

# Statement of Accounts 2005/06

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

The 2005/06 Statement of Accounts was approved at the Statement  
of Accounts Committee held on 29<sup>th</sup> June 2006

Executive Member – Resources Portfolio



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## Foreword by Assistant Chief Executive (Finance)

The Accounts of Stevenage Borough Council for the year ended 31<sup>st</sup> March 2006 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes.

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

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

In addition, during 2005/06, all Councils underwent a 'use of resources' inspection by the Audit Commission that reviewed all aspects of financial management and governance arrangements across the council and gave an opinion on whether the Council was delivering value for money for the services we provide. The Council, as did the majority of District Councils, achieved a Level 2 rating which confirmed we are meeting the Audit Commission's prescribed standard. The Council is now actively working on implementing an improvement plan to achieve Level 3 in 2006/07.

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 develop these strategies, alongside meeting the challenging demands of the Government's Gershon Efficiency Agenda to ensure a sustainable financial position, whilst addressing a range of spend pressures and continual service improvements. As at the end of 2005/06, the Council has identified over £ 1.2 m of efficiency savings (£ 0.982 m of which are cashable savings).

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

The Council approved the set up of Stevenage Homes Limited (SHL) as an Arm's Length Management Organisation (ALMO). It means that Council housing is still owned by the Council, but managed by a separate organisation. The ALMO will have tenants, Councillors and independent people on its management board. It is anticipated that this ALMO will 'go live' in October 2006, and ultimately will be a new way of delivering the Council's landlord services, achieving the Decent Homes Standard and give tenants a bigger say.

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 via our area committees in order to obtain views and opinions of Stevenage residents on how the Council spends its money. Both of these events have helped shape our future financial priorities.

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

Other publications include:

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

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

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

## About Stevenage Borough Council

### Background

Stevenage was designated Britain's first new town in 1946. The town was planned and developed by the Government-appointed Development Corporation that was responsible for a series of master plans detailing the way the town would grow. Stevenage Urban District Council became the Borough Council under local government reorganisation in 1974 and by 1980 most of the Development Corporation's functions had been transferred to the Borough Council.

### General Statistics

2004/05	Area and Population	2005/06
2,606	Area (hectares)	2,606
79,724	Population	79,675
30.59	Population per Hectare	30.57
	<b>Council Tax</b>	
33,090	Number of Chargeable Dwellings	33,230
	Council Tax per Property in Band D	
159.83	- Stevenage Borough Council	166.22
894.57	- Hertfordshire County Council	938.47
112.53	- Hertfordshire Police Authority	118.09
<u>1,166.93</u>	<b>Total Council Tax</b>	<u>1,222.78</u>
	<b>Assets</b>	
£1,231.3 million	Insurance Value	£1,143.8 million

#### Loan Debt

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

## General information

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

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

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

Stevenage has been planned to facilitate ease of movement. It has a comprehensive road network with a cycleway system and ample car parking facilities. The town centre itself has parking for 3109 cars.

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

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

## Services

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

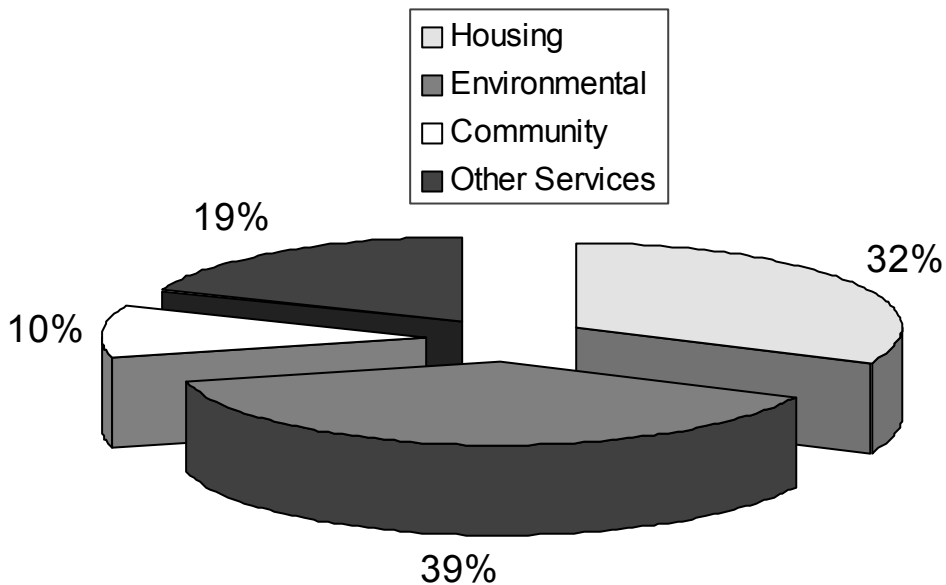
Each Councillor serves for four years and elections are held in three years out of four. In each of these three years, one third of Councillors stand for election. In the fourth year, the elections to Hertfordshire County Council take place.



The main Services provided by the Borough Council are:

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

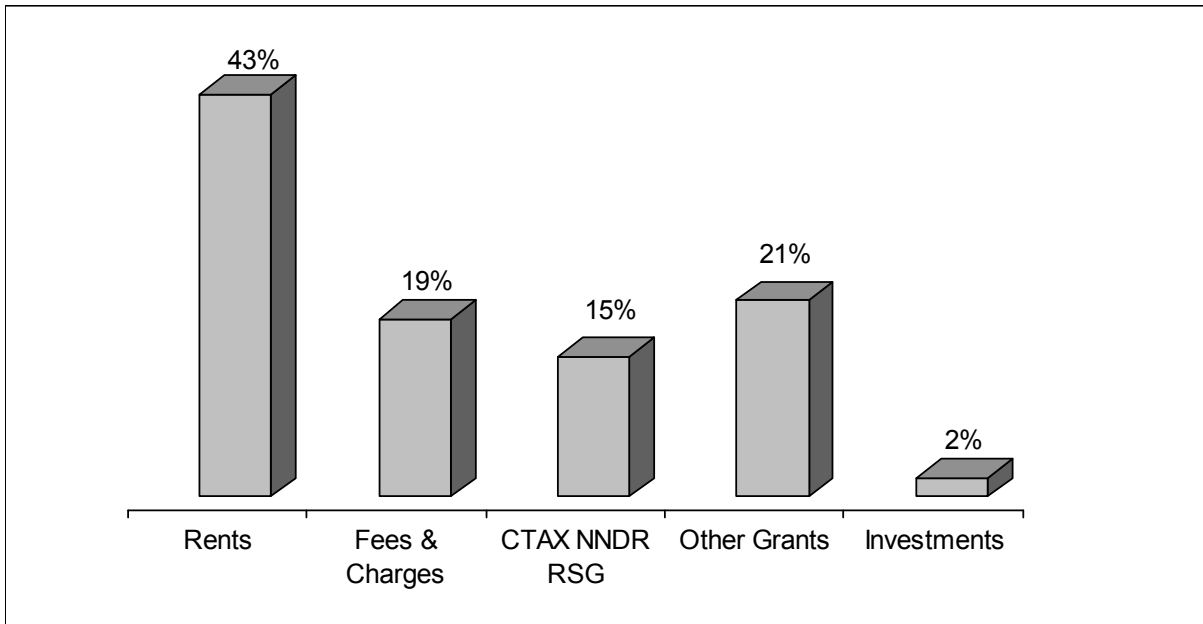
The chart below analyses the gross revenue expenditure over the main services areas provided by the Council.



Other services (19%) includes council tax and non domestic rates collection, housing and council tax benefits administration, commercial property management and expenditure undertaken by the Area Committees.

