

# Statement of Accounts 2008/09

DRAFT

***Ste******enage***  
***BOROUGH COUNCIL***



The 2008/09 Draft Statement of Accounts was approved  
at the Special Audit Committee held on 29 June 2009.

Chair  
Audit Committee

Resources Portfolio Holder



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## Foreword by Strategic Director (Chief Financial Officer)

The Accounts of Stevenage Borough Council for the year ended 31<sup>st</sup> March 2009 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the 2008 Statement of Recommended Practice (SORP) for Accounting in Local Government in 2008/09.

The Council spends some £102 million each year on your behalf providing Services for people in the town. Some 54% of the money to pay for these services comes directly from you, in the council tax you pay to us, in the rents for housing and the charges we make for some of our services. Each year, the Council is required to give the residents of Stevenage clear information about its activities and financial management and this is what this document sets out to show, coupled with our accounts summary.

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

In addition, during 2008/09, all Councils continued to undergo a 'use of resources' inspection by the Audit Commission that reviewed aspects of financial management and governance arrangements across the council and gave an opinion on whether the Council was delivering value for money for the services we provide. The Council was determined as reaching a Level 3 rating (Consistently above the minimum requirements – performing well).

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

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

## **Foreword by Strategic Director (Chief Financial Officer) (continued)**

As with most organisations, the council hasn't been immune to the effects of the economic slowdown. During 2008/09, the financial impact has been over £0.6 million, from reduced income, reductions in investment returns and increased utility costs. The council has updated its financial forecasts to reflect the expected continuing downturn during 2009/10. However, as a community leader the Council has recognised the impact that the recession is having on our residents and local businesses. As a result the Council established an economic taskforce to co-ordinate the work and support the council and its partners can provide. This work includes taking practical steps in areas such as avoiding homelessness, financial advice and income maximisation and job search.

As well as striking a balance between the needs of the HRA and the General Fund, in both areas the Council has sought to achieve savings and maximise resource deployment opportunities. To assist this, the Council established a Leader's Services Priority Group to prioritise the Council's services in order to determine future resource allocations and growth. Following this extensive exercise, the Council has identified over £2.7 million of savings over the last two years that will be used to contribute to solving the underlying budget gap.

Revenue Balances are planned to be used in a phased way to bridge the gap between net expenditure and core resources over the medium term. The Council is a 'debt-free' authority with no outstanding long term borrowing.

On the 1 October 2006 the Council set up Stevenage Homes Limited (SHL) as an Arm's Length Management Organisation (ALMO). This means that Council housing is still owned by the Council, but managed and maintained by SHL as a separate organisation. SHL has tenants, Councillors and independent people on its management board and is a new way of delivering the Council's landlord services, to achieve the Decent Homes Standard, seek to increase service standards and efficiency generally and give tenants a bigger say. SHL is a Company Limited by Guarantee and is wholly owned by the Council. As such its Company Accounts have to be "grouped" with those of the Council for financial reporting purposes and these requirements are therefore reflected here within the Council's Statement of Accounts. In February 2009, SHL underwent an Audit Commission inspection and achieved two star status that allows them access to £55m of supported funding to deliver the decent homes standard across the Council's housing stock.

## Foreword by Strategic Director (Chief Financial Officer) (continued)

The Council has continued with its commitment to consultation regarding its priorities and resource allocation. Over the last 12 months we have run a consultation forum via the Hertfordshire Chamber of Commerce, with representatives from the local business community and other organisations, and a budget consultation exercise “the Community Conference” in order to obtain views and opinions of Stevenage residents on how the Council spends its money. Both of these events have helped shape our future financial priorities. In addition we have been making plans to introduce participatory budgeting for the coming financial year which will give residents even more say on where the Council’s resources are allocated.

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

Other publications include:

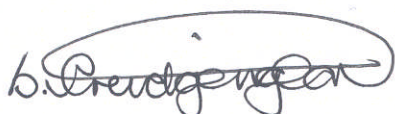
The Corporate Plan, Making a Difference – sets a clear direction for the Council, and a focus for service planning and budget setting.

An Annual Report summarises achievements against the Council’s ambitions and priorities each year, and sets out results for corporate performance indicators.

We also produce a wide range of other publications, available free from the Council offices at Daneshill House. You may also visit our website at [www.stevenage.gov.uk](http://www.stevenage.gov.uk).

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

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



**Scott Crudgington**  
Strategic Director (Chief Financial Officer).



## About Stevenage Borough Council

### Background

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

### General Statistics

2007/08		2008/09
	<b>Area and Population</b>	
2,606	Area (hectares)	2,606
79,400	Population	79,400
30.47	Population per Hectare	30.47
	<b>Council Tax</b>	
30,586	Number of Chargeable Dwellings	31,102
	Council Tax per Property in Band D	
174.63	- Stevenage Borough Council	181.44
1,034.13	- Hertfordshire County Council	1081.12
130.17	- Hertfordshire Police Authority	136.67
<u>1,338.93</u>	<b>Total Council Tax</b>	<u>1,399.23</u>

### 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. The Council had a short term loan at 31 March 2009 of £2,000,000 which was repaid on the 1 April 2009.

### Population

The population figure is the Mid Year Estimate compiled by the Office of National Statistics.

## **General information**

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

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

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

As Britain's first New Town, designated in 1946 Stevenage has been planned to facilitate ease of movement. It has a comprehensive road network with a segregated cycleway system and ample car parking facilities. The town centre itself has parking for 3,000 cars.

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

Ten residential neighbourhoods have been developed as the town has grown to its current population of about 80,000. Each neighbourhood community is served by a range of local facilities including shops, a community centre, and medical facilities. The Borough Council owns a considerable number of residential and commercial properties in the town, especially in the New Town neighbourhoods.

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

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

re-shape leisure, health and education provision within the town to address concerns about the quality of facilities, lower than average educational attainment and higher than average levels of premature death.

## **Services**

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

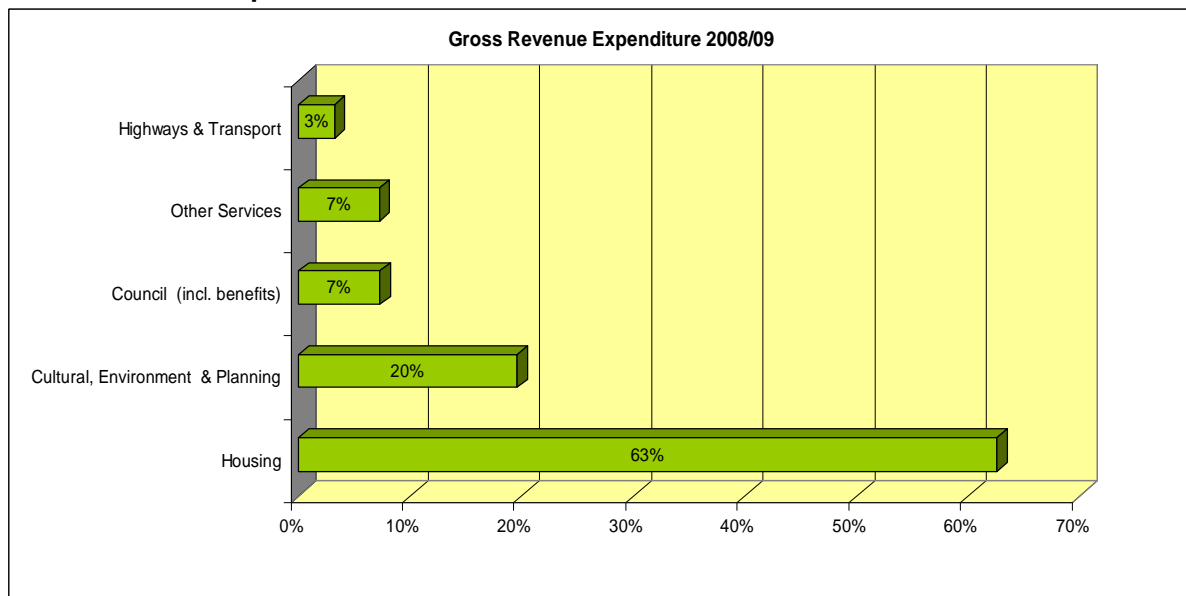
Each Councillor serves for four years and elections are held in three years out of four. In each of these three years, one third of Councillors stand for election. In the fourth year, the elections to Hertfordshire County Council take place.

The main services provided by the Borough Council are:

- Refuse Collection and Recycling
- Street Cleansing
- Leisure & Arts Services (including Stevenage Leisure Limited)
- Parks and Open Spaces
- Play & Youth Services
- Environmental Health
- Economic Development & Physical Regeneration
- Building Control and Planning
- Car Parking
- Public Transport Subsidies
- Housing (the housing stock is managed by Stevenage Homes Limited (SHL))
- Community Services
- Community Safety
- Council Tax Collection
- Housing & Council Tax Benefits

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

### Gross Revenue Expenditure 2008/09

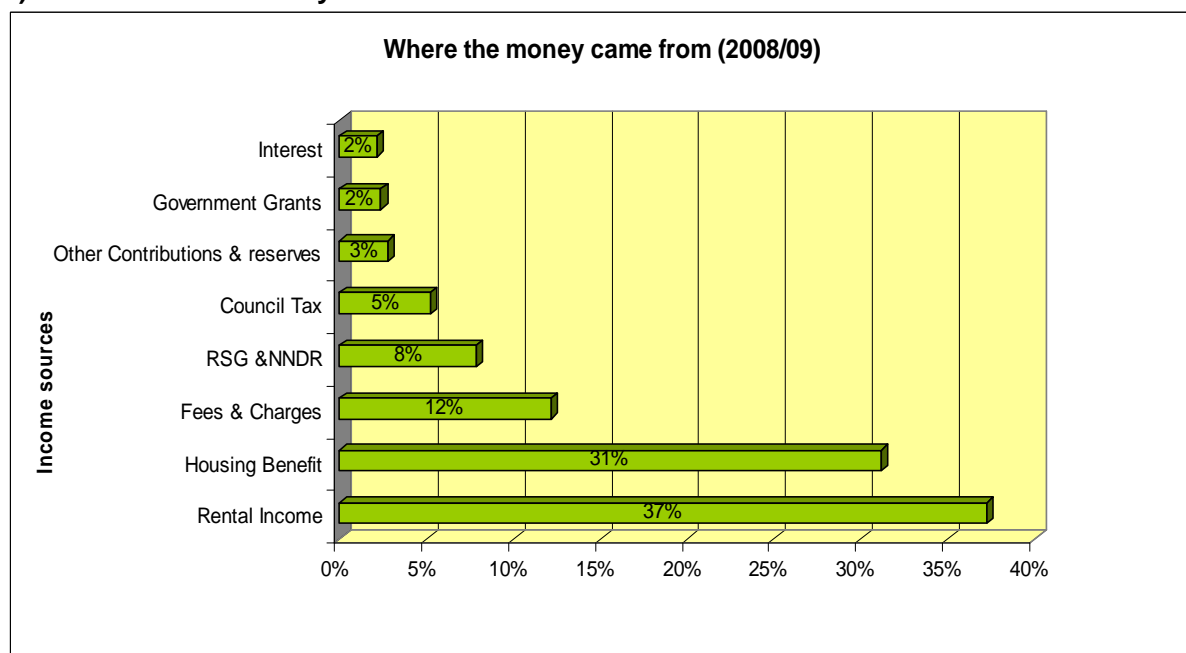


The largest category of expenditure relates to housing (63%), this includes the cost of managing the housing stock (by Stevenage Homes Limited) and rent allowances and rebates.

Other services (7%), includes non domestic rates collection, trading operations, cost of democracy and corporate and democratic core.

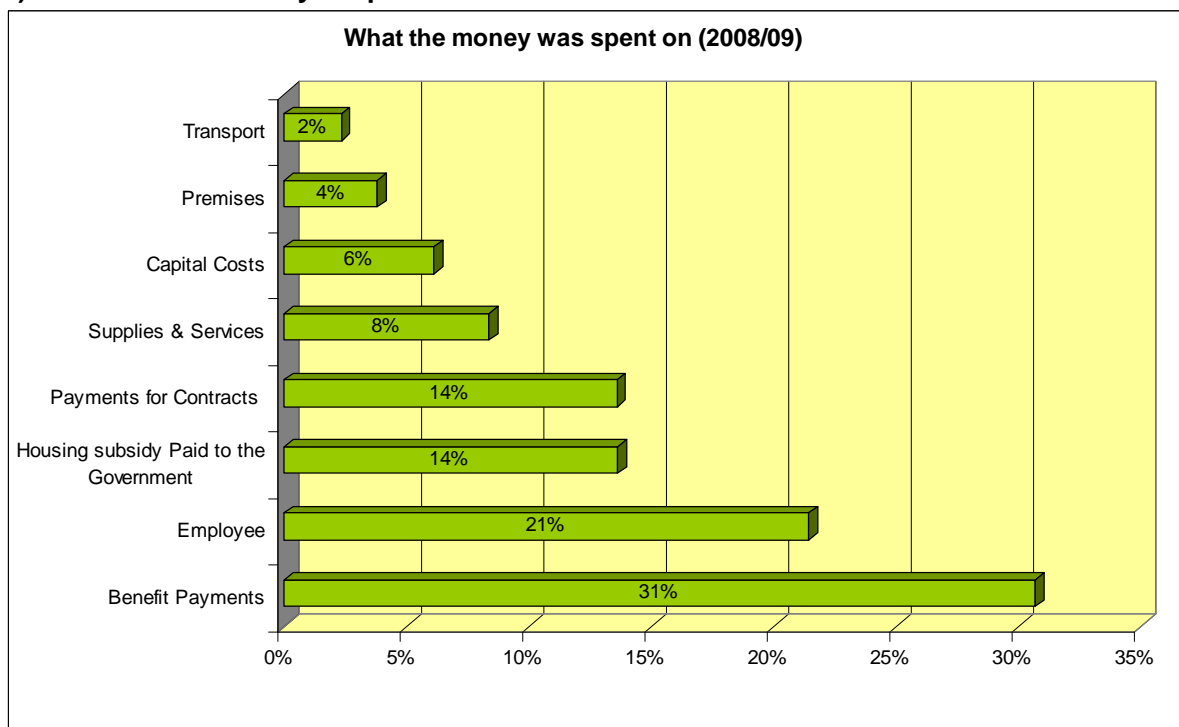
The charts below show in broad terms where the Council's money comes from and what it is spent on.

### a) Where the money came from



The largest source of income is rents, which includes commercial and housing rents (37%). The second largest source of income is from housing benefit (31%). However the Council spends 31% of its expenditure on benefit payments. Only 5% of the Council's gross income comes from Council Tax.

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



The largest category of expenditure is benefit payments (31%). Employees are the second largest category of expenditure, this also includes salary and wage related costs such as advertising, training and insurance. Housing subsidy paid to the government is the third largest category of expenditure, this is the amount that the government reclaims from the HRA.

## Executive Summary

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

### Income & Expenditure Account for the year ended 31 March 2009

2007/08			2008/09	
Single Entity £'000	Group £'000		Single Entity £'000	Group £'000
34,810	33,558	Net Cost of Services	38,961	40,050
329	50	Interest, contributions and other charges	(677)	(572)
35,139	33,608	Net Operating Expenditure	38,284	39,478
(12,490)	(12,490)	Precepts, Grants & Contributions	(13,040)	(13,040)
22,649	21,118	(Surplus) / Deficit for Year	25,244	26,438
(20,299)	(20,299)	Net additional amount required by statute & non-statutory proper practices	(23,124)	(23,124)
2,350	819	Decrease in Revenue Balances	2,120	3,314
(7,376)	(7,677)	Balance at 1 April	(5,026)	(6,858)
<b>(5,026)</b>	<b>(6,858)</b>	<b>Balance at 31 March</b>	<b>(2,906)</b>	<b>(3,544)</b>

### Balance Sheet as at 31 March 2009

2007/08			2008/09	
Single Entity Restated £'000	Group Restated £'000		Single Entity £'000	Group £'000
<b>Assets</b>				
714,832	714,832	Long Term Assets	745,044	745,043
38,260	37,988	Current Assets	41,141	40,868
(18,750)	(16,558)	Current Liabilities	(19,812)	(18,618)
(28,988)	(29,033)	Long Term Liabilities	(48,705)	(51,379)
<b>705,354</b>	<b>707,229</b>	<b>Total Assets Less Liabilities</b>	<b>717,668</b>	<b>715,914</b>
<b>Fund Balances &amp; Reserves</b>				
626,396	626,396	Capital Adjustment Account	626,121	626,122
70,716	70,716	Revaluation Reserve	107,626	107,626
8,242	10,117	Other	(16,079)	(17,834)
<b>705,354</b>	<b>707,229</b>	<b>Total Fund Balances &amp; Reserves</b>	<b>717,668</b>	<b>715,914</b>

## **Explanatory Foreword**

The Council's Accounts for the year 2008/09 are set out below. The Council has a controlling interest in the direction of SHL and has, in accordance with the Statement of Recommended Practice 2008 (SORP), produced Group Accounts to better reflect the overall financial performance of the Group in addition to Single Entity Accounts for the Council.

## **Single Entity Financial Statements**

### **Core Statements**

- ◆ **Income & Expenditure Account**
  - Which summarises the resources generated & consumed by the Council in the year
- ◆ **Statement of Movement on the General Fund Balance**
  - Which shows how the net resources consumed in the year are linked to the statutory requirements for raising council tax
- ◆ **Statement of Total Recognised Gains & Losses**
  - Which demonstrates how the movement in the net worth in the Balance Sheet is identified to the Income & Expenditure Account and other unrealised gains & losses
- ◆ **Balance Sheet**
  - Which sets out the financial position of the Council as at 31 March 2009 and includes a net pensions liability of £33,634,000 which represents the difference between estimated pension fund assets and liabilities.
- ◆ **Cash Flow Statement**
  - Which summarises the total movement of the Council's funds
- ◆ **Notes to Core Financial Statements**
  - Which provide additional information in support of the Core Financial Statements

### **Supplementary Statements**

- ◆ **Housing Revenue Account Income & Expenditure Account & Notes**
  - Which shows income and expenditure on council housing
- ◆ **Statement of Movement on the HRA Balance**
  - Which shows how the HRA surplus/deficit for the year reconciles to the HRA Balance as at 31 March 2009
- ◆ **Collection Fund Account & Notes**
  - Which shows the collection of Council Tax and National Non-Domestic Rates (NNDR) and payments from this fund to the Council, Hertfordshire County Council and Hertfordshire Police Authority to meet their expenditure.

