

**Statement of
Accounts
2009/10**

PRE-AUDIT

Ste***enage***
BOROUGH COUNCIL

The 2009/10 Pre-Audit Statement of Accounts was approved
at the Special Audit Committee held on 28 June 2010.

Chair
Audit Committee

Resources Portfolio Holder

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Foreword by Strategic Director (Chief Financial Officer)

As the Council's Strategic Director (Resources) & Chief Finance Officer, it is my pleasure to write this foreword to Stevenage's Statement of Accounts for 2009/10. I hope it helps to tell the story of how the Council's money became the services you received. It summarises what money has been spent in 2009/10 and highlights specific issues regarding the Council's financial position at 31 March 2010. It goes without saying that 2009/10 was set against a backdrop of the worst recession in a generation, and the Council did not escape the effects of this global economic slowdown.

The Accounts of Stevenage Borough Council for the year ended 31 March 2010 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 2009 Statement of Recommended Practice (SORP) for Accounting in Local Government in 2009/10.

The Council spends some £105 million each year on your behalf providing services for people in the town. Some 53% 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. During 2009/10 the Council underwent its first inspection under the Comprehensive Area Assessment (CAA). The inspection assessed how well local public services are performing in England, if they provide value for money and where they could improve. The Audit Commission, Care Quality Commission, HM Inspectorates of Constabulary, Prisons and Probation and Ofsted all worked together to provide an independent overview of the quality of life in the local area. Stevenage Borough Council performed well, achieving an overall Level 3 in its organisational assessment.

As part of the CAA organisational assessment the Council continued to undergo a 'use of resources' inspection 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 achieving a Level 2 and is making good progress in making the required improvements to reach Level 3 during 2010/11.

The Council's overall financial position and strategy is continually revised and updated. The inter-relationships 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.

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

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

As highlighted above, the Council hasn't been immune to the effects of the economic slowdown and has needed to react accordingly. During 2009/10, the financial impact as a direct result of the recession has been over £0.45 million. This impact has come from a number of directions - reduced income, reductions in investment returns and increased expenditure on key services e.g. benefits and homelessness. The Council has updated its financial forecasts to reflect the expected continuing downturn during 2010/11. 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. This work was recently recognised with the Council winning the Citizen Advice Bureau partner of the year award.

As well as striking a balance between the needs of the Housing Revenue Account and the General Fund, in both areas the Council has sought to achieve savings and maximise resource deployment opportunities. To assist this, the Council continued the work of the 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 £4.02million of savings over the last three years that has been used to solve the Council's underlying budget gap. For the first time in over ten years, the Council is forecasting a net contribution back into balances during 2010/11.

Revenue Balances are planned to continue to be used in a phased way to bridge the gap between net expenditure and core resources over the medium term. During 2009/10 the borrowed £5 million to fund the decent homes programme for the Council's housing stock. This borrowing is called 'supported borrowing' and is paid for by the Government via the HRA subsidy system.

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

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 £55 million of supported funding to deliver the decent homes standard across the Council's housing stock. One other important event of note relates to the previous Government's consultation on the HRA Finance Reforms launched in March 2010, which if implemented, will abolish the current Housing Subsidy System, and instead replacing it with a self financing model.

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 with 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 also introduced participatory budgeting which gave 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, and specific financial publications and reports can be found at www.stevenage.gov.uk/councilanddemocracy/counciltaxandfinance/financialmanagement.

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

Members of the public are welcome to attend Council, Executive and Panel meetings. You may also raise local issues at the various Area Forums 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

2008/09		2009/10
	Area and Population	
2,606	Area (hectares)	2,606
79,400	Population	80,500
30.47	Population per Hectare	30.89
	Council Tax	
31,102	Number of Chargeable Dwellings	31,349
	Council Tax per Property in Band D	
181.44	- Stevenage Borough Council	188.52
1081.12	- Hertfordshire County Council	1118.83
136.67	- Hertfordshire Police Authority	142.82
<u>1,399.23</u>	Total Council Tax	<u>1,450.17</u>

Loan Debt

In 2009/10 the Council had loan debt of £5,000,000 relating to HRA borrowing for the decent homes standard. This borrowing is called supported borrowing and the government gives the Council the costs associated with borrowing (interest costs) via the HRA subsidy system.

Population

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

About Stevenage Borough Council

General information

Stevenage is situated about 30 miles north of London, with excellent road and rail links. The town is served by rail services on the East Coast line 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 during 2009/10 include MBDA, Aeroflex, 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 over 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 centre; in the neighbourhood centres; in the housing stock and in schools and health facilities.

About Stevenage Borough Council

General information

The Council is 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.

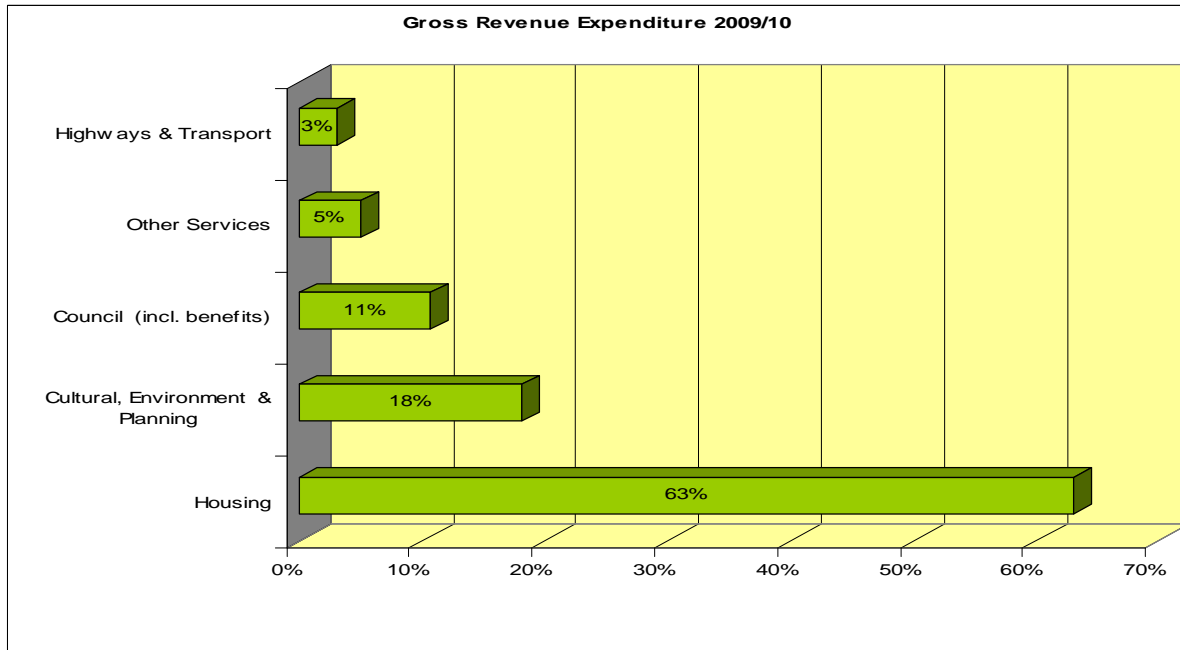
The main services provided by the Borough Council are:

- 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

About Stevenage Borough Council

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

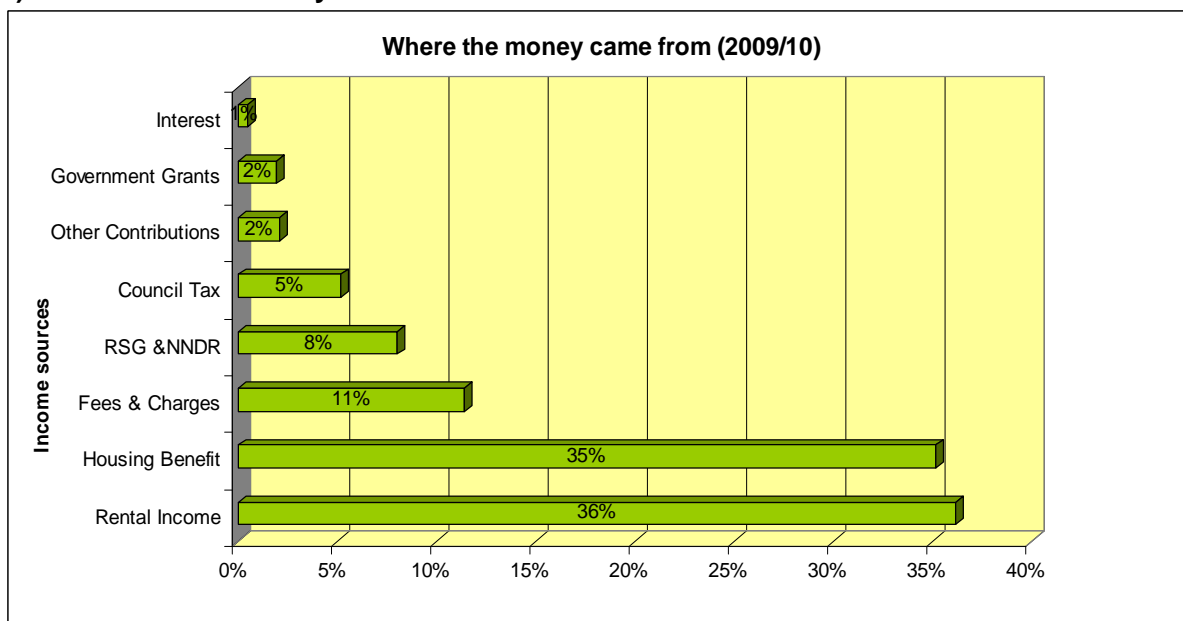
Gross Revenue Expenditure 2009/10



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 (5%), 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.

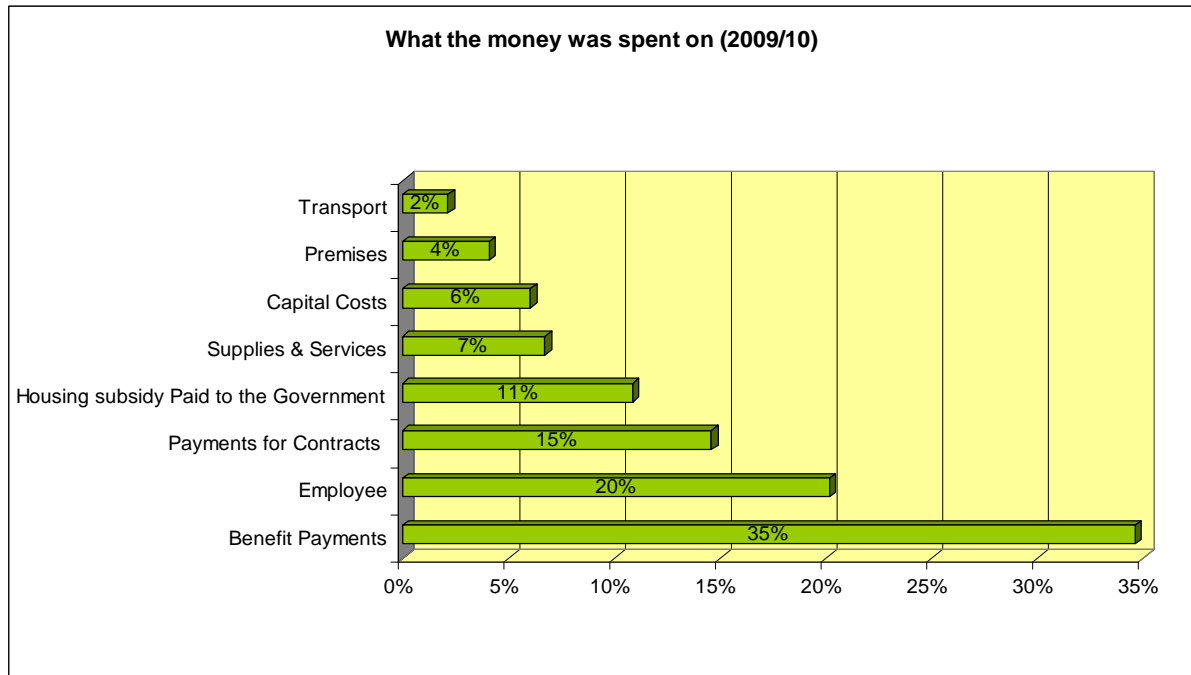
a) Where the money came from



About Stevenage Borough Council

The largest source of income is rents, which includes commercial and housing rents (36%). The second largest source of income is from housing benefit subsidy (35%). However the Council spends 35% 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 (35%). Employees are the second largest category of expenditure, this also includes salary and wage related costs such as advertising, training and insurance. Payments for contracts is third largest category of expenditure, this includes payments to Stevenage Homes Limited, (see also Note 6 Related Party Transactions to the Single Entity Accounts).

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 2010

2008/09 Restated			2009/10	
Single Entity £'000	Group £'000		Single Entity £'000	Group £'000
39,586	40,265	Net Cost of Services	54,513	54,194
(705)	(809)	Interest, contributions and other charges	2,244	2,452
38,881	39,456	Net Operating Expenditure	56,757	56,646
(12,996)	(12,996)	Precepts, Grants & Contributions	(13,518)	(13,518)
25,885	26,460	(Surplus) / Deficit for Year	43,239	43,128
(23,765)	(23,765)	Net additional amount required by statute & non-statutory proper practices	(42,287)	(42,287)
2,120	2,695	Decrease in Revenue Balances	952	841
(7,376)	(7,677)	Balance at 1 April	(5,256)	(4,982)
(5,256)	(4,982)	Balance at 31 March	(4,304)	(4,141)

Balance Sheet as at 31 March 2010

2008/09 Restated			2009/10	
Single Entity £'000	Group £'000		Single Entity £'000	Group £'000
Assets				
744,016	745,043	Long Term Assets	650,215	650,215
38,237	40,868	Current Assets	25,947	25,744
(16,908)	(18,618)	Current Liabilities	(15,023)	(13,831)
(47,701)	(50,375)	Long Term Liabilities	(84,352)	(92,511)
717,644	716,918	Total Assets Less Liabilities	576,787	569,617
Fund Balances & Reserves				
625,495	626,122	Capital Adjustment Account	598,051	598,051
107,224	107,626	Revaluation Reserve	36,623	36,623
(15,075)	(16,830)	Other	(57,887)	(65,057)
717,644	716,918	Total Fund Balances & Reserves	576,787	569,617

Explanatory Foreword

The Council's Accounts for the year 2009/10 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 2009 (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 2010 and includes a net pensions liability of £64,748,595 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 (HRA) 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 2010
- ◆ **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 2010 and includes a net pensions liability of £72,908,000 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 2009/10 and how these compare with actual income and expenditure are set out below: -

	Original Budget 2009/10	Working Budget 2009/10	Actual 2009/10	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure on Services	70,894	73,850	82,031	8,181
Income	(50,681)	(53,617)	(55,469)	(1,852)
Total Service Expenditure	20,213	20,233	26,562	6,329
Reversal of capital charges to neutralise the impact on the Council Tax Payer	(5,140)	(5,140)	(12,342)	(7,202)
Total Net Operating Expenditure	15,073	15,093	14,220	(873)
Government grants incl. RSG & NNDR	(7,814)	(7,814)	(7,814)	0
Collection Fund Income	(5,454)	(5,454)	(5,454)	0
Net change in reserves for year	1,805	1,825	952	(873)
Balance brought forward	(2,906)	(2,906)	(2,906)	0
Balance Carried forward	(1,101)	(1,081)	(1,954)	(873)

The working budget was approved by Executive in March 2010 and relates to the third quarter monitoring projection. The 2009/10 actual net spend on the General Fund was £872,781 lower than the third quarter projected budget. Some of the main variances are listed below:

Expenditure:

General Fund gross expenditure was **£8,181,166** higher than the third quarter projection. However of this **£7,263,254** were notional capital charges relating to higher than estimated depreciation and impairment costs. These additional charges arose because of a reduction in the valuation of General Fund assets and consequently a higher impairment charge. 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 impaired in 2009/10 included £4,449,326 relating to the Business Technology Centre. This asset is an investment property and is not valued on re-build costs but on income generated. The current level of under-occupancy reflects the reduction in the buildings valuation. If occupancy levels increase there would be a corresponding increase in the buildings valuation and the impairment loss would be reversed.