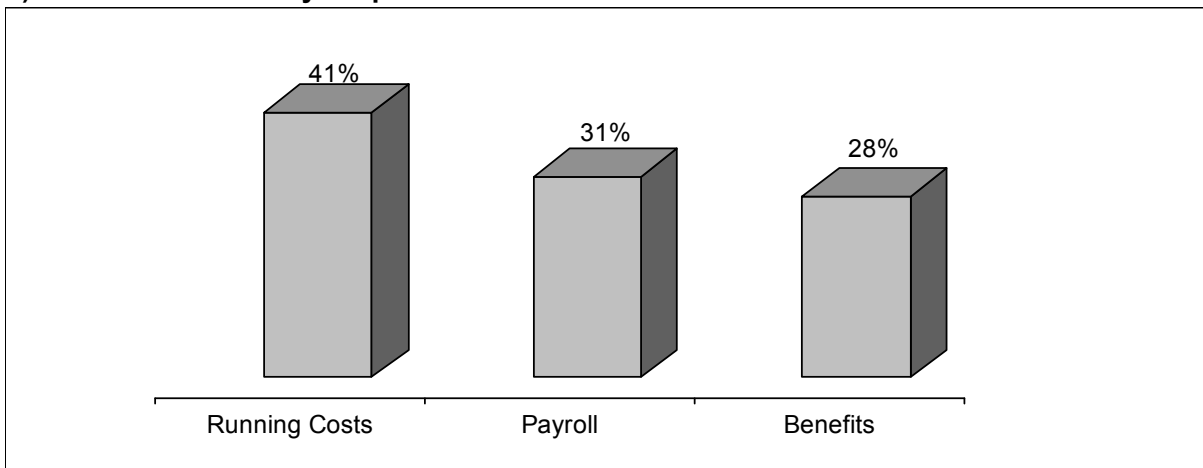
The charts below show in broad terms where the Council's money comes from and what it is spent on.

**a) Where the money comes from**



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

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



Running costs such as maintaining buildings, operating vehicles and purchase of supplies and services take up about 41% of the total expenditure. Employees' salaries and wages account for a further 31% of the total. 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.

## Executive Summary

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

### Consolidated Revenue Account for the year ended 31 March 2006

2004/05 Net Expenditure £'000		2005/06 Net Expenditure £'000
44,035	Net Cost of Services	47,069
(25,294)	Income from Trading Surpluses & Balances	(23,421)
18,741	Net Operating Expenditure	23,648
(8,212)	Transfers between reserves and balances	(11,483)
10,529	Amount to be met from Government Grants and Local Tax Payers	12,165
(10,444)	Precepts & Contributions	(10,839)
85	(Surplus) / Deficit for Year	1,326
(11,333)	Balance at 1 April	(11,248)
(11,248)	Balance at 31 March	(9,922)

### Consolidated Balance Sheet as at 31 March 2006

2004/05 £'000		2005/06 £'000
	<b>Assets</b>	
637,675	Long Term Assets	612,556
52,049	Current Assets	62,740
(10,489)	Current Liabilities	(12,188)
(38,985)	Long Term Liabilities	(38,918)
<b>640,250</b>	<b>Total Assets Less Liabilities</b>	<b>624,190</b>
	<b>Fund Balances &amp; Reserves</b>	
468,601	Fixed Asset Restatement Account	435,801
162,553	Capital Financing Account	169,499
9,096	Other	18,890
<b>640,250</b>	<b>Total Fund Balances &amp; Reserves</b>	<b>624,190</b>

## Explanatory Foreword

1. The Council's accounts for the year 2005/06 are set out below. They consist of:

◆ **Consolidated Revenue Account**

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

◆ **Housing Revenue Account**

- Which shows income and expenditure on council housing

◆ **Direct Service Organisation Accounts**

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

◆ **Consolidated Balance Sheet**

- Which sets out the financial position of the Council at 31 March 2006 and includes, in accordance with FRS 17, the Pensions Liability and Reserve accounts which recognise the estimated future value of pensions payments and the value of the Pension Fund Assets as at 31<sup>st</sup> March 2006

◆ **Statement of Total Movements in Reserves**

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

◆ **Cash Flow Statement**

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

◆ **Collection Fund Account**

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

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

## Budget

2. The main components of the General Fund Budget for 2005/06 and how these compare with actual income and expenditure are set out below: -

	<b>Original Budget</b>	<b>Actual</b>	<b>Difference</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross Expenditure on Services	90,842	106,427	15,585
Income	78,492	94,262	(15,770)
	<hr/>	<hr/>	<hr/>
Net Expenditure on Services	12,350	12,165	(185)
	<hr/>	<hr/>	<hr/>
Collection Fund Income	(10,839)	(10,839)	0
	<hr/>	<hr/>	<hr/>
Net change in reserves for year	1,511	1,326	(185)
Balance brought forward	(11,248)	(11,248)	0
Balance <b>Carried forward</b>	(9,737)	(9,922)	(185)
	<hr/>	<hr/>	<hr/>

3. When compared with the original budget net expenditure on services was approximately £ 185 thousand less than the original forecast. This is the net result of various under and over spends and income variations.
4. This underspend resulted in a net use of reserves of £ 1.3 million compared with the planned £ 1.5 million.
5. The Council's General Fund balance at 31 March 2006 was £ 9.9 million.

## Capital

6. In 2005/06 the Council spent £ 19.5 million on capital projects.
7. Of this actual expenditure £ 9.4 million was for housing and £ 10.1 million for other services.
8. The major sources of finance for the 2005/06 capital expenditure plus un-financed 2004/05 expenditure are £ 12.1 million of capital receipts (the proceeds of the sale of assets) and £ 5.3 million from Housing Subsidy (Major Repairs Allowance).

## Further Information

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

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

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

## Consolidated Revenue Account

For the year ended 31 March 2006

2004/05		Gross	2005/06	Net
Net		Expenditure	Income	Expenditure
£'000	£'000	£'000	£'000	£'000
2,076	<b>Expenditure on Services</b>	8,789	6,189	2,600
15,676	Central Services to Public	33,603	12,745	20,858
1,765	Cultural Environmental & Planning Services	5,027	3,048	1,979
21,859	Highways Roads & Transport Services	60,716	41,459	19,257
369	Housing Services	570	234	336
2,254	Social Services	1,652	(10)	1,662
36	Corporate & Democratic Core	377	0	377
<b>44,035</b>	Non Distributed Costs	<b>110,734</b>	<b>63,665</b>	<b>47,069</b>
	<b>Net Cost of Services</b>			
(304)	Surplus on Indoor Market - Note 1			(227)
(3,947)	Asset Management Revenue Account - Note 8			(4,717)
(1,611)	HRA Interest			(1,666)
(18,996)	HRA Notional Interest re Capital Charges			(17,536)
(2,282)	Interest on Balances			(2,252)
1,618	Contribution to Housing Pooled Receipts			2,115
228	Pensions Interest Cost & Expected Return on Pensions Assets			862
<b>18,741</b>	<b>Net Operating Expenditure</b>			<b>23,648</b>
0	Appropriations			0
614	Transfer from/to HRA balances			1,839
(3,574)	Transfer to/from Major Repairs Reserve (MRR)			(2,689)
(4,016)	Provision for Depreciation			(4,779)
513	Financing of Capital Expenditure			0
(427)	Impairment			(2,830)
(1,618)	Transfer from Usable Capital Receipts			(2,115)
702	Pensions Reserve - Note 12			(123)
(406)	Deferred Charges			(786)
<b>10,529</b>	<b>Amount to be met from Government Grants and Local Taxpayers</b>			<b>12,165</b>
(4,357)	Precept demanded from Collection Fund - Note 2			(4,540)
(30)	Collection Fund Surplus			(63)
(3,887)	Revenue Support Grant			(3,935)
(2,170)	Contribution from Non-Domestic Rate Pool			(2,301)
<b>85</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>			<b>1,326</b>
(11,333)	Balance at 1st April			(11,248)
<b>(11,248)</b>	<b>Balance at 31st March</b>			<b>(9,922)</b>

## Notes to The Consolidated Revenue Account

### 1. Market Undertaking

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

2004/05		2005/06
£'000		£'000
(731)	Income from stall holders and cafeteria takings	(774)
427	Expenditure	547
<u>(304)</u>	<b>Surplus taken to General Fund</b>	<u>(227)</u>

### 2. Collection Fund

The Council Tax is paid into the Collection Fund maintained by the Council. The Council, Hertfordshire County Council and Hertfordshire Police Authority draw from the collection fund the amounts that they have budgeted as required to meet their expenditure (the precept). Stevenage's precept on the Collection Fund for 2005/06 was £ 4.540 million (£4.357 million in 2004/05).

### 3. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended by Section 36 of the Local Government and Housing Act 1989) enabled a local authority to spend up to £ 2.50 per head of relevant population for the benefit of people in their area on activities or projects not specifically authorised by other legal powers. Expenditure amounted to £ 121,959 in 2005/06 (£134,113 in 2004/05). Section 137 is mostly used to provide school milk and grants to certain voluntary bodies serving the community. Some of the provisions covered by section 137 were repealed and new powers granted in the Local Government Act 2000 to promote well-being in the area.

### 4. Agency Services

The Council has traditionally carried out certain work on an agency basis for which it is fully reimbursed, together with a contribution towards administrative costs. The principal area of work was as highways agent for Hertfordshire County Council. The Highways Agency agreement terminated in September 2002. The Council continues to supervise work carried out on the district's highways i.e. central reservations and highway verge grass cutting. Total expenditure in 2005/06 was £ 170,400 (2004/05 £165,495).