## Explanatory Foreword

### Group Financial Statements

- ◆ **Group Income & Expenditure Account**
  - Which summarises the resources generated & consumed by the Group in the year
- ◆ **Reconciliation of the Single Entity Surplus/Deficit to Group Surplus/Deficit**
  - Which shows the contribution Group entities make to the overall surplus/deficit as reported in the Group Income & Expenditure Account
- ◆ **Group Statement of Total Recognised Gains & Losses**
  - Which demonstrates how the movement in the net worth in the Group Balance Sheet is identified to the Group Income & Expenditure Account and other unrealised gains & losses
- ◆ **Group Balance Sheet**
  - Which sets out the financial position of the Group as at 31 March 2009 and includes a net pensions liability of £36,308,000 which represents the difference between estimated pension fund assets and liabilities.
- ◆ **Group Cash flow Statement**
  - Which summarises the total movement of the Group funds
- ◆ **Notes to Group Financial Statements**
  - Which provide additional information in support of the Group Financial Statements



## Explanatory Foreword

### Budget – General Fund

The main components of the General Fund Budget for 2008/09 and how these compare with actual income and expenditure are set out below: -

	Original Budget 2008/09	Working Budget 2008/09	Actual 2008/09	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure on Services	71,395	71,640	75,828	4,188
Income	(51,223)	(51,538)	(52,669)	(1,131)
<b>Total Service Expenditure</b>	<b>20,172</b>	<b>20,102</b>	<b>23,159</b>	<b>3,057</b>
Reversal of capital charges to neutralise the impact on the Council Tax Payer	(5,160)	(5,167)	(8,091)	(2,924)
<b>Total Net Operating Expenditure</b>	<b>15,012</b>	<b>14,935</b>	<b>15,068</b>	<b>133</b>
Government grants incl. RSG & NNDR	(7,775)	(7,775)	(7,775)	0
Collection Fund Income	(5,173)	(5,173)	(5,173)	0
Net change in reserves for year	2,064	1,987	2,120	133
Balance brought forward	(5,026)	(5,026)	(5,026)	0
<b>Balance Carried forward</b>	<b>(2,962)</b>	<b>(3,039)</b>	<b>(2,906)</b>	<b>133</b>

The working budget was approved by Executive in March 2009 and relates to the third quarter monitoring projection. The 2008/09 actual net spend on the General Fund was £132,498 higher than the third quarter projected budget. Some of the main variances are listed below:

#### Expenditure:

General Fund gross expenditure was **£4,187,550** higher than the third quarter projection. However of this **£3,311,760** were notional charges relating to higher than estimated depreciation and impairment costs. These additional charges arise because of a higher valuation of General Fund assets and consequently a higher depreciation charge for the assets, or because the value of the assets have decreased and consequently an impairment charge is incurred. Depreciation and impairment charges do not impact on the council tax payer, but are required accounting entries, that are reversed out below the line, to neutralise the impact on the council tax payer.

General Fund assets were re-valued £7,156,035 higher in 2008/09 and related in part to garages, investment properties (e.g. surgeries, public houses football ground) and some of the neighbourhood centres. Impairment of £2,302,250 was incurred on assets including the Council's offices due a lower market valuation. (See also note 13 Fixed Assets).

## Explanatory Foreword

### Budget – General Fund

Other expenditure variances totalling **£875,790** impacted on the General Fund and are listed below:

- Housing benefit payments for rent rebates, allowances and council tax, increased by **£441,653** or 1.44% than the estimate of £30,709,870. However was also an increase in subsidy claimed of £449,693, (giving a net favourable budget variance for benefits of £8,040).
- Redundancy cost of **£287,194**, were incurred in 2008/09, of which £231,141 related to redundancies as a result of the deferral/deletions on the capital programme. The Council had sought to get a capitalisation direction from the government to fund the redundancies from capital, however this was not approved by the Government for 2008/09.
- A provision was made relating to senior management changes (see also provisions note 22), of which **£76,572** was charged to the General Fund. A further charge of **£216,873** was made to the General Fund for bad debts.
- Costs of **£170,445** relating to a fire damaged pavilion which were incurred in capital, (but did not result in the asset being restated) were charged to revenue. However, insurance income of £170,445 was credited to General Fund income, meaning there was no adverse impact on net expenditure.
- There were other net under spends of **£316,947**, relating to the General Fund.

### Income

General Fund gross income was **£1,131,556** higher than the third quarter projection, **£620,138** relates to increased subsidy income and insurance income identified above.

There was also **£149,286** of income which related to grant, funding capital spend on disabled adaptations. This type of expenditure is called 'revenue expenditure funded from capital under statute', (formally known as deferred charges). The expenditure does not create an asset for the council and is therefore written off to revenue. If the expenditure is funded from grant, the income is also charged to revenue and no reversal is therefore required to neutralise the impact on the council tax payer.

Other income variances totalling **£362,132** had a favourable impact on the General Fund and are listed below:

- Following a balance sheet audit, balances held on the balance sheet, monies relating to grants and other income were identified which should be credited to the General Fund. Some of these balances totalling **£313,669** related to a number of prior years and were written off to revenue.
- There were other net increases in fees and charges of **£48,463**.

## Explanatory Foreword

### Budget – Housing Revenue Account (HRA)

The main components of the HRA for 2008/09 and how these compared with actual income and expenditure are set out below: -

	Original Budget 2008/09	Working Budget 2008/09	Actual 2008/09	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure	38,387	39,462	50,221	10,759
Income	(35,829)	(36,173)	(36,402)	(229)
<b>Net Cost of HRA</b>	<b>2,558</b>	<b>3,289</b>	<b>13,819</b>	<b>10,530</b>
Reversal of Capital Charges	(1,279)	(1,923)	(12,831)	(10,908)
<b>(Surplus) / Deficit for the year</b>	<b>1,279</b>	<b>1,366</b>	<b>988</b>	<b>(378)</b>
Balance brought forward	(3,083)	(3,083)	(3,083)	0
<b>Balance Carried forward</b>	<b>(1,804)</b>	<b>(1,717)</b>	<b>(2,095)</b>	<b>(378)</b>

The working budget was approved by Executive in March 2009 and relates to the third quarter monitoring projection. The 2008/09 actual net spend on the HRA was £378,550 lower than the third quarter projected budget. Some of the main variances are listed below:

#### Expenditure:

HRA gross expenditure was **£10,758,264** higher than the third quarter projection. However of this **£10,907,978** were notional charges relating to higher than estimated depreciation and impairment costs. These additional charges arise because of a higher valuation of HRA assets and consequently a higher depreciation charge. The value of capital expenditure on council housing was also treated as an impairment, (as in 2007/08). This is because the houses are valued on existing use as at the 1 April and the capital works did not increase the 'existing use' valuation. Depreciation and impairment charges do not impact on the tenant, but are required accounting entries, that are reversed out below the line, to neutralise the impact on the HRA.

## **Explanatory Foreword**

### **Budget – Housing Revenue Account (HRA)**

Other expenditure under spend variances totalling **£149,714** reduced the HRA net spend and are listed below:

- Debt charges of **£125,000** which pay for the supported borrowing were not spent in 2008/09, as no loans were taken out.
- Energy cost budgets were increased as a result of the new utilities contract in October, however there was an under spend of **£160,471** against the revised estimate.
- Budgets were provided for in the 2008/09 HRA budget for additional provision for job evaluation of **£277,190**, the provision liability was assessed at 31 March 2009 and this additional budget was not required.
- Insurance charges to the HRA were **£56,920** higher than estimated based on claim experience. Support recharges from the General Fund were **£330,943** higher than the estimate.
- There were other net over spends of **£25,084**, relating to the HRA

### **Income**

HRA gross income was **£228,836 higher** than the third quarter projection, the main variances are listed below:

- Higher Supporting People grant of **£369,896** was credited to the HRA than estimated.
- Lower service charge income of **£180,402** for heating as a result of the lower utility costs compared to the budgeted amount.
- There were other net additional incomes of **£39,342** in the HRA.

## Explanatory Foreword

### Material Assets Acquired or Liabilities Incurred during 2008/09

The Council did not acquire any assets or liabilities during 2008/09.

### Capital and Borrowing

In 2008/09 the Council spent £21,549,645 on capital projects.

Capital of £10,611,461 was spend on HRA services and a further £10,938,185 on General Fund services.

The Council funded 49% of its capital programme, from the sale of assets, (land and council house sales) and 2008/09 £10,596,201 of capital receipts were used to fund the in year capital programme. The Council also uses other sources of income to fund its capital programme. The table below shows resources available to fund capital expenditure.

	Brought Forward balance	Received in Year	Used in Year	Available to fund future year expenditure
Usable Capital Receipts	17,837	4,325	(11,319)	10,843
MRA	0	5,866	(5,866)	0
Section 106 Receipts (Capital)	2,371	505	(792)	2,084
Section 106 Receipts (Revenue)	33	0	(33)	0
Grants and Other Contributions	428	6,178	(4,402)	2,204
<b>TOTAL</b>	<b>20,669</b>	<b>16,874</b>	<b>(22,412)</b>	<b>15,131</b>

\* Useable capital receipts received in year has been reduced by the payment made to the government for 'pooled receipts'.

The Council currently has no long term debt, (temporary borrowing of £2,000,000). As a result of the Council's ALMO obtaining two star status, the Council will be able to access £55,000,000 of supported borrowing over the next five years. This commences in 2009/10 and will fund bringing the Council's housing stock up to the 'Decent Homes Standard'

### Pensions Liability

The Council participates in the Local Government Pension Scheme, the scheme is administered by Hertfordshire County Council. With the implementation of FRS 17 in 2003/04, the impact of the pension liability must be shown on the face of the balance sheet. The effect of the 2008/09 pension liability is to reduce the value of the Council's reserves by £14,750,000, (£9,756,000 increase in 2007/08). The 2007/08 balance has been restated from the 2007/08 published accounts, see Note 1 to the Statement of Accounts. Further information regarding the Pension Scheme is given in Note 26 to the Core Statements.

## Explanatory Foreword

### Significant Changes in Accounting Policies

#### **Pension:**

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market price. The effect of this change is the value of scheme assets at 31 March 2008 has been restated from £71,043,000 to £70,807,000, a decrease of £236,000, contributing to a decrease in the pension deficit of £3,616,000 (31 March 2007: increase of £1,242,000).

The Pensions liability has been restated at £18,884,000 for 2007/08 as a result of this change in accounting policy together with changes detailed in Note 1 Prior Year Adjustments. See also Note 26 Pensions.

#### **Joint Arrangements Not Entities:**

There is now a requirement in the 2008 SoRP requiring special treatment for "Joint Arrangements Not Entities" – "JANes" The SoRP definition of a JANE is:

"That an Authority engages in a joint activity with another or other Organisations, but the arrangements stop short of the joint arrangement identifiably carrying out a trade or business of its own."

The authority has one 'JANE' which relates to the CCTV control room. This arrangement is with North Hertfordshire District Council and East Hertfordshire District Council. Each member of the arrangement accounts for their share of the asset, liabilities and cashflows of the JANE in their own accounts.

#### **General Government Grants**

Prior to 2008/09 Local Area Agreement (LAA) Grant income was shown in the service area and included in the net cost of services. From 2008/09 onwards this grant has been renamed and re-categorised as Area Based Grants and, together with other such grants are shown under General Government Grants in accordance with the 2008 SoRP. This change reflects the conditions of the grants in that they are no longer ring fenced to types of expenditure. See also General Government Grants in Note 31.

### Other minor changes

#### **Other adjustments: Creditors and Receipts in Advance**

The 2007/08 Balance sheet did not separately identify Receipts in Advance within the Creditors (Current Liabilities) classification. As at 31 March 2008 the Council had £2,912,096 of Receipts in Advance, which related to rents, council tax, national non domestic rates (NNDR) and sundry debtors. The 2007/08 Balance Sheet has been revised to show Receipts in Advance classified separately. The 2007/08 Creditors Balance Sheet value has been reduced by £2,912,096 to reflect this change. There is no change to the total value of the 2007/08 Current Liabilities.

## Explanatory Foreword

### **Other adjustments: Income and Expenditure Account - Expenditure on Services**

Housing Revenue Account (HRA) expenditure is now classified separately in the Income and Expenditure Account. Previously HRA expenditure had been included within the Housing Services classification.

### **Other adjustments: Balance Sheet – Government Grants Deferred – Unapplied and Applied**

Government Grants Deferred are now classified separately for applied and unapplied balances in the Balance Sheet. Previously they had been classified as one value under the heading 'Government Grants Deferred and Contributions Unapplied'.

## Further Information

Further information about the accounts are available from:-

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

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

## Income &amp; Expenditure Account for the year ended 31 March 2009

2007/08		2008/09		
Net Expenditure £'000	Expenditure on Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
178	Adult Social Care	228	71	157
1,477	Central Services to Public	12,389	10,306	2,083
101	Childrens Services	497	404	93
20,259	Cultural Environmental & Planning Services	23,455	7,103	16,352
2,296	Highways Roads & Transport Services	4,784	3,031	1,753
8,616	HRA Services	49,016	34,115	14,901
(1,016)	Housing Services	28,560	28,697	(137)
2,772	Corporate & Democratic Core	2,952	0	2,952
127	Non Distributed Costs	807	0	807
<b>34,810</b>	<b>Net Cost of Services</b>	<b>122,688</b>	<b>83,727</b>	<b>38,961</b>
			<b>Note</b>	
(134)	(Gain)/loss on disposal of fixed assets			(238)
(254)	Surplus on Trading Operations		2	(245)
106	Interest payable			104
3,052	Contribution to Housing Pooled Receipts			723
(2,670)	Interest and investment income			(2,148)
229	Pensions Interest & Expected Return on Pensions Assets			1,127
<b>35,139</b>	<b>Net Operating Expenditure</b>			<b>38,284</b>
(4,798)	Precept demanded from Collection Fund			(5,121)
(1,100)	General Government Grants		31	(1,042)
(6,554)	Contribution from Non-Domestic Rate Pool			(6,825)
(38)	Collection Fund Surplus			(52)
<b>22,649</b>	<b>NET (SURPLUS)/ DEFICIT FOR YEAR</b>			<b>25,244</b>

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

The above revenue service expenditure analysis is compliant with the latest accounting code of practice, with the exception noted in policy number 3 (accruals of income and expenditure), page 115.



## Statement of Movement on General Fund Balance

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

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

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

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

### Statement of Movement on General Fund Balance

2007/08 £'000		2008/09 £'000
22,649	(Surplus)/Deficit for year on Income & Expenditure Account	25,244
(20,299)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(23,124)
2,350	Decrease/(Increase) in General Fund Balance for the Year	2,120
(7,376)	General Fund Balance brought forward	(5,026)
<b>(5,026)</b>	<b>General Fund Balance carried forward and generally available for new expenditure</b>	<b>(2,906)</b>

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

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

2007/08 £000		2008/09 £000
	<i>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year :</i>	
0	Amortisation of intangible fixed assets	0
(16,617)	Depreciation and impairment of Fixed Assets	(19,013)
(1,917)	Excess of Depreciation charged to HRA Services over the Major Repairs Allowance	(2,395)
1,116	Government Grants deferred amortisation	751
(785)	Revenue expenditure funded from Capital under statute	(265)
99	Net gain/(loss) on sale of fixed assets	214
(1,900)	Net charges made for retirement benefits in accordance with FRS 17	(3,585)
<u>(20,004)</u>		<u>(24,293)</u>
	<i>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year :</i>	
2	Capital expenditure charged in year to Revenue	0
(3,052)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(723)
	Employer's contributions payable to the Hertfordshire Local Government Pension Scheme and retirement benefits payable direct to pensioners	3,247
<u>2,722</u>		<u>2,524</u>
<u>(328)</u>		<u>2,524</u>
	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year :</i>	
236	Housing Revenue Account Balance	(988)
0	Voluntary revenue provision for capital financing	0
(203)	Net transfer to/(from) earmarked reserves	(367)
<u>33</u>		<u>(1,355)</u>
<u>(20,299)</u>	Net additional amount required to be credited to the General Fund balance for the year	<u>(23,124)</u>

## Statement of Total Recognised Gains & Losses

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

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account (page 20), it includes gains and losses relating to the revaluation of fixed assets (see also page 64, note 27a) and re-measurement of the net liability to cover the cost of retirement benefits (see also page 62, note 26).

### Statement of Total Recognised Gains and Losses

2007/08 restated £'000		2008/09 £'000
22,649	(Surplus) / Deficit for the year on Income & Expenditure Account	25,244
(78,539)	(Surplus) / Deficit arising on Revaluation of Fixed Assets	(52,013)
(8,012)	Actuarial (gains) / losses on Pensions Fund assets & liabilities	14,412
518	Other (gains) / losses	43
<b>(63,384)</b>	<b>Total Recognised (gain)/loss for the year</b>	<b>(12,314)</b>

Accounting Policy changes and other adjustments have had no effect on the 2008/09 General Fund Balance as at 31 March 2009. However these adjustments have meant an increase in the reserve balances i.e. an increase in net worth of £3,616,000.

## Balance Sheet as at 31 March 2009

2007/08 Restated			2008/09	
£'000	Net Fixed Assets	Note	£'000	£'000
167	Intangible fixed assets	14	171	
	<i>Tangible fixed assets: Operational</i>			
566,259	Council Dwellings	13	596,819	
94,201	Other Land & Buildings	13	95,049	
7,105	Vehicles, plant, furniture & equipment	13	6,947	
2,726	Infrastructure assets	13	2,521	
419	Community assets	13	271	
	<i>Tangible fixed assets: Non-operational</i>			
21,795	Investment properties	13	25,800	
4,582	Assets under construction	13	10,678	
4,759	Surplus assets held for disposal	13	4,378	
702,013	<b>Total Fixed assets</b>			742,634
12,469	Long term investments	19	2,097	
332	Long Term Debtors - Mortgages		304	
18	- Car Loans		9	
				2,410
714,832	<b>Total Long Term Assets</b>			745,044
	<b>Current Assets</b>			
44	Stock and work in progress	16	68	
11,146	Debtors	17	9,518	
26,951	Investments - Short Term	19	31,484	
119	Cash at bank & in hand		71	41,141
753,092	<b>Total assets</b>			786,185
	<b>Current Liabilities</b>			
0	Borrowing repayable within 12 months	23	(2,000)	
(2,912)	Receipts in advance	20	(5,422)	
(15,838)	Creditors	20	(12,390)	(19,812)
734,342	<b>Total Assets less Current Liabilities</b>			766,373
0	Long term borrowing	23	0	
(2,019)	Provisions	22	(1,751)	
(2,831)	Government Grants Deferred - Unapplied	24	(4,288)	
(5,131)	Government Grants Deferred - Applied	24	(9,032)	
(123)	Deferred liability, credit arrangements		0	
(18,884)	Pensions Liability	26	(33,634)	(48,705)
705,354	<b>Total Assets less Liabilities</b>			717,668

## Balance Sheet as at 31 March 2009 (continued)

2007/08 As restated £'000	Financed by:	Note	2008/09 £'000
	<b>Fund Balances &amp; Reserves</b>		
70,716	Revaluation Reserve	27a	107,626
0	Available for Sale Financial Instruments Reserve		0
626,396	Capital Adjustment Account	27b	626,121
0	Financial Instruments Adjustment Account		0
(18,884)	Pensions Reserve	26	(33,634)
17,837	Usable Capital Receipts	27e	11,566
0	Major Repairs Reserve		0
332	Deferred capital receipts	25/27	304
5,026	General Fund		2,906
	Housing Revenue		
3,083	Account		2,095
559	Earmarked Reserves	27f	438
289	Collection Fund		246
<b>705,354</b>	<b>Total Net Worth</b>		<b>717,668</b>

## Cash Flow Statement for the year ended 31 March 2009

2007/08 £'000	REVENUE ACTIVITIES	Note	2008/09 £'000
(1,859)	Net Cash (Inflow)/Outflow from Revenue Activities	33	7,866
	<b>Returns on Investment &amp; Servicing of Finance</b>		
	<i>Cash outflows</i>		
106	Interest Paid		103
	<i>Cash inflows</i>		
(2,370)	Interest Received		(2,206)
(2,264)	Net Cash (inflow)/Outflow from Returns on Investments & Servicing of Finance		(2,103)
	<b>Capital Activities</b>		
	<i>Cash outflows</i>		
12,577	Purchase of fixed assets		20,766
1,046	Other Capital Spend		729
8,339	Purchase of Long Term Investments		0
	<i>Cash inflows</i>		
(5,257)	Sale of Fixed Assets		(4,672)
(872)	Capital grants received	36	(7,721)
(390)	Other Capital Cash Receipts		(7,037)
15,443	Net Cash Inflow from Capital Activities		2,065
11,320	Net cash (inflow)/outflow before financing		7,828
	<b>Management of Liquid Resources</b>		
(12,042)	Net increase/(decrease) in short term deposits	34	4,220
(12,042)	Net cash (inflow)/outflow-Management of Liquid Resources		4,220
	<b>Financing</b>		
	<i>Cash outflows</i>		
0	Repayments of amounts borrowed		0
	<i>Cash inflows</i>		
0	New short term loans raised		(2,000)
0	New Long term investments		(10,000)
0	Net Cash (inflow)/outflow from Financing		(12,000)
(722)	<b>Net (increase)/decrease in Cash</b>	35	<b>48</b>

## Notes to the Single Entity Core Financial Statements

### 1. Prior Year Adjustments

#### New Accounting Policy

The Balance Sheet figures for 31 March 2008 have been adjusted from those shown in the Statement of Accounts 2007/08, to reflect the changes in valuation of Pension Fund assets.