Explanatory Foreword

Budget – General Fund

Other expenditure variances that impacted on the General Fund are listed below:

- Housing benefit payments for rent rebates, allowances and council tax, increased by **£469,129**, or 1.6% more than the working budget. However £277,191 related to a change in accounting treatment for housing benefit overpayments for claimants on benefit. The payments made to claimants have been grossed up (excluding housing benefit overpayment deducted from allowances). There was a compensating increase in income from housing benefit overpayments in the General Fund, (see also Accounting Policy 3, page 118).
- Transfer to reserves increased by **£695,812** of which £217,207 related to the revenue element of the Performance Reward Grant. This has been transferred to an earmarked reserve to fund the SoStevenage approved schemes. For further information on transfers to reserves see note 20 to the Statement of Accounts.
- There were other net under spends of £291,355 which included a reduction in utility costs of **£109,632**.

Income:

General Fund gross income was **£1,851,617** higher than the third quarter projection, of which £939,173 relates to an increase in grants. Of which **£217,207** related to the Performance Reward grant transferred to an earmarked reserve (see above), the remainder related to increased housing subsidy due (£508,203) and an increase in Growth Fund and Local Delivery Framework grant (£179,813).

There was also an increase in fees and charges of **£978,100** of which £948,260 related to Housing Benefit overpayments. The increase is partly due to the grossing up of benefits to exclude deductions for overpayments, (as identified above totalling £277,191).

Explanatory Foreword

Budget – Housing Revenue Account (HRA)

The main components of the HRA for 2009/10 and how these compared with actual income and expenditure are set out below:

	Original Budget 2009/10	Working Budget 2009/10	Actual 2009/10	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure	40,317	38,465	66,394	27,929
Income	(37,758)	(36,741)	(36,402)	339
Net Cost of HRA	2,559	1,724	29,992	28,268
Reversal of Capital Charges	(1,712)	(1,712)	(30,327)	(28,615)
(Surplus) / Deficit for the year	847	12	(335)	(347)
Balance brought forward	(2,095)	(2,095)	(2,095)	0
Balance Carried forward	(1,248)	(2,083)	(2,430)	(347)

The working budget was approved by Executive in March 2010 and relates to the third quarter monitoring projection. The 2009/10 actual net spend on the HRA was £345,364 lower than the third quarter projected budget. Some of the main variances are listed below:

Expenditure:

HRA gross expenditure was **£27,929,781** higher than the third quarter projection. However there was increase of **£28,615,315** relating to notional charges which were higher than the estimated impairment and depreciation costs. The gross book valuation of the housing stock at the 1 April 2009 reduced by some £86,000,000 compared to the 1 April 2008 valuation. Part of the impairment was written off to the revaluation reserve and the remainder, (£9,610,733) was charged to the HRA. The 2009/10 capital expenditure programme on council housing of £19,612,475 was also treated as an impairment cost, (as in 2008/09). This is because the houses are valued on existing use at the 1 April and the capital works did not increase the 'existing use' valuation of the properties. However, depreciation and impairment charges do not impact on tenant rents, but are required accounting entries, that are reversed out below the line, to neutralise the impact on the HRA.

There were other reductions in expenditure including £104,650 relating to lower premises insurance costs. The reduction in costs was due to fewer number and value of premises insurance claim excesses for council houses than estimated for.

Explanatory Foreword

Major Variances in Net Spend in the Income and Expenditure Account

	2008/09 Net Expenditure	2009/10 Net Expenditure	Year on Year Variance
Adult Social Care	157	111	(46)
Central Services to Public	2,083	1,648	(435)
Children's Services	93	39	(54)
Cultural Environmental & Planning Services	16,977	20,236	+3,259
Highways Roads & Transport Services	1,753	863	(890)
HRA Services	14,901	29,629	+14,728
Housing Services	(137)	(1,267)	(1,130)
Corporate & Democratic Core	2,952	3,069	+117
Non Distributed Costs	807	185	(622)
Total Net Expenditure	39,586	54,513	+14,927

Explanations to major variances

Central Services to Public Council Tax benefit paid (net of subsidy received) was £85,469 less in 2009/10 when compared to 2008/09.

Cultural, Environmental & Planning Services 2009/10 impairment charges were higher when compared to 2008/09, £4,449,326 related to the Business Technology Centre (see Explanatory Foreword, General Fund Budget, page 17).

Highways, Roads & Transport Services Depreciation on the Council's car parks was £804,075 lower when compared to 2008/09. This relates to a change in the assumed asset life for the Forum Car Park.

Housing Revenue Account (HRA) Services The following variances increased the net costs shown in the Income & Expenditure account: (i) HRA subsidy paid to the Government was lower by £1,728,053 compared to 2008/09. This is because of lower interest rates earned on investments which the Government takes into account in determining the amount of subsidy payable. (ii) Total Impairment and depreciation charges increased by £17,717,285, when compared to 2008/09, mainly as a result of the reduction in the valuation of the housing stock. (iii) Rental income increased by £1,045,543, when compared to 2008/09.

Housing Services Increase in housing benefit overpayments income recognised in the accounts, (net of bad debt provision) of £704,136 when compared to 2008/09.

Non Distributed Costs The decrease in 2009/10 spend relates to notional pension costs which are reversed out of the Income and Expenditure Account and have no adverse impact on the General Fund balance.

Explanatory Foreword

Material Assets Acquired or Liabilities Incurred during 2009/10

The Council did not acquire any assets or liabilities during 2009/10.

Capital and Borrowing

In 2009/10 the Council spent £25,469,049 on capital projects.

Capital expenditure of £19,744,957 was spent on HRA services and a further £5,724,092 on General Fund services.

The Council funded 45% (49% 2008/09) of its capital programme from the sale of assets, (land and council house sales), using £11,542,393 capital receipts 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 used and available to fund future capital expenditure.

	Brought Forward £'000	Received in Year £'000	Used in Year £'000	Available to fund future year expenditure £'000
Usable Capital Receipts	11,566	1,070	(11,542)	1,094
MRA	0	6,207	(6,207)	0
Section 106 Receipts (Capital)	2,060	50	(239)	1,871
Borrowing	0	5,000	(5,000)	0
Grants and Other Contributions	2,228	2,890	(1,430)	3,688
TOTAL	15,854	15,217	(24,418)	6,653

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

The Council had loans of £5,000,000 as at 31 March 2010. This loan debt relates to the expenditure on the Council's Decent Homes Programme for its housing stock. The debt is 'supported borrowing' which means the Government reimburses the Council for the cost of borrowing via the housing subsidy system.

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 2009/10 pension liability is to reduce the value of the Council's reserves by £32,422,595, (£13,442,000 decrease in 2008/09). Further information regarding the Pension Scheme is given in Note 24 to the Single Entity Core Statements.

Explanatory Foreword

Significant Changes in Accounting Policies

Collection Fund Account Non Domestic Rates (NNDR):

The 2009 SoRP has changed the accounting treatment for NNDR related debtors and creditors. The Council is the billing authority for NNDR in Stevenage and previously recognised NNDR arrears, pre-payments and bad debt provisions on the Balance Sheet, together with any monies owed to/from the government. However the Council is acting as the agent for collection and as such all payments/income outstanding at the Balance Sheet date are not monies owed to and retained by the Council.

The SoRP now requires the de-recognition of NNDR debtors and creditors in the Balance Sheet, to be replaced by a single debtor/creditor from/to the Government, (at the balance sheet date). This change in accounting policy requires an amendment to the previously published 2008/09 accounts. The changes mean a reduction in the 2008/09 Council's receipts in advance by £1,144,064 (representing NNDR pre-payments and accounts in credit) with a compensating reduction in the Council's debtors. There has also been an adjustment to the Cash Flow statement to reflect this change.

Collection Fund Account Council Tax

As with NNDR the 2009 SoRP has changed the accounting treatment for Council Tax related debtors and creditors at the balance sheet date. The Council as the billing authority for Council Tax, collects monies on behalf of Hertfordshire County Council and the Police Authority, but recognises 100% of arrears, pre-payments and bad debt provisions on the Balance Sheet, together with any monies owed to/from the County and the Police. However, the Council share of the arrears/pre-payments is only 13% of the total and as with NNDR is acting in part as an agent for collection.

The SoRP now requires the Council to recognise only their share of any arrears, prepayments and bad debt provisions in the Balance Sheet. This change in accounting policy requires an amendment to the previously published 2008/09 accounts and reduces the 2008/09 Council's receipts in advance by £694,092, debtors by £1,760,005 and creditors by £1,065,913.

There is also a new requirement to charge only the in year surplus/deficit on the Collection Fund to the Income and Expenditure account, (rather than the distributed surplus or deficit based on estimate). The actual amount that can be credited or debited is controlled by statutory provision and the difference between the actual and the statutory amount is reversed out of the accounts and charged to the Collection Fund adjustment account.

Explanatory Foreword

Significant Changes in Accounting Policies

Collection Fund Account Council Tax (continued)

In 2008/09 this meant a reduction of £43,807 in the Income from the Collection Fund, to the Income and Expenditure Account and a credit of £43,807 charged to the Statement of Total Movement in General Fund Balances (STMGFB), neutralising the impact on the General Fund for 2008/09. There has also been an adjustment to the Cash Flow Statement for the changes identified above.

Prior Year Adjustments Fixed Assets

Timebridge Community Centre was re-valued in 2008 following refurbishment of part of the building. The upward revaluation included part of the site that did not belong to the Council and on recognition of this resulted in a reduction in the revaluation, (impairment) of £1,027,769 to reduce the value of the building on the Balance Sheet. The 2008/09 accounts have been restated to reflect this change. Part of the impairment charge could be met from the revaluation reserve (£402,486), as a result of earlier upward revaluations. The remaining £625,283 was charged as an impairment to the 2008/09 Income and Expenditure account and reversed in the STMGFB (STMGFB). The impairment reduced the 2008/09 net worth of the Council by £1,027,769.

Minor changes

Other adjustments:

From 2009/10 the Council intends to treat income from Developer's, also know as section 106 monies, as Receipts in Advance rather than included within Government Grants Unapplied on the Balance Sheet. This change has been made because the condition for use of the monies has not been met.

In previous years accounts the Council disclosed, (in its Accounting Policies) that it was unable to separately identify repayment of overpayments deducted from claimant benefits. The Council's new benefit system, (implemented November 2009) is now able to identify the total amount of overpayments raised and deducted from claimant benefit payments. Overpayments totalling £407,166 (relating to prior to 2 November 2009) were written on to Balance Sheet, together with a bad debt provision of £290,240.

Explanatory Foreword

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

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

Income & Expenditure Account for the year ended 31 March 2010

2008/09		2009/10		
Restated Net Expenditure £'000	Expenditure on Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
157	Adult Social Care	111	0	111
2,083	Central Services to Public	11,706	10,058	1,648
93	Children's Services	677	638	39
16,977	Cultural Environmental & Planning Services	27,692	7,456	20,236
1,753	Highways Roads & Transport Services	4,074	3,211	863
14,901	HRA Services	65,313	35,684	29,629
(137)	Housing Services	33,139	34,406	(1,267)
2,952	Corporate & Democratic Core	3,069	0	3,069
807	Non Distributed Costs	185	0	185
39,586	Net Cost of Services	145,966	91,453	54,513
			Note	
(266)	(Gain) on disposal of fixed assets			(465)
(245)	Surplus on Trading Operations		2	(219)
104	Interest payable			38
723	Contribution to Housing Pooled Receipts			882
(2,148)	Interest and investment income			(573)
	Pensions Interest & Expected Return on Pensions Assets			
1,127				2,581
38,881	Net Operating Expenditure			56,757
(5,129)	Income from the Collection Fund			(5,413)
(1,042)	General Government Grants		3	(1,757)
(6,825)	Contribution from Non-Domestic Rate Pool			(6,348)
25,885	NET DEFICIT FOR YEAR			43,239

All Council operations are continuing.

Best Value Accounting Code of Practice (BVACOP) :

The above revenue service expenditure analysis is compliant with the latest accounting code of practice.

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 share of surplus/deficit on the Collection Fund is controlled by regulation.

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

2008/09 Restated £'000		2009/10 £'000
25,885	Deficit for year on Income & Expenditure Account	43,239
(23,765)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(42,287)
2,120	Decrease/(Increase) in General Fund Balance for the Year	952
(5,026)	General Fund Balance brought forward	(2,906)
(2,906)	General Fund Balance carried forward and generally available for new expenditure	(1,954)

Note of reconciling items for the Statement of Movement on General Fund Balance

The table below sets out the amounts in addition to the Income & Expenditure Account that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

2008/09 Restated £000		2009/10 £000
	<i>Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year :</i>	
(21)	Amortisation of intangible fixed assets	(26)
(19,617)	Depreciation and impairment of Fixed Assets	(41,041)
	Excess of Depreciation charged to HRA Services over the Major Repairs Allowance	
(2,395)		(1,116)
751	Government Grants deferred amortisation	829
(265)	Revenue expenditure funded from Capital under statute	(691)
242	Net gain on sale of fixed assets	419
(3,585)	Net charges made for retirement benefits in accordance with FRS 17	(4,154)
	Amount by which Council Tax income and residual Community Charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with legislation	
(44)		(41)
<u>(24,934)</u>		<u>(45,821)</u>
	<i>Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year :</i>	
(723)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(882)
	Employer's contributions payable to the Hertfordshire Local Government Pension Scheme and retirement benefits payable direct to pensioners	
3,247		3,464
<u>2,524</u>		<u>2,582</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>	
(988)	Housing Revenue Account Balance	334
(367)	Net transfer to/(from) earmarked reserves	618
<u>(1,355)</u>		<u>952</u>
<u>(23,765)</u>	Net additional amount required to be credited to the General Fund balance for the year	<u>(42,287)</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 25), it includes gains and losses relating to the revaluation of fixed assets (see also page 58, note 20a) and re-measurement of the net liability to cover the cost of retirement benefits (see also page 63, note 24).