## Notes to The Consolidated Revenue Account

### 5. Publicity

Section 5 of the Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity. Publicity is defined in the Act and refers to any communication in whatever form addressed to the public at large or to a section of the public. Total expenditure in 2005/06, which included that relating to Town Centre Regeneration was £ 584,393 (2004/05 £ 629,574) as summarised below :-

2004/05 £'000		2005/06 £'000
202	Marketing	167
225	Staff Advertising	242
202	Other Publicity	176
<u>629</u>	<b>Total</b>	<u>584</u>

### 6. Minimum Revenue Provision

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

### 7. Officers' Emoluments

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

2004/05 Number	Remuneration Band	2005/06 Number
6	£50,000 - £59,999	11
1	£60,000 - £69,999	2
1	£70,000 - £79,999	-
-	£80,000 - £89,999	2
-	£90,000 - £99,999	-
2	£100,000 - £109,999	1

## Notes to The Consolidated Revenue Account

### 8. Asset Management Revenue Account

Transactions in the Asset Management Revenue Account are as follows:

2004/05 £'000		2005/06 £'000
	<b>Income</b>	
(427)	Impairment	(2,830)
(8,760)	Capital Charges to General Fund	(9,992)
(26,385)	Capital Charges to HRA	(24,509)
(779)	Transfer from Grants/Contributions Deferred Account	(1,139)
	<b>Expenditure</b>	
427	Impairment	2,830
11,405	Provision for Depreciation	11,752
1,576	Interest due to Housing Revenue Account	1,635
18,996	Interest re HRA Capital Charges	17,536
<u>(3,947)</u>	<b>Total</b>	<u>(4,717)</u>

### 9. Members' Allowances

Total expenditure on Members' allowances in 2005/06 was £ 514,902 (£ 478,680 in 2004/05)

### 10. The Euro

The Council incurred no significant expenditure in respect of the Euro in 2005/06. No future expenditure commitments have been made although the position continues to be monitored.

### 11. Building Control Account

Under the Building Act 1984 The Secretary of State issued Statutory Instrument 1998/3129 which requires a local authority to prepare a statement setting out the turnover and profits/losses of the building control account. In 2005/06 the Council generated a surplus of £ 19,558 on a turnover of £ 199,547.

### 12. Appropriations from Pensions Reserve

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

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

## Notes to The Consolidated Revenue Account

## 12. Appropriations from Pensions Reserve (continued)

	2004/05 £000	2005/06 £000
<i>Net Cost of Services:</i>		
Current Service Costs	1,481	1,682
Past Service Costs	35	536
<i>Net Operating Expenditure:</i>		
Interest cost	4,190	5,206
Expected return on scheme assets	(3,962)	(4,344)
<i>Total Due</i>	1,744	3,080
<i>Actual amount charged against council tax for pensions in the year:</i>		
Employers' contributions payable to the scheme	(2,446)	(2,957)
<i>Movement on Reserve</i>	(702)	123

Note 19 to the Consolidated Balance Sheet and note 1 to the Statement of Total Movements in Reserves give details of the assumptions made in estimating the figures included above.

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

### Operating Account for the year ended 31 March 2006

2004/05 £000's		Notes	2005/06 £000's
	<b>Income</b>		
	Gross Rental Income		
26,472	- Dwelling rents	1	27,049
63	- Non-dwellings rents		75
256	Charges for Services & Facilities		230
0	HRA Subsidy Receivable	2	0
857	Contributions towards expenditure		831
	Housing Benefit Transfers from General Fund		0
<b>27,648</b>	<b>Sub Total Income</b>		<b>28,185</b>
	<b>Expenditure</b>		
	Repairs, Maintenance & Management		
5,288	- Repairs & Maintenance		5,290
6,233	- Supervision & Management		6,183
23	Rents, Rates, Taxes & Other Charges		40
10,233	HRA Subsidy Payable	2	0
	Rent Rebates	3	10,118
2,203	Transitional Negative Subsidy Transfer to General Fund	4	1,836
233	Increase in Provision for Bad & Doubtful Debts		155
18,996	Cost of Capital Charge	5	17,536
	Depreciation of Fixed Assets	6	
7,311	- on Dwellings		6,871
79	- on Other Assets		102
103	Debt Management Costs		105
<b>50,702</b>	<b>Sub Total Expenditure</b>		<b>48,236</b>
<b>23,054</b>	<b>Net Cost of Service</b>		<b>20,051</b>
(18,996)	Adjusting Transfer from AMRA	5	(17,535)
(1,611)	HRA Investment Income	7	(1,666)
<b>2,447</b>	<b>Net Operating Expenditure/(Income)</b>		<b>850</b>
	<b>Appropriations</b>		
513	Revenue Contributions to Capital Outlay	8	0
(3,574)	Transfer to/(from) Major Repairs Reserve MRR	9	(2,689)
<b>(614)</b>	<b>Sub Total</b>		<b>(1,839)</b>
	<b>Housing Revenue Account Balance</b>		
(1,624)	(Surplus)/Deficit at beginning of Year		(2,238)
(614)	(Surplus)/Deficit for Year		(1,839)
<b>(2,238)</b>	<b>(Surplus)/Deficit at end of Year</b>		<b>(4,077)</b>

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

### 1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.55% of lettable properties were vacant. In 2004/05 the figure was 2.38%. Average rents were £ 63.18 a week in 2005/06.

### 2. Housing Subsidy System

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

#### Notional Subsidy Calculation

2004/05			2005/06	
£'000	£'000		£'000	£'000
		<b>Notional Expenditure</b>		
10,255		Management and Maintenance	11,294	
	10,255			11,294
		<b>Less Notional Income</b>		
(25,178)		Rents	(25,826)	
(1,328)		Interest	(1,706)	
	(26,506)			(27,532)
	(16,251)	<b>Housing Subsidy Withdrawal</b>		(16,238)
	6,018	Major Repairs Allowance		6,120
	(10,233)	Negative Subsidy Entitlement (inc MRA)		(10,118)
	(10,233)	<b>Overall Subsidy Position</b>		(10,118)

### 3. Transitional Negative Subsidy Transfer

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

**4. Cost of Capital Charge**

The Cost of Capital Charge is calculated by applying a specified notional rate of interest to the net value of HRA Assets. The charge is included within the Net Cost of Service to reflect the value of assets being utilised within the HRA during the year. For 2005/06 the specified rate was 3.5% (2004/05 3.5%). The charge is reversed out below the Net Cost of Service and does not therefore impact on rent levels.

**5. Depreciation of Assets**

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

**6. HRA Investment Income**

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

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

There was no Revenue Contributions to Capital Outlay made from the Housing Revenue Account in 2005/06.

**8. Major Repairs Reserve**

Authorities are required to operate a Major Repairs Reserve.

2004/05			2005/06	
£000's	£000's		£000's	£000's
	0	<b>Opening Balance as at 1st April</b>		0
		<b>Transfers to the MRR -</b>		
(7,311)		Depreciation of HRA Dwellings	(6,871)	
<u>(79)</u>		Depreciation of other HRA Assets	<u>(102)</u>	
	(7,390)			(6,973)
		<b>Transfers from MRR -</b>		
	5,284	Financing of HRA Capital Expenditure		5,310
		To HRA Appropriations -		
2,203		Transitional Negative Subsidy Transfer	1,836	
<u>1,371</u>		Depreciation in excess of MRA & other HRA Assets	<u>853</u>	
	3,574			2,689
	<u>(1,468)</u>	Government Contribution to Negative Subsidy Transfer		<u>(1,224)</u>
	<u>0</u>	<b>Closing Balance as at 31 March</b>		<u>(198)</u>

**9. Housing Stock Numbers**

The stock movement can be summarised as follows:-

<b>2004/05</b>		<b>2005/06</b>
8,744	Stock as at 1st April	8,532
(213)	Less Sales/Disposals	(69)
1	Add: acquisitions/LSSO Surrenders	0
<u>8,532</u>	<b>Stock at 31st March</b>	<u>8,463</u>
5,517	Houses	5,480
3,015	Flats	2,983
<u>8,532</u>	<b>Total</b>	<u>8,463</u>

**10. 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 2005	£	530,255,000
As at 31 March 2006	£	496,670,000
The Vacant Possession value of the dwellings as at 1 April 2005 was	£	1,112,089,000

The valuation of the dwellings in the Balance Sheet is on the basis of Existing Use as Social Housing with secure tenancies. This adjusts the vacant possession value using factors supplied by the then Office of the Deputy Prime Minister (ODPM). For 2005/06 this factor is reduced to 45% from 54% in previous years. The difference between the Balance Sheet valuation and the higher valuation on the basis of Vacant Possession shows the economic cost of providing council housing at less than open market rents.