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market price. The effect of this change on the value of scheme assets at 31 March 2008 has been restated from £71,043,000 to £70,807,000 a decrease of £236,000.

#### Other adjustments: Pension

The valuation of scheme liabilities has been restated from £93,543,000 to £89,691,000, a decrease of £3,852,000. This restatement relates to the valuation of compensatory added years previously being recognised by the Pension Fund Actuary in both funded and unfunded liabilities.

These restatements have resulted in a decrease in the pension deficit of £3,616,000 as at 31 March 2008 (31 March 2007: increase of £1,242,000). The current year and those prior to 2006/07 are unaffected by this change.

#### Extract from Balance Sheet

	2007/08 Published	Accounting Policy changes	Other adjustment : correction of Compensatory Added Years	2007/08 Restated
	£'000	£'000	£'000	£'000
Pension Asset (Liability)	(22,500)	(236)	3,852	(18,884)
Other	724,238	0	0	724,238
<b>Total assets less Liabilities</b>	<b>701,738</b>	<b>(236)</b>	<b>3,852</b>	<b>705,354</b>
Pension Reserve	22,500	236	(3,852)	18,884
Other	(724,238)	0	0	(724,238)
<b>Total Net Worth</b>	<b>(701,738)</b>	<b>236</b>	<b>(3,852)</b>	<b>(705,354)</b>

## Notes to the Single Entity Core Financial Statements

### 2. Trading Operations

The Council operates an Indoor Market whose financial results were as follows:-

2007/08		2008/09
£'000		£'000
(754)	Income from stall holders	(697)
500	Expenditure	452
<u>(254)</u>	<b>Surplus taken to General Fund</b>	<u>(245)</u>

The Indoor Market included a Cafeteria, operated by the Council, which was closed on 31 March 2008. This has been replaced by a Food Court operated by independent traders offering a variety of cuisine to customers.

### 3. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended by section 36 of the Local Government and Housing Act 1986) enables a Local Authority to incur expenditure for the benefit of people in their area on activities or projects not specifically authorised by other legal powers. Most expenditure previously identified under the act can now be given under section 2 of the Local Government Act 2000 and does not have to be disclosed as a note to the Statement of Accounts. No expenditure under Section 137 was incurred in 2008/09.

In 2007/2008 £101,303 was identified as relating to S137 expenditure. This related to school milk. The provision of school milk is sanctioned under the Local Government Act 2000 and so does not need to be disclosed as a note to the accounts.



## Notes to the Single Entity Core Financial Statements

### 4. Agency Services and Income from Bodies under the Local Authorities (goods and services) Act 1970.

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

2007/08		2008/09
£'000		£'000
154	Grass Cutting	196
24	Other Verge Maintenance	43
<u>178</u>	<b>Total Expenditure</b>	<u>239</u>
(178)	HCC contributions in year	(239)
<u>(178)</u>	<b>Total Reimbursement</b>	<u>(239)</u>

### 5. Publicity

Section 5(1) 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 2008/09 was £459,915, (2007/08, £406,331) and is summarised below:-

2007/08		2008/09
£'000		£'000
82	Marketing	90
108	Staff Advertising	138
216	Other Publicity	232
<u>406</u>	<b>Total</b>	<u>460</u>

## Notes to the Single Entity Core Financial Statements

### 6. Officers' Emoluments

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

2007/08 Number of employees Total	Remuneration Band	2008/09 Number of employees	
		Total	left during year
6	£50,000 - £59,999	7	0
6	£60,000 - £69,999	7	1
1	£70,000 - £79,999	2	1
1	£80,000 - £89,999	2	0
1	£90,000 - £99,999	1	0
0	£100,000 - £109,999	0	0
1	£110,000 - £119,999	0	0
0	£120,000 - £129,999	1	0
<b>16</b>	<b>Total</b>	<b>20</b>	<b>2</b>

### 7. Members' Allowances

Total expenditure on Members' allowances, as made under the Local Authorities (Members' Allowances) Regulations 2003, was £495,807 in 2008/09 (£501,286 in 2007/08). Payments made outside the scheme for Mayoral Allowances totalled £15,167 in 2008/09 (£14,240 in 2007/08).

## Notes to the Single Entity Core Financial Statements

### 8. Major Variances in Net Spend in the Income and Expenditure Account

	2007/08 Net Expenditure	2008/09 Net Expenditure	Year on Year Variance
Adult Social Care	178	157	(21)
Central Services to Public	1,477	2,083	606
Children's Services	101	93	(8)
Cultural Environmental & Planning Services	20,259	16,352	(3,907)
Highways Roads & Transport Services	2,296	1,753	(543)
HRA Services	8,616	14,901	6,285
Housing Services	(1,016)	(137)	879
Corporate & Democratic Core	2,772	2,952	180
Non Distributed Costs	127	807	680
<b>Total Net Expenditure</b>	<b>34,810</b>	<b>38,961</b>	<b>4,151</b>

#### Explanations to major variances

**Central Services to Public** Council Tax benefit paid net of subsidy received was £324,534 more in 2008/09, compared to 2007/08.

**Cultural, Environmental & Planning Services** 2008/09 impairment charges were £4,164,205 lower when compared to 2007/08. This is because the value of assets revalued in 2007/08 represented a larger proportion of the overall General Fund fixed assets.

**Housing Revenue Account (HRA) Services** The following variances increased the net costs shown in the Income & Expenditure account by £6,146,357: (i) HRA subsidy paid to the Government was higher by £2,299,250, compared to 2007/08. (ii) Impairment costs increased by £4,836,351, compared to 2007/08 (iii) Rental income increased by £989,244, compared to 2007/08.

**Housing Services** (i) Rent Allowances and Rebates paid to claimants were £319,864 higher, net of subsidy received, compared to 2007/08. (ii) Housing Benefit overpayments reclaimed were £255,410 lower, compared to 2007/08.

**Non Distributed Costs** The increase in 2008/09 spend is the Council's Pension Fund costs for 2008/09. This entry is reversed out of the Income and Expenditure Account in the Statement of Movement on General Fund balance and has no adverse impact on the General Fund balance

## Notes to the Single Entity Core Financial Statements

### 9. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering the costs incurred.

The Council's Scheme of Charges are published and are available from Building Control (email address- [buildingcontrol@stevenage.gov.uk](mailto:buildingcontrol@stevenage.gov.uk) or telephone 01438 242264).

There are certain activities that cannot be charged for. The statement below shows the total cost of operating the building control function divided between chargeable and non chargeable activities.

<b>Building Control Account</b>	<b>Chargeable</b>	<b>Non Chargeable</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>			
Employee expenses	169	151	320
Supplies & Services	6	0	6
Payments to third parties	3	0	3
Central & Support charges	56	50	106
Total expenditure	234	201	435
<b>Income</b>			
Building Regulation charges	(141)	0	(141)
Miscellaneous income	0	(9)	(9)
Total income	(141)	(9)	(150)
<b>(Surplus)/ Deficit for 2008/09</b>	<b>93</b>	<b>192</b>	<b>285</b>
<b>Comparatives for Prior year</b>			
Expenditure	274	228	502
Income	(234)	(11)	(246)
<b>(Surplus)/ Deficit for 2007/08</b>	<b>40</b>	<b>216</b>	<b>256</b>

## Notes to the Single Entity Core Financial Statements

### 10. Audit Costs

In 2008/09 the Council has incurred fees in respect of external audit & inspection as shown in the table below:

	Paid in 2008/09 £'000
Relating to 2006/07 *	(2)*
Relating to 2007/08	114
Relating to 2008/09	131
<b>Total incurred in 2008/09</b>	<b>243</b>

\* Relates to a net refund in respect of the 2006/07 statutory audit.

The estimated fees payable for audit work in respect of the 2008/09 financial year are shown in the table below:

2007/08 £'000		2008/09 £'000
177	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	0
0	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	135
6	Fees payable to the Audit Commission in respect of statutory inspection	0
0	Fees payable to Grant Thornton in respect of statutory inspection	7
77	Fees payable to the Audit Commission for the certification of grant claims and returns	3
0	Fees payable to Grant Thornton for the certification of grant claims and returns	74
5	Fees payable in respect of other services provided by the appointed auditor	0
<b>265</b>		<b>219</b>

## Notes to the Single Entity Core Financial Statements

### 11. Local Area Agreements

The Council is a participant in a Local Agreement Partnership (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA has completed the final year of its three-year agreement. The agreement aims to improve local services through partnership working. Improvement areas are set out in blocks: Safer and Stronger Communities; Healthier Communities; Older People; Children and Young People; Economic Development and Enterprise. Stevenage Borough Council has an important role in the LAA, as the Chief Executive, is the lead officer for the Safer and Stronger Communities Block

The purpose of the LAA is:

- To form an agreement between the Hertfordshire Local Strategic Partnership, Government (Go-East Office) and other external agencies.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Hertfordshire by pooling and aligning funding streams.

The LAA partners are:

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

**Community Protection Authorities** – Hertfordshire Fire and Rescue Authority, Hertfordshire Constabulary.

**Health Bodies** – East and North Hertfordshire Primary Care Trust and West Hertfordshire Primary Care Trust.

**Learning Bodies** – Learning and Skills Council Hertfordshire, University of Hertfordshire and Further Education Consortium.

**Voluntary Organisations** - covers a broad spectrum of Voluntary organisations including, the Hertfordshire Rural Forum, Community Development Agency for Herts., Stevenage CVS, Stevenage CAB, Dacorum CVS, Herts. infrastructure Consortium, Investors in Communities, North Herts. CVs, Broxbourne CVS, East Herts. VOCAL, Herts. CVS group, Herts. CAB

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

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

Managers group, Hertset-Social Enterprise Network, Herts. Association of Parish and Town Councils.

Hertfordshire County Council acts as the accountable body for the LAA. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the County does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, the County acts as an agent to the partnership. Stevenage Borough Council recognises the part of the grant to be spent by the Council in providing services. From 2008/09, the LAA Grant has been reclassified as an Area Based Grant.

Stevenage Borough Council is the administering body for the Safer, Stronger Communities block of the Area Based Grant, and held £20,511, (2007/08 £246,515 ) as at 31 March 2009.

The total amount of the Area Based Grant received by the Local Strategic Partnership, So Stevenage, in 2008/09 was £1,523,436 (2007/08 £9,421,022). The Council received £89,393, (2007/08 £161,369) of this total to fund its own services.

### **12. Related Party Transactions**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. housing benefits). Details of transaction with Government Departments are set out in a Note 33 Analysis of Government Grants. In addition payments between the Council and Hertfordshire County Council amounted to £2,330,922. Further payments between the Council and Hertfordshire County Council are

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

### **12. Related Party Transactions (continued)**

disclosed in the Collection Fund accounts, Agency Services and Income from Bodies under the Local Authority Act 1970, Note 4 and the Pensions Disclosure, Note 26.

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09 the Council paid a management fee totalling £16,479,601 to Stevenage Homes Limited, a £1,117,528 grant was paid to Stevenage Leisure Limited and £3,135,542 paid to other organisations, either as a grants or services received. With reference to all these organisations a total of 34 Members declared interests through either the register of interests or the completed related party transactions forms.

The relevant members did not take part in any discussions or decision relating to the grants. The grants were made with proper consideration of the declarations which all members completed in accordance with the statutory Code of Conduct for Members (Local Government Act 2000). During 2008/09 32 meetings were held at which 21 expressions of interest were declared. The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies. This is available for public inspection at the Council Offices. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2008/09, the Chief Executive and Strategic Directors declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972, in grants totalling £1,152,166 paid by the Council to 2 organisations. Neither the Chief Executive nor the Strategic Directors took part in any discussion, decision or administration relating to the grant.



## Notes to the Single Entity Core Financial Statements

## 13. Fixed Assets

## Operational Assets

<b>Cost or valuation</b>	<b>Council dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Machinery £'000</b>	<b>Infra-structure £'000</b>	<b>Community Assets £'000</b>	<b>Total £'000</b>
At 1 April 2008	572,481	95,392	14,444	3,362	968	686,647
Additions	10,034	1,900	2,073	13	7	14,027
Donations	0	0	0	0	0	0
Reclassifications	0	2,775	160	0	0	2,935
Revaluations	39,818	827	94	0	0	40,739
At 31 March 2009	622,333	100,894	16,771	3,375	975	744,348
<b>Depreciation &amp; impairments</b>						
At 1 April 2008	(6,222)	(1,191)	(7,339)	(636)	(549)	(15,937)
Charge for 2008/09	(8,237)	(3,826)	(2,430)	(218)	(155)	(14,866)
Disposals	(611)	(199)	(55)	0	0	(865)
Reclassifications	0	0	0	0	0	0
Revaluations	(10,444)	(629)	0	0	0	(11,073)
At 31 March 2009	(25,514)	(5,845)	(9,824)	(854)	(704)	(42,741)
<b>Balance Sheet amount at 31 March 2009</b>	<b>596,819</b>	<b>95,049</b>	<b>6,947</b>	<b>2,521</b>	<b>271</b>	<b>701,607</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>566,259</b>	<b>94,201</b>	<b>7,105</b>	<b>2,726</b>	<b>419</b>	<b>670,710</b>
<b>Nature of Asset holding</b>						
Owned	596,819	95,049	6,947	2,521	271	701,607
	596,819	95,049	6,947	2,521	271	701,607

## Notes to the Single Entity Core Financial Statements

### 13. Fixed Assets (Continued)

<b>Non - operational assets</b>				
	<b>Investment Properties £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus for Disposal £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 April 2008	21,795	4,582	4,802	31,179
Additions	332	6,461		6,793
Donations	0	0	0	0
Reclassifications	(2,333)	(227)	(375)	(2,935)
Revaluations	7,719	0	3,555	11,274
At 31 March 2009	27,513	10,816	7,982	46,311
<b>Depreciation &amp; impairments</b>				
At 1 April 2008	0	0	(43)	(43)
Charge for 2008/09	0	0	(6)	(6)
Disposals	(40)	0	(3,555)	(3,595)
Written off to Revenue	0	(138)	0	(138)
Reclassifications	0	0	0	0
Revaluations	(1,673)	0	0	(1,673)
At 31 March 2009	(1,713)	(138)	(3,604)	(5,455)
<b>Balance Sheet amount at 31 March 2009</b>	<b>25,800</b>	<b>10,678</b>	<b>4,378</b>	<b>40,856</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>21,795</b>	<b>4,582</b>	<b>4,759</b>	<b>31,136</b>
<b>Nature of Asset holding</b>				
Owned	25,800	10,678	4,378	40,856
	25,800	10,678	4,378	40,856

## Notes to the Single Entity Core Financial Statements

### 13. Fixed Assets (Continued)

#### Fixed Asset Valuation

The freehold and leasehold properties which comprise the Authority's properties are valued by the Authority's Valuer in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors except that not all properties were inspected. This was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are revalued at each 31 March as part of the continuous rolling revaluation which aims to cover all assets over a 5 year period by the Council's Estates Manager J. Angell B.A. M.R.I.C.S. A new revaluation programme was implemented in 2007/08. Properties regarded as operational were valued on the basis of Open Market Value for Existing Use (OMVEU) or, where this could not be assessed because there was no market at Depreciated Replacement Cost (DRC).

The following table shows the progress of the Council's rolling programme of revaluations.

	Council dwellings	Other Land & Buildings	Vehicles Plant & Machinery	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	0	483	6,947	0	7,430
Valued at current value in :					
2008/09	119,364	14,258	0	14,356	147,978
2009/10	119,364	4,904	0	5,190	129,458
2010/11	119,364	11,752	0	5,498	136,614
2011/12	119,364	18,469	0	756	138,589
2012/13	119,363	45,183	0	0	164,546
	596,819	95,049	6,947	25,800	724,615

## Notes to the Single Entity Core Financial Statements

### 13. Fixed Assets (Continued)

#### Depreciation

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

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

Depreciation is charged on a straight line basis over the life of the asset.

#### Impairment

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

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

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

#### Analysis of Fixed Assets as at 31 March 2009

The Council now has four civic offices, these being Daneshill House, Swinggate House, Cavendish Road and Caxton Q3 Building. A car park at Emperor's Gate was gained under a s52 planning agreement for nil consideration.