Statement of Total Recognised Gains and Losses

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 a reduction in the Council's net worth of £1,027,489.

2008/09 restated £'000		2009/10 £'000
25,885	Deficit for the year on Income & Expenditure Account	43,239
(51,611)	(Surplus) / Deficit arising on Revaluation of Fixed Assets	65,887
13,104	Actuarial (gains) / losses on Pensions Fund assets & liabilities	31,776
(1)	Other (gains) / losses	(45)
(12,623)	Total Recognised (gain)/loss for the year	140,857

Balance Sheet as at 31 March 2010

2008/09 Restated			2009/10	
£'000	Net Fixed Assets	Note	£'000	£'000
171	Intangible fixed assets	10	145	
	<i>Tangible fixed assets: Operational</i>			
596,819	Council Dwellings	9	510,835	
94,021	Other Land & Buildings	9	93,498	
6,947	Vehicles, plant, furniture & equipment	9	7,541	
2,521	Infrastructure assets	9	2,444	
271	Community assets	9	2,116	
	<i>Tangible fixed assets: Non-operational</i>			
25,800	Investment properties	9	27,840	
10,678	Assets under construction	9	1,443	
4,378	Surplus assets held for disposal	9	4,093	
<u>741,606</u>	Total Fixed assets			649,955
2,097	Long term investments	17		
304	Long Term Debtors - Mortgages		258	
9	- Car Loans		2	
<u>744,016</u>	Total Long Term Assets			260
				650,215
	Current Assets			
68	Stock and work in progress	13	76	
6,614	Debtors	14	9,775	
31,484	Investments - Short Term	17	16,084	
71	Cash at bank & in hand		12	25,947
<u>782,253</u>	Total assets			676,162
	Current Liabilities			
(2,000)	Borrowing repayable within 12 months	21	(8)	
(3,584)	Receipts in advance	15	(3,847)	
<u>(11,324)</u>	Creditors	15	<u>(11,168)</u>	(15,023)
765,345	Total Assets less Current Liabilities			661,139
0	Long term borrowing	21	(5,000)	
(1,751)	Provisions	19	(1,262)	
(4,288)	Government Grants Deferred - Unapplied	22	(3,688)	
(9,032)	Government Grants Deferred - Applied	22	(9,374)	
(304)	Deferred liability, credit arrangements		(280)	
<u>(32,326)</u>	Pensions Liability	24	<u>(64,748)</u>	(84,352)
<u>717,644</u>	Total Assets less Liabilities			<u>576,787</u>

Balance Sheet as at 31st March 2010 cont.

2008/09 Restated £'000	Financed by:	Note	2009/10 £'000
	Fund Balances & Reserves		
107,224	Revaluation Reserve	20a	36,623
625,495	Capital Adjustment Account	20b	598,051
(32,326)	Pensions Reserve	24	(64,748)
11,566	Usable Capital Receipts	20c	1,094
0	Major Repairs Reserve		0
2,906	General Fund		1,954
2,095	Housing Revenue Account		2,430
438	Earmarked Reserves	20d	1,179
0	Collection Fund		0
246	Collection Fund Adjustment Account		204
717,644	Total Net Worth		576,787

Cash Flow Statement for the year ended 31 March 2010

2008/09 Restated £'000	REVENUE ACTIVITIES	Note	2009/10 £'000
8,605	Net Cash (Inflow)/Outflow from Revenue Activities	28	6,242
	Returns on Investment & Servicing of Finance		
	<i>Cash outflows</i>		
103	Interest Paid		38
	<i>Cash inflows</i>		
(2,206)	Interest Received		(1,164)
(2,103)	Net Cash (inflow)/Outflow from Returns on Investments & Servicing of Finance		(1,126)
	Capital Activities		
	<i>Cash outflows</i>		
20,766	Purchase of fixed assets		24,082
729	Other Capital Spend		1,188
0	Purchase of Long Term Investments		
	<i>Cash inflows</i>		
(4,672)	Sale of Fixed Assets		(1,929)
(7,721)	Capital grants received	31	(2,315)
(7,037)	Other Capital Cash Receipts		(6,251)
2,065	Net Cash outflow from Capital Activities		14,775
8,567	Net cash (inflow)/outflow before financing		19,891
	Management of Liquid Resources		
4,220	Net (decrease)/increase in short term deposits	29	(15,401)
(739)	Net (decrease)/increase in other liquid resources		672
3,481	Net cash (inflow)/outflow-Management of Liquid Resources		(14,729)
	Financing		
	<i>Cash outflows</i>		
0	Repayments of amounts borrowed		2,000
	<i>Cash inflows</i>		
(2,000)	New short term loans raised		(5,008)
(10,000)	New Long term investments		(2,097)
(12,000)	Net Cash (inflow)/outflow from Financing		(5,105)
48	Net (increase)/decrease in Cash	30	57

Notes to the Single Entity Core Financial Statements

1. Prior Year Adjustments

Extract from Income & Expenditure Account

Expenditure on Services	Net Expenditure £'000	Revaluation Adjustment (1) £'000	NNDR Adjustment (2) £'000	Collection Fund Adjustment (3) £'000	Restated Expenditure 2008/09 £'000
Cultural Environmental & Planning Services	16,352	625			16,977
Other Services	22,609				22,609
Net Cost of Services	38,961	625	0	0	39,586
Net Operating Expenses	(705)			0	(705)
Net Operating Expenditure	38,256	625	0	0	38,881
Income from the Collection Fund	(5,173)			43	(5,130)
General Government Grants	(1,042)				(1,042)
Contribution from Non-Domestic Rate Pool	(6,825)				(6,825)
	25,216	625	0	43	25,884

Extract from the Balance Sheet

	2008/09 Published £'000	Revaluation Adjustment (1) £'000	NNDR Adjustment (2) £'000	Collection Fund Adjustment (3) £'000	Restated 2008/09 £'000
Fixed Assets					
Other Land & Buildings	95,049	(1,028)			94,021
Current Assets					
Debtors	9,518		(1,144)	(1,760)	6,614
Current Liabilities					
Receipts in Advance	(5,422)		1,144	694	(3,584)
Creditors	(12,390)		0	1,066	(11,324)
Financed by:					
Fund Balances & Reserves					
Revaluation Reserve	107,626	(402)			107,224
Capital Adjustment Account	626,121	(626)			625,495
Collection Fund	246			(246)	0
Collection Fund Adjustment Account	0			246	246

Notes to the Single Entity Core Financial Statements

1. Prior Year Adjustments (continued)

(1) Fixed Assets

Timebridge Community Centre was re-valued in 2008 following refurbishment of part of the building. The upward revaluation included part of the site that did not belong to the Council and consequently an impairment of £1,027,769 has been adjusted in the 2008/09 accounts. Part of the impairment charge could be met from the revaluation reserve £402,486 as a result of earlier revaluations. The remaining £625,283 was charged as an impairment to the Income and Expenditure account in 2008/09 and reversed in the Statement of Total Movement of General Fund Balances (STMGFB). The impairment reduced the net worth of the Council by £1,027,769.

New Accounting Policy

The Balance Sheet figures for 31 March 2009 have been adjusted from those shown in the Statement of Accounts 2008/09, to reflect the changes in the recommended treatment of Non Domestic Business Rates (NNDR) and council tax arrears, pre-payments and surpluses to an agency basis.

(2) National Non Domestic Rates

The Council collects business rates on behalf of the Government and in the 2008/09 accounts recognised both the debtor from the Government relating to amounts owing from the Government and also the arrears and pre-payments relating to business rates. From 2009 there is a requirement that the Council as a billing authority should not recognise NNDR debts in the Balance Sheet but instead recognise a debtor for cash collected from NNDR debtors as agents of the Government and overpaid to the Government, (at the balance sheet date). This change in accounting policy has reduced the 2008/09 Council's receipts in advance by £1,144,064 (representing NNDR pre-payments and accounts in credit) and reduced the Council's debtors by the same amount.

(3) Council Tax

The Council collects council tax on behalf of Hertfordshire County Council and Hertfordshire Police Authority. In the 2008/09 accounts the Council accounted for all the arrears and pre-payments relating to Council Tax on the balance sheet and recognised a creditor for the undistributed surplus relating to the County Council and Police Authority.

Notes to the Single Entity Core Financial Statements

1. Prior Year Adjustments (continued)

From 2009 the Council will only recognise its share of the council tax debtors and receipts in advance. With the County Council and the Police Authority recognising their share of the debtors and receipts in advance on their balance sheet, (pro-rata to the precept raised).

This change in accounting policy has reduced the 2008/09 Council's receipts in advance by £694,092, debtors by £1,760,005 and creditors and receipts in advance by £1,065,913.

There is also a requirement to charge the in year surplus/deficit on the Collection Fund to the Income and Expenditure account, (rather than the distributed surplus or deficit based on estimate). The amount that can be credited or debited is controlled by statutory provision and the difference between the actual and the statutory amount is reversed out of the STMGFB and charged to the Collection Fund adjustment account. In 2008/09 this meant a reduction of £43,807 in the Income from the Collection Fund, which increased the 2008/09 in year deficit by the same amount. A credit of £43,807 was charged to the STMGFB neutralising the impact on the General Fund for 2008/09.

The balance on the Collection Fund as at 1 April 2008 of £245,182 was transferred to the Collection Fund Adjustment Account in accordance with the 2009 SoRP requirements.

2. Trading Operations

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

2008/09		2009/10
£'000		£'000
(697)	Income from stall holders	(673)
452	Expenditure	454
<u>(245)</u>	Surplus taken to General Fund	<u>(219)</u>

Notes to the Single Entity Core Financial Statements

3. 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 2009 SoRP. In the 2008/09 accounts Housing and Planning Delivery Grant was shown within the Net cost of Services, (2008/09 , £66,537).

2008/09 £'000	General Government Grants	2009/10 £'000
950	Revenue Support Grant	1,465
	Area Based Grants:	
70	Area Based Grant (formerly LAA Grant)	67
22	Climate Change Grant	21
0	Planning Delivery Grant	204
<u>1,042</u>	Total General Government Grants	<u>1,757</u>

4. Members' Allowances

Total expenditure on Members' allowances, as made under the Local Authorities (Members' Allowances) Regulations 2003, was £488,336 in 2009/10. (£495,807 in 2008/09). Payments made outside the scheme for Mayoral Allowances totalled £13,542 in 2009/10, (£15,167 in 2008/09).

Notes to the Single Entity Core Financial Statements

5. Officers' Emoluments

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, were :-

2008/09 Number of employees Total	Remuneration Band	2009/10 Number of employees	
		Total	left during year
4	£50,000 - £54,999	2	0
3	£50,000 - £59,999	3	0
5	£60,000 - £64,999	3	1
2	£65,000 - £69,999	2	1
2	£70,000 - £74,999	1	1
0	£75,000 - £79,999	0	0
1	£80,000 - £84,999	0	0
1	£85,000 - £89,999	0	0
1	£90,000 - £94,999	2	0
0	£95,000 - £99,999	0	0
0	£100,000 - £104,999	0	0
0	£105,000 - £109,999	0	0
0	£110,000 - £114,999	1	0
0	£115,000 - £119,999	0	0
1	£120,000 - £124,999	0	0
16	Total	14	3

Notes to the Single Entity Core Financial Statements

5. Officers' Emoluments

There is a new requirement for the 2009/10 Accounts to disclose individual remuneration details for senior employees whose salary exceeds £50,000 per year. Senior employees are defined as the Chief Executive and their direct reports, plus any statutory chief officers.

	Salary, Fees and Allowances	Expenses Allowance	Compensation for Loss of Office	Total Remuneration (excluding pension contributions)	Pension Contributions	Total Remuneration Incl Pension Contributions 2009/10
	£	£	£	£	£	£
Chief Executive (Former)	12,930	20	111,732	124,682	45,031	169,713
Chief Executive (Current)	111,492	299	0	111,791	30,359	142,151
Strategic Director Resources	89,889	299	0	90,189	24,437	114,626
Strategic Director Environment	72,916	304	0	73,221	18,460	91,681
Strategic Director Community	89,890	299	0	90,189	24,437	114,626
Borough Solicitor	65,709	0	0	65,709	17,901	83,609
Total	442,826	1,223	111,732	555,780	160,625	716,405

6. 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 31 Analysis of Government Grants. In addition payments between the Council and Hertfordshire County Council amounted to £2,259,543 (2008/09, £2,330,922). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts and the Pensions Disclosure, Note 24.