	01.04.2005	31.03.2006
(ii) Other Land and Buildings	£ 152,000	£ 152,000
(iii) Non Operational Assets	£ 426,000	£ 426,000
(iv) Vehicles Plant & Equipment	£ 345,000	£ 630,000

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

Capital Expenditure and Financing within the HRA in 2005/06 can be summarised as follows:-

<b>2004/05</b>		<b>2005/06</b>
<b>£000's</b>		<b>£000's</b>
	Capital Expenditure	
7,050	Major Repairs & Improvements	7,962
488	Disabled Adaptations	633
27	Equipment	285
<u>7,565</u>		<u>8,880</u>
	The Capital Expenditure was financed as follows:	
1,654	Capital Receipts	3,877
5,284	Major Repairs Allowance	5,310
513	Revenue Contributions	0
(692)	Unfinanced (BF)	(806)
806	Unfinanced (CF)	499
<u>7,565</u>		<u>8,880</u>

Total Capital Receipts in 2005/06 from the sale of property within the HRA can be summarised as follows :-

<b>2004/05</b>		<b>2005/06</b>
<b>£000's</b>		<b>£000's</b>
8,706	Right to Buy Sales	5,428
78	Right to Buy Mortgage Repayments	72
38	Other Land & Property	48
<u>8,822</u>		<u>5,548</u>

**12. Rent Arrears**

During the year 2005/06 rent arrears as a proportion of gross rent income were 3.16% (3.93% in 2004/05).

2004/05		2005/06
£'000		£'000
1,268	Arrears at 31 March	1,045
184	Amounts written off during the year	241

The bad debts provision stood at £ 258,000 at 31 March 2006



## Consolidated Balance Sheet

### As at 31 March 2006

2004/05 £'000		Notes	2005/06 £'000      £'000	
	<b>Net Fixed Assets</b>			
530,255	Council Dwellings	1 - 2	498,333	
<u>106,801</u>	Other	1 - 2	<u>113,652</u>	
637,056				611,985
0	Deferred Charges	3	0	
472	Long Term Debtors - Mortgages		480	
147	- Car Loans		<u>91</u>	
				571
<u>637,675</u>	<b>Total Long Term Assets</b>			<u>612,556</u>
	<b>Current Assets</b>			
190	Stock and work in progress	4	184	
8,721	Debtors	5	18,413	
43,138	Investments	6	<u>44,143</u>	62,740
	<b>Current Liabilities</b>			
0	Borrowing repayable within 12 months		0	
(9,615)	Creditors	7	(11,507)	
(874)	Cash Overdrawn		<u>(681)</u>	(12,188)
<u>41,560</u>	<b>Net Current Assets</b>			<u>50,552</u>
679,235	<b>Total Assets less Current Liabilities</b>			663,108
0	Long term borrowing	8	0	
(1,452)	Government Grants Deferred	9	(2,525)	
(36,495)	Pensions Liability	19	(35,548)	
(487)	Deferred liability, credit arrangements		(365)	
(551)	Deferred capital receipts	10	<u>(480)</u>	(38,918)
<u>640,250</u>	<b>Total Assets less Liabilities</b>			<u>624,190</u>

**Consolidated Balance Sheet as at 31st March 2006 cont.**

<b>2004/05</b>		<b>Notes</b>	<b>2005/06</b>
<b>£'000</b>			<b>£'000</b>
	<b>Fund Balances &amp; Reserves</b>		
11,248	General Fund		9,922
2,238	Housing Revenue Account		4,077
581	Other Reserves	11	978
25,851	Usable Capital Receipts	12	34,332
1,294	Collection Fund	13	1,250
468,601	Fixed Asset Restatement Account	14	435,801
162,553	Capital Financing Account	15	169,499
4,379	Contributions Unapplied		3,879
(36,495)	Pensions Reserve	19	(35,548)
<b>640,250</b>	<b>Total Equity</b>		<b>624,190</b>

## Notes to Consolidated Balance Sheet

## 1. Fixed Assets

Movements in fixed assets during the year were as follows:

	Council		Other		Infra-Structure		Vehicles		Community Investment		Total
	Dwellings	£'000	Land & Buildings	£'000	Structure	Plant & Machinery	Assets	Properties	£'000	£'000	
Gross Book Value B/fwd 01/04/05	537,566		75,224		3,245	10,252	8,017	21,704		656,008	
Valuation Change/Ex De-Minimus	0		288		0	0	0	11		299	
Revaluation Adjusted	(37,126)		2,632		0	0	676	470		(33,348)	
Impairment	0		(2,830)		0	0	0	0		(2,830)	
Transfers	0		(964)		0	0	0	964		0	
Additions/Enhancements	8,599		4,635		1,133	3,112	427	170		18,076	
Disposals	(3,835)		(1,682)		0	(1,106)	(2)	(457)		(7,082)	
<b>Gross Book Value at 31/03/06</b>	<b>505,204</b>		<b>77,303</b>		<b>4,378</b>	<b>12,258</b>	<b>9,118</b>	<b>22,862</b>		<b>631,123</b>	
<i>Depreciation:</i>											
Accumulated B/fwd 01/04/05	7,311		5,296		545	5,251	548	0		18,951	
Revaluation Adjustment	(7,311)		(2,822)		0	0	(356)	0		(10,489)	
Current Year	6,871		2,918		212	334	341	0		10,676	
<b>Accumulated at 31/03/06</b>	<b>6,871</b>		<b>5,392</b>		<b>757</b>	<b>5,585</b>	<b>533</b>	<b>0</b>		<b>19,138</b>	
<b>Net Book Value at 31/03/06</b>	<b>498,333</b>		<b>71,911</b>		<b>3,621</b>	<b>6,673</b>	<b>8,585</b>	<b>22,862</b>		<b>611,985</b>	

## Notes to consolidated balance sheet

### 1. Fixed Assets (Continued)

#### Fixed Asset Valuation

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

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

#### Depreciation

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

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

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

An analysis of Fixed Assets at 31 March 2006 is:-

2004/05		2005/06
No.		No.
1	Leisure Centre (Incorporating Theatre)	1
1	Swimming pool	1
258.7Ha	Parks, Playing Fields, Woodlands, Open Spaces, Commons	258.7Ha
1	Football Stadium	1
1	Horticultural Centre	1
14.7Ha	Allotments	13.52Ha
1	Golf Course	1
1	Museum	1
14	Community Centres	14
1	Market - Covered	1
2	Cemeteries	2
18	Car Parks	18
6	Civic Offices (Daneshill House/Area Offices)	5
363	Commercial Land and Properties	360
1	Depots	2
8,532	Council Housing	8,463

## Notes to consolidated balance sheet

## 1. Fixed Assets (Continued)

## Expenditure on Fixed Assets

2004/05 £'000		2005/06 £'000
221	Leisure Centres	281
	Shephalbury Academy Grant	325
781	Pavilions	102
303	Parks	217
343	Play	162
	Community Buildings	102
502	Renovation Grants	585
261	Parking Facilities	1,149
585	Recycling	140
215	Environmental Improvements	1,114
39	Community Safety	46
1,471	Office Accommodation	1,335
2,826	Cavendish Road Depot Relocation	929
2,327	Caxton Way-Recycling Centre/Ridgemoor Training Relocation	1,598
125	Commercial Properties	51
1,026	Information Technology	1,194
370	Vehicles	304
7,720	Housing	9,395
185	Other	454
<b>19,300</b>	<b>Total</b>	<b>19,483</b>

## The capital expenditure was financed as follows:-

12,792	Capital Receipts	12,126
5,284	Housing Subsidy, Major Repairs Allowance	5,310
173	Contributions	2,213
96	Grants	124
513	Revenue Contributions	0
(1,519)	Unfinanced (BF)	(1,961)
1,961	Unfinanced (CF)	1,671
<b>19,300</b>	<b>Total</b>	<b>19,483</b>

## Notes to consolidated balance sheet

### 1. Fixed Assets (Continued)

As at 31<sup>st</sup> March 2006 significant commitments for major projects already underway included:-

	<b>£'000</b>
Town Centre Environmental Improvements	642
Depot Replacement – Cavendish Road	687
Window Replacement	296
Decent Homes Phase II	174
Boiler Replacements	431

### 2. Leases

#### Operating Leases

There were no assets acquired by operating leasing during the year and the total capital value of all operating lease agreements at 31<sup>st</sup> March 2006 was approximately £ 1,822,000. Operating lease rental payments for the year amounted to £ 423,691 (2004/05 £359,251). Outstanding obligations at 31<sup>st</sup> March 2006 were £ 371,228 (31<sup>st</sup> March 2005 £765,749).

