening and closing balance on these provisions together with details on their movements are set out below.

	<b>31 March 2007</b>	<b>Provided for in year</b>	<b>Written back</b>	<b>31 March 2008</b>
	<b>Restated</b>			
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Insurance	594	447	0	1,041
Implementation of Single Status	0	978	0	978
	<u>594</u>	<u>1,425</u>	<u>0</u>	<u>2,019</u>

As at the 31 March the Council had provisions totalling £2,018,596, of which £1,040,596 related to insurance obligations. The increase in the provision is as a result of a review of all the Council's outstanding insurance obligations. The Insurance provision had previously been incorrectly classified as an earmarked reserve.

Following the signing of the Single Status Agreement in 1997, the Council has been actively working to implement the scheme. Achieving Single Status has a cost and the Council has been planning for these costs. Consequently, a provision of £978,000 has been made in respect of back pay the Council has calculated will potentially be due to employees with the introduction of the scheme. Included within the provision is the sum of £223,000 which relates to staff now working for Stevenage Homes Limited.

## Notes to the Single Entity Core Financial Statements

### 23. 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.

### 24. Government Grants Deferred and Contributions Unapplied

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution should be credited to the government grants deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates. Prior to 2006/07, most grants were written out of the Balance Sheet over 5 years, regardless of the life of the asset the grant related to. From 2007/08 all new grants will be written off over the life of the asset in line with best accounting practice. The balance of grants used to finance capital expenditure but not yet written down over the lives of the asset as at the 31 March 2008 is £5,130,760. A further £2,831,696 of contributions has yet to be used to finance capital expenditure.

### 25. 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.

## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs

#### Participation in Pension Schemes

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 meaning the Council and its employees make contributions into the Pension Fund at a level calculated to balance the liabilities with the investment assets.

#### Transactions Relating to Retirement Benefits

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 are eventually paid as pensions. However the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on General Fund Balance during the year:

	2006/07 £000	2007/08 £000
<b>Income &amp; Expenditure Account</b>		
<i>Net Cost of Services:</i>		
Current Service Costs	1,577	1,334
Past Service Costs	138	337
 <i>Net Operating Expenditure:</i>		
Interest cost	5,599	5,462
Expected return on scheme assets	(4,995)	(5,233)
 Net charge to the Income & Expenditure Account	2,319	1,900
 <b>Statement of Movement on General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(3,028)	(2,722)
 Actual amount charged against General Fund Balance for pensions in the year	(709)	(822)



## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs (continued)

#### Assets & Liabilities in Relation to Retirement Benefits

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

	2006/07 £000	2007/08 £000
Estimated assets in Scheme	69,860	71,043
Estimated liabilities in Scheme	(97,578)	(93,543)
<b>Net asset/(liability)</b>	<b>(27,718)</b>	<b>(22,500)</b>

The liabilities show the underlying commitments the Council has in the long term to pay retirement benefits. The total liability of £22,500,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet net worth of £701,737,824.

However, statutory arrangements for funding the deficit mean the financial position of the Council remains sound. The current contribution rate was determined by the Fund's Actuary based on an actuarial valuation as at 31 March 2004. The latest review as at 31 March 2007 determines rates payable from 1 April 2008.

#### Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, have assessed both Stevenage Borough Council and County Council fund liabilities.

The main assumptions used in their calculations have been :

	2006/07 % per annum	2007/08 % per annum
Rate of inflation	3.2	3.6
Rate of increase in salaries	4.7	5.1
Rate of increase in pensions	3.2	3.6
Rate for discounting scheme liabilities	5.4	6.9

**Notes to the Single Entity Core Financial Statements**

**26. Pension Costs (continued)**

Assets in the Pension Fund are valued at fair value, principally market value for investments, totalling £2,016m for the Fund as a whole as at 31 March 2008 (£2,124m as at 31 March 2007). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	<b>Long Term Return %</b>	<b>2006/07 %</b>	<b>2007/08 %</b>
Equity investments	7.7	76	74
Bonds	5.7	12	13
Property	5.7	6	5
Cash	4.8	6	8
		100	100

**Actuarial Gains & Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2008 :

	<b>2007/08</b>		<b>2006/07</b>		<b>2005/06</b>		<b>2004/05</b>		<b>2003/04</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Difference between expected & actual return on assets	(8,464)	(31)	160	0	12,707	35	1,757	9	7,399	28
Difference between actuarial assumptions about liabilities & actual experience	12,860	46	5,631	16	(10,307)	(28)	(18,941)	(95)	3	0
Actuarial Gain/(Loss) as at 31 March 2008	4,396		5,791		2,400		(17,184)		7,402	

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

## 27. Reserves

The Council's reserves are required for statutory, to comply with proper accounting practice, or set up voluntarily to earmark resources for future spending plans.

Reserve	Balance as at 01 April 2007 £'000	Net movement in year £'000	Balance as at 31 March 2008 £'000	Purpose of Reserve
Revaluation Reserve	0	70,716	70,716	Store of gains on revaluation of fixed assets not yet realised through sales (See Note (a) below)
Capital Adjustment Account	634,676	(8,280)	626,396	Store of capital resources set aside to meet past expenditure (See note (b) below)
Available for Sale Financial Instruments Reserve	0	0	0	Store of gains on revaluation of investments not yet realised through sales (see note (c) below)
Financial Instruments Adjustment Account	0	0	0	Balancing account to allow for differences in statutory requirements & proper accounting practices for borrowings & investments (see note (d) below)
Useable Capital Receipts	23,772	(5,935)	17,837	Proceeds of fixed assets sales available to meet future capital investment (see note (e) below)
Deferred Capital Receipts	411	(79)	332	The Principal balances of mortgages outstanding in respect of the sale of Council houses
Pensions Reserve	(27,718)	5,218	(22,500)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet (see note 26 to Core Financial Statements, pages 43-45)
General Fund	7,376	(2,350)	5,026	Resources available to meet future running costs of non-housing services (see Statement of Movement on General Fund Balance, page 15)
Housing Revenue Account	2,847	236	3,083	Resources available to meet future running costs for Council houses (see HRA Statements, pages 60-61)
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in Council housing (see HRA Notes, page 67)
Other Reserves	394	165	559	Resources voluntarily earmarked for future spending plans (see note (f) below)
Collection Fund	212	77	289	Statutory account which records the collection and distribution of Council Tax and National Non Domestic Rates (NNDR).
	<b>641,970</b>	<b>59,768</b>	<b>701,738</b>	

## Notes to the Single Entity Core Financial Statements

## 27. Reserve (Continued)

**Note a : Revaluation Reserve**

The Revaluation Reserve records the increase over the carrying value arising from the revaluation of a fixed asset. Reductions in the carrying value of an asset are debited to the Revaluation Reserve where these are not associated with an impairment and up to the balance on the Reserve. The Revaluation Reserve is a new requirement in 2007/08 and further information is given in Note 1 to the Core Statements and in Accounting Policy number 11 Fixed Assets.

	<b>£'000</b>
Balance as at 1 April 2007	0
Revaluation gains credited to reserve	78,539
Reduction on reserve for historic depreciation	(637)
Reductions in valuations for impairment	(5,608)
Write out of valuation gains on disposal of assets	(1,578)
Balance as at 31 March 2008	<u>70,716</u>

**Note b : Capital Adjustment Account** – This account replaces the Capital Financing Account and Fixed Asset Restatement Account and comprises balances which have been applied to finance capital expenditure. These balances therefore represent advance provision against the depreciation of fixed assets.

	<b>£'000</b>
Balance as at 1 April 2007 restated	634,676
<b>Movements for the year:</b>	
Reversal of capital charges in the General Fund and HRA	(24,425)
Amounts written out of the Revaluation Reserve	7,823
Resources used to finance capital expenditure	14,121
Write out of Fixed Asset disposed in year	(5,165)
Other adjustments	(634)
Balance as at 31 March 2008	626,396

**Note c : Available for Sale Financial Instruments Reserve** – This account records unrealised gains on revaluation arising from holding available for sale investments together with any unrealised losses which have not arisen from the impairment of these assets. The Council had no unrecognised gains or losses at the 31 March 2008.

## Notes to the Single Entity Core Financial Statements

### 27. Reserves (Continued)

**Note d : Financial Instruments Adjustment Account** – This account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

**Note e : Useable Capital Receipts** – This is the income from the sale of capital assets over £10,000, such as land sales. Authorities have to pay a proportion of specified housing related capital receipts into a pool for redistribution. The balance of £17,836,086 represents capital receipts that have not yet been used to finance capital expenditure. The Council's capital programme approved by Executive in February 2008 has identified and fully committed all of the useable capital receipts balance, with the exception of £6,122,000 which is used for generating investment income to the Council's revenue accounts.

	£'000
Balance as at 1 April 2007 as restated	23,772
Amounts receivable in 2007/08	5,475
Amounts applied to finance new capital expenditure in 2007/08	(8,358)
Payments to Capital Receipts Pool	(3,052)
Total increase/(decrease) in realised capital resources in 2007/08	(5,935)
Balance carried forward at 31 March 2008	17,837

**Note f : Earmarked Reserves-** The Council has a number of earmarked reserves, which are detailed below:

- **Commercial Rents/Sales Reserve**

This reserve is to meet potential shortfalls in rental income from commercial properties arising from unforeseen adverse trading conditions or to fund pre-sale expenses arising from the sale of assets which cannot be offset from the capital receipt.

## Notes to the Single Entity Core Financial Statements

### 27. Reserves (Continued)

- **House Purchase Surplus**

This reserve historically had a surplus and has been used over the last 3 years to support General Fund expenditure with an annual transfer to the General Fund.

- **DSO Trading Reserves**

These reserves comprise various credit balances arising from internal trading operations involving the Councils' DSO. These are appropriated into earmarked reserves through the Statement of Movement on General Fund Balance. These reserves are intended to meet future fluctuations in internal trading results.