Further analysis of Fixed Assets is given in the following table:

## Notes to the Single Entity Core Financial Statements

### 13. Fixed Assets (Continued)

An analysis of Fixed Assets at 31 March 2009 is:-

2007/08 Number		2008/09 Number
	<b>Operational assets</b>	
	<b>Council Dwellings</b>	
8,357	Council Housing	8,343
	<b>Other Land &amp; Buildings</b>	
18	Car Parks	19
5	Civic Offices (eg Daneshill House/Swingate House)	4
1	Depot	1
1	Museum	1
14	Community Centres	14
1	Market - Covered	1
2	Cemeteries	2
1	Leisure Centre (Incorporating Theatre)	1
1	Swimming pool	1
1	Football Stadium	1
1	Horticultural Centre	1
11.77Ha	Allotments	11.77Ha
1	Golf Course	1
12	Pavillions	12
	<b>Infrastructure assets</b>	
	<i>Includes enhancements to Queensway. Town clock and pond</i>	
	<b>Community assets</b>	
258.7Ha	<i>Parks, Playing Fields, Woodlands, Open Spaces, Commons</i>	258.7Ha
	<b>Non operational assets</b>	
	<b>Investment properties and Commercial leases</b>	
366	Commercial Land and Properties (e.g. Westgate Centre, shops and surgeries)	375
	<b>Assets under construction</b>	
	<i>includes BTC extension, Town Centre Gardens and Fairlands Valley</i>	
	<b>Surplus for Disposal</b>	
	<i>Mostly plots of land eg Bragbury Lane West</i>	

## Notes to the Single Entity Core Financial Statements

### 13. Fixed Assets (Continued)

#### Capital Expenditure & Financing

2007/08 £'000		2008/09 £'000
	<i>Capital investment :</i>	
11,176	Operational	14,027
4,600	Non operational	6,793
	Revenue expenditure funded from Capital under statute	704
1,046		
0	Intangible assets	25
<u>16,822</u>		<u>21,549</u>
	<i>Sources of Finance :</i>	
(8,358)	Capital Receipts	(10,596)
(2,951)	Grants	(4,295)
(873)	Contributions	(792)
(2)	Sums set aside from Revenue Housing Subsidy & Major Repairs Allowance	0
(5,761)		(5,866)
1,123	Unfinanced capital expenditure *	0
<u>(16,822)</u>		<u>(21,549)</u>

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

As at 31 March 2009 significant commitments for major projects already underway included:-

	£'000
Fairlands Valley Aquatic Park	314

## Notes to the Single Entity Core Financial Statements

### 14. Intangible Fixed Assets

#### Movement in Intangible Assets

	Purchased software licences £'000	Licences, trademarks & artistic originals £'000	Patents £'000	Total £'000
Original Cost	188	0	0	188
Amortisations to 1 April 2008	(21)	0	0	(21)
<b>Balance at 1 April 2008</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>167</b>
Expenditure in Year	25	0	0	25
Written off to Revenue in Year	(21)	0	0	(21)
<b>Balance at 31 March 2009</b>	<b>171</b>	<b>0</b>	<b>0</b>	<b>171</b>

The intangible assets relate to software licences. The software licences relate to a number of services such as Business Objects and Prince 2 which are report and project modelling tools. In 2008/09, Land Contamination was added together with software licences for a number of applications.

### 15. Leases

#### Operating Leases

**Plant Vehicles & Equipment** The Council uses the Mayoral car, vans and various items of plant & machinery under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £30,097 (2007/08 £135,205). However the amount charged to the Income and Expenditure Account was £20,059 because a number of vehicles were sub-let to Stevenage Homes Limited (SHL) and the rental paid on these vehicles is reimbursed by SHL via the Inter-company Account.

Authority as Lessor – the authority sub-leases a total of 17 vehicles to SHL all of which are in a secondary period of lease and are accounted for as an operating lease. The total rental for 2008/09 was £10,038 (2007/08 £11,838). This arrangement ceased 31 March 2009.

**Land and Buildings** Authority as Lessor - the authority leases 271 premises which include 179 shops, 22 workshops, 12 public houses, 12 surgeries and 46 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2008/09 was £2,144,780 (2007/08 £2,028,315).

## Notes to the Single Entity Core Financial Statements

### 15. Leases (continued)

The Council was committed as at 31 March 2009 to making payments of £3,863 under operating leases in 2009/10, comprising the following elements:

<b>Vehicles, Plant &amp; Equipment</b>	<b>£'000</b>
Leases expiring in 2009/10	1
Leases expiring between 2010/11 – 2014/15	0
Leases expiring after 2015/16	0

### Finance Leases : Plant, Vehicles & Equipment

The Council has a five year lease in respect of Vehicles Plant & Equipment which has been accounted for as a finance lease. The rentals payable in 2008/09 were £105,596 (2007/08 £139,684) accounted for as £13,596 finance costs and £92,000 write down of obligations. However, a further £30,000 was depreciated, the difference arising at the time the entries were created to change the classification of the lease from operating to finance. This finance lease came to an end in 2008/9.

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

<b>Plant, Vehicles &amp; Equipment</b>	<b>£'000</b>
<b>Value as at 1 April 2008</b>	<b>122</b>
Additions	0
Revaluations	0
Depreciation	(122)
Disposals	0
<b>Value as at 31 March 2009</b>	<b>0</b>

Note: The finance leases referred to above came to an end during 2008/09.



## Notes to the Single Entity Core Financial Statements

### 15. Leases (continued)

There are no outstanding obligations to make payments under finance leases (excluding finance costs) as at 31 March 2009.

<b>Plant, Vehicles &amp; Equipment</b>	<b>£'000</b>
Finance Leases expiring in 2009/10	0
Finance Leases expiring between 2010/11-2014/15	0
Finance Leases expiring after 2015/16	0

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

### 16. Stocks and Work-in-Progress

<b>31 March 2008 £'000</b>		<b>31 March 2009 £'000</b>
	Stocks:	
3	Central Stores	0
41	Other	68
<b>44</b>	<b>Total</b>	<b>68</b>

Stock Balances in the Central Stores were written off in year following the transfer of Central Stores to Stevenage Homes Limited. Stocks of Computer peripherals and credits in the Council's franking machines have increased from last year.

## Notes to the Single Entity Core Financial Statements

### 17. Debtors

31 March 2008 £'000		31 March 2009 £'000	% change +/-
26	Car Loans	17	-34%
5,031	Government Departments	2,158	-57%
43	Other Local Authorities	51	+18%
949	Housing Rents & Leaseholders	1,090	+15%
2,899	Collection Fund	4,276	+47%
3,692	Other Debtors	3,526	-4%
(1,494)	Provision for Bad Debts	(1,600)	+7%
<b>11,146</b>	<b>Sub-Total</b>	<b>9,518</b>	<b>-15%</b>

**Government Departments** In 2007/08 there was an accrual of £2,111,112 for the Growth Area Funding grant which related to a number of capital projects, no accrual was required in the 2008/09 accounts.

The accrual required for HRA housing subsidy has reduced from by £245,764, as a result of the reduction in transitional negative subsidy. 2009/10 is the last year the Council is eligible to claim the transitional subsidy for the HRA.

**Collection Fund** NNDR arrears have increased from £682,926 in 2007/08 to £1,805,897 or by 166%, this is partly due to a number of late assessments and an increase in general arrears, as a result the collection rate for business rates dropped from 99.4% in 2007/08 to 97.46% in 2008/09. There are two NNDR debtors which total in excess of £500,000, for which legal action is currently being taken.

The remaining increase of £243,727, (11% increase) relates to Council Tax arrears, the collection rate for Council Tax, has dropped from 96.8% in 2007/08 to 96.47% in 2008/09. This can not be attributed to late entries on the valuation list as only 20 new properties were registered in the last two months of the year.

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

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

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

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

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

The Annual Treasury Management Strategy is approved by the Council in the February prior to the financial year to which it relates. It included the Prudential Indicators, the key objectives of which are

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

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the Council's criteria as specified in the Treasury Management Practices. The authority has a policy of not lending more than £7,500,000 of its investment monies to one institution.

During 2008/09 the Council had no deposits with the Icelandic Banks. Nor, did it have any exposure to the Dunfermline Building Society. During 2008/09 the Treasury Management Strategy was reviewed and updated in light of the changing economic conditions.

## Notes to the Single Entity Core Financial Statements

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

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

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

Financial institutions	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability 31 March 09	Estimated maximum exposure to default and uncollectability 31 March 2008
	£'000	%	%	£'000	£'000
	A	B	C	{AxC}	
Banks & Building Societies	32,710	0%	2.63%	860.3	0
Other counter parties	0	0%	0%	0	0
Trade Debtors	1,420	39%	25%	440.2	393.5
<b>TOTAL</b>	<b>34,130</b>			<b>1,300.5</b>	<b>393.5</b>

No credit limits were exceeded during the reporting period. The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2009. The calculation is based on the age of the trade debtor.

The authority does not generally allow credit for customers, such that £1,111,431 of the £1,420,258 Trade Debtors balance has passed its due date for payment. The passed due amount can be analysed by age as follows:

## Notes to the Single Entity Core Financial Statements

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

<b>Age of Sundry Debt</b>	<b>£'000</b>
Within term	310
Two to twelve months	674
More than one year and less than two years	200
More than two years	237
<b>Total trade debtors over term</b>	<b>1,111</b>

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

#### Liquidity risk

The authority's cash flow is managed so that cash is available as needed. If the unexpected happens the authority has ready access to borrowings from the money markets and the Public Works Loan Board.

At the year end the Council had a short term loan of £2,000,000 for cash flow purposes. Following the ALMO achieving two star status, from 2009/10 the Council will be able to access £55,000,000 of supported borrowing.

#### Market risk

**Interest rate risk** The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects on Stevenage Borough Council: Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.

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

The Council does not have any long term debt; however, within its Treasury Management Strategy (approved June 2009) there is an allowance of £26,000,000 for fixed rate or variable rate borrowing, to enable the supported borrowing for the ALMO to be undertaken.

## Notes to the Single Entity Core Financial Statements

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

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

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on investments	(392)
Impact on Income and Expenditure Account	(392)
Share of overall impact debited to the HRA	329
Impact on STRGL	0

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

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

**Foreign exchange risk** The Council incurred no significant expenditure in respect of the Euro in 2008/09. No future expenditure commitments have been made although the position continues to be monitored. The Council claimed two grants from the European Union in 2008/09. These grants were paid in Euros and total £44,794.

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

## Notes to the Single Entity Core Financial Statements

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

#### Financial Instruments

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

	Long term		Current		Total	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Loans & receivables	12,469	2,097	26,951	31,484	39,420	33,581
Available for sale	0	0	0	0	0	0
	<b>12,469</b>	<b>2,097</b>	<b>26,951</b>	<b>31,484</b>	<b>39,420</b>	<b>33,581</b>

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

Financial Assets	Interest income		Net Gain/(loss) for year	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Loans & receivables	2,220	2,113	2,220	2,113
Available for sale	425	0	425	0
Other	25	35	25	35
<b>Total</b>	<b>2,670</b>	<b>2,148</b>	<b>2,670</b>	<b>2,148</b>

## Notes to the Single Entity Core Financial Statements

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

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

Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)

- Interest payable and receivable reflects the market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values are calculated as follows :

	31 March 2008		31 March 2009	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Long term loans & receivables	12,469	12,469	2,097	2,171
<b>Total</b>	<b>12,469</b>	<b>12,469</b>	<b>2,097</b>	<b>2,171</b>

The fair value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.



## Notes to the Single Entity Core Financial Statements

### 19. Investments

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

31 March 2008 £'000		31 March 2009 £'000
0	<b>Short Term :</b>	0
8,678	Money Markets	25,975
18,273	Banks	5,509
<b>26,951</b>	Building Societies	<b>31,484</b>
	<b>Total short term</b>	
	<b>Long term:</b>	
12,469	Banks	
0	Building Societies	2,097
<b>12,469</b>	<b>Total Long term</b>	<b>2,097</b>

£3,265,582 of the £31,484,345 short term investments are callable deposits. These are stated as short term investments. These investments had interest rates in excess of 5% and it was recognised that they would be re-paid by the bank at the next call date, all callable deposits were recalled in the period April to June.

The short term investments show a decrease in levels of funds invested with Building Societies. This is due to many Building Societies no longer meeting the Council's credit criteria.

Short and Long term deposits included £774,346 and £96,934 respectively relating to accrued interest as at 31 March 2009.

### 20. Creditors and Receipts in Advance

#### Creditors

Restated 31 March 2008 £'000		31 March 2009 £'000	% change +/-
1,791	Government Departments	611	-68%
2,538	Other Local Authorities	2,102	-17%
3,042	Inter Company - Creditors	2,293	-25%
8,467	Sundry Creditors	7,384	-13%
<b>15,838</b>	<b>Total</b>	<b>12,390</b>	<b>-22%</b>

**Government Department** creditors have reduced because no HRA housing subsidy was owed to the government in 2008/09, (2007/08, £1,024,046).

## Notes to the Single Entity Core Financial Statements

### 20. Creditors and Receipts in Advance (continued)

**Other Local Authorities** creditor includes £1,634,961 payable to HCC and the Police Authority for their share of the surplus on the Collection Fund, a decrease of £291,806 compared to 2007/08, (2007/08, £1,926,767).

**Inter Company** creditors comprise those amounts due to Stevenage Homes Limited as at 31 March 2009. This includes a management fee payable in respect of the management of the Council's housing stock.

**Sundry Creditors** includes creditor accruals which have decreased by £1,241,649, these are invoices that the Council has received goods and services for, but had not paid for by 31 March 2009 and an adjustment has been put through the accounts to reflect this.

#### Receipts in Advance

Restated 31 March 2008 £'000		31 March 2009 £'000	% change +/-
0	Government Departments	30	+100%
593	Housing	682	+15%
0	Tenants (redecorations scheme)	133	+100%
1,962	Collection Fund	3,855	+96%
357	Sundry Creditors	722	+102%
<b>2,912</b>	<b>Total</b>	<b>5,422</b>	<b>+86%</b>

**Receipts in Advance** were previously disclosed under the Creditor heading in the balance sheet. These receipts are now classified separately in the Balance Sheet.

**Tenants (redecorations scheme)** The monies collected for the redecoration scheme had previously been held in the HRA reserve. These receipts have now been separately identified.

**The Collection Fund** Receipts in Advance were higher than anticipated by £1,912,862, as a result of an administrative error in collecting the April Council Tax direct debit in March. The remaining balance relates to pre-payments for Council Tax and NNDR, which are comparable to 2007/08.

## Notes to the Single Entity Core Financial Statements

### 21. Other Bank Accounts

The Council administers bank accounts in respect of the Mayors' Charity and SBC appeals. The balances on these accounts as at 31 March 2009, which have not been included in the Balance Sheet, were £9,950 and £594 respectively. Both accounts are used to fund various charitable events.

There is also an SBC Peacetime Emergency Plan Account which had a nil balance as at 31 March 2009.

### 22. Provisions

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

	<b>31 March 2008 Restated</b>	<b>Provided for in year</b>	<b>Written back</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Insurance	1,041	0	(325)	716
Implementation of Single Status	978	0	(121)	857
Senior Management	0	178	0	178
	<u>2,019</u>	<u>178</u>	<u>(446)</u>	<u>1,751</u>

As at the 31 March 2009 the Council had provisions totalling £1,750,631, of which £715,120 related to insurance obligations. The increase in the provision is as a result of a review of all the Council's outstanding obligations.

## Notes to the Single Entity Core Financial Statements

### 22. Provisions (continued)

Following the signing of the Single Status Agreement in 1997, the Council has been actively working to implement the scheme. Achieving Single Status has a cost and the Council has been planning for these costs. The provision liability as at 31 March has been reassessed to take into account the changes to the workforce. Consequently, the provision has been reduced by £120,811 in 2008/09 for the back pay element of the scheme relating to 2007/08 and 2008/09 will potentially be due to employees with the introduction of the scheme. Included within the provision is the sum of £193,000 which relates to staff now working for Stevenage Homes Limited.

The Senior Management provision relates to exit costs agreed by Council. As at the 31 March 2009 the Council was concluding the agreement, although the payment was made in May 2009.

### 23. Borrowing

The Council became debt free during 2000/01 i.e. had repaid all of its external long term debt before 31 March 2001. The Council had a short term loan at the 31 March 2009 of £2,000,000 which was repaid on the 1 April 2009.

### 24. Government Grants Deferred and Government Grants and Contributions Unapplied

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution should be credited to the government grants deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

The balance of grants used to finance capital expenditure, but not yet written down over the lives of the asset as at the 31 March 2009, is £9,031,984. A further £4,287,850 of contributions has yet to be used to finance capital expenditure. These contributions relate to developer contributions or section 106 monies and government grants available for use on capital schemes. These are shown in the table below.

## Notes to the Single Entity Core Financial Statements

### 24. Government Grants Deferred and Government Grants and Contributions Unapplied (continued)

	Brought Forward balance	Received in Year	Used in Year	Available to fund future year expenditure
	£'000	£'000	£'000	£'000
Grants and Other Contributions	428	6,178	(4,402)	2,204
Section 106 receipts:				
Transport incl. Cycling and Parking	691	14	0	705
Youth and Play	118	0	(11)	107
Housing	531	65	0	596
Sport	643	347	(546)	444
Other	421	79	(268)	232
<b>Total</b>	<u>2,832</u>	<u>6,683</u>	<u>(5,227)</u>	<u>4,288</u>

### 25. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main element of Mortgages under Long Term Debtors. As at 31 March 2009 Deferred Capital Receipts were £303,595.

### 26. Pension Costs

#### Participation in Pension Schemes

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

## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs (continued)

#### Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market price. The effect of this change is the value of scheme assets at 31 March 2008 has been restated from £71,043,000 to £70,807,000, a decrease of £236,000.

Other adjustments to the pension liability of £3,852,000 (detailed in Note 1 Prior Year Adjustments, page 27) have resulted in a decrease in the pension deficit of £3,616,000 (31 March 2007: increase of £1,242,000). Current and prior deficits have been unaffected by this change.

#### Transactions Relating to Retirement Benefits

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

2007/08 £'000		2008/09 £'000
	<b>Income &amp; Expenditure Account</b>	
	<i>Net Cost of Services:</i>	
1,334	Current Service Costs	1,701
337	Past Service Costs	103
	<i>Net Operating Expenditure:</i>	
5,462	Interest cost	6,171
(5,233)	Expected return on scheme assets	(5,044)
0	Retrospective changes to Scheme benefit structure	654
<u>1,900</u>	<b>Net charge to the Income &amp; Expenditure Account</b>	<u>3,585</u>
	<b>Statement of Movement on General Fund Balance</b>	
(1,900)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(3,585)
2,722	Actual amount charged against General Fund Balance for pensions in the year	3,247

## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs (continued)

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial losses of £14,389,000 (£9,943,000 gain 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £14,769,000.

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

Reconciliation of present value of the scheme liabilities:

2007/08 £'000		2008/09 £'000
(106,757)	1 April	(89,691)
(1,334)	Current Service Cost	(1,701)
(5,462)	Interest cost	(6,171)
(730)	Contributions by Scheme participants	(814)
17,063	Actuarial Gains & Losses	7,551
4,014	Benefits paid	3,808
(337)	Past service costs	(103)
0	Changes in scheme assumptions	(654)
3,852	Prior year adjustments	0
<u>(89,691)</u>	31 March	<u>(87,775)</u>

Reconciliation of the fair value of the scheme assets:

2007/08 £'000		2008/09 £'000
73,107	1 April	70,807
5,233	Expected rate of return	5,044
(7,120)	Actuarial Gains & losses	(21,963)
3,107	Employer contributions	3,247
730	Contributions by Scheme participants	814
(4,014)	Benefits paid	(3,808)
(236)	Prior year adjustments	0
<u>70,807</u>	31 March	<u>54,141</u>

## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs (continued)

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments are based on projections from the Actuary which assume an average level of expected outperformance of equities over initial gilt redemption yields and a volatility of equity returns. The actual return on scheme assets in the year was £16,949,000 (2007/08: £3,231,000).