#### Finance Leases

There were no assets acquired by finance leasing during the year. The gross amount of assets under finance lease agreements is approximately £ 609,000 with a net value after depreciation of approximately £ 365,000 at 31<sup>st</sup> March 2006. Depreciation is on a straight line basis over 5 years.

### 3. Deferred Charges

	<b>31 March 2005</b>	<b>Expenditure</b>	<b>Tfr to CFA*</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Improvement Grants	0	461	(461)	0
Other Grants	0	325	(325)	0
	<u>0</u>	<u>786</u>	<u>(786)</u>	<u>0</u>

\*Capital Financing Account

## Notes to consolidated balance sheet

## 4. Stocks and Work-in-Progress

31 March 2005 £'000		31 March 2006 £'000
	Stocks:	
107	Central Stores	106
83	Other	78
<u>190</u>	<b>Total</b>	<u>184</u>

## 5. Debtors

31 March 2005 £'000		31 March 2006 £'000
81	Mortgages	0
72	Car Loans	61
2,606	Government Departments	3,772
193	Other Local Authorities	226
1,364	Housing Rents	986
2,527	Collection Fund	8,211
171	Temporary Investment interest	160
2,989	Other Debtors	5,817
(1,282)	Provision for Bad Debts	(820)
<u>8,721</u>	<b>Sub-Total</b>	<u>18,413</u>

## 6. Investments

The investments consist of temporary deposits as follows:-

31 March 2005 £'000		31 March 2006 £'000
3,870	Money Markets	1,830
0	Local Authorities	0
8,600	Banks	13,750
4,550	Building Societies	1,250
26,118	Fund Manager	27,313
<u>43,138</u>	<b>Total</b>	<u>44,143</u>

At 31 March 2006 the externally managed fund totalled £ 27,313m being the initial sum of £ 20m plus £ 7,313m accrued interest.

## Notes to consolidated balance sheet

## 7. Creditors

31 March 2005 £'000		31 March 2006 £'000
145	Employees	76
418	Government Departments	946
480	Inland Revenue	506
1	Other Local Authorities	1
622	Housing Rents	724
1,051	Collection Fund	3,799
6,898	Sundry Creditors	5,455
<b>9,615</b>	<b>Total</b>	<b>11,507</b>

## 8. Long Term Borrowing

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

## 9. Government Grants Deferred

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

## 10. Deferred Capital Receipts

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

## 11. Other Reserves

	1 April 2005 £'000	Receipts in year £'000	Payments in year £'000	31 March 2006 £'000
Insurance Fund	341	1,656	1,318	679
Renewals Fund	(48)	262	237	(23)
House Purchase	61	0	11	50
Other	227	61	16	272
<b>Total</b>	<b>581</b>	<b>1,979</b>	<b>1,582</b>	<b>978</b>

The Insurance Fund provides against possible future uninsured losses.

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



## Notes to consolidated balance sheet

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

Other reserves include various overhead and on-cost accounts.

### 12. Usable Capital Receipts Unapplied

Capital receipts from the disposal of assets are held until such time as they are used to finance new capital expenditure. As the Council is now debt free, it is no longer required to set aside part of its receipts for debt repayment and the £ 8.753 m balance of set aside receipts has now been converted to usable receipts. From April 2004 under the Capital Receipts Pooling Legislation, a proportion of Housing Capital Receipts is payable to central government. For 2005/06 a total of £ 2.069 m was paid over (2004/05 £1.618m). Usable capital receipts unapplied as at 31 March 2006 total £ 34.332 m.

### 13. Collection Fund

The Collection Fund is a statutory fund in which the Council records transactions for council tax, business rates and residual community charges. The balances on the Fund due to the Council, Hertfordshire Police Authority and the County Council are £ 169,948 , £ 120,738 and £ 959,518 respectively. The balance available to the Council will be used to reduce the Council Tax in future years.

### 14. Fixed Asset Restatement Account (FARA)

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

### 15. Capital Financing Account

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

2004/05 £'000		2005/06 £'000
<b>163,061</b>	<b>Balance brought forward</b>	<b>162,553</b>
19,076	Capital financing	17,316
779	Write down of contributions	1,139
(406)	Write down of deferred charges	(786)
(11,204)	Depreciation/Impairment	(10,723)
(8,753)	Transfer to Usable Receipts	0
<b>162,553</b>	<b>Balance Carried Forward</b>	<b>169,499</b>

## Notes to consolidated balance sheet

### 16. Analysis of Net Assets Employed

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

<b>31/03/05</b> <b>£'000</b>		<b>31/03/06</b> <b>£'000</b>
99,938	General Fund	114,879
575,513	Housing Revenue Account	543,609
1,294	Collection Fund	1,250
(36,495)	Pensions Reserve	(35,548)
<b>640,250</b>		<b>624,190</b>

### 17. Related Party Transactions

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

Members of the Council have ultimate control over the Council's financial and operating policies. The Council paid grants of £ 1,091,560 to Stevenage Leisure Ltd. and £ 573,787 to other sundry bodies and in total thirty members declared various interests in relation to those bodies. The grants were made with the knowledge of those declarations of interest. All members have completed the Register of Interests required under the statutory Code of Conduct for Members (Local Government Act 2000). The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies.

During 2005/06, the Chief Executive and one Strategic Director were directors of three organisations in receipt of grants totalling £ 117,300 from the Council and have noted their directorships in a register kept by the Council for the noting of officers' interests.

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

### 18. Post Balance Sheet Events

Transfer of management of Housing function to ALMO.

## Notes to consolidated balance sheet

### 19. Net Pensions Liability

Note 12 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme (administered by Hertfordshire County Council). The underlying assets and liabilities for retirement benefits attributable to the Council as at 31<sup>st</sup> March 2006 are as follows:

	<b>2004/05</b> <b>£000</b>	<b>2005/06</b> <b>£000</b>
Estimate assets in Scheme	43,204	53,066
Estimated liabilities in Scheme	(79,699)	(88,614)
<b>Net asset/(liability)</b>	<b>(36,495)</b>	<b>(35,548)</b>

The liabilities show the underlying commitments the Council has in the long term to pay retirement benefits. The total liability of £35.5 m has a significant impact on the net assets of the Council. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuation, the last review being at 31 March 2004. This valuation determined the rates payable from 1 April 2006. Under Pension Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

Liabilities have been assessed on an actuarial basis using the projected unit method that assesses the future liabilities of the fund discounted to their present value. Hymans Robertson, an independent firm of actuaries, has assessed both Stevenage Council and County Council fund liabilities. In order to assess the Pension Fund's liabilities as at 31<sup>st</sup> March 2006, the actuaries have rolled forward the actuarial value of the liabilities reported as at 31<sup>st</sup> March 2005, allowing for changes in financial assumptions. In addition, they have also considered the effect of investment returns, contribution paid into, and estimated benefits paid from, the Fund by the Council and its employees.

The main assumptions used in the calculations are as follows:

	<b>2004/05</b> <b>% per annum</b>	<b>2005/06</b> <b>% per annum</b>
Rate of inflation	2.9	3.1
Rate of increase in salaries	4.4	4.6
Rate of increase in pensions	2.9	3.1
Rate for discounting scheme liabilities	5.4	4.9

## Notes to consolidated balance sheet

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

	Long Term Return %	2004/05 %	2005/06 %
Equity investments	7.4	73	76
Bonds	4.6	15	13
Property	5.5	6	6
Cash	4.6	6	5
		100	100

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

The £35.5 m net liability represents the difference between the value of the Authority's pension fund assets at 31<sup>st</sup> March 2006 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1<sup>st</sup> April 2006 would also have an impact on the capital value of pension fund assets.

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

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

**20. Audit Costs**

In 2005/06 Stevenage Council incurred the following fees relating to external audit and inspection.

	<b>2004/05</b>	<b>2005/06</b>
	<b>£'000s</b>	<b>£'000s</b>
Fees payable to the Audit Commission with regard to external audit services and statutory inspection carried out by the appointed Auditor	168	115
Fees payable to the Audit Commission for the certification of Grant claims and returns	41	119
	209	234

**21. Group Accounts**

Group Accounts are required where there is a significant interest in subsidiaries, associates and joint ventures. The Council has reviewed the applicability of Group Accounts and considers that it has no requirement.