- **Capacity Building Reserve**

This reserve was set up in 2007/08 as part of the Council's policy on reserves and risk management assessment. The reserve will pump prime strategic or organisational changes within the Council and enable the Council to meet its Corporate objectives and realise any future efficiency gains.

- **Insurance Reserve**

This reserve was set up in 2007/08 as part of the Council's policy on reserves and risk management assessment. The reserve will finance potential future insurance excesses and provide funding for self insured items.

- **Deminimus Capital Expenditure Reserve**

This reserve was set up in 2007/08 as part of the Council's policy on reserves and risk management assessment. This reserve will meet the cost of any additional revenue expenditure the Council may incur following a review of the value of spend which qualifies as capital expenditure. In 2007/08 the Council did not have a value below which expenditure is classified as revenue rather capital, (deminimus level). Best accounting practice suggest a deminimus level in line with that of capital receipts (£10,000). However any change would have an adverse impact on the General Fund net expenditure.

**Notes to the Single Entity Core Financial Statements**

**27. Reserves (Continued)**

	Balance as at 1 April 2007 £'000	Contributions £'000	Payments to Fund Expenditure £'000	Balance as at 31 March 2008 £'000
Commercial Rents Reserve	100		-	100
House Purchase Reserve	37	-	(18)	19
DSO Trading Reserves	257	-	(67)	190
Capacity Building Reserve	-	100	-	100
Insurance Reserves	-	50	-	50
Deminimus Capital Expenditure Reserve	-	100	-	100
	<b>394</b>	<b>250</b>	<b>(85)</b>	<b>559</b>

**28. Analysis of Net Assets Employed**

The net assets of the Council have been analysed into the constituent Funds and Trading operations in accordance with recommended practice and are shown below:

	31 March 2007 £'000	31 March 2008 £'000
General Fund	75,734	93,214
Housing Revenue Account	566,066	608,396
Trading Operations	170	128
	<b>641,970</b>	<b>701,738</b>

## Notes to the Single Entity Core Financial Statements

### 29. Interests in Companies

The Council is the sole shareholder in Stevenage Homes Limited which is limited by Guarantee, an Arms Length Management Organisation formed on 1 October 2006 to manage the Council's housing stock. In return, SHL is paid a management fee which, together with other transactions, is recorded through inter company accounts which are reported as debtor and creditor balances in notes 18 and 20 to the Core financial statements.

Stevenage Home Limited reported net assets of £1,914,926 as at 31 March 2008 (2006/07 £581,612 Net liability) together with profits before and after tax of £1,530,538 for the year then ended (2006/07 £300,388). No dividends were declared not receivable by the Council as at 31 March 2008.

As Guarantor, the Council is committed to make good the accumulated deficit of SHL should the company be wound up. As the company's accounts have been prepared on the going concern basis, this commitment is not considered material.

Group accounts have been presented under the acquisition accounting and are presented on page 75. These include the elimination of inter company balances shown in note 6 to the Group financial statements. Company accounts for Stevenage Homes Limited are available from the Director of Finance & Compliance, Stevenage Home Limited, Daneshill House, Danestrete, Stevenage, Hertfordshire, SG1 1HN.

### 30. Disclosure of nature and extent of risks arising from financial instruments

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

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.



## Notes to the Single Entity Core Financial Statements

## 30. Disclosure of nature and extent of risks arising from financial instruments (continued)

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the Council's criteria. The authority has a policy of not lending more than £7.5m of its surplus balances to one institution.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over previous financial years, adjusted to reflect current market conditions.

Financial institutions	Amount at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	{A X C}
AAA rated counter parties	0	0%	0%	0
AA rated counter parties	24,390	0%	0%	0
A rated counter parties	14,100	0%	0%	0
Other counter parties	0	0%	0%	0
Trade Debtors	1,009	39%	39%	393.5
	<u>39,499</u>			<u>393.5</u>

No credit limits were exceeded during the reporting period. The historical experience of default for trade debtors is based on the debt provision calculated as at 31<sup>st</sup> March 2008. The calculation is based on the age of the trade debtor.

## Notes to the Single Entity Core Financial Statements

### 30. Disclosure of nature and extent of risks arising from financial instruments (continued)

The authority does not generally allow credit for customers, such that £0.820million of the £1.009million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>£000s</b>
Less than one month	38
Two to twelve months	394
More than one year and less than two years	108
More than two years	280
Total trade debtors over term	<b>820</b>

These figures do not include debt relating to council Tax, National Non-domestic Rates or Council House rents as these are considered to be statutory debts.

#### Liquidity risk

The authority has ready access to borrowings from the Public Works Loans Board however the Council is debt free.

#### Market risk

#### Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects on Stevenage Borough Council:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

Changes in interest receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council is debt free and does not have any fixed or variable rate loans, however, within its Prudential Indicators there is an allowance of £15m fixed rate and £15m variable rate borrowing.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

**Notes to the Single Entity Core Financial Statements**

**30. Disclosure of nature and extent of risks arising from financial instruments (continued)**

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000s</b>
Increase in interest receivable on investments	(458)
Impact on Income and Expenditure Account	(458)
Share of overall impact debited to the HRA	329
Impact on STRGL	0

The impact of a 1% fall in interest rates would be as above but with movements being reversed.

**Price risk**

The Authority does not generally invest in equity shares and does not have any shareholdings other than Stevenage Homes Limited. The Authority is not exposed to losses arising from movements in the prices of the shares.

**Foreign exchange risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**Financial Instruments**

Authorities are required to define all financial instruments disclosed in the Balance Sheet into further categories. For this purpose the accrued interest receivable is included in this note within the principal financial asset. The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	<b>Long term</b>		<b>Current</b>		<b>Total</b>	
	<b>31 March 2007 £'000</b>	<b>31 March 2008 £'000</b>	<b>31 March 2007 £'000</b>	<b>31 March 2008 £'000</b>	<b>31 March 2007 £'000</b>	<b>31 March 2008 £'000</b>
Loans & receivables	3,200	24,883	23,300	14,537	26,500	39,420
Available for sale	-	-	15,693	-	15,693	-
	<b>3,200</b>	<b>24,883</b>	<b>38,993</b>	<b>14,537</b>	<b>42,193</b>	<b>39,420</b>

## Notes to the Single Entity Core Financial Statements

## 30. Disclosure of nature and extent of risks arising from financial instruments (continued)

The gains and losses recognised in the Income & Expenditure Account and Statement of Total Recognised Gains & Losses in relation to financial instruments are made up as follows:

Financial Assets	Interest income		Net Gain/(loss) for year	
	31 March	31 March	31 March	31 March
	2007	2008	2007	2008
	£'000	£'000	£'000	£'000
Loans & receivables	1,331	2,220	1,331	2,220
Available for sale	1,034	425	1,034	425
Other	119	25	119	25
<b>Total</b>	<b>2,484</b>	<b>2,670</b>	<b>2,484</b>	<b>2,670</b>

Financial assets represented by loans and receivable are carried in the Balance Sheet at amortised cost. Their fair value is assessed as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction, using the following assumptions:

- Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)
- Interest payable and receivable reflects the market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.

**Notes to the Single Entity Core Financial Statements**

**30. Disclosure of nature and extent of risks arising from financial instruments (continued)**

The fair values are calculated as follows :

	<b>31 March 2007</b>		<b>31 March 2008</b>	
	<b>Carrying amount £'000</b>	<b>Fair Value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair Value £'000</b>
Loans & receivables	26,500	26,500	39,420	39,420
Available for sale	15,693	15,693	-	-
<b>Total</b>	<b>42,193</b>	<b>42,193</b>	<b>39,420</b>	<b>39,420</b>

## Notes relating to the Cashflow Statement

## 31. Revenue Activities

2006/07 Restated £'000	Reconciliation of revenue surplus to net cash flow:	2007/08	
		£'000	£'000
9,344	(Surplus)/Deficit for the year		22,649
(1,230)	Housing Revenue Account Balance		236
	<u>Non Cash Items</u>		
(5,265)	Removal of Depreciation and Impairment from Income and Expenditure Account	(16,617)	
(1,344)	Removal of Excess of Depreciation charged to HRA Services over the Major Repairs Allowance	(1,917)	
(653)	Removal of deferred charges from Income and expenditure Account	(785)	
991	Removal of Government Grants Deferred from the Income and Expenditure Account	1,116	
709	Removal of FRS 17 pension entries in Income and Expenditure Account	823	
3,323	Removal of Profit/Loss on Sale of Assets	99	
0	Contribution to provisions	(1,734)	
(94)	Removal of Contributions to Reserves	(203)	
<u>(2,333)</u>			<u>(19,218)</u>
	<u>Costs charged elsewhere in Cash Flow</u>		
1,834	Interest		2,263
<u>1,834</u>			<u>2,263</u>
	<u>Items on an accruals basis</u>		
(157)	Adjustment for pooled capital receipts payment	(915)	
(120)	Add/(less) (decrease)/increase in stock	(20)	
(3,634)	Add/(less) (decrease)/increase in debtors	(1,058)	
(113)	Add/(less)(decrease)/increase in long term debtors	(79)	
<u>(7,041)</u>	Add/(less) (increase)/decrease in creditors	<u>(5,717)</u>	
<u>(11,065)</u>			<u>(7,789)</u>
<u>(3,450)</u>	<b>Net cash flow (from)/to revenue activities</b>		<u><b>(1,859)</b></u>

**Notes relating to the Cashflow Statement**

**32. Movement in Liquid Resources**

Movement in liquid resources:

2006/07 Net movements Restated £'000		Balance 1 Apr £'000	2007/08 Balance 31 Mar £'000	Net Movements £'000
(5,150)	Short Term Investments	38,993	24,490	(14,503)
<b>(5,150)</b>				<b>(14,503)</b>

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

**33. Movement in Cash & cash equivalents**

Movement in Cash and Cash Equivalents:

2006/07 Net movements Restated £'000		Balance 1 Apr £'000	2007/08 Balance 31 Mar £'000	Net Movements £'000
0	Imprest Accounts	13	11	2
99	Cash in hand/(overdrawn)	(616)	108	(724)
<b>99</b>				<b>(722)</b>

## Notes relating to the Cashflow Statement

## 34. Analysis of Government Grant

2006/07 Restated £'000		2007/08 £'000
	<b>Revenue Activities</b>	
1,167	Revenue Support Grant	1,100
6,046	NNDR Receipt from Pool	6,554
28,221	Department of Work and Pensions Grants for rebates	30,096
0	Local Housing Allowance	62
97	Local Authority Business Growth Incentives	0
67	Defective Dwelling Subsidy	43
66	Single Regeneration Budget	0
0	Homelessness Grant	50
213	Planning Delivery Grant	235
688	Growth Area's Delivery Grant	0
652	Local Area Agreement	154
0	Waste and Resources Action Programme	30
213	Children's Centres Grant	353
<b>37,430</b>	<b>Sub Total</b>	<b>38,677</b>
	<b>Capital Activities</b>	
194	Growth Areas Delivery Grant	508
0	Local Area Agreement	12
116	Recycling Grants	0
0	Local Housing Allowance	40
0	Improvement Grants	219
0	Non Decent Homes Improvement Grant	93
234	Implementing Electronic-Government	0
<b>544</b>	<b>Sub Total</b>	<b>872</b>
<b>37,974</b>	<b>Total Grants</b>	<b>39,549</b>



## Housing Revenue Account (HRA) Income &amp; Expenditure Account

2006/07 Restated £000's		Notes	2007/08 £000's
	<b>Income</b>		
(28,349)	- Dwelling rents	2	(30,244)
(564)	- Non-dwellings rents		(495)
(1,353)	Charges for Services & Facilities		(1,644)
(924)	Contributions towards expenditure		(1,058)
0	HRA Subsidy Receivable	3	0
0	Sums directed by the Secretary of State that are income in accordance with UK GAAP		0
(31,190)	<b>Total Income</b>		<b>(33,441)</b>
	<b>Expenditure</b>		
6,557	Repairs & Maintenance		6,289
9,499	Supervision & Management		10,270
42	Rents, Rates, Taxes & Other Charges		46
10,006	Negative HRA Subsidy Payable	3	10,880
1,469	Negative Subsidy Transferable to the General Fund under transitional arrangements		1,101
7,347	Depreciation and impairment of Fixed Assets	9	13,645
109	Debt Management Costs		112
136	Increase in bad debt provision		49
0	Sums directed by the Secretary of state that are expenditure in accordance with UK GAAP		0
35,165	<b>Total Expenditure</b>		<b>42,392</b>
<b>3,975</b>	<b>Net Cost of HRA Services per Authority Income &amp; Expenditure Account</b>		<b>8,951</b>
562	HRA Services share of Corporate & Democratic Core		735
0	HRA share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific services		0
<b>4,537</b>	<b>Net Cost of HRA Services</b>		<b>9,686</b>
0	(Gain) or Loss on sale of Fixed Assets		0
0	Other Income		(92)
0	Interest payable & similar charges		0
0	Amortisation of premiums and discounts		0
(1,644)	Interest and Investment Income	5	(2,038)
0	Pensions interest cost & expected return on scheme assets	13	0
<b>2,893</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>7,556</b>

**Statement of Movement on the HRA Balance**

<b>2006/07 Restated £000's</b>		<b>Notes</b>	<b>2007/08 £000's</b>
2,893	(Surplus) or deficit for Year on the HRA Income & Expenditure Account		7,556
(1,663)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(7,792)
1,230	(Increase) or decrease in the Housing Revenue Account Balance		(236)
(4,077)	Housing Revenue Account Surplus brought forward		(2,847)
(2,847)	Housing Revenue Account Surplus carried forward		(3,083)

## Note to the Statement of Movement on the HRA Balance

2006/07 Restated £000's	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	2007/08 £000's
0	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
0	Difference between any other item of income and expenditure determined in accordance with statutory HRA requirements (if any)	(5,599)
0	Other Income (Capital Receipts)	92
0	Net charges made for retirement benefits in accordance with FRS 17	0
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 GAAP	0
<u>0</u>		<u>(5,507)</u>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	
(1,833)	Transfer to/from Major Repairs Reserve	(2,285)
0	Transfer to/from Housing Repairs Account	
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
<u>170</u>	Capital Expenditure funded by HRA	<u>0</u>
<u>(1,663)</u>		<u>(2,285)</u>
<u>(1,663)</u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<u>(7,792)</u>

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

### 1. Prior Year Adjustments

The HRA figures for the year ended 31 March 2007 have been restated from those included in the published 2006/07 Statement of Accounts. These are summarised below:

- The Transitional Negative Subsidy payable to the General Fund of £1,468,606 and the compensating transfer from the Major Repairs Reserve had been excluded from the 2006/07 HRA. The negative subsidy has now been disclosed in the restated 2006/07 HRA Income & Expenditure Account and the transfer from the Major Repairs Reserve is shown in the Statement of Movement on the HRA Balance in accordance with disclosure requirement. There was also a minor difference of £1,000 between the disclosed subsidy payable in Note 3 to the Accounts and the HRA Income and Expenditure account, this has been adjusted for in the restated 2006/07 Accounts.
- Expenditure totalling £214,936 had previously been identified under the heading, HRA share of other Amounts included in the Whole Authority Net Cost of Services but not allocated to specific services. This expenditure should have been disclosed under the heading HRA Services Share of Corporate & Democratic Core (Net Cost of Services).
- Expenditure totalling £171,500 had been disclosed under Supervision and Management and has now been correctly disclosed as HRA Services Share of Corporate & Democratic Core (Net Cost of Services).
- Expenditure totalling £239,354 had been disclosed under the heading, HRA Services Share of Corporate & Democratic Core (Net Cost of Services) and has now been correctly disclosed as Supervision & Management expenditure.

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

## 1. Prior Year Adjustments (continued)

The effect of these other adjustments on the comparative figures for the HRA Income & Expenditure Account and Statement of Movement on HRA Balance 2006/07 are given below.

## Restated HRA Income &amp; Expenditure Account

	Published Accounts 2006/07 £000	Adjusted Transfer of Negative Subsidy to the General Fund £000	Adjusted Income/ Expenditure £000	Adjusted Corporate & Democratic Core & Bad Debt Provision £000	2006/07 Restated £000
<b>Total Income</b>	<b>(31,190)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,190)</b>
<b>Expenditure</b>					
Repairs & Maintenance	6,557	0	0	0	6,557
Supervision & Management	9,432	0	0	67	9,499
Rents, Rates, Taxes & Other Charges	42	0	0	0	42
Negative HRA Subsidy Payable	10,007	(1)	0	0	10,006
Negative Subsidy Transferable to the General Fund under transitional arrangements	0	1,469	0	0	1,469
Depreciation and impairment of Fixed Assets	7,347	0	0	0	7,347
Debt Management Costs	109	0	0	0	109
Increase in bad debt provision	136	0	0	0	136
<b>Total Expenditure</b>	<b>33,630</b>	<b>1,468</b>	<b>0</b>	<b>67</b>	<b>35,165</b>
<b>Net Cost of HRA Services per Authority Income &amp; Expenditure Account</b>	<b>2,440</b>	<b>1,468</b>	<b>0</b>	<b>67</b>	<b>3,975</b>
HRA Services share of Corporate & Democratic Core	414	0	0	148	562
HRA share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific services	215	0	0	(215)	0
<b>Net Cost of HRA Services</b>	<b>3,069</b>	<b>1,468</b>	<b>0</b>	<b>0</b>	<b>4,537</b>
(Gain) or Loss on sale of Fixed Assets	0	0	0	0	0
Interest and Investment Income	(1,644)	0	0	0	(1,644)
<b>(Surplus) or deficit for the year on HRA services</b>	<b>1,425</b>	<b>1,468</b>	<b>0</b>	<b>0</b>	<b>2,893</b>

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

## 1. Prior Year Adjustments (continued)

## Restated Statement of Movement on HRA Balance

	Published Accounts 2006/07	Adjusted Transfer of Negative Subsidy to the General Fund	Adjusted Income	Adjusted Corporate & Democratic Core & Bad Debt Provision	2006/07 Restated
	£000	£000	£000	£000	£000
(Surplus) or deficit for Year on the HRA Income & Expenditure Account	1,425	1,468	0	0	2,893
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(195)	(1,468)	0	0	(1,663)
(Increase) or decrease in the Housing Revenue Account Balance	1,230	0	0	0	1,230
Housing Revenue Account Surplus brought forward	(4,077)				(4,077)
Housing Revenue Account Surplus carried forward	(2,847)	0	0	0	(2,847)
Transfer to/from Major Repairs Reserve	(365)	(1,468)	0	0	(1,833)
Capital Expenditure funded by HRA	170	0	0	0	170
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(195)</b>	<b>(1,468)</b>	<b>0</b>	<b>0</b>	<b>(1,663)</b>

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

### 2. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.03% of lettable properties were vacant. In 2006/07 the figure was 1.06%. Average rents were £69.68 a week in 2007/08.