#### Scheme History

	2008/09 £'000	2007/08 As restated £'000	2006/07 As restated £'000	2005/06 * £'000	2004/05 * £'000
Fair Value of Assets	54,141	70,807	72,871	54,396	43,204
Present Value of liabilities	(87,775)	(89,691)	(101,827)	(88,614)	(79,699)
Surplus / (Liabilities) in Scheme	(33,634)	(18,884)	(28,956)	(34,218)	(36,495)

\* The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments the Council has in the long term to pay retirement benefits. The total liability of £33,634,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet net worth of £717,668,462.

However, statutory arrangements for funding the deficit mean the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £3,467,000.



## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs (continued)

#### Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, have assessed both Stevenage Borough Council and County Council fund liabilities. The estimates for the Council are based on the latest full valuation of the scheme as at 31 March 2007.

The principle assumptions used by the Actuary have been:

2007/08		2008/09
	<b>Long Term expected rate of return on assets in the scheme:</b>	
7.7%	Equity investments	7.0%
5.7%	Bonds	5.4%
5.7%	Property	4.9%
4.8%	Cash	4.0%
	<b>Mortality Assumptions:</b>	
	Longevity at 65 for current pensioners:	
21.4	Men	21.4
24.3	Women	24.3
	Longevity at 65 for future pensioners:	
22.5	Men	22.5
25.4	Women	25.4
3.6%	Rate of inflation	3.1%
5.1%	Rate of increase in salaries	4.6%
7.1%	Expected return on scheme assets	6.3%
6.9%	Rate for discounting scheme liabilities	6.9%
50%	Take up of option to convert annual pension into retirement lump sum.	50%

## Notes to the Single Entity Core Financial Statements

### 26. Pension Costs (continued)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2007/08		2008/09	
%		%	
74	Equity investments	67	
13	Bonds	19	
5	Property	4	
8	Cash	10	
100		100	

### History of Actuarial gains and losses and Experience gains and losses

The actuarial gains and losses and experienced gains and losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2009 :

	2008/09		2007/08 As restated		2006/07 As restated		2005/06		2004/05	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between expected & actual return on assets	(21,963)	(41)	(8,464)	(12)	159	0	12,707	35	1,757	9
Difference between expected and actual losses on liabilities	7,551	9	16,476	18	5,632	6	(10,307)	(28)	(18,941)	(95)
Actuarial Gain/(Loss) as at 31 March	(14,412)		8,012		5,791		2,400		(17,184)	
Experience adjustments on assets	(21,963)	(41)	(7,120)	(10)	159	0	12,707	35	1,757	9
Experience adjustments on liabilities	0	0	2,068	2	56	0	(10,307)	(28)	(18,941)	(95)

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 (E-mail contact : [pensions.team@hertsccl.gov.uk](mailto:pensions.team@hertsccl.gov.uk))

## Notes to the Single Entity Core Financial Statements

### 27. Reserves

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

Reserve	Balance as at 01 April 2008 £'000	Net movement in year £'000	Balance as at 31 March 2009 £'000	Purpose of Reserve
Revaluation Reserve	70,716	36,910	107,626	Store of gains on revaluation of fixed assets not yet realised through sales (See Note (a) below)
Capital Adjustment Account	626,396	(275)	626,121	Store of capital resources set aside to meet past expenditure (See note (b) below)
Available for Sale Financial Instruments Reserve	0	0	0	Store of gains on revaluation of investments not yet realised through sales (see note (c) below)
Financial Instruments Adjustment Account	0	0	0	Balancing account to allow for differences in statutory requirements & proper accounting practices for borrowings & investments (see note (d) below)
Useable Capital Receipts	17,837	(6,271)	11,566	Proceeds of fixed assets sales available to meet future capital investment (see note (e) below)
Deferred Capital Receipts	332	(28)	304	The Principal balances of mortgages outstanding in respect of the sale of Council houses
Pensions Reserve	(18,884)	(14,750)	(33,634)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet (see note 26 to Core Financial Statements, pages 57-62)
General Fund	5,026	(2,120)	2,906	Resources available to meet future running costs of non-housing services (see Statement of Movement on General Fund Balance, page 21)
Housing Revenue Account	3,083	(988)	2,095	Resources available to meet future running costs for Council houses (see HRA Statements, pages 72-73)
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in Council housing (see HRA Notes, page 76)
Other Reserves	559	(121)	438	Resources voluntarily earmarked for future spending plans (see note (f) below)
Collection Fund	289	(43)	246	Statutory account which records the collection and distribution of Council Tax and National Non Domestic Rates (NNDR).
	<b>705,354</b>	<b>12,314</b>	<b>717,668</b>	

## Notes to the Single Entity Core Financial Statements

### 27. Reserve (Continued)

**Note a : Revaluation Reserve** - The Revaluation Reserve records the increase over the carrying value arising from the revaluation of a fixed asset. Reductions in the carrying value of an asset are debited to the Revaluation Reserve up to the balance on the Reserve where these reductions are not associated with an impairment. Further information can be found in Accounting Policy number 11 Fixed Assets.

	£'000
<b>Balance as at 1 April 2008</b>	<b>70,716</b>
<b>Movements for the year:</b>	
Revaluation gains credited to reserve	52,013
Reduction in reserve for historic depreciation	(1,071)
Reductions in valuations for impairment	(10,233)
Write out of valuation gains on disposal of assets	(3,799)
<b>Balance as at 31 March 2009</b>	<b>107,626</b>

**Note b : Capital Adjustment Account** - This account replaced the Capital Financing Account and Fixed Asset Restatement Account in 2007/08 and comprises balances which have been applied to finance capital expenditure. These balances therefore represent advance provision against the depreciation of fixed assets.

	£'000
<b>Balance as at 1 April 2008</b>	<b>626,396</b>
<b>Movements for the year:</b>	
Reversal of capital charges in the General Fund and HRA	(27,783)
Amounts written out of the Revaluation Reserve	15,103
Resources used to finance capital expenditure	16,987
Write out of Fixed Asset disposed in year	(4,460)
Other adjustments	(122)
<b>Balance as at 31 March 2009</b>	<b>626, 121</b>

## Notes to the Single Entity Core Financial Statements

### 27. Reserves (Continued)

**Note c : Available for Sale Financial Instruments Reserve** - This account records unrealised gains on revaluation arising from holding available for sale investments together with any unrealised losses which have not arisen from the impairment of these assets. The Council had no unrecognised gains or losses at the 31 March 2009.

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

**Note e : Useable Capital Receipts** - This is the income from the sale of capital assets over £10,000, such as land sales. Authorities have to pay a proportion of specified housing related capital receipts into a pool for redistribution. The balance of £11,565,754 represents capital receipts that have not yet been used to finance capital expenditure. The Council's capital programme approved by Executive in February 2009 has identified and fully committed all of the useable capital receipts balance, with the exception of £6,122,000 which is used for generating investment income to the Council's revenue accounts.

	£'000
<b>Balance as at 1 April 2008</b>	<b>17,837</b>
Amounts receivable in 2008/09	4,822
Amounts applied to finance new capital expenditure in 2008/09	(10,596)
Payments to Housing Capital Receipts Pool	(723)
Other adjustments	226
Total increase/(decrease) in realised capital resources in 2008/09	(6,271)
<b>Balance carried forward at 31 March 2009</b>	<b>11,566</b>

## Notes to the Single Entity Core Financial Statements

### 27. Reserves (Continued)

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

- **Commercial Rents/Sales Reserve**

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

- **House Purchase Surplus**

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

- **DSO Trading Reserves**

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

- **Capacity Building Reserve**

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

- **Insurance Reserve**

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

- **Deminimus Capital Expenditure Reserve**

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

## Notes to the Single Entity Core Financial Statements

### 27. Reserves (Continued)

	Balance as at 1 April 2008 £'000	Contributions £'000	Payments to Fund Expenditure £'000	Balance as at 31 March 2009 £'000
Commercial Rents Reserve	100	0	0	100
House Purchase Reserve	19	0	(19)	0
DSO Trading Reserves	190	0	(88)	102
Capacity Building Reserve	100	174	(188)	86
Insurance Reserves	50	0	0	50
Deminimus Capital Expenditure Reserve	100	0	0	100
	<b>559</b>	<b>174</b>	<b>(295)</b>	<b>438</b>

### 28. Analysis of Net Assets Employed

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

	31 March 2008 Restated £'000	31 March 2009 £'000
General Fund	96,830	86,405
Housing Revenue Account	608,396	631,213
Trading Operations	128	50
	<b>705,354</b>	<b>717,668</b>

### 29. Interests in Companies

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

Stevenage Home Limited reported net liabilities of £1,754,500 as at 31 March 2009 (2007/08 £1,875,923 net assets) together with losses before and after tax of £1,194,426 for the year then ended (2007/08 profit £1,530,538). No dividends were declared not receivable by the Council as at 31 March 2009.

## Notes to the Single Entity Core Financial Statements

### 29. Interests in Companies (continued)

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

Group accounts have been presented under the acquisition accounting method and are presented on page 89. These include the elimination of inter company balances shown in Note 6 to the Group financial statements. Company accounts for Stevenage Homes Limited are available from the Director of Finance & Compliance, Stevenage Home Limited, Daneshill House, Danestrete, Stevenage, Hertfordshire, SG1 1HN.

No credit limits were exceeded during the reporting period. The historical experience of default for trade debtors is based on the debt provision calculated as at 31 March 2009. The calculation is based on the age of the trade debtor.

### 30. Joint Arrangement non Entity - JANE

The authority has one joint arrangement for the provision and management of CCTV in Stevenage Borough, North Hertfordshire and East Hertfordshire. This arrangement is with North Hertfordshire District Council and East Hertfordshire District Council. Each member of the arrangement accounts for their share of the asset, liabilities and cashflows of the CCTV in their own accounts.

### 31. General Government Grants

Prior to 2008/09 Local Area Agreement (LAA) Grant was shown in the service area and reduced the net cost of services. From 2008/09 onwards these grants have been renamed and re-categorised as Area Based Grants and are now shown under General Government Grants in accordance with the 2008 SoRP (see also Note 11 Local Area Agreements)

2007/08 £'000	General Government Grants	2008/09 £'000
1,100	Revenue Support Grant	950
	Area Based Grants:	
	Area Based Grant (formerly LAA Grant)	70
	Climate Change Grant	22
<b>1,100</b>	<b>Total General Government Grants</b>	<b>1,042</b>

### 32. Events after the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the 'authorised for issue' date. These accounts have been authorised for issue on 23 June 2009 by the Strategic Director (Chief Financial Officer). This is the date to which events that have happen after the Balance Sheet date have been considered.



## Notes relating to the Cashflow Statement

## 33. Revenue Activities

2007/08 £'000	Reconciliation of revenue surplus to net cash flow:	2008/09	
		£'000	£'000
22,649	(Surplus)/Deficit for the year		25,244
236	Housing Revenue Account Balance		(988)
	Non Cash Items		
(16,617)	Removal of Depreciation and Impairment from Income and Expenditure Account	(19,013)	
(1,917)	Removal of Excess of Depreciation charged to HRA Services over the Major Repairs Allowance	(2,395)	
(785)	Removal of Revenue Expenditure Funded from Capital Resources Under Statute from Income & Expenditure Account	(265)	
1,116	Removal of Government Grants Deferred from the Income and Expenditure Account	751	
823	Removal of FRS 17 pension entries in Income and Expenditure Account	(338)	
99	Removal of Profit/Loss on Sale of Assets	214	
(1,734)	Contribution to provisions	0	
(203)	Removal of Contributions to Reserves	(367)	
0	Contribution to/(from) Provisions	(107)	
(19,218)			(21,520)
	Costs charged elsewhere in Cash Flow		
2,263	Interest		2,104
	Items on an accruals basis		
(915)	Adjustment for pooled capital receipts payment	(723)	
(20)	Add/(less) (decrease)/increase in stock	24	
(1,058)	Add/(less) (decrease)/increase in debtors	331	
(79)	Add/(less)(decrease)/increase in long term debtors	0	
(5,717)	Add/(less) (increase)/decrease in creditors & receipts in advance	3,394	
(7,789)			3,026
<b>(1,859)</b>	<b>Net cash flow (from)/to revenue activities</b>		<b>7,866</b>

## Notes relating to the Cashflow Statement

### 34. Movement in Liquid Resources

2007/08 Net movements £'000		Balance 1 Apr 08 £'000	2008/09 Balance 31 Mar 09 £'000	Net Movements £'000
(12,042)	Short Term Investments	26,490	30,710	4,220
<u>(12,042)</u>				<u>4,220</u>

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

### 35. Movement in Cash & Cash equivalents

2007/08 Net movements £'000		Balance 1 Apr 08 £'000	2008/09 Balance 31 Mar 09 £'000	Net Movements £'000
2	Imprest Accounts	11	11	0
(724)	Cash in hand/(overdrawn)	108	60	48
<u>(722)</u>				<u>48</u>

## Notes relating to the Cashflow Statement

## 36. Analysis of Government Grant

2007/08 £'000		2008/09 £'000
	<b>Revenue Activities</b>	
1,100	Revenue Support Grant	950
6,554	NNDR Receipt from Pool	6,825
30,096	Department of Work and Pensions Grants for rebates	31,447
0	Discretionary Housing Payments	29
62	Local Housing Allowance	0
0	Local Authority Business Growth Incentives	160
43	Defective Dwelling Loan Grant	13
0	Economic Downturn Grant	30
0	Single Regeneration Budget	0
50	Homelessness Grant	63
0	Climate Change Grant	23
0	Free School Swim	24
0	Information with Council Tax & NNDR demand notices grant	4
235	Housing, Planning Delivery Grant	66
0	Growth Area fund Delivery Grant (revenue)	158
154	Area Based Grant ( Formerly LAA Grant)	70
560	Supporting People Programme Grant	1,035
30	Waste and Resources Action Programme	0
<b>38,884</b>	<b>Sub Total</b>	<b>40,897</b>
	<b>Capital Activities</b>	
508	Growth Area Fund	4,726
0	East of England Development Agency Grant	2,610
12	Area Based Grant ( Formerly LAA Grant, capital)	20
40	Local Housing Allowance	0
0	Disabled Facilities Grant	179
219	Improvement Grants	0
93	Non Decent Homes Improvement Grant	117
0	Free School Swim (capital)	24
0	Information with Council Tax & NNDR demand notices grant	5
0	Benefit Grant (capital )	3
0	National Heritage Memorial Fund (lottery funding)	37
<b>872</b>	<b>Sub Total</b>	<b>7,721</b>
<b>39,756</b>	<b>Total Grants</b>	<b>48,618</b>

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

2007/08 £000's		Notes	2008/09 £000's
<b>Income</b>			
(30,244)	- Dwelling rents	1	(31,234)
(495)	- Non-dwellings rents		(386)
(1,644)	Charges for Services & Facilities		(1,140)
(1,058)	Contributions towards expenditure		(1,476)
0	HRA Subsidy Receivable	2	0
0	Sums directed by the Secretary of State that are income in accordance with UK GAAP		0
<u>(33,441)</u>	<b>Total Income</b>		<u>(34,236)</u>
<b>Expenditure</b>			
6,289	Repairs & Maintenance		5,857
10,270	Supervision & Management		10,564
46	Rents, Rates, Taxes & Other Charges		37
10,880	Negative HRA Subsidy Payable	2	13,180
1,101	Negative Subsidy Transferable to the General Fund under transitional arrangements		734
13,645	Depreciation and impairment of Fixed Assets	8	18,952
112	Debt Management Costs		11
49	Increase in bad debt provision		133
0	Sums directed by the Secretary of state that are expenditure in accordance with UK GAAP		0
<u>42,392</u>	<b>Total Expenditure</b>		<u>49,468</u>
<b>8,951</b>	<b>Net Cost of HRA Services per Authority Income &amp; Expenditure Account</b>		<b>15,232</b>
735	HRA Services share of Corporate & Democratic Core		755
0	HRA share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific services		0
<u>9,686</u>	<b>Net Cost of HRA Services</b>		<u>15,987</u>
(41)	(Gain) or Loss on sale of Fixed Assets		(286)
(2,038)	Interest & Investment income	4	(1,923)
0	Amortisation of premiums and discounts		0
0	Pensions interest cost & expected return on scheme assets	13	0
<u>7,607</u>	<b>(Surplus) or deficit for the year on HRA services</b>		<u>13,778</u>

## Statement of Movement on the HRA Balance

2007/08 £000's		Notes	2008/09 £000's
7,607	(Surplus) or deficit for Year on the HRA Income & Expenditure Account		13,778
(7,843)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(12,790)
(236)	(Increase) or decrease in the Housing Revenue Account Balance		988
(2,847)	Housing Revenue Account Surplus brought forward		(3,083)
(3,083)	Housing Revenue Account Surplus carried forward		(2,095)

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

2007/08 £000's	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	2008/09 £000's
0	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0
(5,599)	Difference between any other item of income and expenditure determined in accordance with statutory HRA requirements (if any)	(10,436)
41	Gain or loss on sale of HRA fixed assets	286
0	Net charges made for retirement benefits in accordance with FRS 17	0
0	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0
<u>(5,558)</u>		<u>(10,150)</u>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	
(2,285)	Transfer to/from Major Repairs Reserve	(2,640)
0	Transfer to/from Housing Repairs Account	0
0	Employers Contributions payable to the HCC Pension Fund and retirement benefits payable direct to pensioners	0
0	Voluntary set aside for debt repayment	0
0	Capital Expenditure funded by HRA	0
<u>(2,285)</u>		<u>(2,640)</u>
<u>(7,843)</u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<u>(12,790)</u>

## 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 0.86% of lettable properties were vacant. In 2007/08 the figure was 1.03%. Average rents were £73.48 a week in 2008/09 (£69.68 in 2007/08).

### 2. Housing Subsidy Receivable/Payable

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

#### Notional Subsidy Calculation

2007/08		2008/09	
£000	£000	£000	£000
<b>Notional Expenditure</b>			
12,849	Management and Maintenance	13,006	
	12,849		13,006
<b>Less Notional Income</b>			
(29,273)	Rents	(30,703)	
(1,713)	Interest	(2,083)	
	(30,986)		(32,786)
	382 Rental Constraint Allowance		-
	13 Adjustment 2006/07		-
	(17,742) <b>Housing Subsidy Withdrawal</b>		(19,780)
	6,128 Major Repairs Allowance		6,111
	(11,614) Negative Subsidy Entitlement (inc MRA)		(13,669)
	734 Transitional Negative Subsidy		489
	<b>(10,880) Overall Subsidy Position</b>		<b>(13,180)</b>

### 3. Transitional Negative Subsidy Transfer

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

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

### 4. HRA Investment Income

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

	2007/08 £'000	2008/09 £'000
Interest on receipts	1,889	1,770
Interest on revenue balances	125	132
Interest on mortgages	24	21
Total Investment Income	2,038	1,923

### 5. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve.

2007/08			2008/09	
£'000	£'000		£'000	£'000
	0	<b>Opening Balance as at 1st April</b>		0
		<b>Transfers to the MRR -</b>		
(7,804)		Depreciation of HRA Dwellings	(7,968)	
(242)		Depreciation of other HRA Assets	(269)	
	(8,046)			(8,237)
		<b>Transfers from MRR -</b>		
	5,761	Financing of HRA Capital Expenditure		5,866
368		To HRA Appropriations - Transitional Negative Subsidy Transfer	245	
1,917		Depreciation in excess of MRA & other HRA Assets	2,126	
	2,285			2,371
	0	<b>Closing Balance as at 31 March</b>		0



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

### 6. Housing Stock Numbers

The stock movement can be summarised as follows:-

2007/08 No.		2008/09 No.
8,392	Stock as at 1st April	8,357
(38)	Less Right to Buy Sales	(9)
0	Prior Year Disposals	0
3	Conversions/other	(6)
<b>8,357</b>	<b>Stock at 31st March</b>	<b>8,342</b>
5,412	Houses	5,404
2,945	Flats	2,938
<b>8,357</b>	<b>Total</b>	<b>8,342</b>

The stock numbers disclosed above are properties that are in management and available to let. In addition to these properties are a further nine properties, which are classified as 'out of management'. Eight of the properties are valued at nil due to subsidence and are due for demolition, and one further property valued at £101,000 has been identified for disposal.