## Direct Service Organisations (DSOs) Summary Revenue Account for the year ending 31 March 2006

2004/05 Surplus/ (Deficit) £'000		2005/06 Income £'000	2005/06 Expenditure £'000	2005/06 Surplus/ (Deficit) £'000
79	Building Maintenance	3,212	3,163	49
64	Street Cleansing	1,583	1,492	91
159	Refuse Collection	2,704	2,547	157
150	Grounds Maintenance	2,675	2,614	61
<b>452</b>	<b>Total</b>	<b>10,174</b>	<b>9,816</b>	<b>358</b>

2004/05 £'000		2005/06 £'000
	Movement in DSO Reserves:-	
452	Surplus for year	358
(373)	Transfer to General Fund	(309)
(79)	Transfer to HRA	(49)
<b>0</b>	<b>Total</b>	<b>0</b>

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

In January 2000 the majority of the Compulsory Competitive Tendering legislation was repealed as part of the Government's commitment to Best Value in the provision of local authority services. The Code of Practice on Commissioning Local Authority Work and Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in September 1999 recommended that authorities maintain such accounts where this is consistent with the aims of Best Value. Accordingly, the statement above summarises the DSOs operations for 2005/06.

## Statement of Total Movements in Reserves

	CAPITAL RESERVES			REVENUE RESERVES			Total £'000
	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Usable Receipts/ Contributions £'000	General Fund £'000	Specific Reserves £'000	HRA £'000	
Balance as at 01/04/05	(468,601)	(162,553)	(30,230)	(11,248)	(581)	(2,238)	36,495 (638,956)
Net (surplus)/ deficit for year		10,370		1,326	(397)	(1,839)	9,460
Actuarial (gains)/ losses for year							(1,070) (1,070)
Unrealised (gains)/loss, from revaluation of fixed assets	25,717						25,717
Effects of disposals of fixed assets:							
Cost or value of assets disposed of	7,083						7,083
Proceeds of disposals			(20,034)				(20,034)
Appropriations to/ (from) Consolidated Revenue Account							123 123
Contributions-Net			(75)				(75)
Financing of fixed assets		(17,316)	12,128				(5,188)
Balance as at 31/03/06	(435,801)	(169,499)	(38,211)	(9,922)	(978)	(4,077)	35,548 (622,940)

## Notes to the Statement of Total Movement in Reserves

### 1. Pensions Reserve

The actuarial gains in 2005/06 are as follows :-

	£000	%
Difference between Expected and Actual Return on Assets	11,377	31.2
Difference between Actuarial assumptions about liabilities and actual experience	(10,307)	(28.2)
Actuarial Gain/(Loss) as at 31 <sup>st</sup> March 2006	1,070	

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

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



## Cash Flow Statement of Revenue and Capital Movements

2004/05 £'000	REVENUE ACTIVITIES	2005/06 £'000
	<b>Payments</b>	
21,360	Cash paid to and on behalf of employees	23,199
30,833	Other operating Costs	224
4,879	Housing Benefits paid out	5,951
0	Pooling of Housing Capital Receipts	1,855
0	NNDR Contributions	39,879
<u>57,072</u>	<b>Total Expenditure</b>	<u>71,108</u>
	<b>Receipts</b>	
(17,003)	Rents (after rebates)	(20,256)
(26,898)	Council Tax Income	(28,418)
27,691	Disbursements from the Collection Fund	29,254
(2,170)	Non-domestic rates grant	(2,301)
(3,887)	Revenue Support Grant	(3,935)
(23,920)	Benefits Subsidy	(26,754)
0	NNDR Income from Businesses	(36,552)
(837)	Other Government Grants	(780)
(16,441)	Cash received for goods and services	19,473
<u>(63,465)</u>	<b>Total Income</b>	<u>(70,269)</u>
(6,393)	<b>Net Cash (inflow)/Outflow from Servicing of Revenue Activities</b>	<b>839</b>
	<b>SERVICING OF FINANCE</b>	
	<b>Expenditure</b>	
0	Interest Paid	0
	<b>Income</b>	
(2,276)	Interest Received	(2,208)
<b>(2,276)</b>	<b>Net Cash (inflow)/Outflow from Servicing of Finance</b>	<b>(2,208)</b>
	<b>CAPITAL ACTIVITIES</b>	
	<b>Expenditure</b>	
18,858	Acquisition of fixed assets	19,773
	<b>Income</b>	
(11,594)	Sale of Fixed Assets	(18,081)
(397)	Capital grants received	(1,574)
<u>6,867</u>	<b>Net Cash Inflow from Capital Activities</b>	<u>118</u>
<b>(1,802)</b>	<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>	<b>(1,251)</b>
	<b>FINANCING</b>	
	<b>Expenditure</b>	
0	Repayments of amounts borrowed	0
	<b>Income</b>	
0	New loans raised	0
<u>(1,802)</u>	<b>NET CASH (INFLOW)OUTFLOW AFTER FINANCING</b>	<u>(1,251)</u>

## Notes to the Cash Flow Statement

## 1. Revenue Activities

2004/05 £'000	Reconciliation of revenue surplus to net cash flow:	2005/06	
		£'000	£'000
(85)	<b>Surplus/Deficit for the year</b>		(1,326)
	Non-cash transactions		
(24,451)	Add/(Less) provisions set aside in the year	(42,177)	
11,521	Add depreciation	11,752	
23,624	Add notional interest	<u>22,749</u>	(7,676)
(2,447)	Add/less contributions to/from reserves		(850)
	<b>Items on an accruals basis</b>		
(29)	Add/(less) decrease/increase in stock	6	
(130)	Add/(less) decrease/increase in debtors	9,322	
1,179	Add/(less) increase/decrease in creditors	<u>1,892</u>	11,220
	<b>Items classified in another classification in the cash flow statement</b>		
	Interest paid		
(2,276)	less investment income	(2,207)	
(513)	Capital Expenditure	<u>0</u>	(2,207)
<u>6,393</u>	<b>Net cash flow (from)/to revenue activities</b>		<u>(839)</u>

## 2. Analysis of Net Cash Inflow/Outflow

2004/05 Net movements £'000		2005/06		
		Balance 1 Apr £'000	Balance 31 Mar £'000	Net Movements £'000
303	Cash at bank	(891)	(645)	(246)
(2,105)	Short Term Investments	43,138	44,143	(1,005)
<u>(1,802)</u>				<u>(1,251)</u>

## Notes to the Cash Flow Statement

### 3. Movement in Liquid Resources

Short Term Investments movements include :-

Call	(1,890)
Up to 3 months	4,700
3-6 months	2,000
6-9 months	1,195
9-12 months	(5,000)
	<u>1,005</u>

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

### 4. Analysis of Government Grants

2004/05 £'000		2005/06 £'000
	<b>Revenue Activities</b>	
3,887	Revenue Support Grant	3,935
2,170	NNDR Receipt from Pool	2,301
23,920	DWP Grants for rebates	26,753
102	NNDR Admin	103
0	LABG 1	136
161	Housing Subsidy	74
330	SRB	234
125	Building Safer Communities	125
119	Planning Delivery Grant	108
<u>30,814</u>	<b>Sub Total</b>	<u>33,769</u>
	<b>Capital Activities</b>	
0	Growth Areas Delivery Grant	878
0	Recycling Grants	422
21	Improvement Grants	124
350	Implementing E-Government	150
<u>371</u>	<b>Sub Total</b>	<u>1,574</u>
<u>31,185</u>	<b>Total Grants</b>	<u>35,343</u>

## Expenditure under Section 137 Local Government Act 1972

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

The expenditure under this Section in any financial year must not exceed £2.50 per head of relevant population for the area, and for Stevenage this limit amounted to £ 199,188 in 2005/06.

The expenditure incurred during the year is as follows :-

2004/05 £	Expenditure	2005/06 £
	Grants to Sundry Bodies Local Welfare	
1,950	- Victim Support Scheme	1,990
250	- Herts Area Rape Crisis	0
1,000	- Garden House Hospice	1,020
1,000	- Pasque Hospice	1,020
4,200		4,030
129,913	School Milk	117,929
<b>134,113</b>	<b>Total</b>	<b>121,959</b>

On 18 October 2000, the provisions covered by section 137 were partly repealed. The above reflects equivalent expenditure for the whole of 2004/05 and 2005/06.