### 3. 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

2006/07			2007/08	
£000	£000		£000	£000
		<b>Notional Expenditure</b>		
<u>12,062</u>		Management and Maintenance	<u>12,849</u>	
	12,062			12,849
		<b>Less Notional Income</b>		
(27,534)		Rents	(29,273)	
<u>(1,576)</u>		Interest	<u>(1,713)</u>	
	(29,110)			(30,986)
	61	Rental Constraint Allowance		382
	-	2006/07 Adjustment		<u>13</u>
	(16,987)	<b>Housing Subsidy Withdrawal</b>		(17,742)
	<u>6,002</u>	Major Repairs Allowance		<u>6,128</u>
	(10,985)	Negative Subsidy Entitlement (inc MRA)		(11,614)
	979	Transitional Negative Subsidy		734
	<u>(10,006)</u>	<b>Overall Subsidy Position</b>		<u>(10,880)</u>

### 4. 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.)

## 5. HRA Investment Income

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

	2006/07 £'000	2007/08 £'000
Interest on receipts	1,512	1,889
Interest on revenue balances	104	125
Interest on mortgages	28	24
Total Investment Income	1,644	2,038

## 6. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve.

2006/07			2007/08	
£000's	£000's		£000's	£000's
	(198)	<b>Opening Balance as at 1st April</b>		0
		<b>Transfers to the MRR -</b>		
(7,188)		Depreciation of HRA Dwellings	(7,804)	
(159)		Depreciation of other HRA Assets	(242)	
	(7,347)			(8,046)
		<b>Transfers from MRR -</b>		
	5,711	Financing of HRA Capital Expenditure		5,761
1,469		To HRA Appropriations - Transitional Negative Subsidy Transfer	1,102	
1,344		Depreciation in excess of MRA & other HRA Assets	1,917	
	2,813			3,019
	(979)	Government Contribution to Negative Subsidy Transfer		(734)
	0	<b>Closing Balance as at 31 March</b>		0



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

## 7. Housing Stock Numbers

The stock movement can be summarised as follows:-

2006/07 No.		2007/08 No.
8,463	Stock as at 1st April	8,392
(64)	Less Right to Buy Sales	(38)
(6)	Prior Year Disposals	0
(1)	Conversions/other	3
<u>8,392</u>	<b>Stock at 31st March</b>	<u>8,357</u>
5,439	Houses	5,412
2,953	Flats	2,945
<u>8,392</u>	<b>Total</b>	<u>8,357</u>

## 8. 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 2007	£	521,277,000
As at 31 March 2008	£	566,259,845
The Vacant Possession value of the dwellings as at 1 April 2007 was	£	1,253,387,850

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. A review for impairment, which is carried out each year, revealed there to be £5.607 Million for dwellings in the year (see note 9, page 69)

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

### 8. Fixed Assets Valuations (continued)

A review for impairment is carried out each year to determine whether any of the carrying amounts of a fixed asset may not be recoverable. An example of events and changes in circumstances that indicate an impairment may have occurred include :

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

Based on the valuation method on a beacon basis (see also page 32 note 13 Fixed Assets impairment), it was deemed that the expenditure did not add to the market value of the properties.

	<b>01.04.2007</b> <b>Restated</b>	<b>31.03.2008</b>
(ii) Other Land and Buildings	£ 0	£ 0
(ii) Non Operational Assets	£ 0	£ 0
(iii) Vehicles Plant & Equipment	£ 1,068,000	£ 1,361,462

### 9. Depreciation and Impairment 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.

	<b>2006/07</b> <b>£'000</b>	<b>2007/08</b> <b>£'000</b>
Depreciation:		
HRA Dwellings	7,188	7,804
Other Assets	<u>159</u>	<u>242</u>
	7,347	8,046

Impairment on HRA dwellings was £5.607 Million for 2007/08 ( £0 for 2006/07) and there were also Government Grants Deferred of £8,000.

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

### 10. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2007/08 is summarised as follows:-

<b>2006/07</b>		<b>2007/08</b>
<b>£000's</b>		<b>£000's</b>
	Capital Expenditure	
6,598	Major Repairs & Improvements	5,227
573	Disabled Adaptations	570
438	Equipment	292
499	Unfinanced (BF)	335
8,108		6,424
	The Capital Expenditure was financed as follows:	
(1,893)	Capital Receipts	(663)
(5,710)	Major Repairs Allowance	(5,761)
(170)	Revenue Contributions	0
(335)	Unfinanced (CF)	0
(8,108)		(6,424)

Total Capital Receipts in 2007/08 from the sale of property within the HRA can be summarised as follows :-

<b>2006/07</b>		<b>2007/08</b>
<b>£000's</b>		<b>£000's</b>
(5,900)	Right to Buy Sales	(3,803)
(78)	Right to Buy Mortgage Repayments	(79)
(45)	Other Land & Property *	(232)
(6,023)		(4,114)

\*Includes Low Start Shared Ownership sales

### 11. Rent and supported Housing Payment Arrears

During the year 2007/08 rent arrears as a proportion of gross rent income were 2.62% (2.81% in 2006/07).

<b>2006/07</b>		<b>2007/08</b>
<b>£'000</b>		<b>£'000</b>
976	Arrears at 31 March	950
137	Amounts written off during the year	130

The bad debts provision stood at £250,000 at 31 March 2008

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

### 12. Deferred Charges

There were no deferred charges in 2007/08 for the HRA put to the General Fund.

### 13. 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 2007/08 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 2007/08

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.

2006/07		Notes	2007/08	
£'000	INCOME		£'000	£'000
38,194	National Non-Domestic Rates (NNDR) Pool	2	39,704	
29,848	Council Tax	1	31,810	
5,781	Council Tax/Community Charge Benefit	1	6,005	
<u>73,823</u>				<u>77,519</u>
	<b>EXPENDITURE</b>			
	Precepts and Demands:-			
27,158	Hertfordshire County Council		28,624	
4,661	Stevenage Borough Council		4,797	
3,418	Hertfordshire Police Authority		3,603	
<u>35,237</u>				<u>37,024</u>
	National Non-Domestic Rates			
38,066	Payment to National Pool		39,458	
104	Cost of Collection Allowance		104	
<u>38,170</u>				<u>39,562</u>
35	Movement in provision for Doubtful Debts			272
	Contributions			
	-Towards previous year's estimated collection fund surplus			38
<u>38</u>				<u>38</u>
<u>73,480</u>				<u>76,896</u>
343	Surplus/(Deficit) for the year			623
<u>1,250</u>				<u>1,593</u>
	Surplus/(Deficit) as at 1 April			
<u>1,593</u>				<u>2,216</u>
	Surplus/(Deficit) as at 31 March			

**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; £28,225 for 2007/08). The basic amount of council tax for a band D property £1,338.93 (£1,279.30 for 2006/07) is multiplied by the proportion specified for the particular band to give an individual amount due.

<b>Band</b>	<b>A (Disbl.)</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>TOTAL</b>	
Properties		1,384	5,774	20,273	3,052	2,581	899	407	11	34,381	
Exemptions		(77)	(293)	(309)	(37)	(20)	(10)	(6)	(4)	(756)	
Disabled Relief		(1)	(5)	(89)	(17)	(21)	(5)	(5)	(1)	(144)	
Discounts (25%)	1	945	3,682	6,179	739	377	99	47	0	12,069	
Discounts (50%)	0	31	108	138	21	11	17	9	2	337	
Equated Value Discount	0.25	251.75	974.50	1613.75	195.25	99.75	33.25	16.25	1.00	3,185.75	
Effective Properties	0.75	1,059.25	4,835.50	18,576.25	2,910.75	2,474.25	859.75	380.75	5.00	31,102.25	
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
<b>Band D Equivalents</b>	0.42	706.17	3,760.94	16,512.22	2,910.75	3,024.08	1,241.86	634.58	10.00	28,801.02	
<b>Council Tax Base</b>				Band D equivalent multiplied by collection rate of 98%							28,225.00

The income chargeable of £42,570,020 for 2007/08 is from the following sources:

<b>2006/07 £</b>		<b>2007/08 £</b>
29,848,500	Billed to Council Tax Payers	31,809,996
5,780,508	Council Tax Benefits	6,005,031
4,532,034	Exemptions, Discounts, etc.	4,754,993
<b>40,161,042</b>		<b>42,570,020</b>

## Notes to the Collection Fund Accounts

### 2 National Non-Domestic Rates

The Government specifies an amount (43.3p in 2006/07 and 44.4p in 2007/08) 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 £39.46 million for 2007/08 (£38.07m 2006/07). The rateable value for the Council's area is £103.6 million at 31 March 2008 (£102.8m at 31 March 2007). 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 £2,215,757 on the Collection Fund as at 31 March 2008 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:-

2006/07 £		2007/08 £
212,168	Stevenage Borough	288,990
154,397	Hertfordshire Police Authority	215,415
<u>1,226,593</u>	Hertfordshire County Council	<u>1,711,352</u>
<b><u>1,593,158</u></b>	<b>Total</b>	<b><u>2,215,757</u></b>

## Group Income &amp; Expenditure Account

2006/07				2007/08
		Gross	Gross	Net
Net Expenditure		Expenditure	Income	Expenditure
Restated	Expenditure on Services	£'000	£'000	£'000
225	Adult Social Care	317	139	178
1,052	Central Services to Public	11,641	7,887	3,754
89	Childrens Social Services	101	0	101
14,150	Cultural Environmental & Planning Services	32,903	12,700	20,203
2,086	Highways Roads & Transport Services	5,424	3,059	2,365
2,800	Housing Services	64,828	60,770	4,058
0	Social Services	0	0	0
2,500	Corporate & Democratic Core	2,772	0	2,772
58	Non Distributed Costs	127	0	127
<b>22,960</b>	<b>Net Cost of Services</b>	<b>118,113</b>	<b>84,555</b>	<b>33,558</b>
(3,323)	(Gain)/loss on disposal of fixed assets			(134)
(265)	Surplus on Indoor Market			(254)
(2,484)	Interest and investment income			(2,670)
26	Interest payable			0
101	Investment losses			0
3,405	Contribution to Housing Pooled Receipts			3,052
535	Pensions Interest Cost & Expected Return on Pensions Assets			56
0	Taxation (SHL)			0
<b>20,955</b>	<b>Net Operating Expenditure</b>			<b>33,608</b>
(4,661)	Precept demanded from Collection Fund			(4,798)
(38)	Collection Fund Surplus			(38)
(1,167)	Revenue Support Grant			(1,100)
(6,046)	Contribution from Non-Domestic Rate Pool			(6,554)
<b>9,043</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>			<b>21,118</b>