Notes to the Single Entity Core Financial Statements

6. Related Party Transactions (continued)

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10 the Council paid a management fee totalling £18,085,203 to Stevenage Homes Limited, (2008/09 £16,479,601), a £1,701,352 contract payment was paid to Stevenage Leisure Limited (2008/09 £1,117,528 grant) and £3,263,439 paid to other organisations (2008/19 £3,135,542), either as grants or services received. With reference to all these organisations a total of 31 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 2009/10 33 meetings were held at which 18 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 2009/10, the Chief Executive and Strategic Directors declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972, in grants totalling £1,728,269 (2008/09 £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

7. Audit Costs

The Council has incurred fees in respect of external audit and inspection. The estimated fees payable for audit work in respect of the 2009/10 financial year are shown in the table below:

2008/09 £'000		2009/10 £'000
135	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	153
7	Fees payable to the Audit Commission in respect of statutory inspection	9
3	Fees payable to the Audit Commission for the certification of grant claims and returns	0
74	Fees payable to Grant Thornton for the certification of grant claims and returns	30
<u>219</u>		<u>192</u>

8. 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 28 June 2010 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 to the Single Entity Core Financial Statements

9. Fixed Assets

Operational Assets

	Council dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Machinery £'000	Infra-structure £'000	Community Assets £'000	Total £'000
Cost or valuation						
At 1 April 2009	615,492	99,287	15,970	3,375	975	735,099
Additions	19,106	1,551	2,604	7	11	23,279
Disposals	(744)	(10)	(130)	0	0	(884)
Reclassifications	0	6,569	333	135	1,248	8,285
Revaluations	(77,683)	(6,617)	30	0	0	(84,270)
At 31 March 2010	556,171	100,780	18,807	3,517	2,234	681,509
Depreciation & impairments						
At 1 April 2009	(18,673)	(5,266)	(9,023)	(854)	(704)	(34,520)
Charge for 2009/10	(7,060)	(3,094)	(2,325)	(219)	(72)	(12,770)
Disposals	10	0	130	0	0	140
Reclassifications	0	(627)	0	0	658	31
Revaluations	(19,613)	1,705	(48)	0	0	(17,956)
At 31 March 2010	(45,336)	(7,282)	(11,266)	(1,073)	(118)	(65,075)
Balance Sheet amount at 31 March 2010	510,835	93,498	7,541	2,444	2,116	616,434
Balance Sheet amount at 1 April 2009	596,819	94,021	6,947	2,521	271	700,579
Nature of Asset holding						
Owned	510,835	93,498	7,541	2,444	2,116	616,434
	510,835	93,498	7,541	2,444	2,116	616,434

Notes to the Single Entity Core Financial Statements

9. Fixed Assets (Continued)

Non - operational assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus for Disposal £'000	Total £'000
Cost or valuation				
At 1 April 2009	27,094	10,816	4,427	42,337
Additions	40	948	13	1,001
Disposals			(791)	(791)
Reclassifications	1,335	(10,125)	506	(8,284)
Revaluations	665	(58)		607
At 31 March 2010	29,134	1,581	4,155	34,870
Depreciation & impairments				
At 1 April 2009	(1,294)	(138)	(49)	(1,481)
Charge for 2009/10			(13)	(13)
Disposals				0
Reclassifications	(31)			(31)
Revaluations	31			31
At 31 March 2010	(1,294)	(138)	(62)	(1,494)
Balance Sheet amount at 31 March 2010	27,840	1,443	4,093	33,376
Balance Sheet amount at 1 April 2009	25,800	10,678	4,378	40,856
Nature of Asset holding				
Owned	27,840	1,443	4,093	33,376
	27,840	1,443	4,093	33,376

Notes to the Single Entity Core Financial Statements

9. 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 re-valued 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 rolling 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 SoRP identifies that Modern Equivalent (MEA) should be considered if properties are valued using the DRC method. The Council has not implemented this approach for its DRC buildings but intends to programme this change into future revaluations. Current progress against the Council's programme if rolling revaluations is shown below:

	Council dwellings	Other Land & Buildings	Vehicles Plant & Machinery	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	0		7,541	0	7,587
Valued at current value in :					
2009/10	102,167	21,720	0	8,207	132,094
2010/11	102,167	11,506	0	5,522	119,195
2011/12	102,167	18,088	0	756	121,011
2012/13	102,167	41,575	0	0	143,742
2013/14	102,167	609	0	13,355	116,131
	510,835	93,498	7,541	27,840	639,760

Notes to the Single Entity Core Financial Statements

Analysis of Fixed Assets as at 31 March 2010

The Council now has three civic offices, these being Daneshill House, Swingate House, Cavendish Road. Further analysis of Fixed Assets is given in the following table:

An analysis of Fixed Assets at 31 March 2010 is:-

2008/09 Number		2009/10 Number
	Operational assets	
	Council Dwellings	
8,350	Council Housing	8,314
	Other Land & Buildings	
19	Car Parks	19
4	Civic Offices (e.g. Daneshill House/Swingate House)	3
1	Depot	1
1	Museum	1
14	Community Centres	13
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	12.16Ha
1	Golf Course	1
12	Pavilions	11
	Infrastructure assets	
	<i>Includes enhancements to Queensway. Town clock and pond</i>	
	Community assets	
258.7Ha	<i>Parks, Playing Fields, Woodlands, Open Spaces, Commons</i>	258.7Ha
	Non operational assets	
	Investment properties and Commercial leases	
375	Commercial Land and Properties (e.g. Westgate Centre, shops and surgeries)	374
	Assets under construction	
	<i>includes Town Centre Gardens and Neighbourhood Centre Regeneration</i>	
	Surplus for Disposal	
	<i>Mostly plots of land e.g. Bragbury Lane West</i>	

Notes to the Single Entity Core Financial Statements

9. Fixed Assets (Continued)

Capital Expenditure & Financing

2008/09 £'000		2009/10 £'000
	<i>Capital investment :</i>	
14,027	Operational	23279
6,793	Non operational	1,001
704	Revenue expenditure funded from Capital under statute	1,189
25	Intangible assets	0
21,549		25,469
	<i>Sources of Finance :</i>	
(10,596)	Capital Receipts	(11,542)
(4,295)	Grants	(1,430)
(792)	Contributions	(239)
0	Borrowing	(6,051)
(5,866)	Housing Subsidy & Major Repairs Allowance	(6,207)
(21,549)		(25,469)

As at 31 March 2010 significant commitments for major projects already underway included:-

	£'000
HRA Decent Homes and Major Repairs works	13,134
Recycling Initiatives	771
Affordable Housing	338
Old Town Parking	248

As at 31 March 2009 the significant commitments for major projects underway were:-

	£'000
Fairlands Valley Aquatic Park	314

Notes to the Single Entity Core Financial Statements

10. Intangible Fixed Assets

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.

Movement in Intangible Assets

	Purchased software licences £'000
Original Cost	188
Amortisations to 1 April 2009	<u>(21)</u>
Balance at 1 April 2009	<u>167</u>
Expenditure in Year	
Written off to Revenue in Year	<u>(22)</u>
Balance at 31 March 2010	<u>145</u>

11. 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 2009/10 was £8,214 (2008/09 £30,097).

Land and Buildings Authority as Lessor - the authority currently leases 272 premises which include 180 shops, 22 workshops, 12 public houses, 11 surgeries and 47 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2009/10 was £2,273,998 (2008/09 £2,144,780).

Finance Leases : Plant, Vehicles & Equipment

There were no assets held under finance leases by the Council as at 1 April 2009.

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

Notes to the Single Entity Core Financial Statements

12. 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:

Restated 31 March 2009 £'000		31 March 2010 £'000
86,685	General Fund	47,362
630,909	Housing Revenue Account	529,375
50	Trading Operations	50
717,644	Total Net Assets Employed	576,787

13. Stocks and Work-in-Progress

31 March 2009 £'000		31 March 2010 £'000
16	Stocks: Fuel	26
52	Other	50
68	Total	76

14. Debtors

31 March 2009 Restated £'000		31 March 2010 £'000	% change +/-
17	Car Loans	7	-59%
2,383	Government Departments	4,109	+72%
51	Other Local Authorities	536	+951%
1,090	Housing Rents & Leaseholders	1,023	(6%)
320	Collection Fund	392	+23%
3,526	Other Debtors	4,703	+33%
(773)	Total Provision for Bad Debts	(995)	+29%
6,614	Sub-Total	9,775	+48%

Notes to the Single Entity Core Financial Statements

15. Creditors and Receipts in Advance

Creditors

Restated 31 March 2009 £'000		31 March 2010 £'000	% change +/-
611	Government Departments	486	(20%)
1,036	Other Local Authorities	565	(45%)
2,293	Inter Company - Creditors	2,660	(16%)
7,388	Sundry Creditors	7,457	(1%)
11,324	Total	11,168	(1%)

Receipts in Advance

Restated 31 March 2009 £'000		31 March 2010 £'000	% change +/-
30	Government Departments	4	(87%)
682	Housing	616	(10%)
133	Tenants (redecorating scheme)	155	+17%
2,017	Collection Fund	104	(95%)
722	Sundry Creditors	1,097	+52%
0	Developer Contributions (S106)	1,871	+100%
3,584	Total	3,847	+6%

In the 2009/10 accounts Developer contributions are now recognised in Receipts in Advance (2008/09 Government Grants Unapplied).

Notes to the Single Entity Core Financial Statements

16. 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.

The Treasury Management Strategy applicable from 1 April 2010 incorporates the revised code of practice.

Credit Risk

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

Notes to the Single Entity Core Financial Statements

16. 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 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability 31 March 10	Estimated maximum exposure to default and uncollectability 31 March 2009
	£'000	%	%	£'000	£'000
	A	B	C	{AxC}	
Banks & Building Societies	16,084	0%	0%	0	860
Other counter parties	0	0%	0%	0	0
Trade Debtors	1,439	9%	14%	277	440
TOTAL	17,523			277	1,300

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 2010. The calculation is based on the age of the trade debtor.

The authority does not generally allow credit for customers, such that £998,502 of the £1,438,607 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

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

Age of Sundry Debt	£'000
Within term:	441
Over Term:	
Two to twelve months	521
More than one year and less than two years	236
More than two years	241
Total trade debtors over term	998

The Trade Debtors are categorised as below:

Age of Sundry Debt	Direct Services					Total £'000
	Estates Services £'000	(incl Recycling) £'000	Planning £'000	Benefit Related £'000	Other £'000	
Within term	102	143	88	0	107	440
Over Term:						
2-12 months	151	83	7	210	71	522
> 1 year < 2 years	39	19	3	110	64	235
>2 years	37	22	7	148	27	241
Total trade debtors over term	227	124	17	468	162	998

There are a further £745,927 debtors relating to benefit overpayments held on the Council's benefits system, of which £407,167 was raised prior to November 2009. The debt raised prior to November 2009 was data taken from the council's existing system and cannot be aged.

A provision of £404,336 has been made for the benefit overpayments debt.

These figures do not include debt relating to Council Tax or National Non-domestic Rates as these are considered to be statutory debts. Debt relating to Council House rents is disclosed on page 78 HRA Note 10 Rent and Supported Housing Arrears.

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.

During the year the Council raised two long term Public Works Loan Board loans for £5,000,000 in total. This was used to fund the Decent Homes Programme, managed by Stevenage Homes Ltd. A further £6,122,000 was funded from capital receipts. The Council has access to a further £43,880,000 of supported borrowing to fund the programme.

Notes to the Single Entity Core Financial Statements

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

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, whilst the cost of fixed term borrowing will remain constant.

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 has long term debt of £5,000,000; however, within its Treasury Management Strategy (approved March 2010), the 2010/11 operational boundary for external debt is £33,120,000. This includes £11,000,000 for supported borrowing for 2010/11.

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 (as at 31 March 2010), 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	(284)
Impact on Income and Expenditure Account	(284)
Share of overall impact credited to the HRA	267
Impact on STRGL	17

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.

Notes to the Single Entity Core Financial Statements

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

Foreign exchange risk The Council incurred no significant expenditure in respect of the Euro in 2009/10. No future expenditure commitments have been made although the position continues to be monitored.

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

Financial Instruments

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

	Long term		Current		Total	
	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000
Loans and receivables						
Investments	2,097	0	31,484	16,084	33,581	16,084
Debtors - Mortgages	304	258	0	22	304	280
Debtors – Car Loans	9	2	17	7	26	9
Debtors – Housing rents & Leaseholders	0	0	1,090	1,023	1,090	1,023
Other Debtors	0	0	3,526	4,681	3,526	4,703
Cash At Bank	0	0	71	12	71	12
TOTAL	2,410	260	36,188	21,829	38,598	22,111
Financial Liabilities at amortised cost						
Borrowing due within 12 months	0	0	2,000	0	2,000	0
Borrowing due after 12 months	0	5,000	0	8	0	5,008
Receipts in Advance	0	0	722	1,097	722	1,097
Sundry Creditors	0	0	7,388	7,457	7,388	7,457
TOTAL	0	5,000	10,110	8,562	10,110	13,562

Notes to the Single Entity Core Financial Statements

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

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

Financial Assets	Interest income		Net Gain/(loss) for year	
	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000
Loans & receivables	2,113	554	2,113	554
Available for sale	0	0	0	0
Other	35	19	35	19
Total	2,148	573	2,148	573

Financial assets and financial liabilities are 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 2009		31 March 2010*	
	Restated* Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Fixed Term loans & receivables	30,670	31,013	2,097	2,108
Variable Term loans & receivables	2,911	2,911	13,987	13,987
Total	33,581	33,924	16,084	16,095

*Restated to included variable and fixed rate investments

Notes to the Single Entity Core Financial Statements

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

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 current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

The fair values are calculated as follows:

	31 March 2009		31 March 2010	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Long Term Financial Liabilities	0	0	5,008	5,022
Total	0	0	5,008	5,022

The fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest payable is lower than the prevailing rates at the Balance Sheet date.

17. Investments

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

31 March 2009 £'000		31 March 2010 £'000
25,975	Short Term :	
5,509	Banks	13,987
31,484	Building Societies	2,097
	Total short term	16,084
2,097	Long term:	
2,097	Building Societies	0
	Total Long term	0

£10,283,110 of the £16,083,549 short term investments are callable deposits. These investments had interest rates below 1%, which is significantly lower than 2008/09 due to the low Bank of England base rate of 0.5%. It is recognised that callable deposits would be re-paid by the bank at the next call date. The Council had no long term investments as at 31 March 2010, due to the uncertainty of future interest rates and lower level of overall investments.

Notes to the Single Entity Core Financial Statements

17. Investments (continued)

Short Term Banks and Building Society deposits included £11,615 and £96,934 respectively relating to accrued interest as at 31 March 2010.

All the council's investments are undertaken in accordance with the Council's Treasury Management Policy. The investments must meet set credit ratings based on the length of investment. The investments at 31 March 2010 and credit ratings are detailed below:

	Sovereign Rating	Fitch Credit Rating		Suggested Investment Duration	Investments as at 31 March 2010 £'000
		Long Term	Short Term		
Alliance & Leicester	AAA	AA-	F1+	6 months	3,224
Bank of Scotland	AAA	AA-	F1+	1Year (*1)	2,397
Clydesdale	AAA	AA-	F1+	3 months (2)*	1,872
Nat West	AAA	AA-	F1+	1Year (*1)	2,790
Handelsbanken	AAA	AA-	F1+	1Year	3,704
Nationwide Building Society	AAA	AA-	F1+	3 months	2,097
			Total Investments		16,084

*1 Part Government owned

*2 Based on standard credit agency ratings as no trade in credit default swaps

The council uses the creditworthiness service provided by its Treasury Advisors Sector Financial Services. The credit rating does not solely rely on the current credit ratings of counter parties (from the three credit agencies) but uses a model combining credit ratings, credit watches, credit outlooks and credit default swaps (where available). This gives a coding which determines the duration of individual investments. This system gives an improved level of security for the Council's investments.