## The Collection Fund Income and Expenditure Account 2005/06

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.

2004/05 £'000		Notes	2005/06	
			£'000	£'000
	<b>INCOME</b>			
	National Non-Domestic			
33,261	Rates (NNDR) Pool	2	33,645	
27,391	Council Tax	1	28,481	
5,065	Council Tax/Community Charge Benefit	1	5,387	
	Contributions			
7	-Adjustment of previous years community charges	3	0	
<u>65,724</u>				<u>67,513</u>
	<b>EXPENDITURE</b>			
	Precepts and Demands:-			
24,599	Hertfordshire County Council		25,985	
4,358	Stevenage Borough Council		4,540	
3,092	Hertfordshire Police Authority		3,270	
				<u>33,795</u>
	National Non-Domestic Rates			
33,051	Payment to National Pool		33,558	
102	Cost of Collection Allowance		103	
				<u>33,661</u>
105	Movement in provision for Doubtful Debts		38	
	Contributions			
30	-Towards previous year's estimated collection fund surplus		63	
<u>65,337</u>				<u>67,557</u>
<b>387</b>	<b>Surplus/(Deficit) for the year</b>			<b>(44)</b>
<u>907</u>	Surplus/(Deficit) as at 1 April			<u>1,294</u>
<u><b>1,294</b></u>	<b>Surplus/(Deficit) as at 31 March</b>			<u><b>1,250</b></u>

**Notes to The Collection Fund Accounts**

**1 Council Tax**

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated; by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D property equivalent and adjusted for discounts; £27,314 for 2005/06). The basic amount of council tax for a band D property £1,222.78 (£1,166.93 for 2004/05) is multiplied by the proportion specified for the particular band to give an individual amount due.

<b>Band</b>	<b>A (Disbld.)</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	0	1,366	5,721	19,928	3,075	2,584	887	401	10	33,972	
Exemptions	0	(84)	(248)	(260)	(40)	(16)	(10)	(7)	(4)	(669)	
Disabled Relief	1	7	86	14	18	3	5	1	0		
Discounts (25%)	(1)	(874)	(3,378)	(5,666)	(665)	(345)	(93)	(41)	(0)		
Discounts (50%)	(0)	(35)	(109)	(126)	(16)	(16)	(10)	(6)	(2)		
Equated Value Discount	(0.25)	(236.00)	(899.00)	(1,479.50)	(174.25)	(94.25)	(28.25)	(13.25)	(1.00)	(2,926)	
Effective Properties	0.75	1,052.00	4,653.00	18,116.50	2,864.75	2,458.75	850.75	376.75	4.00	30,377	
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	701.33	3,619.00	16,103.56	2,864.75	3,005.14	1,228.86	627.92	8.00	28,159	
<b>Council Tax Base</b>				Band D equivalent multiplied by collection rate of 97%							27,314

The income chargeable of £ 38,132,589 for 2005/06 is from the following sources:

<b>2004/05</b>		<b>2005/06</b>
<b>£</b>		<b>£</b>
27,390,664	Billed to Council Tax Payers	28,484,859
5,064,596	Council Tax Benefits	5,387,122
3,871,280	Exemptions, Discounts, etc.	4,260,608
<b>36,326,540</b>		<b>38,132,589</b>

## Notes to The Collection Fund Accounts

### 2 National Non-Domestic Rates

The Government specifies an amount (45.6p in 2004/05 and 42.2p in 2005/06) 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 £ 33.56 million for 2005/06 (£33.05m 2004/05). The rateable value for the Council's area is £ 102.2 million at 31 March 2006 (£82.85m at 31 March 2005). The rateable value changes throughout the year due to increases and decreases in assessments.

### 3 Adjustments for Previous Years' Community Charge

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

### 4 Contributions to Collection Fund Surpluses and Deficits

The balance of £ 1,250,204 on the Collection Fund as at 31 March 2006 will be distributed in subsequent financial years to Hertfordshire County Council, Hertfordshire Police Authority and the Council in the proportion to the value of the respective precept and demand made by the three authorities on the Collection Fund as follow:-

<b>2004/05</b> £		<b>2005/06</b> £
177,318	Stevenage Borough	169,948
124,843	Hertfordshire Police Authority	120,738
992,452	Hertfordshire County Council	959,518
<b>1,294,613</b>	<b>Total</b>	<b>1,250,204</b>

## Statement on Internal Control

### 1. Introduction

Regulation 4 of the Accounts and Audit Regulations 2003 which came into force on 1 April 2003 requires the Council to publish a statement on internal control (SIC) with its financial statements in accordance with proper practice. The necessary assurances in support of a full statement for 2005/06 were presented to the Audit Committee on 30 May 2006.

### 2. Corporate Governance

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

### 3. Internal Control

#### i. Scope of Responsibility

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

#### ii. The Purpose of the System of Internal Control

The system of internal control is designed to manage risks to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them economically, efficiently and effectively. The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the annual accounts.



### iii. The Internal Control Environment

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

#### Establishing and Monitoring the Achievement of Objectives

In June 2005 the Council published its Best Value Performance Plan 2005/06 setting out the Council's ambitions for the Borough until 2009/10. The Plan sets out the Council's vision for the next five years, its core values and its strategic aims. The Plan via its detailed objectives also links with the Stevenage Community Strategy and is supported by a series of other strategies and plans including Service Plans. The Plan has been placed at the centre of the Council's policy and financial planning framework so that service priorities and budgets decisions are formed with the achievement of the Plan as the highest corporate priority. All objectives in the Plan are each individually "owned" by a Portfolio holder and a senior officer and there are regular reviews of the Plan by SMB and the Executive during the year. The Council has developed and enhanced strong and robust performance monitoring arrangements for key performance indicators through the Performance, Priorities and Improvement Group (PPIG). The PPIG ensures that performance monitoring focuses on priorities and outcomes whilst enabling members and officers to understand the reasons for variations in performance against targets with corrective action taken where necessary.

#### The Facilitation of Policy and Decision-Making

The Council has an approved Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The majority of the Council's functions are vested in the Executive. Therefore most decisions are taken by the Executive, Committees of the Executive, or by the relevant individual Portfolio Holder. Those Council functions which are not vested in the Executive (mainly planning and development and licensing functions) 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, or Portfolio. The Portfolio areas are:-

- Housing
- Community and Culture
- The Environment
- Health & E-government
- Resources
- Personnel
- Community Safety
- Performance and Improvement.

The Council appoints the Leader and agrees the extent of the eight individual portfolios of executive functions. Major or 'Key' decisions are required to be published in advance on the Council's website as part of the Executives four month 'Forward Plan' and will generally be discussed in a meeting open to the public. All decisions must be made within the parameters of the overall policy and budgetary framework which has been set by full Council. Any decisions the Cabinet wishes to take outside the budgetary or policy framework must be referred to Full Council for approval. There is one Scrutiny Overview Committee and four Scrutiny Panels who support and monitor the work of the Executive and also monitor other decisions such as Portfolio Holder decisions and service performance. A "call-in" procedure allows the Scrutiny Committee/relevant Panel to scrutinise decisions taken by the Executive or individual Portfolio Holder before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered by the decision taker. The Constitution itself is subject to periodic review.

#### Compliance with Policies, Procedures, Laws and Regulations

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

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

The Council has an approved Risk Management Strategy and Strategic and Operational Risk Registers. Both the Strategic and Operational Risk Registers require risks to be scored (e.g. likelihood and impact) and require the risk owner to list a mitigation strategy including date of implementation. All risks are subject to quarterly reviews per the Strategy. During 2005/06 each service has identified both Strategic and Operational Risks as part of the service planning process. The Strategic Risk Register will be monitored by the Councils Programme Management Board on a quarterly basis. The Operational Risk Registers will be monitored by the relevant Heads of Service and reported to the Councils Programme Management Board on an exception basis. The Council also requires project risks to be identified for major capital schemes before approval.

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

#### Internal Audit Arrangements

Internal audit is delivered in partnership with Uttlesford District Council, an arrangement that continues to satisfy 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. Annual audit coverage is linked to an approved strategic work plan and ensures that all services are reviewed on a cyclical basis. The frequency with which services are audited within the cycle is determined by risk assessment. By reviewing the Council's systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework. Internal Audit operate to defined standards (CIPFA/IIA). The Audit Manager reports to the Council's Head of Finance and Assistant Chief Executive (Finance). An Audit Committee was established in May 2006 and its duties include advising and commenting on:-

- the adequacy of management response to Internal Audit reports and recommendations
- 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 Statement on Internal Control
- the Council's risk management arrangements
- the Council's arrangements for delivering value for money

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

Ensuring Economic, Efficient and Effective Use of Resources

The Council continues to review and develop its budgetary monitoring and control processes to ensure that financial resources are used to their best advantage. Financial Planning is underpinned by Service Planning with increased expenditure in any service being justified to the SMB and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several years. PMB is tasked with prioritising resources to ensure that the objectives within the Best Value Performance Plan are supported by the individual service plans and that improvements are in line with corporate objectives. Economic and effective use of services is subject to review through the work of both Internal and External Audit.