## Reconciliation of Single Entity Deficit to Group Deficit

Reconciliation of Single Entity Deficit to Group Deficit		£'000
9,344	Deficit for the year on Income & Expenditure Account for Stevenage Borough Council	22,649
(6,581)	Adjustments for transactions with Group entities	(12,799)
2,763	Deficit in Group Income & Expenditure Account attributable to Stevenage Borough Council	9,850
(301)	Deficit in Group Income & Expenditure Account attributable to Stevenage Homes Limited	(1,531)
6,581	Adjustments for transactions with Group entities	12,799
<b>9,043</b>	<b>Deficit for the year on Group Income &amp; Expenditure Account</b>	<b>21,118</b>



## Group Statement of Total Recognised Gains &amp; Losses

SBC £000	SHL £000	2006/07			2007/08 £000
		Restated	£000		
9,344	(301)	9,043		(Surplus) / Deficit for the year on the Income & Expenditure Account	21,118
(30,686)	0	(30,686)		(Surplus) / Deficit arising from revaluation of fixed assets	(78,539)
(5,791)	883	(4,908)		Actuarial (Gains)/Losses on the Pension Scheme assets & liabilities	(5,361)
1,924	0	1,924		Other (gains) / losses	518
<b>(25,209)</b>	<b>582</b>	<b>(24,627)</b>		<b>Total Recognised (gain)/loss for the year</b>	<b>(62,264)</b>
				<b>Attributable :</b>	
(25,209)	0	(25,209)		Stevenage Borough Council	(59,768)
0	582	582		Stevenage Homes Limited	(2,496)
<b>(25,209)</b>	<b>582</b>	<b>(24,627)</b>		<b>Total Recognised (gain)/loss for the year</b>	<b>(62,264)</b>

## Group Balance Sheet as at 31 March 2008

2006/07		2007/08	
Restated			
£'000	Net Fixed Assets	Notes	£'000
188	Intangible fixed assets		167
	<i>Tangible fixed assets : Operational</i>		
521,277	Council Dwellings		566,259
82,312	Other Land & Buildings		94,201
7,325	Vehicles, plant, furniture & equipment		7,105
2,763	Infrastructure assets		2,726
953	Community assets		419
	<i>Tangible fixed assets: Non-operational</i>		
21,532	Investment properties		21,795
395	Assets under construction		4,582
1,600	Surplus assets held for disposal		4,759
<u>638,345</u>			<u>702,013</u>
3,200	Long term investments		12,469
411	Long term Debtors - Mortgages		332
47	- Car loans		18
<u>642,003</u>	<b>Total Long Term Assets</b>		<u>12,819</u>
			<u>714,832</u>
	<b>Current Assets</b>		
208	Stock and work in progress	3	171
10,638	Debtors	4	10,736
38,993	Investments		26,951
173	Cash at bank and in hand	7	130
			<u>37,988</u>
	<b>Current Liabilities</b>		
0	Borrowing repayable within 12 months		0
(14,363)	Creditors	5	(16,558)
(617)	Cash Overdrawn		0
<u>35,032</u>	<b>Net Current Assets</b>		<u>(16,558)</u>
			<u>21,430</u>
677,035	<b>Total Assets less Current Liabilities</b>		<u>736,262</u>
0	Long term borrowing		0
(710)	Provisions		(2,019)
(6,052)	Government Grants Deferred & Contributions Unapplied		(7,962)
(245)	Deferred liability, credit arrangements		(123)
(28,640)	Pensions Liability	8	(22,506)
<u>641,388</u>	<b>Total Assets less Liabilities</b>		<u>(32,610)</u>
			<u>703,652</u>

## Group Balance Sheet as at 31st March 2008 continued.

2006/07 Restated £'000	Fund Balances & Reserves	Notes	2007/08 £'000
0	Revaluation Reserve		70,716
0	Available for Sale Financial Instruments Reserve		0
634,676	Capital Adjustment Account		626,396
0	Fixed Asset Restatement Account		0
0	Capital Financing Account		0
0	Financial Instruments Adjustment Account		0
(28,640)	Pensions Reserve		(22,506)
23,772	Usable Capital Receipts		17,837
0	Major Repairs Reserve		0
411	Deferred capital receipts		332
7,376	General Fund		5,026
2,847	Housing Revenue Account		3,083
340	SHL Revenue Reserve		1,920
394	Earmarked Reserves		559
212	Collection Fund		289
<b>641,388</b>	<b>Total Equity</b>		<b>703,652</b>

## Group Cash Flow Statement

2006/07 Restated £'000	REVENUE ACTIVITIES	Note	2007/08 £'000
	<i>Cash outflows</i>		
25,565	Cash paid to and on behalf of employees		28,998
13,761	Other operating cash payments		24,313
6,700	Housing Benefits paid out		7,225
39,452	National non-domestic rate payments to national pool		39,128
3,248	Payments to the Capital Receipts Pool		2,136
30,577	Disbursements from the Collection Fund		32,227
<u>119,303</u>	Total Expenditure		<u>134,027</u>
	<i>Cash Inflows</i>		
(19,527)	Rents (after rebates)		(13,757)
(29,799)	Council Tax receipts		(31,867)
(6,046)	National non-domestic rate receipts from national pool		(6,554)
(36,121)	Non-domestic rate receipts		(40,028)
(1,167)	Revenue Support Grant		(1,100)
(28,221)	DWP Grants for benefits		(30,096)
(1,996)	Other Government Grants		(927)
0	Cash Received for goods & services		(11,301)
<u>(122,877)</u>	Total Income		<u>(135,630)</u>
<u>(3,574)</u>	Net Cash (inflow)/Outflow from Revenue Activities	9	<u>(1,603)</u>
	<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</u>		
	<i>Cash outflows</i>		
0	Interest Paid		106
	<i>Cash inflows</i>		
<u>(1,870)</u>	Interest Received		<u>(2,476)</u>
<u>(1,870)</u>	Net Cash (inflow)/Outflow from Returns on Investment & Servicing of Finance		<u>(2,370)</u>
	<u>CAPITAL ACTIVITIES</u>		
	<i>Cash outflows</i>		
21,621	Purchase of fixed assets		12,577
0	Other Capital Spend		1,046
3,200	Purchase of Long Term Investments		10,800
	<i>Cash inflows</i>		
(13,558)	Sale of Fixed Assets		(5,257)
(544)	Capital grants received		(872)
(186)	Other Capital Cash Receipts		(390)
<u>10,533</u>	Net Cash Inflow from Capital Activities		<u>17,904</u>
5,089	Net cash (inflow) outflow before financing		13,931
	<u>MANAGEMENT OF LIQUID RESOURCES</u>		
(5,150)	Net movement in short term deposits	10	(14,503)
	<u>FINANCING</u>		
	<i>Cash outflows</i>		
0	Repayments of amounts borrowed		0
	<i>Cash inflows</i>		
0	New loans raised		0
<u>(61)</u>	Net (increase)/decrease in Cash	11	<u>(572)</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 103.

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 1 October 2006 to 31 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 2007 £'000		31 March 2008 £'000
2	Central Stores	3
62	Other	41
<b>64</b>	<b>Total Stevenage Borough Council</b>	<b>44</b>
144	Central Stores	127
<b>144</b>	<b>Total Stevenage Homes Ltd</b>	<b>127</b>
<b>208</b>	<b>Total for Group</b>	<b>171</b>

## Notes to Group Financial Statements

## 4. Debtors

31 March 2007 £'000		31 March 2008 £'000
47	Car Loans	26
3,684	Government Departments	4,620
65	Other Local Authorities	43
877	Housing Rents	949
2,870	Collection Fund	2,899
559	Temporary Investment interest	-
3,815	Other Debtors	3,692
(1,281)	Provision for Bad Debts	(1,494)
<b>10,636</b>	<b>Stevenage Borough Council Total</b>	<b>10,735</b>
2	Trade Debtors	1
<b>2</b>	<b>Stevenage Homes Limited Total</b>	<b>1</b>
<b>10,638</b>	<b>Group Total</b>	<b>10,736</b>

**Government Departments** debtors includes money owed by the Government from the NNDR pool. The 2007/08 figure owed is £1,053,956, a reduction of £331,536 on the 2006/07 debtor, (2006/07 £1,385,492). Monies are also owed for the 2007/08 final pre-audited housing subsidy claim, resulting in a debtor of £145,685, this is a reduction of £168,621 compared to the 2006/07 housing subsidy debtor (2006/07 £314,306).

There is a 2007/08 debtor accrual of £2,111,112 for the Growth Area Funding grant which relates to a number of capital projects including the Business Technology Centre.

The remaining Government debtors balance relates to monies owed for transitional negative subsidy relief on the HRA and monies by HM Revenue and Customs.

**Investment Interest** is paid on repayment of the investment to the Council which represents interest due up to the 31 March 2008. The accrued interest has been included in short & long term investments as at 31 March 2008.

**Other Debtors** includes debtor accruals. These are monies that the Council would be due in grants or for goods and services provided, but not received by 31 March 2008 and an adjustment is put through the accounts.

## Notes to Group Financial Statements

## 5. Creditors

31 March 2007 £'000		31 March 2008 £'000
2,498	Government Departments	1,791
1,846	Other Local Authorities	2,538
701	Housing Rents	593
1,450	Collection Fund	1,962
5,628	Sundry Creditors	8,823
<b>12,123</b>	<b>Stevenage Borough Council Total</b>	<b>15,707</b>
320	Trade Creditors	157
533	Inland Revenue	59
1,387	Sundry Creditors	635
<b>2,240</b>	<b>Stevenage Homes Limited Total</b>	<b>851</b>
<b>14,363</b>	<b>Group Total</b>	<b>16,558</b>

**Stevenage Borough Council**

**Other Local Authorities** creditor includes £1,926,737 million payable to HCC and the Police Authority for their share of the surplus on the Collection Fund, an increase of £545,747 compared to 2006/07 (2006/07, £1,380,990).

**The Collection Fund** creditor of £1,962,213 million relates to pre-payments for NNDR and Council Tax an increase of £512,532 compared to 2006/07. (2006/07, £1,449,681).