As at 31 March, the Council had one fixed length deal maturing on the 10 May 2010, all other investments were held in call accounts.

18. 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 2010, which have not been included in the Balance Sheet, were £5,891 and £569 respectively (as at 31 March 2009 £10,544). 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 2010 (nil balance 31 March 2009)

Notes to the Single Entity Core Financial Statements

19. 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.

	31 March 2009	Provided for in year	Written back/Utilise d	31 March 2010
	£'000	£'000	£'000	£'000
Insurance	716	0	(237)	479
Implementation of Single Status	857	0	(74)	783
Senior Management	178	0	(178)	0
	<u>1,751</u>	<u>0</u>	<u>(489)</u>	<u>1,262</u>

As at the 31 March 2010 the Council had provisions totalling £1,261,640, of which £478,621 related to insurance obligations.

Insurance Provision

The insurance provision is to provide for excesses relating to known claims for;

Claim Type:	2008/09 £'000	2009/10 £'000	Year on Year change %
Public Liability	418	366	(12%)
Employers Liability	140	9	(94%)
Motor	2	6	200%
General Properties	7	18	157%
Housing Properties	149	80	(46%)
	<u>716</u>	<u>479</u>	<u>(33%)</u>

Single Status Provision

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 £74,170 in 2009/10 for the back pay element of the scheme for the years 2008/09 and 2009/10 which 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.

Notes to the Single Entity Core Financial Statements

19. Provisions (continued)

Senior Management Provision

The Senior Management provision relates to exit costs agreed by Council in 2008/09. This provision has been utilised and a sum of £9,046 was written back to revenue in 2009/10.

20. 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	Restated Balance as at 01 April 2009 £'000	Net movement in year £'000	Balance as at 31 March 2010 £'000	Purpose of Reserve
Revaluation Reserve	107,224	(70,601)	36,623	Store of gains on revaluation of fixed assets not yet realised through sales (See Note (a) below)
Capital Adjustment Account	625,495	(27,444)	598,051	Store of capital resources set aside to meet past expenditure (See note (b) below)
Useable Capital Receipts	11,566	(10,472)	1,094	Proceeds of fixed assets sales available to meet future capital investment (see note (c) below)
Pensions Reserve	(32,326)	(32,422)	(64,748)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet (see note 24 to Core Financial Statements)
General Fund	2,906	(952)	1,954	Resources available to meet future running costs of non-housing services (see Statement of Movement on General Fund Balance, page 26)
Housing Revenue Account	2,095	335	2,430	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 75)
Other Reserves	438	741	1,179	Resources voluntarily earmarked for future spending plans (see note (d) below)
Collection Fund Adjustment Account	246	(42)	204	This reserve replaces the Collection Fund and represents the balance between the estimated surplus on the collection fund (for Stevenage Borough Council only) and the actual charged to the Income and Expenditure Account in year (see also Note 1 to the accounts)
	717,644	(140,857)	576,787	

Notes to the Single Entity Core Financial Statements

20. 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
Balance as at 1 April 2009 (Restated)	107,224
Movements for the year:	
Revaluation gains credited to reserve	2,306
Reductions in valuations for impairment	(72,692)
Write out of valuation gains on disposal of assets	(215)
Balance as at 31 March 2010	36,623

Note b : Capital Adjustment Account - This account comprises balances which have been applied to finance capital expenditure. These balances therefore represent advance provision against the depreciation of fixed assets.

	£'000
Balance as at 1 April 2009 (Restated)	625,495
Movements for the year:	
Reversal of capital charges in the General Fund and HRA	(49,203)
Amounts written out of the Revaluation Reserve	4,714
Resources used to finance capital expenditure	18,579
Write out of Fixed Asset disposed in year	(1,534)
Balance as at 31 March 2010	598,051

Notes to the Single Entity Core Financial Statements

20. Reserves (Continued)

Note c : 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 £1,094,137 represents capital receipts that have not yet been used to finance capital expenditure. The Council's capital programme approved by Executive in February 2010 has identified and fully committed all of the useable capital receipts balance as at 31 March 2010.

	£'000
Balance as at 1 April 2009	11,566
Amounts receivable in 2009/10	1,952
Amounts applied to finance new capital expenditure in 2009/10	(11,542)
Payments to Housing Capital Receipts Pool	(882)
Total increase/(decrease) in realised capital resources in 2009/10	(10,471)
Balance carried forward at 31 March 2010	1,094

Note d : 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, this reserve was fully utilised in 2009/10 and any further loss of income is included in the risk assessment of the General Fund balances.

- **DSO Trading Reserves**

These reserves are intended to meet future fluctuations in internal trading results.

- **Capacity Building Reserve**

This reserve pump prime strategic or organisational changes within the Council e.g. 'Working Together' programme and enables the Council to meet its corporate objectives, realising future efficiency gains.

- **Insurance Reserve**

This reserve finances potential future insurance excesses and provides funding for self insured items.

Notes to the Single Entity Core Financial Statements

20. Reserves (Continued)

- **De-minimus Capital Expenditure Reserve**

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. The de-minimus level of expenditure for 2010/11 is £5,000. Expenditure below this value is classified as revenue rather capital, (de-minimus level).

- **Interest Equalisation Reserve.**

This reserve will meet the cost of fluctuations in interest rate movements. The HRA has more investments (calculation set by statute), than the total value of investments held by the Council (as at 31 March 2010). Therefore any increase in interest rates has an adverse impact on the General Fund. The fund value represents a 2% increase in investment interest rates, including the impact of any special determinations for decent homes borrowing.

- **Performance Reward Grant**

The Council has accounted for performance reward grant in its accounts which was given by the Government for reaching Local Area Agreement (LAA) targets. 50% of the monies relate to revenue and as such have to be shown in the Council's revenue accounts and transferred to a reserve. The monies have been allocated to schemes by the Stevenage Local Strategic Partnership and will be spent in 2010/11. In June 2010, the Government announced that only 50% of the awarded grant would be paid as part of the £6billion savings cuts in 2010/11.

- **Single Status Reserve**

The Council is working towards implementing single status for all employees by April 2011. This involves evaluation and moderation of jobs and is anticipated to require resources to bring the new pay and grading model into place. The Council also has a provision for the back pay element of the scheme.

- **Housing and Planning Delivery Grant Reserve**

The Council receives monies from the Government designed to incentivise housing growth and the underlying planning requirement to allocate land and put development plans in place. Due to the nature of the work the expenditure is often not aligned to the pattern of grant received. The funds resources have been fully allocated to future years spend. The Government announced that from 2010/11 this grant would cease as part of the £6billion savings cuts in 2010/11.

Notes to the Single Entity Core Financial Statements

20. Reserves (Continued)

The monies held in each reserve are detailed below:

	Balance as at 1 April 2009	Contributions	Payments to Fund Expenditure	Balance as at 31 March 2010
	£'000	£'000	£'000	£'000
Commercial Rents	100	0	(100)	0
DSO Trading	102	0	0	102
Capacity Building	86	50	0	136
Insurance	50	0	0	50
De minimis Capital	100	0	0	100
Interest Equalisation	0	295	0	295
Performance Reward Grant	0	217	0	217
Single Status	0	100	0	100
Planning Delivery Grant	0	179	0	179
	438	840	(100)	1,179

21. Borrowing

The Council had loans of £5,000,000 as at 31 March 2010. This borrowing relates to the Council's Decent Homes Programme for its housing stock. The borrowing is 'supported borrowing' which means the Government reimburses the Council for the cost of borrowing via the housing subsidy system.

22. Government Grants Deferred and Government Grants and Contributions Unapplied and Developer Contributions (Section 106 monies)

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 2010, is £9,374,189 (2008/09 £9,031,984). A further £3,687,673, (2008/09 £4,287,850) of contributions have yet to be used to finance capital expenditure.

The Council also has Developer contributions (section 106 monies). These balances were shown on the Balance Sheet under Government Grants Unapplied in 2008/09. However, as the conditions for spending the resources have yet to be met, these balances are now held as Receipts in Advance in 2009/10.

Notes to the Single Entity Core Financial Statements

22. Government Grants Deferred and Government Grants and Contributions Unapplied and Developer Contributions (Section 106 monies) (continued)

Developer Contributions are shown in the table below.

	Brought Forward balance	Received in Year	Used in Year	Available to fund future year expenditure
	£'000	£'000	£'000	£'000
Section 106 receipts:				
Transport incl. Cycling and Parking	720	1		721
Youth and Play	160	23	(29)	154
Housing	532		(15)	517
Sport	515	28	(194)	349
Other	130			130
Total	2,057	52	(238)	1,871

The categories of Section 106's have been reviewed since the 2008/09 Statement of Accounts and the opening balances shown in this note have been restated.

23. 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 2010 Deferred Capital Receipts were £279,997, (31 March 2009, £303,595).

Notes to the Single Entity Core Financial Statements

24. 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.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is 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

2008/09		2009/10
£'000	Income & Expenditure Account	£'000
	<i>Net Cost of Services:</i>	
1,701	Current Service Costs	1,382
757	Past Service Costs	191
	<i>Net Operating Expenditure:</i>	
6,171	Interest cost	6,004
(5,044)	Expected return on scheme assets	(3,423)
3,585	Net charge to the Income & Expenditure Account	4,154
	Statement of Movement on General Fund Balance	
(3,585)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(4,154)
3,247	Actual amount charged against General Fund Balance for pensions in the year	3,464

Notes to the Single Entity Core Financial Statements

24. Pension Costs (continued)

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial losses of £31,776,000 (£13,081,000 2008/09) 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 £45,237,000.

Assets & Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

2008/09		2009/10
£'000		£'000
(89,691)	1 April	(87,798)
(1,701)	Current Service Cost	(1,382)
(6,171)	Interest cost	(6,004)
(814)	Contributions by Scheme participants	(774)
7,551	Actuarial Gains & Losses	(44,805)
3,808	Benefits paid	3,934
(103)	Past service costs	(39)
(654)	Changes in scheme assumptions	(152)
(87,775)	31 March	(137,020)

Reconciliation of the fair value of the scheme assets:

2008/09		2009/10
£'000		£'000
70,807	1 April	55,472
5,044	Expected rate of return	3,423
(20,655)	Actuarial Gains & losses	13,029
3,247	Employer contributions	3,507
814	Contributions by Scheme participants	774
(3,808)	Benefits paid	(3,934)
55,449	31 March	72,271

Notes to the Single Entity Core Financial Statements

24. 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 Actuaries. The actual return on scheme assets in the year was £17,761,000 (2008/09 £16,949,000).

Scheme History

	2009/10	2008/09 £'000	2007/08 As restated £'000	2006/07 As restated £'000	2005/06 * £'000
Fair Value of Assets	72,271	54,141	70,807	72,871	54,396
Present Value of liabilities	(137,020)	(87,775)	(89,691)	(101,827)	(88,614)
Surplus / (Liabilities) in Scheme	(64,749)	(33,634)	(18,884)	(28,956)	(34,218)

* The Council has elected not to restate fair value of scheme assets for 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 £64,748,595 (2008/09 £32,326,000) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet net worth of £576,786,503 (2008/09 £717,645,098 as restated).

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 2011 is £3,015,000.

Notes to the Single Entity Core Financial Statements

24. 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, has 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.

Principal Assumptions

The principal assumptions used by the Actuary have been:

2008/09	2009/10
Long Term expected rate of return on assets in the scheme:	
7.0% Equity investments	7.8%
5.4% Bonds	5.0%
4.9% Property	5.8%
4.0% Cash	4.8%
Mortality Assumptions:	
Longevity at 65 for current pensioners:	
21.4 Men	22.7
24.3 Women	26.1
Longevity at 65 for future pensioners:	
22.5 Men	24.8
25.4 Women	28.3
3.1% Rate of inflation	3.8%
4.6% Rate of increase in salaries	5.3%
6.3% Expected return on scheme assets	7.0%
6.9% Rate for discounting scheme liabilities	5.5%
50% Take up of option to convert annual pension into retirement lump sum. (Pre-April 2008 service)	50%
0% Take up of option to convert annual pension into retirement lump sum. (Post April 2008 service)	75%

Notes to the Single Entity Core Financial Statements

24. Pension Costs (continued)

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

2008/09 %		2009/10 %
67	Equity investments	71
19	Bonds	19
4	Property	3
10	Cash	7
<u>100</u>		<u>100</u>

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 2010 :

	2009/10 £'000	%	2008/09 £'000	%	2007/08 As restated £'000	%	2006/07 As restated £'000	%	2005/06 £'000	%
Difference between expected & actual return on assets	13,029	18%	(20,655)	18	(8,464)	(12)	159	0	12,707	35
Difference between expected and actual losses on liabilities	(44,805)	33%	7,551	(33)	16,476	18	5,632	6	(10,307)	(28)
Actuarial Gain/(Loss) as at 31 March	<u>(31,776)</u>		<u>(13,104)</u>		<u>8,012</u>		<u>5,791</u>		<u>2,400</u>	
Experience adjustments on assets	13,029	18	(20,655)	(37)	(7,120)	(10)	159	0	12,707	35
Experience adjustments on liabilities	0	0	0	0	2,068	2	56	0	(10,307)	(28)

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)

Notes to the Single Entity Core Financial Statements

25. 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 a creditor balance in notes 15 to the Core financial statements.

Stevenage Home Limited reported net liabilities of £7,169,849 as at 31 March 2010 (2008/09 £1,754,443 net liabilities) together with profit before and after tax of £110,594, for the year then ended (2008/09 loss £1,200,369). No dividends were declared receivable by the Council as at 31 March 2010.

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 83. 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 2010. The calculation is based on the age of the trade debtor.

26. 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 cash flows of the CCTV in their own accounts. From 1 April 2010 Hertsmere Borough Council joined the joint arrangement.

27. Contingent Liabilities

The Council is defending consolidated claims made under the Equal Pay Act and is reviewing the extent of any potential liability.

The Information Commissioner has upheld a claim regarding the Council charging for Local Land Searches. The Council is currently assessing the extent of any potential liability.