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

Financial Management

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

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision 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 current processes (2005/06) include the following:

- the setting of annual budgets;
- monitoring of actual income and expenditure against the annual budgets;
- a mid year review of the annual budget;
- monthly budget reviews to estimate likely outturn figures;
- periodic reporting of the Council's financial position to Members;
- clearly defined capital expenditure guidelines as outlined in the Capital Strategy;
- the monitoring of finances against a Medium Term Plan.

During 2006/07 the Council proposes to strengthen these processes and will be responding to external audit, Comprehensive Performance Assessment (CPA) and Use of Resources requirements.

The Council does not have comprehensive procedure notes/manuals in place for all key financial systems, but it is planned to produce this guidance on a phased basis which will be completed by December 2007.

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 an annual basis. Additionally, to inform the capital planning process the Council has developed a Capital Strategy to prioritise, target and measure the performance of its capital resources. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.

Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Best Value Performance Plan. In 2006/07 the Council will 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. In addition a review is taking place to identify reasons for underspends and implement systems to avoid material variances. 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 twice yearly to the Resources Scrutiny Committee.

#### Performance Management

The Council has had a performance management system 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. 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. A number of further improvements have been introduced including the introduction of BVPI improvement clinics.

Review of Effectiveness

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

The review will be principally informed by :-

- the work of the Internal Auditors
- the work of managers within the Council
- the external auditors in their annual audit and inspection letter and other reports
- comments by other review agencies and inspectorates

The Audit Partnership Manager's Annual Report for 2005/06 will be presented to the Audit Committee on 30 May 2006. Issues that the Audit Partnership Manager considers should be included in this Statement of Internal Control are shown below.

Significant Control Issues

For the year ended 31 March 2004, external audit identified a few key actions in the Annual Audit and Inspection letter. Action plans have been developed to address the issues raised.

The 2004/05 Annual Audit and Inspection Letter and the Annual Internal Audit Report 2005/06 were presented to the Audit Committee on 30 May 2006. External audit generally found the Council's systems of internal control robust and the Letter stated that "aside from our use of resources assessment findings, we have not identified any further significant weaknesses in the overall control framework." Detailed Improvement Plans have been developed for the issues included in the Use of Resources assessment and the Internal Audit annual report. In summary, these are as follows:

Description of actions	What needs to be done	Target Date
<u>Use of Resources Assessment</u>		
Risk management improvement	Processes and reporting to be further developed and training of Member/Officers be progressed.	March 2007
Improvement in Financial Reporting	Summary accounts and the needs of stakeholders to be developed.	December 2006
Continued development of Financial Management across the Council.	Investigate reasons for underspends and develop performance measurement and benchmarking.	December 2006
Improvement in costs information to enhance value for money investigations.	Unit costs to be developed as part of key budget setting and performance management processes.	December 2006
<u>Internal Audit Report</u>		
Bank reconciliation and clearance of some suspense accounts.	Ensure up to date reconciliations are achieved, develop monitoring arrangements, and procedure notes to be progressed.	December 2007
Revenue Control e.g. Car Parks	Procedure notes and monitoring arrangements improved.	December 2006
Improvements in Benefits administration.	Interim Head of Service to assist in developing and monitoring the improvement plan completion.	December 2006
Financial administration e.g. sundry debtors, invoicing and post opening.	Systems to be investigated and procedure notes developed.	November 2006



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



Leader of the Council

23 June 2006



Chief Executive

23 June 2006



Assistant Chief  
Executive (Finance)

23 June 2006



## Statement of Responsibilities for the Statement of Accounts

### Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

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

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

The Assistant Chief Executive (Finance) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

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

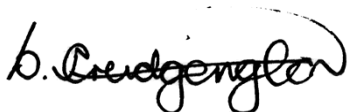
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the code.

The Assistant Chief Executive (Finance) has also:

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

### Certificate of Chief Financial Officer

I certify that this statement of accounts has been prepared in accordance with Regulation 7 of the Accounts and Audit Regulations 2003 and it is that upon which the Auditor should enter his opinion.



Assistant Chief Executive (Finance)

## SUBJECT TO AUDIT

### Independent Auditor's Report to Stevenage Borough Council

I have audited the statement of accounts on pages 12 to 44 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 52 to 58.

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

#### Respective Responsibilities of the Assistant Chief Executive (Finance) and Auditor

As described on page 54 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly:

- the financial position of the Council and its income and expenditure for the year,

I review whether the statement on internal control on pages 45 to 52 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

#### Basis of audit opinion

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

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

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

**Opinion**

In my opinion the statement of accounts presents fairly the financial position of Stevenage Borough Council as at 31 March 2006 and its income and expenditure for the year then ended.

**Certificate**

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

Signature..... Date .....

Name:....., **District Auditor**  
Address: **Audit Commission, 1<sup>st</sup> and 2<sup>nd</sup> Floors, Sheffield House, Lytton Way, off Gates Way, Stevenage, Herts, SG1 3HG**

## Statement of Accounting Policies

### 1. General

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

### 2. Basis of Consolidation

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

The General Fund  
Housing Revenue Account  
The Collection Fund

All internal balances are eliminated on consolidation.

### 3. Accruals of Income and Expenditure

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

Interest payable and receivable on borrowings is accounted for in the year to which it relates on a basis that reflects the overall effect of the loan or investment. The proportion payable to the Housing Revenue Account is specified in regulations and based on net balances. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

**4. Provisions**

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred. These include a provision in respect of doubtful debts. These adjustments are in full compliance with the recommendations of the Code of Practice.

**5. Reserves**

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

**6. Government Grants**

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

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

**7. Pensions**

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

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

- Current service cost – the increase in liabilities, as result of years of service earned this year – allocated to the revenue accounts of services for whom the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities, during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue.

- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employees contributions to the pension fund.
- Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on the average of the expected long-term return - credited to Net Operating Expenditure.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Consolidated Revenue Account this means that there is an appropriation to the Pensions Reserve after Net Operating Expenditure to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

## 8. VAT

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

## 9. Cost of Support Services

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

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

## 10. Fixed Assets

A proportion of the Council's assets are revalued on an annual basis as part of the continuous rolling revaluation that aims to cover all assets over a 5 year period. The latest valuation certificates are dated 1 April 2005 and revaluations are carried out by both the Council's inhouse professional staff and a private firm of Chartered Surveyors.

Fixed assets are valued as at 1 April on the basis recommended by CIPFA and in accordance with the Royal Institution of Chartered Surveyor's Appraisal and Valuation standards. The following valuation basis were employed:

- non-operational property (investments, surplus and development property), valued on the basis of Market Value;
- operational, non-specialised property, valued on the basis of Existing Use Value (EUV);
- operational housing valued on the basis of Existing Use Value for Social Housing (EUV-SH);
- operational specialised properties, valued using the depreciated replacement cost method;

- Vehicles, Plant and Equipment, valued on the basis of purchase price written down over its useful life.

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

### **11. Impairment**

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

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

### **12. Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Fixed Asset Restatement Reserve.

### **13. Depreciation**

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

### **14. Basis of Capital Charges**

#### **i. General Fund Service Accounts**

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

#### **ii. Deferred Charges**

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

#### **iii. Housing Revenue Account (HRA) Charges**

The capital charges are calculated in accordance with the Item 8 debit determination under powers included in the Local Government and Housing Act 1989. In essence this means that the account is credited with a proportion of total external interest receipts based on the mid year HRA credit ceiling. New investment on the provision of capital assets is chargeable to the HRA to the extent that it is not funded by the use of capital receipts.

iv. Long-Term Debtors

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

**15. Leasing**

Rentals for vehicles and equipment paid under operating leases are charged to revenue on a straight line basis over the term of the lease, but the Council is not entering into any new lease agreements.

**16. Capital Receipts**

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

**17. Employee Costs Charged to Capital Schemes**

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

**18. Stocks and Work in Progress**

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

**19. Investments**

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



## 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 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 employees 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.

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.

**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.

**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.

**Revenue Expenditure**

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