**Sundry Creditors** includes creditor accruals which have increased by £3,025,945, these are invoices that the Council has received for goods and services for but had not paid for by 31 March 2008 and an adjustment has been put through the accounts to reflect this. There were significant capital creditor accruals relating to Growth Area Funding capital schemes which increased the value of accruals at the year end by £894,144 and Decent Homes heating and boiler replacements by £1,070,176.

**Stevenage Homes Limited**

**Sundry Creditors** includes creditor accruals which have decreased by £751,460 from 2006/07. In 2006/07 there was accrual value of £609,150 relating to exterior planned painting which were accrued at year end. These invoices are for goods and services received but had not paid for by 31 March 2007. There were no significant accruals for 2007/08.

## Notes to Group Financial Statements

### 6. Inter-company Adjustments

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

	<b>Stevenage Borough Council £000</b>	<b>Stevenage Homes Limited £000</b>	<b>SBC Adjustment entries £000</b>	<b>SHL Adjustment entries £000's</b>	<b>Group £000</b>
Debtors	11,146	3,043	(411)	(3,042)	10,736
Creditors	(18,750)	(1,261)	3,042	411	(16,558)

The inter-company balances arise through trading between Stevenage Homes Ltd and Stevenage Borough Council in relation to the management of housing stock. UK GAAP requires that inter-company 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 at bank & in hand

<b>31 March 2007 Restated £'000</b>		<b>31 March 2008 £'000</b>
(617)	Cash at bank & in hand	119
<b>(617)</b>	<b>Total Stevenage Borough Council</b>	<b>119</b>
173	Cash at Bank & in hand	11
<b>173</b>	<b>Total Stevenage Homes Ltd</b>	<b>11</b>
<b>(444)</b>	<b>Total for Group</b>	<b>130</b>



## 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 1 October 2006.

	<b>2006/07</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
Estimate assets in Scheme	69,860	71,043
Estimated liabilities in Scheme	(97,578)	(93,543)
<b>Net asset/(liability) attributable to Stevenage Borough Council</b>	<u>(27,718)</u>	<u>(22,500)</u>
Estimate assets in Scheme	12,740	11,780
Estimated liabilities in Scheme	(13,662)	(11,786)
<b>Net asset/(liability) attributable to Stevenage Homes Ltd</b>	<u>(922)</u>	<u>(6)</u>
<b>Net asset/(liability) for Group</b>	<u><b>(28,640)</b></u>	<u><b>(22,506)</b></u>

## Notes to Group Financial Statements

## 9. Revenue Activities

2006/07 Restated £'000	Reconciliation of revenue surplus to net cash flow:	2007/08	
		£'000	£'000
9,043	Surplus/Deficit for the year		21,118
(1,230)	Housing Revenue Account Balance		236
	<i>Non Cash Items</i>		
(5,265)	Removal of Depreciation and Impairment from Income and Expenditure Account	(16,617)	
(1,344)	Removal of excess of depreciation charged to HRA Services over the Major Repairs Allowance	(1,917)	
(653)	Removal of Deferred charges from the Income & Expenditure Account	(785)	
992	Removal of government grants deferred from the Income and Expenditure Account	1,116	
778	Removal of FRS 17 pension entries in Income and Expenditure Account	996	
3,323	Removal of Profit/Loss on Sale of Assets	99	
0	Contribution to provisions	(1,734)	
(94)	Removal of Contributions to Reserves	(203)	
<u>(2,263)</u>			<u>(19,045)</u>
	<i>Costs charged elsewhere in Cash Flow</i>		
1,834	Interest		2,369
<u>1,834</u>			<u>2,369</u>
	<i>Items on an accruals basis</i>		
(157)	Adjustment for pooled capital receipts payment	(915)	
24	Add/(less) (decrease)/increase in stock	(36)	
(3,632)	Add/(less) (decrease)/increase in debtors	335	
(113)	Add/(less) (decrease)/increase in long term debtors	(79)	
(7,080)	Add/(less) (increase)/decrease in creditors	(5,586)	
<u>(10,958)</u>			<u>(6,281)</u>
<u><b>(3,574)</b></u>	<b>Net cash flow (from)/to revenue activities</b>		<u><b>(1,603)</b></u>

## Notes to Group Financial Statements

## 10. Analysis of Movement in Liquid Resources

Movement in liquid resources:		2007/08		
2006/07 Net movements		Balance 1 Apr	Balance 31 Mar	Net Movements
Restated £'000		£'000	£'000	£'000
(5,150)	Short Term Investments	38,993	24,490	(14,503)
<u>(5,150)</u>				<u>(14,503)</u>

## 11. Analysis of Movement in Cash &amp; Cash Equivalents

Movement in Cash and Cash Equivalents:		2007/08		
2006/07 Net movements		Balance 1 Apr	Balance 31 Mar	Net Movements
Restated £'000		£'000	£'000	£'000
0	Imprest Accounts	13	11	2
99	Cash in hand/(overdrawn)	(616)	108	(724)
<u>99</u>	<b>Total Stevenage Borough Council</b>			<u>(722)</u>
(160)	Cash in hand/(overdrawn)	160	10	150
<u>(160)</u>	<b>Total Stevenage Homes Limited</b>			<u>150</u>
<u>(61)</u>	<b>Total for Group</b>			<u>(572)</u>

## Annual Governance Statement

### Scope Of Responsibility

- 1 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 arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 2 Stevenage Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the code is on the Council's website or can be obtained from the Council Offices.
- 3 This Statement explains how the Council has complied with the code and also meets the statutory requirements 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.
- 4 The Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. The CIPFA/SOLACE guidance for implementing the framework, recommended that the local authorities Chief Financial Officer (S151 Officer) and Monitoring Officer are responsible for ensuring that the framework and subsequent statement are completed with adherence to the local code. The Strategic Management Board agreed to this recommendation and therefore the Strategic Director (Resources) and the Borough Solicitor together with a corporate governance team, have been given this responsibility.
- 5 In discharging this overall responsibility, Stevenage Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which include arrangements for the management of risk.

### The Purpose Of The Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 7 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being

realised and the impact should they materialise and to manage them efficiently, effectively and economically.

- 8 The governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the Statement of Accounts.
- 9 In respect of Stevenage Homes Ltd (SHL) controls, they often replicate similar procedures to those of the Council. However they have their own Financial Regulations and Internal Controls, all of which have been approved by the Council. SHL also have an Audit Committee that ensures that risk management, internal audit reports and budgets are adequately monitored and controlled.

### **The Governance Framework**

- 10 The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:-

#### ***Establishing And Monitoring The Achievement Of Objectives***

- 11 In June 2007 the Council published its Best Value Performance Plan 2007/08 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 bi-monthly 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. Communication and Participation strategies are in place, together with an Equality and Diversity Strategy 2006-08 which helps to ensure that all groups in the community have a voice, can be heard and are suitably consulted. Also the Generic Equalities Scheme supports consultation and assists the Council to achieve the Equalities Standard for Local Government.
- 12 The effectiveness of the overall arrangements to monitor performance is informed by:
- The work of managers within the Council
  - The roles performed by the Monitoring Officer and Chief Financial Officer
  - The work of the Internal Audit Service
  - The Annual Audit and Inspection Letter
  - Reports by other review agencies and inspectorates
  - Performance Management arrangements and related regular reporting.

The Council's Data Quality Report 2007, compiled by the Council's external auditor considered the Council's performance management arrangement to be performing well in this area.

***The Facilitation Of Policy And Decision-Making***

13 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 relevant individual Portfolio Holders. Those Council functions which are not vested in the Executive (mainly planning and development and licensing functions) are 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, as Portfolio. The Portfolio areas are:-

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

14 The Council appoints the Leader and agrees the extent of the eight individual portfolios of executive functions. Major and 'key' decisions are required to be published in advance on the Council's website as part of the Executive's 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 decision the Executive wishes to take outside the budgeting 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 assessment of the legal, financial and other implications of the proposed recommendations. The Strategic Director (Chief Financial 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 preventing challenge and the opportunity for a decision to be reconsidered by the decision taker. The Council in 2006, established an Audit Committee. The Constitution itself is subject to periodic review.

***Compliance With Policies, Procedures, Laws And Regulations***

15 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). The Monitoring Officer, who is the Borough Solicitor, and, as such is the Council's senior legal advisor, is

responsible for reporting to the Council on any act or proposed act by the Executive, or by any Committee, or individual Member or Officer that could 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.

16 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 Orders are reviewed at least annually and any proposed amendments are put forward to Council for approval. Heads of Service and senior management carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

17 To assist in developing a corporate governance framework, key policies and procedures have been brought together to form the corporate backbone of the Council's governance and management control arrangements. Key documents in the Council's corporate backbone include:-

- The Constitution
- Code of Conduct for Members
- Code of Conduct for Officers
- Protocol and Members/Officer Relations
- Members Register of Interests
- Financial Regulations
- Budget and Policy Framework
- Risk Management Strategy and Strategic/Operational Risk Register
- Communications Strategy
- Whistle Blowing Policy
- Corporate Procurement Strategy
- Performance Management Framework
- Contract Standing Orders
- Business Continuity Policy.

During the year, the Corporate Governance Team of Heads of Service has further developed the assurance framework around the corporate governance arrangements. This year, Service Based Governance Statements have been compiled which further enhances overall assurance for the 2007/08 Annual Governance Statement.

### ***Receiving And Investigating Complaints From The Public***

18 The Council has adopted a robust complaints procedure, which is publicised to the public via the Council's website and in Council buildings. Complaints are either received directly by the service or the Council's Customer Service Centre who deal with complaints corporately. The Council has also adopted a system for dealing with complaints about Members.

The Council's Customer Relationship Management system allows for greater consistency across services when dealing with and reporting on complaints and allows for a demonstrable audit trail and how complaints are dealt with.

Within the Service Based Governance Statements, services can demonstrate action taken in relation to upheld complaints.