### 7. Fixed Assets Valuations

#### Housing Stock

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

As at 1 April 2008	£ 566,259,845
As at 31 March 2009	£ 598,818,717
The Vacant Possession value of the dwellings as at 1 April 2008 was	£ 606,666,521

The valuation of the dwellings in the Balance Sheet is on the basis of Existing Use as Social Housing with secure tenancies. The difference between the Balance Sheet valuation and the higher valuation on the basis of Vacant Possession shows the economic cost of providing council housing at less than open market rents. A review for impairment, which is carried out each year, revealed there to be £10,444,135 for dwellings in the year (see note 8, page 78).

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

### 7. Fixed Assets Valuations (continued)

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

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

Based on the valuation method on a beacon basis (see also page 35 note 13 Fixed Assets impairment), it was deemed that the expenditure did not add to the market value of the properties.

	1 April 2008	31 March 2009
(ii) Other Land and Buildings	£ 0	£ 0
(ii) Non Operational Assets	£ 0	£ 0
(iii) Vehicles Plant & Equipment	£ 691,659	£ 1,121,786

### 8. Depreciation and Impairment of Assets

Depreciation and impairment 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.

	2007/08 £'000	2008/09 £'000
Depreciation:		
HRA Dwellings	7,804	8,237
Other Assets	242	271
Impairment:		
HRA dwellings	5,608	10,444
Total	13,654	18,952

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

### 9. Capital Expenditure, Financing & Receipts

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

2007/08 £'000		2008/09 £'000
	Capital Expenditure	
5,227	Major Repairs & Improvements	9,024
570	Disabled Adaptations	1,010
292	Equipment	577
335	Unfinanced expenditure brought forward	0
<u>6,424</u>		<u>10,611</u>
	The Capital Expenditure was financed as follows:	
(663)	Capital Receipts	(4,745)
(5,761)	Major Repairs Allowance	(5,866)
0	Revenue Contributions	0
<u>(6,424)</u>		<u>(10,611)</u>

Total Capital Receipts in 2008/09 from the sale of property within the HRA can be summarised as follows :-

2007/08 £'000		2008/09 £'000
(3,803)	Right to Buy Sales	(839)
(79)	Right to Buy Mortgage Repayments	(27)
(232)	Other Land & Property *	(60)
<u>(4,114)</u>		<u>(926)</u>
	*Includes Low Start Shared Ownership sales and repayment of Right to Buy discounts	

### 10. Rent and supported Housing Payment Arrears

During the year 2008/09 rent arrears as a proportion of gross rent income were 2.8% (2.7% in 2007/08).

2007/08 £'000		2008/09 £'000
911	Arrears at 31 March	970
130	Amounts written off during the year	176

The bad debts provision stood at £237,500 at 31 March 2009

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

### 11. Revenue Expenditure Funded from Capital under Statute.

There was no HRA expenditure in 2008/09 relating to revenue expenditure funded from capital under statute.

### 12. Accounting for Pension Costs in the HRA

In accordance with DCLG guidelines, the pension costs in the HRA are in respect of defined benefits and not on a FRS 17 basis. The pensions cost shown in the Income & Expenditure Account are on a FRS 17 basis as set out in the 2008 SORP and includes an adjustment for the HRA element of net cost of services within the HRA Services line.

## The Collection Fund Income and Expenditure Account 2008/09

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.

2007/08		Notes	2008/09	
£'000	INCOME		£'000	£'000
39,561	National Non-Domestic Rates (NNDR) Pool	2	42,040	
31,810	Council Tax	1	33,220	
6,005	Council Tax/Community Charge Benefit	1	6,378	
				81,638
	<b>EXPENDITURE</b>			
	Precepts and Demands:-			
28,624	Hertfordshire County Council		30,821	
4,797	Stevenage Borough Council		5,121	
3,603	Hertfordshire Police Authority		3,896	
				39,838
	National Non-Domestic Rates			
39,458	Payment to National Pool		41,935	
104	Cost of Collection Allowance		105	
				42,040
39,562				44
129	Movement in provision for Doubtful Debts			
	Contributions			
	-Towards previous year's estimated collection fund surplus			52
38				81,974
76,753				(336)
623	Surplus/(Deficit) for the year			
				2,216
1,593	Surplus/(Deficit) as at 1 April			
2,216	Surplus/(Deficit) as at 31 March			1,880

## Notes to the Collection Fund Accounts

### 1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated; by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D property equivalent and adjusted for discounts; £28,225 for 2008/09). The basic amount of council tax for a band D property £1,399.23 (£1,338.93 for 2007/08) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

## Notes to the Collection Fund Accounts

### 1. Council Tax (continued)

The income chargeable of £44,520,089 for 2008/09 is from the following sources:

2007/08 £		2008/09 £
31,809,996	Billed to Council Tax Payers	33,220,416
6,005,031	Council Tax Benefits	6,378,241
4,754,993	Exemptions, Discounts, etc.	4,921,432
<b>42,570,020</b>		<b>44,520,089</b>

### 2. National Non-Domestic Rates

The Government specifies an amount (44.4p in 2007/08 and 46.2p in 2008/09) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The equivalent amount for small businesses was 45.8p in 2008/09 (44.1p in 2007/08). 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 £41,934,987 for 2008/09 (£39,458,875 2007/08). The rateable value for the Council's area is £102,346,790 at 31 March 2009 (£102,294,025 at 31 March 2008). The rateable value changes throughout the year due to increases and decreases in assessments.

### 3. Contributions to Collection Fund Surpluses and Deficits

The balance of £1,880,143 on the Collection Fund as at 31 March 2009 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:-

2007/08 £		2008/09 £
288,990	Stevenage Borough	245,182
215,415	Hertfordshire Police Authority	182,822
1,711,352	Hertfordshire County Council	1,452,139
<b>2,215,757</b>	<b>Total</b>	<b>1,880,143</b>

## Group Income &amp; Expenditure Account

2007/08				2008/09
		Gross	Gross	Net
Net Expenditure £'000	Expenditure on Services	Expenditure £'000	Income £'000	Expenditure £'000
178	Adult Social Care	228	71	157
3,754	Central Services to Public	12,389	8,054	4,335
101	Childrens Social Services	497	404	93
	Cultural Environmental & Planning			
20,203	Services	23,458	6,435	17,023
2,365	Highways Roads & Transport Services	4,784	2,959	1,825
8,616	Housing Revenue Account (HRA)	34,855	34,101	754
(4,558)	Housing Services	40,816	28,712	12,104
2,772	Corporate & Democratic Core	2,952	0	2,952
127	Non Distributed Costs	807	0	807
<b>33,558</b>	<b>Net Cost of Services</b>	<b>120,786</b>	<b>80,736</b>	<b>40,050</b>
(134)	(Gain)/loss on disposal of fixed assets			(238)
(254)	Surplus on Indoor Market			(245)
(2,670)	Interest and investment income			(2,148)
0	Interest payable			209
3,052	Contribution to Housing Pooled Receipts			723
56	Pensions Interest Cost & Expected Return on Pensions Assets			1,127
<b>33,608</b>	<b>Net Operating Expenditure</b>			<b>39,478</b>
(4,798)	Precept demanded from Collection Fund			(5,121)
(38)	Collection Fund Surplus			(1,042)
(1,100)	Revenue Support Grant			(6,825)
	Contribution from Non-Domestic Rate			
(6,554)	Pool			(52)
<b>21,118</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>			<b>26,438</b>

## Reconciliation of Single Entity Deficit to Group Deficit

2007/08 £'000		2008/09 £'000
22,649	Deficit for the year on Income & Expenditure Account for Stevenage Borough Council	25,244
(12,799)	Adjustments for transactions with Group entities	(11,371)
9,850	Deficit in Group Income & Expenditure Account attributable to Stevenage Borough Council	13,873
(1,531)	Deficit in Group Income & Expenditure Account attributable to Stevenage Homes Limited	1,194
12,799	Adjustments for transactions with Group entities	11,371
<b>21,118</b>	<b>Deficit for the year on Group Income &amp; Expenditure Account</b>	<b>26,438</b>



## Group Statement of Total Recognised Gains & Losses

2007/08 £000		2008/09 £000
<b>Restated</b>		
21,118	(Surplus) / Deficit for the year on the Income & Expenditure Account	26,438
(78,539)	(Surplus) / Deficit arising from revaluation of fixed assets	(52,013)
(8,938)	Actuarial (Gains)/Losses on the Pension Scheme assets & liabilities	16,842
518	Other (gains) / losses	43
<b>(65,841)</b>	<b>Total Recognised (gain)/loss for the year</b>	<b>(8,690)</b>
	<b>Attributable :</b>	
(63,384)	Stevenage Borough Council	(12,314)
(2,457)	Stevenage Homes Limited	3,624
<b>(65,841)</b>	<b>Total Recognised (gain)/loss for the year</b>	<b>(8,690)</b>

## Group Balance Sheet as at 31 March 2009

2007/08 Restated				2008/09	
£'000	Net Assets	Fixed Assets	Notes	£'000	£'000
167	Intangible fixed assets			171	
	<i>Tangible fixed assets : Operational</i>				
566,259	Council Dwellings			596,819	
94,201	Other Land & Buildings			95,049	
7,105	Vehicles, plant, furniture & equipment			6,947	
2,726	Infrastructure assets			2,520	
419	Community assets			271	
	<i>Tangible fixed assets: Non-operational</i>				
21,795	Investment properties			25,800	
4,582	Assets under construction			10,679	
4,759	Surplus assets held for disposal			4,377	
702,013					742,633
12,469	Long term investments			2,097	
	Long term				
332	Debtors	- Mortgages		304	
18		- Car loans		9	
					2,410
714,832	<b>Total Long Term Assets</b>				745,043
	<b>Current Assets</b>				
171	Stock and work in progress	3		106	
10,736	Debtors	4		9,199	
26,951	Investments			31,484	
130	Cash at bank and in hand	7		79	40,868
	<b>Current Liabilities</b>				
0	Borrowing repayable within 12 months			(2,000)	
(2,912)	Receipts in advance			(5,422)	
(13,646)	Creditors	5		(11,196)	(18,618)
21,430	<b>Net Current Assets</b>				22,250
736,262	<b>Total Assets less Current Liabilities</b>				767,293
(2,019)	Provisions			(1,751)	
(7,962)	Government Grants Deferred - Unapplied			(4,288)	
0	Government Grants Deferred - Applied			(9,032)	
(123)	Deferred liability, credit arrangements			0	
(18,929)	Pensions Liability	8		(36,308)	
					(51,379)
707,229	<b>Total Assets less Liabilities</b>				715,914

## Group Balance Sheet as at 31st March 2009 continued.

2007/08 Restated £'000	Fund Balances & Reserves	Notes	2008/09 £'000
70,716	Revaluation Reserve		107,626
0	Available for Sale Financial Instruments Reserve		0
626,396	Capital Adjustment Account		626,122
0	Fixed Asset Restatement Account		0
0	Capital Financing Account		0
0	Financial Instruments Adjustment Account		0
(18,929)	Pensions Reserve		(36,308)
17,837	Usable Capital Receipts		11,566
0	Major Repairs Reserve		0
332	Deferred capital receipts		304
5,026	General Fund		2,906
3,083	Housing Revenue Account		2,095
1,920	SHL Revenue Reserve		920
559	Earmarked Reserves		438
289	Collection Fund		245
<b>707,229</b>	<b>Total Net Worth</b>		<b>715,914</b>

## Group Cash Flow Statement

2007/08 £'000		Note	2008/09 £'000
	<b>Revenue activities</b>		
(1,603)	Net Cash (inflow)/Outflow from Revenue Activities	9	7,956
	<b>Returns on Investment &amp; Servicing of Finance</b>		
	<i>Cash outflows</i>		
106	Interest Paid		15
	<i>Cash inflows</i>		
(2,476)	Interest Received		(2,206)
(2,370)	Net Cash (inflow)/Outflow from Returns on Investment & Servicing of Finance		(2,191)
	<b>Capital Activities</b>		
	<i>Cash outflows</i>		
12,577	Purchase of fixed assets		20,766
1,046	Other Capital Spend		729
8,339	Purchase of Long Term Investments		0
	<i>Cash inflows</i>		
(5,257)	Sale of Fixed Assets		(4,672)
(872)	Capital grants received		(7,721)
(390)	Other Capital Cash Receipts		(7,037)
15,443	Net Cash Inflow from Capital Activities		2,065
11,470	Net cash (inflow) outflow before financing		7,830
	<b>Management of Liquid Resources</b>		
(12,042)	Net movement in short term deposits	10	4,220
	<b>Financing</b>		
	<i>Cash outflows</i>		
0	New short term loans		(2,000)
0	Long term investments		(10,000)
	<i>Cash inflows</i>		
0	New loans raised		0
(572)	<b>Net (increase)/decrease in Cash</b>	11	<b>50</b>

## Notes to Group Financial Statements

### 1. Accounting policies

The Group financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting – A Statement of Recommended Practice (the SORP). Details are given in the Statement of Accounting Policies on page 116.

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

### 2. Basis of Preparation

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

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

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

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

### 3. Stock and Work in progress

31 March 2008 £'000		31 March 2009 £'000
3	Central Stores	0
41	Other	68
<b>44</b>	<b>Total Stevenage Borough Council</b>	<b>68</b>
127	Central Stores	38
<b>127</b>	<b>Total Stevenage Homes Ltd</b>	<b>38</b>
<b>171</b>	<b>Total for Group</b>	<b>106</b>

## Notes to Group Financial Statements

### 4. Debtors

31 March 2008 £'000		31 March 2009 £'000	% change +/-
26	Car Loans	17	-35%
4,620	Government Departments	1,831	-60%
43	Other Local Authorities	51	+19%
949	Housing Rents & Leaseholders	1,090	+15%
2,899	Collection Fund	4,276	+47%
3,693	Other Debtors	3,534	-4%
(1,494)	Provision for Bad Debts	(1,600)	+7%
<b>10,736</b>	<b>Sub-Total</b>	<b>9,199</b>	<b>-14%</b>

Other debtors include £7,787 (£1,375 2007/08) relating to Stevenage Homes Limited.

Group debtors exclude balances arising from trading between Stevenage Borough Council and Stevenage Homes Limited together with the related VAT balances. These elimination entries are detailed in note 6 to the Group Accounts, page 92.

Significant changes in Debtor balances of Stevenage Borough Council are detailed in note 17 of the Single Entity Balance Sheet, page 46.

## Notes to Group Financial Statements

### 5. Creditors

31 March 2008 £'000		31 March 2009 £'000	% change +/-
1,791	Government Departments	611	-66%
2,538	Other Local Authorities	2,102	-17%
593	Housing Rents	0	-100%
1,962	Collection Fund	0	-100%
5,911	Sundry Creditors	7,384	+25%
<b>12,795</b>	<b>Stevenage Borough Council Total</b>	<b>10,097</b>	<b>-21%</b>
157	Trade Creditors	249	+59%
59	Other Taxes & Social Security	102	+73%
635	Sundry Creditors	748	+18%
<b>851</b>	<b>Stevenage Homes Limited Total</b>	<b>1,099</b>	<b>+29%</b>
<b>13,646</b>	<b>Group Total</b>	<b>11,196</b>	<b>-18%</b>

Group creditors exclude balances arising from trading between Stevenage Borough Council and Stevenage Homes Limited together with the related VAT balances. These elimination entries are detailed in note 6 to the Group Accounts, page 92.

Significant changes in Creditor balances of Stevenage Borough Council are detailed in note 20 of the Single Entity Balance Sheet, page 54.

## Notes to Group Financial Statements

### 6. Inter-company Adjustments

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

	Stevenage Borough Council £000	Stevenage Homes Limited £000	Adjustment entries £000	Group £000
<b>Debtors</b>				
Government Departments	2,158	-	(327)	1,831
Intercompany debtor	-	2,293	(2,293)	-
	<u>2,158</u>	<u>2,293</u>	<u>(2,620)</u>	<u>1,831</u>
<b>Creditors</b>				
Other taxes & social security	-	(429)	327	(102)
Intercompany creditor	(2,293)	-	2,293	-
	<u>(2,293)</u>	<u>(429)</u>	<u>2,620</u>	<u>(102)</u>

The inter-company balances arise through trading between Stevenage Homes Ltd and Stevenage Borough Council in relation to the management of housing stock. UK GAAP requires that inter-company debtors and creditors are eliminated in the presentation of Group financial statements and this is reflected in the adjustments shown in the table above. This also includes the elimination of debtors and creditors relating to VAT arising from intercompany trading.