Notes relating to the Cashflow Statement

28. Revenue Activities

Restated '2008/09 £'000	Reconciliation of revenue surplus to net cash flow:	2009/10	
		£'000	£'000
25,886	Deficit for the year	43,239	
(988)	Housing Revenue Account Balance	334	
	Non Cash Items		
(19,638)	Removal of Depreciation and Impairment from Income and Expenditure Account	(41,067)	
(2,395)	Removal of Excess of Depreciation charged to HRA Services over the Major Repairs Allowance	(1,116)	
(265)	Removal of Revenue Expenditure Funded from Capital Resources Under Statute from Income & Expenditure Account	(691)	
751	Removal of Government Grants Deferred from the Income and Expenditure Account	829	
(338)	Removal of FRS 17 pension entries in Income and Expenditure Account	(690)	
(44)	Council tax Deficit/Surplus not yet distributed	(41)	
241	Removal of Profit/Loss on Sale of Assets	419	
0	Contribution to provisions	0	
(367)	Removal of Contributions to Reserves	617	
0	Revenue contribution MRA used	6,207	
(107)	Contribution to/(from) Provisions	(571)	
(22,162)			(36,104)
	Costs charged elsewhere in Cash Flow		
2,104	Interest	1,125	
	Items on an accruals basis		
(723)	Adjustment for pooled capital receipts payment	(882)	
24	Add/(less) (decrease)/increase in stock	10	
331	Add/(less) (decrease)/increase in debtors	(481)	
0	Add/(less)(decrease)/increase in long term debtors		
4,133	Add/(less) (increase)/decrease in creditors & receipts in advance	(999)	
3,765			(2,352)
8,605	Net cash flow (from)/to revenue activities		6,242

Notes relating to the Cashflow Statement

29. Movement in Liquid Resources

Movement in liquid resources:

2008/09 Net movements £'000		Balance 1 Apr 09 £'000	2009/10 Balance 31 Mar 10 £'000	Net Movements £'000
4,220	Short Term Investments	30,710	16,084	(14,626)
(739)	Other Movements	23	696	673
<u>3,481</u>				<u>(13,953)</u>

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

30. Movement in Cash & Cash equivalents

Movement in Cash and Cash Equivalents:

2008/09 Net movements £'000		Balance 1 Apr 09 £'000	2009/10 Balance 31 Mar 10 £'000	Net Movements £'000
11	Imprest Accounts	11	11	0
60	Cash in hand/(overdrawn)	60	1	59
<u>71</u>				<u>59</u>

Notes relating to the Cashflow Statement

31. Analysis of Government Grant

2008/09 £'000		2009/10 £'000
	Revenue Activities	
950	Revenue Support Grant	1,465
6,825	NNDR Receipt from Pool	6,348
0	NNDR Deferral Scheme	11
31,447	Department of Work and Pensions Grants for rebates	35,909
29	Discretionary Housing Payments	36
0	Mortgage Rescue Programme	29
160	Local Authority Business Growth Incentives	51
13	Defective Dwelling Loan Grant	0
30	Economic Downturn Grant	6
63	Homelessness Grant	51
23	Climate Change Grant	21
24	Free School Swim	77
4	Council Tax Efficiency Grant	4
0	DWP in and out of work implementation	4
0	DWP Temporary Accommodation subsidy changes	6
66	Housing, Planning Delivery Grant	204
158	Growth Area fund Delivery Grant (revenue)	235
70	Area Based Grant (Formerly LAA Grant)	67
0	Performance Reward Grant	217
0	Local Delivery Framework Core Strategy Grant	25
1,035	Supporting People Programme Grant	759
0	Future Jobs Fund	14
40,897	Sub Total	45,539
	Capital Activities	
4,726	Growth Area Fund	1,835
2,610	East of England Development Agency Grant	0
20	Area Based Grant (Formerly LAA Grant, capital)	20
179	Disabled Facilities Grant	197
117	Non Decent Homes Improvement Grant	67
24	Free School Swim (capital)	0
	Information with Council Tax & NNDR demand notices grant	5
5		5
3	Benefit Grant (capital)	0
37	National Heritage Memorial Fund (lottery funding)	0
0	DCLG CORE grant	3
0	WREN grant	55
	English Sports Council	71
7,721	Sub Total	2,253
48,618	Total Grants	47,792

Housing Revenue Account (HRA) Income & Expenditure Account

HRA Income & Expenditure Account

2008/09 £000's		Notes	2009/10 £000's
	Income		
(31,234)	- Dwelling rents	1	(32,279)
(386)	- Non-dwellings rents		(633)
(1,140)	Charges for Services & Facilities		(1,509)
(1,476)	Contributions towards expenditure		(1,139)
0	HRA Subsidy Receivable	2	0
<u>(34,236)</u>	Total Income		<u>(35,560)</u>
	Expenditure		
5,857	Repairs & Maintenance		5,842
10,564	Supervision & Management		11,104
37	Rents, Rates, Taxes & Other Charges		27
13,180	Negative HRA Subsidy Payable	2	11,451
734	Negative Subsidy Transferable to the General Fund under transitional arrangements		367
18,952	Depreciation and impairment of Fixed Assets	8	36,669
11	Debt Management Costs		9
133	Increase in bad debt provision		146
<u>49,468</u>	Total Expenditure		<u>65,615</u>
15,232	Net Cost of HRA Services per Authority Income & Expenditure Account		30,055
755	HRA Services share of Corporate & Democratic Core		
15,987	Net Cost of HRA Services		30,055
(286)	Gain on sale of Fixed Assets		(447)
(1,923)	Interest & Investment income	4	(591)
0	Pensions interest cost & expected return on scheme assets	12	0
<u>13,778</u>	Deficit for the year on HRA services		<u>29,017</u>

Statement of Movement on HRA Balance

2008/09 £000's	Notes	2009/10 £000's
13,778	Deficit for Year on the HRA Income & Expenditure Account	29,669
(12,790)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(30,004)
988	(Increase) or decrease in the Housing Revenue Account Balance	(335)
(3,083)	Housing Revenue Account Surplus brought forward	(2,095)
(2,095)	Housing Revenue Account Surplus carried forward	(2,430)
2008/09 £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
(10,436)	Difference between any other item of income and expenditure determined in accordance with statutory HRA requirements (if any)	(29,212)
286	Gain or loss on sale of HRA fixed assets	447
(10,150)		(28,765)
(2,640)	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
(2,640)	Transfer to/from Major Repairs Reserve	(1,239)
(2,640)		(1,239)
(12,790)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(30,004)

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

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.04% of lettable properties were vacant. In 2008/09 the figure was 0.86%. Average rents were £74.36 a week in 2009/10 (£73.48 in 2008/09).

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

2008/09			2009/10	
£'000	£'000		£'000	£'000
13,006		Notional Expenditure		
	13,006	Management and Maintenance	13,700	13,700
		Less Notional Expenditure		
(30,703)		Rents	(31,166)	
(2,083)		Interest	(559)	
	(32,786)			(31,725)
	(19,780)	Housing Subsidy Withdrawal		(18,025)
	6,111	Major Repairs Allowance		6,329
		Negative Subsidy Entitlement (incl. MRA)		(11,696)
	489	Transitional Negative subsidy		245
	(13,180)	Overall Subsidy Position		(11,451)

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 to and including 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.

	2008/09 £'000	2009/10 £'000
Interest on receipts	1,770	532
Interest on revenue balances	132	45
Interest on mortgages	21	14
Total Investment Income	1,923	591

5. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve.

2008/09			2009/10	
£'000	£'000		£'000	£'000
	0	Opening Balance as at 1st April		0
		Transfers to the MRR -		
(7,968)		Depreciation of HRA Dwellings	(7,060)	
(269)		Depreciation of other HRA Assets	(385)	
	(8,237)			(7,445)
		Transfers from MRR -		
	5,866	Financing of HRA Capital Expenditure		6,207
245		To HRA Appropriations - Transitional Negative Subsidy Transfer	122	
2,126	2,371	Depreciation in excess of MRA & other HRA Assets	1,116	
	0	Closing Balance as at 31 March		1,238
	0			0

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

6. Housing Stock Numbers

The stock movement can be summarised as follows:-

2008/09		2009/10
No.		No.
8,357	Stock as at 1st April	8,342
(9)	Less Right to Buy Sales	(12)
0	Demolitions	(10)
0	Properties impaired to be demolished	(6)
0	Hostel closure	(16)
(6)	Conversions/other	(1)
8,342	Stock at 31st March	8,297
5,404	Houses	5,380
2,938	Flats	2,917
8,342	Total	8,297

The stock numbers disclosed above are properties that are in management and available to let. The total stock valuation includes the hostel (equating to 16 equivalent properties) and a further property, which are classified as 'out of management'.

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 2009	£ 596,818,717
As at 31 March 2010	£ 510,834,883
The Vacant Possession value of the dwellings as at 1 April 2009 was	£ 519,158,660

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.

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 Accounting Policy Fixed Assets impairment), it was deemed that the expenditure did not add to the market value of the properties and totalled £19,612,475 for dwellings in the year. However, the charge to the HRA for impairment was £29,223,209, of which £9,610,734 related to market price impairment where there were insufficient revaluation gains in the revaluation reserve to meet the all of the market price impairment.

Other Fixed Assets held by the HRA are detailed below:

	1 April 2009	31 March 2010
(iii) Vehicles Plant & Equipment	£ 1,121,786	£ 1,375,533

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.

Depreciation:	2008/09 £'000	2009/10 £'000
HRA Dwellings	8,237	7,060
Other Assets	271	386
Impairment:		
HRA dwellings	10,444	29,223
Total	18,952	36,669

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

9. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2009/10 is summarised as follows:-

2008/09 £'000		2009/10 £'000
	Capital Expenditure	
9,024	Major Repairs & Improvements	18,153
1,010	Disabled Adaptations	953
577	Equipment	639
10,611		19,745
	The Capital Expenditure was financed as follows:	
(4,745)	Capital Receipts	7,451
(5,866)	Major Repairs Allowance	6,207
0	Borrowing (Decent Homes)	6,051
0	contributions	36
(10,611)		19,745

Total Capital Receipts in 2009/10 from the sale of property within the HRA can be summarised as follows :-

2008/09 £'000		2009/10 £'000
(839)	Right to Buy Sales	(1,104)
(27)	Right to Buy Mortgage Repayments	(24)
(60)	Other Land & Property *	(53)
(926)		(1,181)

*Includes repayment of Right to Buy discounts

10. Rent and supported Housing Payment Arrears

During the year 2009/10 rent arrears as a proportion of gross rent income were 2.8% (2.8% in 2008/09).

2008/09 £'000		2009/10 £'000
970	Arrears at 31 March	995
176	Amounts written off during the year	159

The bad debts provision stood at £321,600 at 31 March 2010 (£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 2009/10 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 pension cost shown in the Income & Expenditure Account are on a FRS 17 basis as set out in the 2009 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 2009/10

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 (NNDR) 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.

From 2009/10 the Collection Fund Adjustment Account has been introduced (2008/09 restated), see Note 1 to the Single Entity Core Statements.

2008/09			2009/10	
£'000	INCOME	Notes	£'000	£'000
42,040	National Non-Domestic Rates (NNDR) Pool	2	44,932	
33,220	Council Tax	1	34,489	
6,378	Council Tax Benefit	1	7,160	
81,638				86,581
	EXPENDITURE			
	Precepts and Demands:-			
30,516	Hertfordshire County Council		31,873	
5,121	Stevenage Borough Council		5,370	
3,858	Hertfordshire Police Authority		4,069	
39,495				41,312
	National Non-Domestic Rates			
41,935	Payment to National Pool		44,827	
105	Cost of Collection Allowance		105	
42,040				44,932
44	Movement in provision for Doubtful Debts			9
	Contributions -Towards previous year's estimated collection fund surpluses			
305	Hertfordshire County Council		693	
52	Stevenage Borough Council		84	
38	Hertfordshire Police Authority		88	
81,974				865
(336)	Surplus/(Deficit) for the year			87,118
2,216	Surplus/(Deficit) as at 1 April			(537)
1,880	Surplus/(Deficit) as at 31 March	3		1,880
				1,343

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; 28,487.65 for 2009/10). The basic amount of council tax for a band D property £1,450.17 (£1,399.23 for 2008/09) 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		1,423	5,926	20,703	3,086	2,854	866	411	12	35,281	
Exemptions		(67)	(257)	(314)	(40)	(26)	(8)	(5)	(4)	(721)	
Disabled Relief	1	4	84	(72)	4	(16)	0	(4)	(1)	0	
Discounts (25%)	1	960	3,557	6,132	749	430	102	44	0	11,975	
Discounts (50%)	0	43	161	150	28	28	16	6	3	435	
Equated Value Discount	0.25	261.50	969.75	1608.00	201.25	121.50	33.50	14.00	1.50	3211.25	
Effective Properties	0.75	1,098.50	4,783.25	18,709.00	2,848.75	2,690.50	824.50	388.00	5.50	31,348.75	
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	0.42	732.33	3,720.31	16,630.22	2,848.75	3,288.39	1,190.94	646.67	11.00	29,069.03	
Council Tax Base					Band D equivalent multiplied by collection rate of 98%						28,487.65

Notes to the Collection Fund Accounts

1. Council Tax (continued)

The income chargeable of £46,990,806 for 2009/10 is from the following sources:

2008/09 £		2009/10 £
33,220,416	Billed to Council Tax Payers	34,488,657
6,378,241	Council Tax Benefits	7,159,865
4,921,432	Exemptions, Discounts, etc.	5,342,284
44,520,089		46,990,806

2. National Non-Domestic Rates

The Government specifies an amount (46.2p in 2008/09 and 48.5p in 2009/10) 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 48.1p in 2009/10 (45.8p in 2008/09). 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 £44,826,917 for 2009/10 (£41,934,987 2008/09). The rateable value for the Council's area is £101,480,550 at 31 March 2010 (£102,346,790 at 31 March 2009). The rateable value changes throughout the year due to increases and decreases in assessments.

3. Contributions to Collection Fund Surpluses and Deficits

The surplus on the Collection Fund as at 31 March 2010 was £1,343,065. The County Council and Police Authority recognise their share of the surplus in their accounts, Stevenage Borough Council's share is shown in the Collection Fund adjustment account on the Balance Sheet. (See Note 1 to the Single Entity Core Accounts). The surplus is in proportion to the respective precept made and is as follows as 31 March 2010.

2008/09 £		2009/10 £
245,182	Stevenage Borough	203,766
182,822	Hertfordshire Police Authority	1,011,852
1,452,139	Hertfordshire County Council	127,447
1,880,143	Total	1,343,065

Group Accounts

Introduction

Stevenage Homes Limited was set up by Stevenage Borough Council in October 2006 to enable improvements to be made to the housing stock to achieve Decent Homes Standard. The company was incorporated as a private company limited by guarantee under the Companies Act 1985 and does not have any share capital. Stevenage Homes Ltd has a sole member in Stevenage Borough Council for which Stevenage Borough Council guaranteed to subscribe £1 if called to do so in the event that Stevenage Homes Ltd should be wound up.

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.