***Establishing Clear Channels Of Communication With All Sections Of The Community And Other Stakeholders, Ensuring Accountability And Encouraging Open Consultation***

- 19 The Council regards communication as key to its work and essential in meeting its corporate ambition and framework of values. It supports the decision-making process and helps to improve service quality and foster good relationships between staff, Members and stakeholders.

The Communication Strategy considers effective communications as central to good management practice and crucial to building and maintaining public confidence in the Council and in local government in general.

Some of the key principles adopted by Stevenage Borough Council for communication are:-

- to put effective communication at the heart of everything we do
- to encourage open, honest, accountable, constructive two-way dialogue with the Council to inform, influence, engage, listen to, hear and consult with all internal and external stakeholders
- to raise awareness of the Council's community leadership role and build confidence in the Council
- to ensure all information is communicated in a honest, professional, accurate, targeted and timely manner to both internal and external audiences
- to ensure the Council promotes a consistent corporate identify in every communication medium

***Incorporating Good Governance Arrangements In Respect Of Partnerships And Reflecting These In The Council's Overall Governance Arrangements***

- 20 Partnerships are a key component for service provision. The Council is improving governance arrangements of key partnerships. The Local Strategic Partnership includes a governance statement including risk and performance management arrangements.

However, it is recognised that more needs to be done to improve the Council's approach to Partnership Governance. As such, a toolkit is being developed which will provide guidance on assessing risk, performance management and how it relates to the Council's corporate priorities.

The Council has two major partnerships: Stevenage Leisure Ltd and Stevenage Homes Ltd, an arms length management organisation that became operational in October 2006. The governance arrangements for both are underpinned by detailed management agreements.

***Risk Management***

- 21 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 (eg likelihood and impact) and require the risk owner to list a mitigation strategy including date of implementation. All risks are subject to



quarterly reviews as per the Strategy. During 2007/08 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 Risks Registers are monitored by the relevant Heads of Service and reported to PMB on an exception basis. The Council also requires project risks to be identified for major projects and capital schemes before approval. Some work was undertaken in 2007/08 to seek to identify any risks associated with our major partnership arrangements and this is ongoing.

- 22 Various facilitator 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 which was updated during the year. 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 PMB. A full training programme in risk management is to be established for Members and Officers who are yet to receive the training. Risk Management processes are reported to the Audit Committee and there is now a regular update report on the Strategic Risk Register which is submitted to every meeting.
- 23 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 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 is the Council nominated member Risk Management Champion.

***Developing, Communicating and Embedding Codes Of Conduct Detailing the Standards of Behaviour for Members and Officers***

- 24 The standards of conduct and personal behaviour expected of members and officers of the Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:
- Related Party/Members Register of Interests
  - Members Code of Conduct
  - Officers Code of Conduct
  - Member/Officer Protocols
  - Anti-Fraud and Corruption Policy
  - Regular performance meetings for staff linked to corporate and service objectives
  - Standards Committee with an independent Chairman.

***Internal Audit Arrangements***

- 25 Up to April 2007, Internal Audit had been 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 gave notice of their intention to withdraw from the partnership. Stevenage Borough Council felt that the Audit Partnership arrangements had served the Council well over the previous four years and pursued the opportunity to re-establish a new audit partnership, on a pilot basis with North Herts DC. Unfortunately for various reasons, principally because of considerable audit plan slippage due to the significant audit work

requested by SHL, this pilot partnership has not been as successful and was terminated with effect from 31 March 2008. The Council has recruited its own Chief Internal Auditor who started duties on 1 May 2008. 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 Chief Internal Auditor reports to the Council's Head of Finance (Deputy Section 151 Officer) and Strategic Director (Chief Financial Officer/Section 151 Officer) and provides updates on internal audit progress and issues at regular Section 151 meetings. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. From 2006/07 this report has been 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 review 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.

- 26 The Chief Internal Auditor's Report on Internal Audit was reviewed by SMB and reported to the Audit Committee in June 2008. The Chief Internal Auditor's opinion is that for 2007/08, despite the slippage in the Audit Plan, the risks identified by Internal Audit are largely adequately controlled.

### **Audit Committee**

- 27 An Audit Committee was established in May 2006 and its duties include advising and commenting on:-
- Internal Audit matters including:
    - the Annual Internal Audit Plan
    - the adequacy of management response to Internal Audit reports and recommendations
    - the Chief Internal Auditor's Annual Report and opinion
    - summaries of specific internal audit reports
  - External Audit matters including:
    - the External Auditor's plans for auditing and inspecting the Council
    - 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 Annual Governance Statement

- 28 The Audit Committee is an advisory committee of the Council. It has been constituted in line with best practice recommendations of CIPFA guidance. In 2007/08 the Audit Committee comprised five 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/accounting professional skills. The Chair of the Audit Committee is neither a member of the Executive nor a member who serves as a Scrutiny Member. The Committee has received specific training including some provided by the Audit Commission.
- 29 The operation of the Audit Committee 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***

- 30 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 SMB and where necessary, approval 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, and 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 Workplace Planning also forms a key part of the Council's processes to seek to ensure effective use of resources. PMB is tasked with prioritising resources to ensure that 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 resources is subject to review through the work of both Internal and External Audit.
- 31 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 2007/08 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, interviews etc, reflecting the Council's ongoing commitment to public consultation.
- 32 The Council continues to be strongly committed to the principles of Best Value (BV) and continuous improvement. The BV 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.
- 33 In support of the Council's commitment to efficient and effective use of its resources, work has been undertaken during 2007/08 on radically reviewing budgets in the context of the Council's priorities. A Leaders Budget Programme Group was formed together with an Officer team to review budgets in consultation

with relevant Head of Services. Consultation with external groups also took place. This exercise followed benchmarking service unit costs of services against similar Councils. This whole process will assist the Council in seeking to ensure continuous improvement in its achievement of Value for Money.

**Financial Management**

34 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 must be safeguarded, that transactions are authorised and properly recorded, so that material errors or irregularities are either prevented or would be detected within a timely period.

35 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structure including appropriately skilled, trained or qualified staff and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council. In particular, the Council's processes in 2007/08 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 budget;
- 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;
- already 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;
- continuous services, 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 expertise roles in respect of financial management responsibilities.

36 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 targets and measure the performance of its capital sources. 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 2007/08, 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.

**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 consistently 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 the monitoring process was strengthened to reinforce budgeting responsibility by reporting monthly through the Heads of Service Group. From April 2008, more responsibility for budget management and monitoring has been delegated to Heads of Service.

### ***Performance Management***

- 37 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 2007/08 SMB reviewed high risk or below target BVPIs on a regular basis, discussing issues in detail with relevant officers to seek to drive improvements in service.

**Stevenage Homes Ltd**

38 On 1 October 2006, the Council established an Arms Length Management Organisation (ALMO), Stevenage Homes Ltd (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 reports 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 Accounts' for publication of accounts reporting purposes. The effect of the establishment of SHL and the Council's system of internal control is 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 1 October 2006
- part of the rationale for establishing SHL was that concentrated management focus on the Housing Service should bring about 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 the Management Agreement
- SHL has established appropriate constitutional and governance arrangements, including its own Audit Committee
- SHL's 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 reviewed on an ongoing basis
- 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 and Contract Standing Orders
  - Housing Services policies and procedures
  - Performance management arrangements
  - Risk management approach
- SHL's main financial processes continue to be provided in liaison with the Council through Service Level Agreements (SLAs). 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 Chief Internal Auditor reports directly to SHL's Audit Committee, as appropriate, and 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 regular monitoring between the Council and SHL.

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.

**Review Of Effectiveness Of Systems Of Internal Audit**

39 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 and governance arrangements, they should also review and report to Members on the effectiveness of Internal Audit. This review has been undertaken by the Interim Head of Finance, reviewed by the subsequent Head of Finance and the Council's Strategic Director (Section 151 Officer), SMB and reported to the 10 June Audit Committee. The review has to be considered against the Department for Communities and Local Government (DCLG) guidance and concluded that the Internal Audit Service in 2007/08 is judged to have provided satisfactory assurance, having considered the following factors:-

- 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 Chief Internal Auditor's Report on Internal Audit 2007/08 indicated that in his opinion risks within the Council as identified by Internal Audit are largely satisfactory 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 and Deputy Section 151 Officers to review the work of Internal Audit throughout the year
- the establishment of the Audit Committee has significantly enhanced the overall system of Internal Audit
- the Audit Commission has to date been able to place reliance on the work of Internal Audit
- the Audit Commission's Use of Resources Statement issued in March 2008 gave a score of 3 for Internal Control (performing well). The findings recognised the establishment of an 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 is reasonable although there was slippage in SHL's plan which led to adverse comments.
- the Audit Commission report on the Review of Internal Audit Management arrangements had the following main conclusions:-
  - Internal Audit's corporate arrangements broadly meet the required CIPFA Code standards. However it 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 Audit Committee
  - Internal Audit capacity was insufficient to complete the agreed programme of work for 2007/08. Action has been taken to re-prioritise the work programme and to recruit a full time manager.
  - The staff/partnership changes plus others factors such as a high level of special audit investigations and a very significant under-estimate of the SHL audit workload has resulted in slippage of several audits into 2008/09. However with the recruitment of a full time dedicated Chief Internal Auditor and some temporary additional resources to clear the backlog, audit work should be completed to plan in 2008/09. Progress against the 2008/09 plan will be closely monitored by the Chief Internal Auditor and regular updates will be provided to the Audit Committee.