### 7. Cash at bank & in hand

31 March 2008 £'000		31 March 2009 £'000
119	Cash at bank & in hand	71
<u>119</u>	<b>Total Stevenage Borough Council</b>	<u>71</u>
11	Cash at Bank & in hand	8
<u>11</u>	<b>Total Stevenage Homes Ltd</b>	<u>8</u>
<u>130</u>	<b>Total for Group</b>	<u>79</u>



## Notes to Group Financial Statements

### 8. Pensions Liability

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

<b>2007/08 Restated £000</b>		<b>2008/09 £000</b>
70,807	Estimate assets in Scheme	54,141
(89,691)	Estimated liabilities in Scheme	(87,775)
<u>(18,884)</u>	Net asset/(liability) attributable to Stevenage Borough Council	<u>(33,634)</u>
11,741	Estimated assets in Scheme	9,490
(11,786)	Estimated liabilities in Scheme	(12,164)
<u>(45)</u>	Net asset/(liability) attributable to Stevenage Homes Ltd	<u>(2,674)</u>
<b><u>(18,929)</u></b>	<b>Net asset/(liability) for Group</b>	<b><u>(36,308)</u></b>

## Notes to Group Financial Statements

## 9. Revenue Activities

2007/08 £'000	Reconciliation of revenue surplus to net cash flow:	2008/09	
		£'000	£'000
21,118	Surplus/Deficit for the year		26,438
236	Housing Revenue Account Balance		(988)
	<i>Non Cash Items</i>		
(16,617)	Removal of Depreciation and Impairment from Income and Expenditure Account	(19,013)	
(1,917)	Removal of excess of depreciation charged to HRA Services over the Major Repairs Allowance	(2,395)	
(785)	Removal of Revenue Expenditure Funded from Capital Resources Under Statute from Income & Expenditure Account	(265)	
1,116	Removal of Government Grants Deferred from Income & Expenditure Account	751	
996	Removal of FRS 17 pension entries in Income and Expenditure Account	(533)	
99	Removal of Profit/Loss on Sale of Assets	214	
(1,734)	Contribution to provisions	(106)	
(203)	Removal of Contributions to Reserves	(367)	
(19,045)			(21,714)
	<i>Costs charged elsewhere in Cash Flow</i>		
2,369	Interest		2,192
2,369			
	<i>Items on an accruals basis</i>		
(915)	Adjustment for pooled capital receipts payment	(723)	
(36)	Add/(less) (decrease)/increase in stock	(66)	
335	Add/(less) (decrease)/increase in debtors	(3,031)	
(79)	Add/(less) (decrease)/increase in long term debtors	0	
(5,586)	Add/(less) (increase)/decrease in creditors	5,848	
(6,281)			2,028
	<b>Net cash flow (from)/to revenue activities</b>		<b>7,956</b>
<b>(1,603)</b>			

## Notes to Group Financial Statements

### 10. Analysis of Movement in Liquid Resources

2007/08 Net movements £'000		Balance 1 Apr 08 £'000	2008/09 Balance 31 Mar 09 £'000	Net Movements £'000
(12,042)	Short Term Investments	26,490	30,710	4,220
<b>(12,042)</b>				<b>4,220</b>

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

2007/08 Net movements £'000		Balance 1 Apr 08 £'000	2008/09 Balance 31 Mar 09 £'000	Net Movements £'000
2	Imprest Accounts	11	11	0
(724)	Cash in hand/(overdrawn)	108	60	48
<b>(722)</b>	<b>Total Stevenage Borough Council</b>			<b>48</b>
150	Cash in hand/(overdrawn)	10	8	2
<b>150</b>	<b>Total Stevenage Homes Limited</b>			<b>2</b>
<b>(572)</b>	<b>Total for Group</b>			<b>50</b>

## **Annual Governance Statement**

### **Scope of Responsibility**

- 1 Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 Stevenage Borough Council has approved and adopted a Local Code of Corporate Governance (17 March 2008), which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the code can be obtained from the Council Offices.
- 3 This Statement explains how the Council has complied with the code and also meets the statutory requirements 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.
- 4 The Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. The CIPFA/SOLACE guidance for implementing the framework, recommended that the local authorities Chief Financial Officer (S151 Officer) and Monitoring Officer are responsible for ensuring that the framework and subsequent statement are completed with adherence to the local code. The Strategic Management Board agreed to this recommendation and therefore the Strategic Director (Resources) and the Borough Solicitor together with a corporate governance team, have been given this responsibility.
- 5 In discharging this overall responsibility, Stevenage Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which include arrangements for the management of risk.

### **The Purpose of The Governance Framework**

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 7 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they materialise and to manage them efficiently, effectively and economically.
- 8 The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

## **Annual Governance Statement**

- 9 In respect of Stevenage Homes Ltd (SHL) controls, they often replicate similar procedures too those of the Council. However they have their own Financial Regulations and Internal Controls, all of which are required to be approved by the Council. SHL also have an Audit Committee that ensures that risk management, internal audit reports and budgets are adequately monitored and controlled. SHL's Annual Governance Statement will be approved by the SHL Audit Committee at their meeting on 4 June 2009.

## **The Governance Framework**

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

## **Establishing and Monitoring the Achievement of Objectives**

- 11 In June 2008 the Council published its Corporate Plan (Making a Difference) 2008 – 2013 which sets out the Council's vision for the town, its strategic ambitions and associated priorities and its values. The Plan links with the Stevenage Community Strategy which is produced in liaison with the Council's strategic partners on SoStevenage – the Local Strategic Partnership (LSP). Each ambition has an associated programme of work with projects to deliver the priorities and these are set out in the Council Plan. Each Service Delivery Unit has a service plan that sets out both how these projects will be delivered and the operational work of that service. These are placed at the centre of the Council's policy and financial planning framework to inform service priorities and budget decisions. Communication and Participation strategies are in place to support the delivery of priorities and provision of services and an Equality and Diversity Strategy that helps to ensure that all groups in the community have a voice, can be heard, are consulted and can access council services in a fair and equal way. In May 2009 the Council was assessed as achieving Level 3 of the Equalities Standard for Local Government.
- 12 The effectiveness of the overall arrangements to monitor performance is informed by:
- The work of managers within the Council
  - The roles performed by the Monitoring Officer and Chief Financial Officer
  - The work of the Internal Audit Service
  - The Annual Audit and Inspection Letter
  - Reports by other review agencies and inspectorates
  - Performance Management arrangements and related regular reporting.

In the Audit Commission Report on the Council's Data Quality for 2007/08, the external auditor states:

"The Council's overall management arrangements for ensuring data quality are consistently above minimum requirements and have been further embedded compared to the previous year."

"The role of data quality champions is considered to be notable practice and has been put forward to the Audit Commission as such."

## Annual Governance Statement

### The Facilitation Of Policy And Decision-Making

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

- Housing
- Community, Health and Older People
- Children and Young People, Culture, Sport and Leisure
- Environment and Regeneration
- Resources
- Economy, Enterprise and Transport
- Safer and Stronger Communities

- 14 The Council appoints the Leader and agrees the extent of the seven individual portfolios of executive functions. Major and 'key' decisions are required to be published in advance on the Council's website as part of the Executive's four month 'Forward Plan/Rolling Programme' and will generally be discussed in a meeting open to the public. All decisions must be made within the parameters of the overall policy and budgetary framework, which has been set by full Council. Any decision the Executive wishes to take outside the budgeting or policy framework must be referred to full Council for approval. All Committee reports are produced on a standard template to facilitate understanding and all reports are supported by comprehensive assessment of the legal, financial and other implications of the proposed recommendations. The Strategic Director (Chief Financial Officer) briefs the Resources Portfolio-Holder on a weekly basis with regard to financial, legal and other resource issues. There is a Scrutiny Overview Committee which forms "topic groups", as necessary, to scrutinise specific issues and service performance. The Committee formally considers budget and policy framework matters before final consideration by the Executive and recommendation to Council. Pre-Scrutiny work is also undertaken to support the Executive in policy development for the Council. Each month the Committee reviews the decisions taken by the Executive and a 'call-in' procedure is in place should there be concerns regarding the process to decision making by the Executive on a particular matter and which result in a matter being reconsidered by the decision maker. The Council also has a series of regulatory Committees and in 2006 established an Audit Committee. The political management structure is detailed in the Council's Constitution which is subject to periodic review.

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

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

## Annual Governance Statement

rise to a contravention of the law, a code of practice or maladministration. He is also available to provide professional legal advice to Members and Officers of the Council.

- 16 The Council has a duty to ensure that it acts in accordance with the relevant legislation in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contract Standing Orders, which are available to all Members and officers on the Council's Intranet, as well as being available to the public as part of the Constitution. The Financial Regulations and Contract Standing Orders are reviewed at least annually and any proposed amendments are put forward to Council for approval. Heads of Service and senior management carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.
- 17 To assist in developing a corporate governance framework, key policies and procedures have been brought together to form the corporate backbone of the Council's governance and management control arrangements. Key documents in the Council's corporate backbone include:-
  - The Constitution (which includes protocol and Members/Officer relations, financial regulations, budget and policy framework, contract standing orders)
  - Code of conduct for officers
  - Code of Conduct for Members
  - Members register of interests
  - Risk management strategy and strategic/operational risk register
  - Communications strategy
  - Whistle blowing policy
  - Corporate procurement strategy
  - Performance management framework
  - Business continuity policy.
  - Climate change strategy (adopted April 2009)
- 18 During the year, the Corporate Governance Team of Heads of Service has further developed the assurance framework around the corporate governance arrangements. This year, Service Based Governance Statements have been compiled which further enhances overall assurance for the 2008/09 Annual Governance Statement.

## Receiving and Investigating Complaints from the Public

- 19 The Council has adopted a robust complaints procedure, which is publicised to the public via the Council's website and in Council buildings. Complaints are either received directly by the service, or by the Council's Customer Service Centre, which deals with complaints corporately. Complaints about Members and allegations that a Member has breached the Code of Conduct, are dealt with separately by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the statutory scheme in Part 3 Local Government Act 2000 (as amended). Details of the procedure and complaints forms are available on the Council's website and in the Customer Service Centre
- 20 The Council's Customer Relationship Management system allows for greater consistency across services when dealing with and reporting on complaints. It allows for a demonstrable audit trail and how complaints are dealt with.



## Annual Governance Statement

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

### **Establishing clear Channels of Communication with all Sections of the Community and Other Stakeholders, Ensuring Accountability and Encouraging Open Consultation**

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

- 23 The Council's The Communications Strategy, 'Investing in effective communications', focuses on:

- Promoting what we do to:
  - Meet customer expectations
  - Include all our customers
  - Demonstrate value for money
- Improving the image, profile and reputation of Stevenage

- 24 Our principles for effective communication promise residents, partners, the media, staff, councillors and other stakeholders to:

- Maintain a culture of communication – up, down and across the council – as a - fundamental part of good leadership
- Encourage open, honest and accountable two-way dialogue
- Provide professional, accurate and timely communications
- Keep information free from jargon and easy to understand
- Make sure information is available in appropriate formats so that no one is excluded from accessing it
- Promote a consistent corporate identity

- 25 The Council introduced in April 2009 the Councillor Call for Action arrangements (CCfA). This is designed to resolve service failure issues at a local level, when previous attempts at resolution have been unsuccessful.

### **Incorporating Good Governance Arrangements in respect of Partnerships and reflecting these in the Council's overall Governance Arrangements**

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

- 27 Following the 2007/08 corporate governance review and the increasing focus on partnership working in the new Comprehensive Area Assessment (CAA), a Partnerships Toolkit was developed in 2008 to assist in improving and ensuring consistency in our partnership arrangements. The toolkit offers best practice approaches to the structures, agreements and procedures that should be in place to make partnerships more effective and reduce risk.



## Annual Governance Statement

- 28 In summary, the Toolkit sets out guidance on:
- Governance arrangements
  - Risk management
  - Financial arrangements
  - Communication and engagement
  - Dispute resolution
- 29 Work undertaken as part of the development of the Partnership Toolkit, to review the Partnership Register, has led to more robust identification of strategic partnerships. The Council has two major partnerships: Stevenage Leisure Ltd and Stevenage Homes Ltd (SHL), an arms length management organisation that became operational in October 2006. The governance arrangements for both are underpinned by detailed management agreements and from 1 April 2009 a new contract for SLL.
- 30 The Council is an active participant in the Pathfinder initiative and included in the action plan for 2009/10 is a review of support services with the pathfinder initiative.

## Risk Management

- 31 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), a risk owner to be identified and a mitigation strategy to be in place with associated action dates. Strategic risks are linked to the Council's ambitions and priorities. All risks are subject to regular review in line with the Strategy.
- 32 During 2008/09 each service has identified both Strategic and Operational risks as part of the service planning process. The Strategic Risk Register is monitored, on a quarterly basis, by the Council's Strategic Management Board (SMB). The Audit Committee also note and comment upon any developments to the risk strategy and review the latest strategic risk register as a standing agenda item.
- 33 The Resources Portfolio- Holder is the Council nominated Member Risk Management Champion and assists with embedding risk management in the business of the Council. Portfolio Holders are briefed regularly by the relevant Strategic Director.
- 34 The Operational Risks Registers are monitored by the relevant Heads of Service and any risks which should be escalated, are added to the quarterly review of the Strategic Risk register and reported to SMB. The Council also requires project risks to be identified for major projects and capital schemes before approval. A Partnership toolkit was produced in 2008 which provides guidance on all aspects effective management of partnerships including the management of risk.
- 35 During 2008/9, the Council's insurers provided a programme of risk management consultancy to strengthen and embed our risk management arrangements. Training and awareness workshops were held for Heads of Service. These sessions explained the Risk Management Strategy and the process for managing the operational and strategic risks. An ongoing targeted training programme for Members and Officers will be implemented during 2009/10. In particular this will focus on the further development of operational level risk registers and expand opportunities for non-executive Members to contribute to the strategic risk register. This programme will be overseen by the Risk Management Group.

## Annual Governance Statement

- 36 A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, has been set up and meets quarterly. Its role is to oversee and review the reporting process and the development of the Council's risk strategy. The group considers and challenges new and existing risks and reviews the content of the strategic risk register before it goes to SMB. The Chair of the Audit Committee and the Members' Risk Champion are invited to this group.

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

- 37 The standards of conduct and personal behaviour expected of members and officers of the Council, its partners and the community, are defined and communicated through codes of conduct and protocols. The statutory process for dealing with complaints about Members is referred to in 19 above. The Government is currently consulting on the introduction (under the Local Government Act 2000) of a statutory code of conduct for officers. These include:

- Members' Code of Conduct
- Member/Officer Protocols
- Members Register of Interests
- Officers Code of Conduct
- Anti-Fraud and Corruption Policy
- Regular performance meetings for staff linked to corporate and service objectives
- Standards Committee with an independent Chairman.

### Internal Audit Arrangements

- 38 The Council recruited a new Chief Internal Auditor on 1 May 2008, prior to this a partnership arrangement had been in place with Uttlesford and subsequently North Hertfordshire District Council. Annual audit coverage is determined through a risk assessment, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework. Internal Audit operate to defined standards (CIPFA/IIA). The Chief Internal Auditor reports to the Council's Head of Finance (Deputy Section 151 Officer) and Strategic Director (Chief Financial Officer/Section 151 Officer) and provides updates on internal audit progress and issues at regular Section 151 meetings. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. From 2006/07 this report has been submitted on a yearly basis to the Audit Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control systems of the Council to SMB and Members. Internal Audit review and appraise 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.
- 39 The Chief Internal Auditor's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2009. From the Internal Audit work undertaken in 2008/09, the Chief Internal Auditor can provide a moderate level of assurance that the system of internal control which has been in place at Stevenage Borough Council for the year ended 31 March 2009 accords with proper practice.

## Annual Governance Statement

### Audit Committee

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

- Internal Audit matters including:

- the Annual Internal Audit Plan
- the adequacy of management response to Internal Audit reports and recommendations
- the Chief Internal Auditor's Annual Report and opinion
- summaries of specific internal audit reports

- External Audit matters including:

- the External Auditor's plans for auditing and inspecting the Council
- the annual Audit and Inspection Letter from the external auditor
- the report to those charged with governance
- proposals from the Audit Commission over the appointment of the External Auditor
- scope and depth of External audit work

- Anti-Fraud and corruption issues including the Council's policies on anti-fraud and Corruption, 'whistle-blowing'

- The Council's Constitution in respect of Contract Standing Orders and Financial Regulations
- The Council's Risk Management arrangements
- The Council's arrangements for delivering value for money
- The Council's Annual Governance Statement
- The Statement of Accounts and related Capital Determinations

41 The Audit Committee is an advisory committee of the Council. It has been constituted in line with best practice recommendations from CIPFA guidance. In 2008/09 the Audit Committee comprised five appropriately skilled Council Members, including only one Executive member, one member from an opposition group and one member from the Scrutiny Overview Committee. The Committee is further supported by an independent representative who, in addition to independence also brings further financial/accounting professional skills. The Chair of the Audit Committee is neither a member of the Executive nor a member who serves on any Scrutiny body. The Committee has received specific training by our external auditors and in-house training on the Statement of Accounts.

42 The operation of the Audit Committee has been particularly effective. As such it has, in itself significantly contributed to further strengthening the Council's overall systems of Internal Control.

### Ensuring Economic, Efficient and Effective Use of Resources

43 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 identified as part of the Service and Financial planning process, starting with the MTFS in July and then formal approval (forward plan bid) as part of the annual budget setting process. In year pressures will be reported to SMB and Executive as part of the quarterly monitoring process for approval, with any mitigating actions. Key to the

## Annual Governance Statement

service planning process is a requirement to demonstrate planning for continuous improvement, over several years. The Service Planning process is cascaded throughout the organisation as part of the Performance Management Framework. This culminates in plans being prioritised through to front line service provision in the Council's Performance Development Management (PDM) Scheme, and as part of the management review processes for all members of staff. The effectiveness of these processes is recognised in the Council's achievement of Investors in People (IiP) status. Effective Workplace Planning also forms a key part of the Council's processes to seek to ensure effective use of resources. The Council's Corporate Plan is supported by the individual service plans and this ensures that improvements are in line with the Council's corporate priorities. Economic and effective use of resources is subject to review through the work of both Internal and External Audit.

- 44 Consultation exercises are used to inform decisions about strategies and policies and therefore influence the service planning process. A variety of approaches to consultation are used in line with a Consultation Strategy and Programme. For example, in 2008/09 the Council held a Community Conference, which sought the views of members of the public on relative priorities and levels of service provision and budgetary implications. In addition further communication and consultation has been conducted using surveys and interviews, reflecting the Council's ongoing commitment to public consultation.
- 45 The Council continues to be strongly committed to the principles of Best Value (BV) and continuous improvement. The BV methodology takes into account the requirements of the Government 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.
- 46 To support the Council's commitment to efficient and effective use of its resources, the Leaders Service Priority Group was reconvened for 2008/09. The group was supported by officers and challenged savings options and forward plan bids to ensure they were aligned to the Council's priorities. Consultation with external groups also took place. This whole process will assist the Council in seeking to ensure continuous improvement in its achievement of Value for Money.

## Financial Management

- 47 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 must be safeguarded, that transactions are authorised and properly recorded, so that material errors or irregularities are either prevented or would be detected within a timely period.
- 48 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structure including appropriately skilled, trained or qualified staff and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council. In particular, the Council's processes in 2008/09 include the following:-
- Comprehensive processes to review priorities in the formation of the Council's annual Forward Planning and Savings exercises;

## Annual Governance Statement

- The setting of detailed annual budgets, the Council Tax and Housing Rents;
- Monitoring of actual income and expenditure against the annual budgets;
- Specific detailed monitoring of the Council's salaries budget;
- Availability of financial information at all times online 'live' within the Council's Financial Information system (Integra);
- Production of monthly reports for budget managers and publication of these on the Council Intranet;
- The detailed use of Commitment Accounting processes;
- A quarterly review of the annual budget;
- Monthly budget reviews to estimate likely outturn figures;
- Production of monthly Key Budget Indicators (KBI) reports to SMB;
- Periodic reporting of the Council's financial position to Members;
- Already defined capital expenditure guidelines as outlined in the Capital Strategy;
- Detailed monitoring of the Council's Capital Schemes through the Corporate Capital Review Group (CCRG) and reported onto Executive;
- The monitoring of finances against the Medium Term Plans;
- Continuous reviews, updating and reporting of the Council's Medium Term Revenue and Capital Strategies;
- Provision of financial training for Audit Committee members to equip them to perform their roles in respect of financial management responsibilities, in relation to the Statement of Accounts.

49 The controls created by management are evaluated to ensure:

Council ambitions are being achieved;

- Shape our community;
- Regenerate Stevenage;
- Create sustainable communities;
- Move towards excellence.