Group Income & Expenditure Account

2008/09 Restated Net Expenditure £'000	Expenditure on Services	Gross Expenditure £'000	2009/10 Gross Income £'000	Net Expenditure £'000
157	Adult Social Care	111	0	111
4,335	Central Services to Public	11,706	8,241	3,465
93	Children's Services	677	638	39
17,023	Cultural Environmental & Planning Services	28,582	7,436	21,146
1,825	Highways Roads & Transport Services	3,994	3,120	874
754	Housing Revenue Account (HRA)	51,134	35,674	15,460
12,319	Housing Services	47,207	37,362	9,845
2,952	Corporate & Democratic Core	3,069	0	3,069
807	Non Distributed Costs	185	0	185
40,265	Net Cost of Services	146,665	92,471	54,194
(266)	(Gain)/loss on disposal of fixed assets			(465)
(245)	Surplus on Trading Operations			(219)
16	Interest payable			11
723	Contribution to Housing Pooled Receipts			882
(2,148)	Interest and investment income			(573)
1,111	Pensions Interest Cost & Expected Return on Pensions Assets			2,816
39,456	Net Operating Expenditure			56,646
(5,129)	Income from Collection Fund			(5,413)
(1,042)	General Government Grants			(1,757)
(6,825)	Contribution from Non-Domestic Rate Pool			(6,348)
26,460	DEFICIT FOR YEAR			43,128

Reconciliation of single entity Deficit to Group Deficit

Restated 2008/09 £'000		2009/10 £'000
25,885	Deficit for the year on Income & Expenditure Account for Stevenage Borough Council	43,239
(11,371)	Adjustments for transactions with Group entities	(11,835)
14,514	Deficit in Group Income & Expenditure Account attributable to Stevenage Borough Council	31,404
1,200	Deficit/(Surplus) in Group Income & Expenditure Account attributable to Stevenage Homes Limited	(111)
11,371	Adjustments for transactions with Group entities	11,835
27,085	Deficit for the year on Group Income & Expenditure Account	43,128

Group Statement of total Recognised Gains & Losses

Restated 2008/09 £000		2009/10 £000
27,086	Deficit for the year on the Income & Expenditure Account	43,128
(51,611)	(Surplus) / Deficit arising from revaluation of fixed assets	65,887
15,573	Actuarial (Gains)/Losses on the Pension Scheme assets & liabilities	37,302
(1)	Other (gains) / losses	(45)
(8,953)	Total Recognised (gain)/loss for the year	146,272
	Attributable :	
(12,622)	Stevenage Borough Council	140,857
3,669	Stevenage Homes Limited	5,415
(8,953)	Total Recognised (gain)/loss for the year	146,272

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 a reduction in the Council's net worth of £1,027,489. (See Note 1 to the Single Entity Core Statements).

Group Balance Sheet as at 31 March 2010

2009/10 Restated				2009/10	
£'000	Net Assets	Fixed	Notes	£'000	£'000
171		Intangible fixed assets		145	
		<i>Tangible fixed assets : Operational</i>			
596,819		Council Dwellings		510,835	
95,049		Other Land & Buildings		93,498	
6,947		Vehicles, plant, furniture & equipment		7,541	
2,520		Infrastructure assets		2,444	
271		Community assets		2,116	
		<i>Tangible fixed assets: Non-operational</i>			
25,800		Investment properties		27,840	
10,679		Assets under construction		1,443	
4,377		Surplus assets held for disposal		4,093	
<u>742,633</u>					649,955
2,097		Long term investments			
		Long term			
304		Debtors - Mortgages		258	
9		- Car loans		2	
<u>745,043</u>		Total Long Term Assets			<u>260</u> 650,215
		Current Assets			
106		Stock and work in progress	3	162	
9,199		Debtors	4	9,486	
31,484		Investments		16,084	
79		Cash at bank and in hand	7	12	25,744
<u>(2,000)</u>		Current Liabilities			
(5,422)		Borrowing repayable within 12 months		(8)	
(11,196)		Receipts in advance		(3,847)	
		Creditors	5	(9,976)	(13,831)
22,250		Net Current Assets			11,913
767,293		Total Assets less Current Liabilities			662,128
0		Long term borrowing		(5,000)	
(1,751)		Provisions		(1,262)	
(4,288)		Government Grants Deferred - Unapplied		(3,688)	
(9,032)		Government Grants Deferred - Applied		(9,374)	
(304)		Deferred capital receipts		(280)	
(35,000)		Pensions Liability	8	(72,907)	
<u>716,918</u>		Total Assets less Liabilities			<u>(92,511)</u> 569,617

Group Balance Sheet as at 31st March 2010 continued.

2009/10 Restated £'000	Fund Balances & Reserves	Notes	2009/10 £'000
107,626	Revaluation Reserve		36,623
626,122	Capital Adjustment Account		598,051
(35,000)	Pensions Reserve		(72,907)
11,566	Usable Capital Receipts		1,094
2,906	General Fund		1,954
2,095	Housing Revenue Account		2,430
920	SHL Revenue Reserve		989
438	Earmarked Reserves		1,179
245	Collection Fund Adjustment Account		204
716,918	Total Net Worth		569,617

Group Cash Flow Statement

2008/09 Restated £'000		Note	2009/10 £'000
	Revenue activities		
8,695	Net Cash (inflow)/Outflow from Revenue Activities	9	6,276
	Returns on Investment & Servicing of Finance		
	<i>Cash outflows</i>		
15	Interest Paid		11
	<i>Cash inflows</i>		
(2,206)	Interest Received		(1,164)
(2,191)	Net Cash (inflow)/Outflow from Returns on Investment & Servicing of Finance		(1,153)
	Capital Activities		
	<i>Cash outflows</i>		
20,766	Purchase of fixed assets		24,082
729	Other Capital Spend		1,188
0	Purchase of Long Term Investments		
	<i>Cash inflows</i>		
(4,672)	Sale of Fixed Assets		(1,929)
(7,721)	Capital grants received		(2,315)
(7,037)	Other Capital Cash Receipts		(6,251)
2,065	Net Cash Inflow from Capital Activities		14,775
8,569	Net cash (inflow) outflow before financing		19,898
	Management of Liquid Resources		
4,220	Net movement in short term deposits	10	(15,401)
(739)	Net (decrease)/increase in other liquid resources		672
3,481	Net cash (inflow)/outflow-Management of Liquid Resources		(14,729)
	Financing		
	<i>Cash outflows</i>		
0	Repayments of amounts borrowed		2,000
	<i>Cash inflows</i>		
(2,000)	New short term loans raised		(5,008)
(10,000)	New long term loans raised		(2,097)
50	Net (increase)/decrease in Cash	11	64

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 128.

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 2009 £'000		31 March 2010 £'000
16	Fuel	26
52	Other	50
68	Total Stevenage Borough Council	76
38	Central Stores	86
38	Total Stevenage Homes Ltd	86
106	Total for Group	162

Stock levels for Stevenage Homes Ltd have risen as imprest stock and sundry materials held in the operative vans are now recognised in the 2009/10 Accounts.

Notes to Group Financial Statements

4. Debtors

Restated 31 March 2009 £'000		31 March 2010 £'000	% change +/-
17	Car Loans	7	-59%
2,056	Government Departments	3,253	57%
51	Other Local Authorities	970	1802%
1,090	Housing Rents & Leaseholders	1,023	-6%
320	Collection Fund	392	23%
3,534	Other Debtors	4,836	33%
(773)	Provision for Bad Debts	(995)	29%
6,295	Group Total	9,486	51%

Other debtors include £133,188 (£7,787 2009/10) relating to Stevenage Homes Limited.

The 2008/09 balances have been restated for Other Local Authority and Government debtors. This is as a result of change recommended treatment of Non Domestic Business Rates (NNDR) and council tax arrears, pre-payments and surpluses. This is explained in more detail in Note 1 of the Single Entity Core Accounts on page 32.

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 91.

Notes to Group Financial Statements

5. Creditors

31 March 2009 Restated £'000		31 March 2010 £'000	% change +/-
611	Government Departments	486	-20%
1,036	Other Local Authorities	565	-45%
7,384	Sundry Creditors	7,457	1%
9,031	Stevenage Borough Council Total	8,508	-6%
249	Trade Creditors	920	269%
102	Government Departments	391	283%
748	Sundry Creditors	157	-79%
1,099	Stevenage Homes Ltd Total	1,468	34%
10,130	Group Total	9,976	-2%

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 91.

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
Debtors				
Government Departments	3,675	-	(422)	3,253
Intercompany debtor	-	2,660	(2,660)	-
	<u>3,675</u>	<u>2,660</u>	<u>(3,082)</u>	<u>3,253</u>
Creditors				
Government Departments	-	(486)	422	(64)
Intercompany creditor	(2,660)	-	2,660	-
	<u>(2,660)</u>	<u>(486)</u>	<u>3,082</u>	<u>(64)</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 2009 £'000		31 March 2010 £'000
119	Cash at bank & in hand	12
<u>119</u>	Total Stevenage Borough Council	<u>12</u>
11	Cash at Bank & in hand	0
<u>11</u>	Total Stevenage Homes Ltd	<u>0</u>
<u>130</u>	Total for Group	<u>12</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.

2008/09 £000		2009/10 £000
55,449	Estimate assets in Scheme	72,271
(87,775)	Estimated liabilities in Scheme	(137,020)
<u>(32,326)</u>	Net asset/(liability) attributable to Stevenage Borough Council	<u>(64,749)</u>
9,490	Estimated assets in Scheme	13,574
(12,164)	Estimated liabilities in Scheme	(21,733)
<u>(2,674)</u>	Net asset/(liability) attributable to Stevenage Homes Ltd	<u>(8,159)</u>
<u>(35,000)</u>	Net asset/(liability) for Group	<u>(72,908)</u>

Notes to Group Financial Statements

9. Revenue Activities

2008/09 £'000	Reconciliation of revenue surplus to net cash flow:	2009/10	
		£'000	£'000
27,080	Deficit for the year		43,955
(988)	Housing Revenue Account Balance		334
	<i>Non Cash Items</i>		
(19,638)	Removal of Depreciation and Impairment from Income and Expenditure Account	(41,067)	
(2,395)	Removal of excess of depreciation charged to HRA Services over the Major Repairs Allowance	(1,116)	
(265)	Removal of Revenue Expenditure Funded from Capital Resources Under Statute from Income & Expenditure Account	(691)	
751	Removal of Government Grants Deferred from Income & Expenditure Account	829	
(533)	Removal of FRS 17 pension entries in Income and Expenditure Account	(966)	
241	Removal of Profit/Loss on Sale of Assets	419	
(44)	Council tax Deficit/Surplus not yet distributed	(41)	
(106)	Contribution to provisions	(571)	
0	Revenue contribution MRA used	6,207	
(367)	Removal of Contributions to Reserves	287	
(22,356)			(36,710)
	<i>Costs charged elsewhere in Cash Flow</i>		
2,192	Interest	1,125	
2,192			
	<i>Items on an accruals basis</i>		
(723)	Adjustment for pooled capital receipts payment	(882)	
(66)	Add/(less) (decrease)/increase in stock	(38)	
(3,031)	Add/(less) (decrease)/increase in debtors	(4,055)	
0	Add/(less) (decrease)/increase in long term debtors	0	
6,587	Add/(less) (increase)/decrease in creditors	2,547	
2,767			(2,428)
8,695	Net cash flow (from)/to revenue activities		6,276

Notes to Group Financial Statements

10. Analysis of Movement in Liquid Resources

Movement in liquid resources:

2008/09 Restated Net movements £'000		Balance 1 Apr 09 £'000	2009/10 Balance 31 Mar 10 £'000	Net Movements £'000
4,220	Short Term Investments	30,710	16,084	(14,626)
(739)	Other Movements	23	696	673
<u>3,481</u>				<u>(13,953)</u>

11. Analysis of Movement in Cash & Cash Equivalents

Movement in Cash and Cash Equivalents:

2008/09 Restated Net movements £'000		Balance 1 Apr 09 £'000	2009/10 Balance 31 Mar 10 £'000	Net Movements £'000
0	Imprest Accounts	11	11	0
48	Cash in hand/(overdrawn)	60	1	59
<u>48</u>	Total Stevenage Borough Council			<u>59</u>
2	Cash in hand/(overdrawn)	5	0	5
<u>2</u>	Total Stevenage Homes Limited			<u>5</u>
<u>50</u>	Total for Group			<u>64</u>

Annual Governance Report

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 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 2010 and up to the date of approval of the Statement of Accounts.
- 9 In respect of Stevenage Homes Ltd (SHL) controls, they often replicate similar procedures to those of the Council. However they have their own Financial Regulations and Internal Controls, all of which 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 1 July 2010.

Annual Governance Report

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's Programme of Improvement. 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 Council set up an Economic Taskforce in early 2009 with partners to offer practical help to local residents and businesses. A number of initiatives have been launched including an income maximisation project to assist our vulnerable residents by increasing people's benefit income, reducing levels of debt and increasing people's financial awareness. This work was acknowledged with the Council winning 'Council Partner of the Year' at the first ever national Citizens Advice Bureau Awards.

13 The effectiveness of the overall arrangements to monitor performance is informed by:

- The work of managers within the Council
- The roles performed by the Monitoring Officer and Chief Financial Officer
- The work of the Internal Audit Service
- The Annual Audit and Inspection Letter
- Reports by other review agencies and inspectorates
- Performance Management arrangements and related regular reporting.

The 2008/09 assessment against the key line of enquiry (KLoE) in Use of resources relating to performance management and data quality achieved a score of 3 (performs well). Auditors made the following observations:

- The Council prioritises data and reports to members so that they can measure performance against Council objectives on a real time basis.
- Improvements in the quality of data have been realised through risk rating data on the balanced scorecard
- To support our judgements for KLOE 2.2 we undertook detailed spot-checks of eight national indicators. We are pleased to note that we have not identified significant concerns around the quality of the underlying data which would be likely to lead to a material misstatement.

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The Facilitation Of Policy And Decision-Making

14 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. 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

15 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 Leader'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 Council for approval. All matters for Member level decision are documented in a standard report format. 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. 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.

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Compliance With Policies, Procedures, Laws And Regulations

- 16 The Council has structured its processes and procedures for the 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 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.
- 17 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.
- 18 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 the Code of Conduct for Members, protocol on Members/Officer relations, financial regulations, budget and policy framework, contract standing orders)
 - 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)
- 19 During the year, the Corporate Governance Group has continued to develop the assurance framework around the corporate governance arrangements. Service Based Governance Statements have been compiled that contribute to overall assurance for the 2009/10 Annual Governance Statement.

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Receiving And Investigating Complaints From The Public

- 20 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.
- 21 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.
- 22 Protocols to ensure Heads of Service make appropriate adjustments to service delivery in relation to upheld complaints are in place.

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

- 23 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.
- 24 The Council's 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
- 25 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
- 26 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.