**Review Of Effectiveness**

- 40 Stevenage Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment; the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 41 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council are:-
- annual reviews by Internal Audit of the Council's key financial systems and the internal controls in operation within each service area against known and emerging risks
  - annual service planning to align service development against strategic goals
  - ongoing review by the monitoring officer of the business and decisions taken which include an assurance that the Council has acted lawfully and that agreed standards have been met
  - ongoing review and action identified by the Corporate Governance Team and officers assigned with responsibility for co-ordinating Corporate Governance arrangements
  - ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services
  - meetings of the Audit Committee to consider the work of and recommendations made by the internal and external auditors and other review bodies
  - annual reviews of the Council's Statement of Accounts and supporting systems by the external auditors leading to their opinion as published in the Statement
  - annual reviews and updates of the Council's financial procedures
  - ongoing review of strategic, operational and project risks and the actions required to mitigate any risks
  - annual review of the Local Code of Corporate Governance and evaluation of performance against its aim
  - service based governance statements, incorporating action plans where necessary.
- 42 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Management Board, relevant Officers and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

***Significant Governance Issues For Improvement***

- 43 The following significant internal control and governance issues have been identified arising from the review of effectiveness to deliver further improvement:-

Issue	Action	Target Date
Internal Audit and Audit Committee	<ul style="list-style-type: none"> <li>• Strengthen the management and effectiveness of Internal Audit to ensure timely delivery of the agreed</li> </ul>	July 2008



## STATEMENT OF ACCOUNTS 2007/08

	Internal Audit programme in future years	
	<ul style="list-style-type: none"> <li>• Review the Audit Committee's Terms of Reference and update in accordance with the CIPFA guidance</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• Present Executive summaries for each audit undertaken, or produce a report to summarise the key findings from each of the audits completed</li> </ul>	September 2008
Value for Money (VFM) Investigations	<ul style="list-style-type: none"> <li>• Continue the improvements made in Unit costing and benchmarking and ensure they are embedded as an integral part of Service Reviews</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• Continue identifying efficiency savings to assist in balancing the budget</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• In partnership with SHL, robustly review the SLAs currently in place between the two organisations</li> </ul>	December 2008
Risk Management	<ul style="list-style-type: none"> <li>• Ensure all reports to SMB and the Executive contain a summary of Risk implications and controls required to reduce risk level</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• Develop a consistent risk management approach to partnership working including introducing a toolkit</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• Introduce a Risk Management Group and ensure terms of reference also cover corporate governance issues</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• Ensure annual review of Local Code of Corporate Governance and Framework</li> </ul>	December 2008
	<ul style="list-style-type: none"> <li>• Enable SHL to meet the 'two star' standard at next inspection</li> </ul>	March 2009
Financial Management	<ul style="list-style-type: none"> <li>• Develop the medium term financial strategy and achieve the necessary savings in order to set a balanced budget in future years and build up reserves</li> </ul>	September 2008
	<ul style="list-style-type: none"> <li>• Embed the development and introduction of delegated financial management responsibility to Heads of Service</li> </ul>	September 2008
Financial Reporting	<ul style="list-style-type: none"> <li>• Improve the quality of the accounts, working papers and capital accounting to ensure that the accounts are compiled in accordance with the new</li> </ul>	June 2008

## STATEMENT OF ACCOUNTS 2007/08

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	accounting requirements in future years	
	• Enhance external reporting of summary accounts to stakeholders	September 2008
Ethics and Probity	• Monitor compliance with officer code of conduct and Member code as part of the role of Standards Committee	September 2008
	• Within Service based Governance Statements, develop and monitor completion of action plans	December 2008
	• Promote and develop new enhanced role for Standards Committee	June 2008

44 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ..... Signed .....

Date ..... Date .....

**Cllr Sharon Taylor**

Leader of Stevenage Borough Council

**Peter Ollis**

Chief Executive of Stevenage  
Borough Council

## Statement of Responsibilities for the Statement of Accounts

### Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

- To make arrangements for proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 2008.

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 2008 and its Income and Expenditure account for the year then ended.

**Strategic Director (Chief Financial Officer)**

## Statement of Accounting Policies

### 1. General

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial and its position as at the year end of 31<sup>st</sup> March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007– A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets. Service expenditure in the Income and Expenditure Account and the Housing Revenue Account analysis expenditure in the categories as specified in the *Best Value Accounting Code of Practice* (BVACOP).

### 2. Basis of Consolidation

The Balance Sheet brings together the year-end balances from the core statement, the General Fund and two non-core statements, the Housing Revenue Account and 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 on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by contract.

## Statement of Accounting Policies

### 3. Accruals of Income and Expenditure (continued)

- Where income and expenditure has been recognised but cash has not been 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.

The 2007/08 accounts do not recognise housing benefit overpayments (deducted from on-going entitlement) on an accruals basis. The Council's benefit system is currently unable to identify the total amount of overpayments raised in the year and deducted from on-going benefit payments. The Council will be procuring a new revenues system in 2008/09 which should overcome this problem. For the 2007/08 statement of Accounts overpayment income nets down the value of housing benefit paid for the year.

### 4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits, but where timing of the transfer is uncertain.

Provisions are charged to the appropriate service account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. Where payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year- where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Provisions for doubtful debts are separately disclosed against debtors. The Council does not make a provision for doubtful debts for housing benefit overpayments (deducted from on-going entitlement) as the income is not recognised on an accruals basis in the accounts. (see also paragraph 3. Accruals of Income and Expenditure).

## Statement of Accounting Policies

### 5. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Statement of Movement on General Fund Balance. When expenditure to be financed is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. 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. Certain reserves are kept to manage the accounting process for tangible assets and retirement benefits and that do not represent useable resources for the Council e.g. the Pension reserve, revaluation reserve and the Capital Adjustment Account.

### 6. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/condition, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure. Prior to 2007/08 grants were written off over 5 year, however for 2007/08 all grants will be written off over life of the asset.

### 7. Pensions-Local Government Pension Scheme

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

- The liabilities of the Hertfordshire superannuation scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the Hertfordshire County Council Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - ⇒ Quoted securities –mid-market value
  - ⇒ Unquoted securities –professional estimate
  - ⇒ unitised securities-average of the bid and offer rates
  - ⇒ property-market value

## Statement of Accounting Policies

### 7. Pensions-Local Government Pension Scheme (continued)

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

- Current service cost – the increase in liabilities, as result of years of service earned this year – allocated in the Income and Expenditure Account 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 in the Income and Expenditure Account.
- 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 in the Income and Expenditure Account.
- 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 – debited to the Statement of Total Recognised Gains and Losses.
- 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 in the Income and expenditure Account.
- Gains/Losses on settlements and curtailments-the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees-debited to the Net Cost of Services as part of Non Distributed Costs in the Income and Expenditure Account.

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 the General Fund this means that there is are appropriations to and from 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.

## Statement of Accounting Policies

### 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

### 9. Overheads and 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 2007 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received , with the exception of :

- Corporate and Democratic Core-costs relating to the Council's status as a multi-functional democratic organisation.
- Non-Distributed Costs-the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

### 10 . Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.



## Statement of Accounting Policies

### 11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

From 2007/08 the Council has changed its accounting policy with respect to residential parking as expenditure is recognised as a deferred charge and not as a fixed asset. The costs are recognised in the Councils' accounts as a charge to the Income & Expenditure Account. This is met through existing Capital Resources by reversing it into the Capital Adjustment Account through the Statement of Movement on General Fund Balance (see note 15 to the core statements, Deferred Charges, for further details).

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The revaluation process is co-ordinated by the Council's Estates Manager J Angell BA, MRICS. The latest valuation certificates are dated 31 March 2008 (excluding Housing Dwellings which are valued as at 1 April 2007) and revaluations are carried out by both the Council's in-house professional staff and a private firm of Chartered Surveyors.

## Statement of Accounting Policies

### 11. Tangible Fixed Assets (Continued)

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

## Statement of Accounting Policies

### 11. Tangible Fixed Assets (continued)

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them. Prior to 2006/07, most grants were written out of the Balance Sheet over 5 years, regardless of the life of the asset the grant related to. From 2007/08 all new grants will be written off over the life of the asset in line with best accounting practice.

### 12. Charges to Revenue For Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. Depreciation, impairment losses and amortisations are therefore reversed out in the Statement of Movement on the General Fund Balance and charged to the Capital Adjustment Account.

## Statement of Accounting Policies

### 13. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

### 14. Leases

#### Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

## Statement of Accounting Policies

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. The Council is not entering into any new lease agreements.

### 15. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

#### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

#### **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

## Statement of Accounting Policies

### 15. Financial Assets (continued)

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price  
other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.
- Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### 16. 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 (Group Accounts)

### 1. Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Stevenage Homes Limited, the Arms Length Management Organisation set up in 2006 to manage the Council's housing stock.

### 2. Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on page 80.

## 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 .

## Independent Auditor's Report to the Members of Stevenage Borough Council

### Opinion on the financial statements

I have audited the Authority & Group accounting statements and related notes of Stevenage Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority & Group accounting statements comprise the Authority & Group Income & Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority & Group Balance Sheet, the Authority & Group Statement of Total Recognised Gains & Losses, the Authority & Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of 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 Strategic Director (Chief Financial Officer) and auditor

The Strategic Director's responsibilities for preparing the financial statements in accordance with relevant legal & regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 :

- the financial position of the Authority and its income & expenditure for the year; and
- the financial position of the Group and its income & expenditure for the year.

I review whether the Governance Statement reflects compliance with "Delivering Good Governance in Local Government : A Framework" published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 Governance Statement covers all risks and controls. Neither am I 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 Authority and Group accounting statements and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I have considered the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

## Independent Auditor's Report to the Members of 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes 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 Authority and Group accounting statements and related notes.

### Opinion

In my opinion :

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income & expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as 31 March 2008 and its income & expenditure for the year then ended.

Mark Hodgson  
District Auditor  
September 2008

Audit Commission

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

## **Independent Auditor's Report to the Members of Stevenage Borough Council**

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

#### **Authority's Responsibilities**

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

#### **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.

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, 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 2008.

#### **Best Value Performance Plan**

I issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 17 December 2007. 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.

Mark Hodgson  
District Auditor  
September 2008  
Audit Commission  
1st Floor, Sheffield House, Lytton Way, off Gates Way, Stevenage, Hertfordshire SG1 3HG