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

51 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.

52 Medium Term Financial Planning – The Council publishes in its Budget Book revenue and capital projections for the next few years. The projections are reviewed and updated on at least an annual basis. The in year and the five year forecast are reviewed as part of the quarterly monitoring process, (key indicators- monthly, General Fund, HRA, Capital and Balance Sheet- quarterly). The Council has a well established Capital Strategy which measures the performance of its capital sources. This has involved deferring and deleting £8Million from the 2008/09 capital programme as a result of declining in year capital receipts, while still supporting the Council's priorities and ambitions. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.

## Annual Governance Statement

- 53 Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2008/09, the Council has continued to strengthen the links between the budget and the Plan by continuing to develop a process to prioritise the allocation of resources in line with the objectives of the Plan.
- 54 Budget Management and reporting – The management of budget over and under spends and the impact on the Council's financial reserves, is implemented via the budget monitoring process. Budget variances and reasons for the variance are reported to SMB and then to the Executive for approval. The financial impact on future years is also highlighted together with the impact on current financial reserves. This then feeds into the risk management assessment of the Council's reserves which is designed to manage areas of known budget risk, the planning for predictable budget peaks and the identification of change management issues. Further work is taking place to allow challenge of reported variances and this will be implemented in 2009/10. The budget management process also reviews the progress of savings and forward plan bids together with carry forward budgets.
- 55 Officers are provided with information enabling them to manage their budgets. All budgets are assigned to responsible officers. Additionally, key budget control information is produced on a monthly basis for SMB and periodically to Members.

## Performance Management

- 56 The Council introduced a Balanced Scorecard for reporting performance information, from April 2008. The scorecard includes a comprehensive set of key business indicators (including all national indicators).
- 57 The system:
- Requires Heads of Service to verify performance results entered by responsible officers before submission
  - Produces an audit report for any amendments made to data outside the reporting window
  - Allows formal quarterly reporting to Members of Executive on performance
  - Includes data quality status for individual indicators
  - Sets out the trend of results that will enable a comparison of quarterly results over time and year on year.
- 58 The Scorecard provides a balanced view of performance across the Council, providing a status on performance within service delivery areas, that is based on robust performance data which aids decision making. Performance Clinics are held between Strategic Directors and relevant Heads of Service, where performance is not reaching target, or where there are data quality concerns.
- 59 An Annual Report is published that sets out the Council's achievements against the ambitions and priorities in the Corporate Plan, reporting progress over the last year against planned objectives. Where a future target identified in the Corporate Plan has been revised, the reasons are explained.
- 60 The Council has systems in place to measure Customer satisfaction in the customer service centre (CSC), this will be developed further, focusing on the quality of service provision in specific areas.



## Annual Governance Statement

### Stevenage Homes Ltd

- 61 On 1 October 2006, the Council established an Arms Length Management Organisation (ALMO), Stevenage Homes Ltd (SHL), to manage and maintain the Council's Housing Stock. The Board of SHL have overall responsibility for the Company and the provision of Housing Services for the Council's tenants. SHL, as a Company, has its own External and internal Auditors and reports on its own systems of internal control, in line with its governance arrangements. The Company is a significant partner for the Council and as such, is included within the Council's 'Group Accounts' in the Statement of Accounts. The effect of the establishment of SHL and the Council's system of internal control, is managed in the following ways:-
- The Council invested appropriate resources and expertise into the establishment of SHL in the period prior to 'go-live' on 1 October 2006
  - Part of the rationale for establishing SHL was that concentrated management focus on the Housing Service should bring about overall improvement in the Service and its associated controls
  - Relevant Housing staff and management and appropriate support staff (including Finance and Human Resources staff) were transferred to SHL under TUPE arrangements. As such, the organisation was established with experienced and appropriately qualified expertise to deliver the Service and maintain internal control.
  - The constitutional and procedural relationships between the Council and SHL are detailed in the Management Agreement
  - SHL has established appropriate constitutional and governance arrangements, including its own Audit Committee
  - SHL's responsibilities for the Housing Service, the objectives and priorities, are detailed in the annually published Delivery Plan
  - Monitoring arrangements between the Council and SHL have been established and reviewed on an ongoing basis
  - Upon establishment, SHL adopted in the first instance many of the Council's policies and procedures and subsequent review of these is generally subject to consultation with the Council. Policies and procedures adopted include:
    - Financial Regulations and Contract Standing Orders
    - Housing Services policies and procedures
    - Performance management arrangements
    - Risk management approach
  - Many of SHL's main financial processes continue to be provided in liaison with the Council through Service Level Agreements (SLAs). SHL has reviewed it's SLAs with the council during 2008/09, as the needs of the Company and Council have changed. Some SLAs such as internal audit and procurement have ceased, however a significant number continue to be value for money and economies of scale have been maintained.
  - SHL have procured and appointed their own internal auditors, however the Council's Internal Audit Service continue to provide Internal Audit for some of the shared key financial systems to SHL through a SLA and produces joint reports to the Council and SHL for audits in respect of shared systems.
  - SHL adopted the Council's financial systems and financial planning, budget setting, monitoring procedures. SHL finances have been subject to regular monitoring between the Council and SHL.

## Annual Governance Statement

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

## Review of Effectiveness of Systems of Internal Audit

- 63 The Accounts and Audit (Amendment) (England) Regulations 2006 came into force from 1 April 2006. Paragraph 6 (3) states that:
- “the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of Internal Audit”.
- 64 To comply with the Accounts and Audit Regulations, a self assessment against the standards in the CIPFA Code of Practice for Internal Audit in Local Government in the UK was undertaken by the Chief Internal Auditor. In addition an external peer review was undertaken by the Audit Manager at North Hertfordshire District Council.
- 65 The self assessment and external peer review both concluded that the system of Internal Audit at Stevenage Borough Council is effective. In addition the External Audit Opinion confirmed that the Internal Audit service complied with the CIPFA Code of Practice.
- 66 The 2007/08 Annual Governance Statement reported slippage in the Audit plan for 2007/08. Whilst the percentage of planned days for the 2008/09 audit plan (82%) is below the 90% target, there has been significant improvement in performance compared to last year.

## Review of Effectiveness

- 67 Stevenage Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment; the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 68 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework within the Council are:
- Internal Audit's independent risk based review and appraisal of the adequacy, reliability and effectiveness of internal controls within corporate systems. The Annual Internal Audit Report and Assurance Statement provides an overall opinion on the adequacy of the Council's internal control environment and identifies significant areas of weakness.
  - Annual service planning, to align service development against strategic goals
  - Ongoing review by the monitoring officer of the business and decisions taken, which includes an assurance that the Council has acted lawfully and that agreed standards have been met
  - Ongoing review and action identified by the Corporate Governance Group and officers assigned with responsibility for co-ordinating Corporate Governance arrangements
  - Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services



## Annual Governance Statement

- The Audit Committee agrees the annual audit plan and receives, considers and challenges Internal Audit reports including the Annual Internal Audit Report and Assurance Statement, and External Audit reports including the Annual Audit and Inspection Letter. The Committee also considers reports on risk management, fraud issues and other governance issues.
- Annual reviews of the Council's Statement of Accounts and supporting systems by the external auditors leading to their opinion as published in the Statements.
- Annual reviews and updates of the Council's financial procedures
- Ongoing review of strategic, operational and project risks and the actions required to mitigate identified risks
- Self assessment of the corporate governance arrangements against the CIPFA/SOLACE framework for good governance.
- The work of the Standard Committee in promoting and maintaining high standards of conduct by Councillors and co-opted Members.
- Annual self assessment declarations on the adequacy of the governance framework in departments, which include action plans to address significant weaknesses in internal control arrangements.

## Annual Governance Statement

### Significant Governance Issues For Improvement

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

Issue	No.	Action	Progress
<b>Internal Audit and Audit Committee</b> Monitoring of progress against the audit plan, identified a need to address weaknesses in audit staff arrangements and the effective application of risk based audits  Assurance was needed that the Audit Committee's terms of reference are up to date and reflect good practice.  Given the scale and scope of the audit plan, together with the subsequent number and detail of audit reports, a way of providing pertinent, summarised information relating to each audit, was needed.	1.	Strengthen the management and effectiveness of Internal Audit to ensure timely delivery of the agreed Internal Audit programme in future years (July 2008)	The internal audit team has been strengthened with a new Chief Internal Auditor and a new senior internal auditor. New working practices further embedding risk based approach to auditing have also been introduced. Actions have been identified to further improve internal audit delivery rates.
	2.	Review the Audit Committee's Terms of Reference and update in accordance with the CIPFA guidance (September 2008)	The Audit Committee Terms of Reference have been updated.
	3.	Present Executive summaries for each audit undertaken, or produce a report to summarise the key findings from each of the audits completed (September 2008)	The Audit Committee have requested the reporting and progress of the high priority recommendations made by Internal Audit. The Audit Committee have requested a number of final reports e.g. Grant Funding
<b>Value for Money (VFM) Investigations</b> Unit costing and benchmarking are fundamental to helping ensure that value for money is achieved. Steps needed to be taken that they form part of the regular business of the organisation.  An effective approach to closing the budget gap was needed.  In view of the importance of SLAs, timely and thorough reviews were required.	4.	Continue the improvements made in Unit costing and benchmarking and ensure they are embedded as an integral part of Service Reviews (September 2008)	The focus for financial services in 2008/09 has been to develop better budget monitoring and statement of Account reporting. Benchmarking of services will be an action for 2009/10.
	5.	Continue identifying efficiency savings to assist in balancing the budget (September 2008)	Efficiencies of £1.57Million were approved as part of the 2009/10 General Fund budget process.
	6.	In partnership with SHL, robustly review the SLA's currently in place between the two organisations (December 2008)	SLA's were reviewed in 2008/09 and revised specifications agreed between SHL and SBC.

## STATEMENT OF ACCOUNTS 2008/09

Issue	No.	Action	Progress
<b>Risk Management</b> The Council needs to ensure that risk management is further embedded, consistently, in the business of the organisation, as well as delivering appropriate outcomes.  Having adopted a local code of corporate governance, there is a need to test its effectiveness and oversee its ongoing application across the organisation.  The Council needed to assist SHL in achieving "2 star" status by supporting good governance arrangements.	7.	Ensure all reports to SMB and the Executive contain a summary of Risk implications and controls required to reduce risk level (September 2008)	Standard committee report templates include a risk management section
	8.	Develop a consistent risk management approach to partnership working including introducing a toolkit (September 2008)	Partnership toolkit introduced in 2008/09.
	9.	Introduce a Risk Management Group and ensure terms of reference also cover corporate governance issues (September 2008)	A Risk Management Group has been established with specific terms of reference. The officer group gives an open invitation to the Members Risk Champion and the Chair of the Audit Committee.
	10.	Ensure annual review of Local Code of Corporate Governance and Framework (December 2008)	A Corporate Governance Group has been created which has a strategic overview of Corporate Governance. The Head of Service improvement plans have been revisited as well as the self assessment schedule.
	11.	Enable SHL to meet the 'two star' standard at next inspection (March 2009).	SHL achieved 'two star' standard following inspection in February 2009.
<b>Financial Management</b> How to address the budget gap with a background of continuing economic downturn.  How to consolidate the ownership of budget management by heads of service.	12.	Develop the medium term financial strategy and achieve the necessary savings in order to set a balanced budget in future years and build up reserves (September 2008)	The MTFS has been remodelled and significant savings in excess of £2Million were identified for 2009/10. The current down-turn in the economy and the adverse financial impact on the Council, has meant that a savings target has been identified for future years.
	13.	Embed the development and introduction of delegated financial management responsibility to Heads of Service (September 2008)	Budget monitoring has been developed and embedded within the organisation, this will be enhanced with financial training for senior managers.

## STATEMENT OF ACCOUNTS 2008/09

Issue	No.	Action	Progress
<b>Financial Reporting</b> How to meet new accounting requirements.  The Council needed to improve the communication of financial information to stakeholders.	14.	Improve the quality of the accounts, working papers and capital accounting to ensure that the accounts are complied in accordance with the new accounting requirements in future years (June 2008)	The Annual Audit Inspection letter for 2007/08 recognised the improvement in the quality of the Council's Statement of Accounts and a 'level two' for financial reporting was achieved.
	15.	Enhance external reporting of summary accounts to stakeholders (September 2008)	A summary statement was reported and published on the Council's website and in the Council's magazine Chronicle.
<b>Ethics and Probity</b> There is a need ensure that compliance with the officer code of conduct is consistent and appropriate across the whole organisation.  No formal mechanism exists to monitor the completion of action plans set out in service based governance statements.  Assurance is needed that the role of the Standards Committee is appropriate, effective and reflects good practice.	16.	Monitor compliance with officer code of conduct and develop Member code (September 2008)	A review of the Officer code of conduct is part of the action plan for the 2009/10.
	17.	Within Service based Governance Statements, develop and monitor completion of action plans (December 2008)	Action plans have been monitored and revised in January 2009. Further actions have been identified for continuous improvement.
	18.	Promote and develop new enhanced role for Standards Committee (December 2008)	The 'Local Standards Framework' has been fully adopted (completed February 2009). These include the increase in the size of the committee and the appointment of an additional independent member. Three sub-committees (two of which are statutory, one in accordance with standards board guidance) have been appointed. A new complaints procedure devised and publicised and the Local Assessment of Complaints Toolkit has been adopted.

## Annual Governance Statement

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

Signed

**Cllr Sharon Taylor**

Leader of Stevenage Borough Council

Signed

**Nick Parry**

Interim Chief Executive of Stevenage Borough Council

## **Statement of Responsibilities for the Statement of Accounts**

### **Stevenage Borough Council's Responsibilities**

Stevenage Borough Council is required:

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

### **The Strategic Director's (Chief Financial Officer) Responsibilities**

The Strategic Director (Chief Financial Officer) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

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

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

The Strategic Director (Chief Financial Officer) has also:

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

### **Certificate of Chief Financial Officer**

I certify that this statement of accounts has been prepared in accordance with Regulation 10 of the Accounts and Audit (Amendment) (England) Regulations 2009 and present fairly the financial position of the Authority as at 31 March 2009 and its Income and Expenditure account for the year then ended.

**Strategic Director (Chief Financial Officer)**

## **Statement of Accounting Policies**

### **1. General**

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial and its position as at the year end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007– A Statement of Recommended Practice* (the SoRP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets. Service expenditure in the Income and Expenditure Account and the Housing Revenue Account analysis expenditure in the categories as specified in the *Best Value Accounting Code of Practice* (BVACOP).

### **2. Basis of Consolidation**

The Balance Sheet brings together the year-end balances from the core statement , the General Fund and two non-core statements, the Housing Revenue Account and the Collection Fund. All internal balances are eliminated on consolidation.

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

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

### **3. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- fees, charges and rents due from customers are accounted for as income at the date due.
- Supplies are generally recorded as expenditure when they are consumed. The exception is electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This debtors and creditors policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by contract.

## **Statement of Accounting Policies**

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

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

The 2008/09 accounts do not recognise housing benefit overpayments (deducted from on-going entitlement) on an accruals basis. The Council's benefit system is currently unable to identify the total amount of overpayments raised in the year and deducted from on-going benefit payments. The Council will be implementing a new revenues system in September 2009 which should overcome this problem. For the 2008/09 Statement of Accounts overpayment income nets down the value of housing benefit paid for the year.

### **4. Provisions**

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

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

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



## Statement of Accounting Policies

### 5. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Statement of Movement on General Fund Balance. When expenditure to be financed is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back through the Statement of Movement on General Fund so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting process for tangible assets and retirement benefits and do not represent useable resources for the Council e.g. the Pension reserve, revaluation reserve and the Capital Adjustment Account.

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

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

### 7. Pensions-Local Government Pension Scheme

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

- The liabilities of the Hertfordshire superannuation scheme attributable to the Council are included in the Balance Sheet on an actuarial basis by projecting forward the results of the 2008 Valuation i.e. by carrying an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the Hertfordshire County Council Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - ⇒ Equities – bid-market value
  - ⇒ Property-market value
  - ⇒ Bonds and Cash at fair value

## Statement of Accounting Policies

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

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

- Current service cost – the increase in liabilities, as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non Distributed Costs in the Income and Expenditure Account.
- Interest cost – the expected increase in the present value of liabilities, during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employees contributions to the pension fund.
- Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on the average of the expected long-term return - credited to Net Operating Expenditure in the Income and expenditure Account.
- Gains/Losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees-debited to the Net Cost of Services as part of Non Distributed Costs in the Income and Expenditure Account.

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

## **Statement of Accounting Policies**

### **8. VAT**

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

### **9. Overheads and Support Services**

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

The basis for accounting for overheads complies with the Best Value Accounting Code of Practice 2008 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received , with the exception of :

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

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

### **10 . Intangible Fixed Assets**

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

## Statement of Accounting Policies

### 11. Tangible Fixed Assets

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

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

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

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

Net current replacement cost is assessed as:

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

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The revaluation process is co-ordinated by the Council's Estates Manager J Angell BA, MRICS. The latest valuation certificates are dated 31 March 2009 (excluding Housing Dwellings which are valued as at 1 April 2008) and revaluations are carried out by both the Council's in-house professional staff and a private firm of Chartered Surveyors.

## Statement of Accounting Policies

### 11. Tangible Fixed Assets (Continued)

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

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

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

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

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

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

## Statement of Accounting Policies

### 11. Tangible Fixed Assets (continued)

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

Depreciation is calculated on the following bases:

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

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

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

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them. All new grants are written off over the life of the asset in line with best accounting practice.

### 12. Charges to Revenue For Fixed Assets

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

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

## **Statement of Accounting Policies**

### **12. Charges to Revenue For Fixed Assets (continued)**

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

### **13. Revenue Expenditure Funded From Capital Resources Under Statute**

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

### **14. Leases**

#### **Finance Leases**

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

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

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

## Statement of Accounting Policies

### Operating Leases

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

### 15. Financial Assets

Financial assets are classified into two types:

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

#### **Loans and Receivables**

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

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

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.



## **Statement of Accounting Policies**

### **15. Financial Assets (continued)**

- Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

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

### **16. Stocks and Work in Progress**

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

## Statement of Accounting Policies (Group Accounts)

### 1. Basis of Consolidation

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

### 2. Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on page 115.

## 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.

### Area Based Grant

Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

### Balances

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

### Budget

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

### 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 was phased over a three year period.

## **Glossary of Terms**

### **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 employee's salaries and wages and is charged in full in the year's account.

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

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

### **Debt Charges**

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

## **Glossary of Terms**

### **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).

## **Glossary of Terms**

### **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.

### **Inter-company balances**

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

### **Major Repairs Allowance (MRA)**

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

### **National Non Domestic Rates (NNDR)**

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

### **Overheads**

Administration costs e.g. finance, personnel, information technology together with other central costs which cannot be allocated direct to services such as general expenses.

### **Precepts**

Sums levied by District/Borough, County and Parish Councils and Police Authorities on the Collection Funds of billing authorities (Districts and Boroughs) and forming part of the overall demand for Council Tax.

## **Glossary of Terms**

### **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 .