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

- 27 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 in its guide to So Stevenage that sets out risk and performance management arrangements.
- 28 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.
- 29 In summary, the Toolkit sets out guidance on:
- Governance arrangements
 - Risk management
 - Financial arrangements
 - Communication and engagement
 - Dispute resolution
- 30 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.
- 31 The Council is an active participant in the Pathfinder initiative and included the Council launched a programme, 'Working Together'. The "Working Together" programme initiated in 2009 is intended to improve quality standards and value for money in Council services. The programme will run for three years.

Risk Management

- 32 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) for inherent and residual risk, 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.
- 33 During 2009/10 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, which has been reviewed and enhanced during 2009/10, and review the latest strategic risk register as a standing agenda item.
- 34 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.

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- 35 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 when seeking approval from Executive. A Partnership toolkit was produced in 2008 which provides guidance on all aspects effective management of partnerships including the management of risk.
- 36 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. Risk management training was carried out with Members as part of the Modern Member Programme and officers are offered one to one training appropriate to need. We will continue to enhance training to meet particular needs. Officer training was particularly focused on the development of operational level risk registers.
- 37 A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, set up in July 2008, meets quarterly. It's 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

- 38 The standards of conduct and personal behaviour expected of members and officers of the Council, its partners and the community, are defined and communicated through codes of conduct and protocols. These include:
- 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.
- 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.
- 39 In advance of the MP's expenses scandal, the Council commissioned a review of all Councillor's expenses, allowances and reimbursements. Improvements that have resulted include:
- Clarity on what is reasonably claimable
 - More regular public reporting
 - A revised guide covering Members expenses.

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Internal Audit Arrangements

- 40 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.
- 41 The Chief Internal Auditor's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2010. From the Internal Audit work undertaken in 2009/10, 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 2010 accords with proper practice.

Audit Committee

- 42 An Audit Committee was first 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

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- 43 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.
- 44 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

- 45 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 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. 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.
- 46 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 2009/10 the Council held a Community Conference, which sought the views of members of the public on levels of service provision and budgetary implications. In addition, the town wide Residents' survey sought views to inform priority setting. Further communication and consultation has been conducted using surveys and interviews, reflecting the Council's ongoing commitment to public consultation.
- 47 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.

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48 To support the Council's commitment to efficient and effective use of its resources, special SMB meetings were convened to challenge savings options and forward plan bids to ensure they were aligned to the Council's priorities group. SMB and the Executive Portfolio Holders supported by officers then challenged the package of savings and forward plan bids. 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

49 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.

50 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 2009/10 include the following:-

- 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;
- The detailed use of Commitment Accounting processes;
- A quarterly budget monitoring process for the General Fund, HRA and Capital Programme, reporting to the Council's Executive Committee;
- Production of monthly Key Budget Indicators (KBI) reports to SMB;
- 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.

51 The Council has enhanced its treasury management arrangements following the Icelandic Banks collapse in line with the CIPFA Revised Treasury Management Code and Guidance. Improvements included the involvement of elected Members in the treasury management decision making, improved information and regular reviews by Councillors in both Executive and Scrutiny functions, and a modified approach to assessing counterparty lists.

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- 52 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.
- 53 The Council's financial management arrangement consists of a number of interlocking Strands, as set out in paragraphs 54 to 57 :
- 54 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.
- 55 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 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.
- 56 Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2009/10, the Council was able to identify a savings package of some £1.7Million for 2010/12, which focused predominately on efficiency savings rather than service cuts. The forward Plan bids were geared to help the residents of Stevenage affected by the recession.
- 57 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 quarterly 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. The budget management process also reviews the progress of savings and forward plan bids together with carry forward budgets.
- 58 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 Heads of Service and periodically to Members.

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Performance Management

- 59 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 selected for local monitoring). The scorecard is reviewed annually to ensure the measures are robust.
- 60 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.
- 61 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 Reviews are held between Strategic Directors and relevant Heads of Service, where performance is not reaching target, or where there are data quality concerns.
- 62 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 and setting out future plans. Where a future target has been revised from that originally identified in the Corporate Plan, the reasons for the adjustment are explained.
- 63 The Council has systems in place to measure Customer satisfaction in the customer service centre (CSC), this was developed further, during 2008/09, with the introduction of Gov-metric – which allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's web site in real time.

Stevenage Homes Ltd

- 64 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:-

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- 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 its 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 audit work to SHL through an SLA in the following areas, Procurement, National Indicators, National Fraud Initiative, IT Audit and Key Financial 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.

65 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.

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Review Of Effectiveness Of Systems Of Internal Audit

- 66 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”.
- 67 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.
- 68 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.
- 69 The 2008/09 Annual Governance Statement reported that 82% of the planned days in the 2008/09 audit plan were delivered in year against a target of 90%. There has been significant improvement in performance compared to last year, with the delivery of 96% of the 2009/10 planned audit days against a higher target of 95%.

Review Of Effectiveness

- 70 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.
- 71 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
 - 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

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- 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.

Significant Governance Issues For Improvement

72 The following significant internal control and governance issues were identified in the 2008/09 Governance Statement. Progress on the action plan is outlined below:

Issue	Ref	Action	Responsible Officer	Target Date	Progress
VFM	1.	Engage with the Pathfinder initiative focusing on VFM and benchmarking of support services.	Strategic Director (Resources)	March 2010	Completed Benchmarking information compiled.
	2.	Review the officer code of conduct	Borough Solicitor and Head of HR	September 2009	Action no longer required This action was set in response to legislative requirements no longer in place. Several of existing terms and conditions already in place relate to officer conduct and the local code of conduct is being revised. (see action 6 in paragraph 70)
	3.	Extend the role of the Standards Committee (including indemnities for independent Members of the Standards Committee)	Borough Solicitor	June 2009	Partially completed A review of the Standards Committee was carried out during 2009/10. A report on the findings will be presented to Council in October 2010. A report on indemnities will be presented to July 2010 Council. Carried forward – actions 3 and 4 (2010/11)

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Issue	Ref	Action	Responsible Officer	Target Date	Progress
	4.	Review of the Constitution, including the scheme of delegation and the role of the Leader and Executive Members	Borough Solicitor and Constitutional Services Manager	July 2009	Completed A review of the constitution was completed in August 2009
	5.	Review of senior management arrangements	Strategic Management Board	November 2009	Completed New senior management arrangements were agreed in August 2009.
	6.	Review of Officer declaration of interest scheme	Borough Solicitor	March 2010	Partially completed Completion of this piece of work is awaiting the updated Bribery Act, anticipated towards the end of 2010. (Carried forward – action 5 2010/11)
	7.	Review of job description for Chief Executive and Monitoring Officer	Strategic Management Board	November 2009	Partially completed The job description for the monitoring officer was reviewed during 2009/10. Interim arrangements are in place for the role of Chief Executive and it is not considered appropriate to review the job description until the recruitment of a new Chief Executive. (Carried forward – action 1 2010/11)
	8.	Review Management training requirements for Officers and Members as part of the HR 2009/10 work programme	Head of Human Resources	March 2010	Partially completed A fundamental review was undertaken on the approach to Member development. Several topics have been covered by the 2009/10 Modern Member Programme

STATEMENT OF ACCOUNTS 2009/10

Issue	Ref	Action	Responsible Officer	Target Date	Progress
					and the feedback Members provide on each event is monitored with views expressed summarised and sent relevant officers to inform future development. (Carried forward – action 2 2010/11)
Ethics and Probity	9.	Appointment of new Training and Development Manager to drive forward Member /Officer development strategy	Head of Human Resources	August 2009	Completed New Training and Development Manager recruited August 2009
	10.	Customer Focus Strategy (3 years).	Head of Customer Services and Business Improvement	July 2009	Completed The Customer Focus strategy was approved by executive in November 2009. Initial projects that are imminent have been scoped.
Management	11.	Further Development of Gov-metric (to measure and report customer satisfaction)	Head of Customer Services and Business Improvement	March 2010	Completed Gov-metric has been further developed during 2009/10 and allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's web site in real time.
Partnerships	12.	Review of Grant Aid Process	Head of Policy, Performance and Partnerships	July 2009	Completed Following consultation with the Social Inclusion Panel, a new community grants policy in place. A partner panel has been set up that contributes to the decision-making for the 2010/11 grant allocations.
	13.	Training targeted to meet the different	Finance Projects	March 2010	Completed Risk management

STATEMENT OF ACCOUNTS 2009/10

Issue	Ref	Action	Responsible Officer	Target Date	Progress
		roles of officers and Members	Manager		training was carried out with Members as part of the Modern Member Programme and officers are offered one to one training appropriate to need. We will continue to enhance training to meet particular needs.
Risk Management	14.	Review of the effectiveness of operational registers	Finance Projects Manager	August 2009	Completed Corporate Risk Group reviewed Operational Risk Registers on 6 August 2009. A remedial plan has been developed to deal with any issues of concern.

73 Significant internal control and governance issues identified as part of the 2009/10 review of the Governance Statement are set out in the table below. The recommendations have been aligned to the six core principles of corporate governance:

- Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Principle 5 – developing the capacity and capability of members and officers to be effective
- Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

Annual Governance Report

Governance principle	Ref	Action	Responsible Officer	Target Date
Carried forward from 2009/10 Action Plan (paragraph 69)				
Principle 2	1	Review job description for Chief Executive as part of vacancy management procedures.	Head of Human Resources	June 2010
	2	Refocus officer training programme to better support the development needs of the organisation.	Head of Human Resources	March 2011
Principle 3	3	Present a report on indemnities for independent Members of the Standards Committee to Council.	Borough Solicitor	July 2010
	4	Present a report on the findings of the 2009/10 review of the Standards Committee to Council.	Borough Solicitor	October 2010
	5	Review Officer declaration of interest scheme following ratification of the Bribery Act.	Borough Solicitor	March 2011
	6	Revise officer code of conduct	Borough Solicitor	March 2011
Identified through the Internal Audit of the Corporate Governance Process				
Principle 3	7	It is recommended that the Local Code of Governance is approved by Council; this could be considered at the same time as the approval of the Annual Governance Statement. The Local Code of Governance should be updated to include: <ul style="list-style-type: none"> The date it was last reviewed by the Borough Solicitor; The date of the next review; and The date it was adopted by Council 	Borough Solicitor	July 2010
Principle 5	8	It is recommended that a periodic circular is sent to all managers requesting details of all employees who are studying for qualifications funded by the Council. The employee's name, job title, qualification, cost and expected completion date should	Training and Development Manager (Head of Human Resources)	June 2010

STATEMENT OF ACCOUNTS 2009/10

Governance principle	Ref	Action	Responsible Officer	Target Date
		be entered on to a register.		
Principle 5	9	It is recommended that regular checks are carried out by HR on the status of employees studying for a qualification; and once a qualification has been completed a copy of the qualification certificate is retained on the employee file.	Training and Development Manager (Head of Human Resources)	September 2010
Principle 5	10	It is recommended that: A completeness check on all employee files at Daneshill House and Cavendish Road is carried out.	Pay and Rewards Manager (Head of Human Resources)	October 2010
Principle 5	11	PDM documentation is updated to include an annual review of Job Descriptions and Person Specifications by management and the review findings are reported to HR.	Training and Development Manager (Head of Human Resources)	September 2010
Significant actions identified through the review of the council's governance process against the six core principles (where not reflected in rows above)				
Principle 1	12	Scope Customer Focus Strategy projects.	Head of Customer Service and Business Improvement	June 2010
Principle 2	13	Carry out a review of the Council's Service Planning Process during 2010/11, effective for 2011/12 plans	Performance and Improvement Manager (Head of Customer Service and Business Improvement)	January 2011
Principle 3	14	Review of the Council's appraisal process	Head of Human Resources	January 2011
Principle 4	15	Review and enhance the Council's programme and project management procedures and documentation. Project documentation to include consideration of: <ul style="list-style-type: none"> • Risk • Climate change impact. 	Performance and Improvement Manager (Head of Customer Service and Business Improvement)	August 2010

STATEMENT OF ACCOUNTS 2009/10

Governance principle	Ref	Action	Responsible Officer	Target Date
Principle 6	16	Improve compliance monitoring of Equalities Impact Assessments.	Communities and Partnerships Manager (Head of Strategic Housing, Partnerships and Communications)	March 2011
There is no significant internal control and governance issues identified as part of the 2009/10 review of service based governance.				

- 74 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Management Board, relevant Officers and the Audit Committee. The actions in the 2009/10 Annual Governance Statement and a plan to address weaknesses and ensure continuous improvement of the system are in place.
- 75 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

Date

Cllr Sharon Taylor
Leader of Stevenage Borough Council

Signed

Date

Nick Parry
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.
- To approve the Statement of Accounts

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 accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP"), and is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

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

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

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 true and fair view of the financial position of the Authority as at 31 March 2010 and its Income and Expenditure account for the year ended 31 March 2010.

Strategic Director (Chief Financial Officer)

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial and its position as at the year end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009– 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 did not recognise housing benefit overpayments (deducted from on-going entitlement) on an accruals basis. The Council's new benefit system (implemented in 2009/10) is now able to identify the total amount of overpayments raised in the year and deducted from on-going benefit payments

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 now makes a provision for doubtful debts for housing benefit overpayments (deducted from on-going entitlement) as the income is now 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.

From 2009/10 Developer contributions (section 106 monies) are recognised as Receipts in Advance rather than Government Grants Deferred Unapplied to reflect that conditions of the monies still have to be met.

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 2009 (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 2010 (excluding Housing Dwellings which are valued as at 1 April 2009) 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.

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.

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

Statement of Accounting Policies

11. Tangible Fixed Assets (Continued)

Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

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

Depreciation is calculated on the following bases:

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

The useful economic lives for 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

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.

Statement of Accounting Policies

12. Charges to Revenue For Fixed Assets

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

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

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

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).

Statement of Accounting Policies

14. Leases

Finance Leases

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.

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 (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available-for-sale Assets

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

Statement of Accounting Policies

15. Financial Assets (continued)

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

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

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

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

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

16. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account are based on the carrying value of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the Council has, this means that the amount in the Balance Sheet is the outstanding principal repayable (plus accrued interest). And interest chargeable to the Income and Expenditure Account is the amount payable for the year in the loan agreement. The borrowing the Council held on the Balance Sheet as at 31 March 2010 all related to 'supported borrowing' for the Decent Homes programme for the Council's housing stock.

17. 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 117.

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 (75% for council houses and 50% for HRA land).

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 grounds maintenance.

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.

Working – 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. parking 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)

An element of Housing Subsidy 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.

Direct Revenue Financing

Resources provided from an authority's revenue budget to finance the cost of capital projects. There were no contributions to fund capital expenditure in 2009/10.

Revenue Expenditure

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