

2011/12
Financial Report
including
Statement of
Accounts

Ste**venage**
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2011/12

The 2011/12 Pre-Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of Stevenage Borough Council by the Chief Financial Officer on 22 June 2012.

This final version of the Statement of Accounts includes amendments following consideration by Grant Thornton and was approved under delegation by the Chair of the Audit Committee and Resources Portfolio Holder on the 25th September 2012

Chair
Audit Committee

Resources Portfolio Holder

Date 25th September 2012

Date 25th September 2012



This document 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 Appointed Auditor completes the annual audit. The availability of the accounts for inspection is advertised in the local press.

Contents	Page
Foreword by Strategic Director (Chief Financial Officer)	6
About Stevenage Borough Council	9
<u>Executive Summary</u>	14
Explanatory Foreword	15
<u>Statement of Accounts</u>	23
Movement in Reserves Statement	25
Comprehensive Income and Expenditure Statement	28
Balance Sheet including comparative periods	30
Cash Flow Statement	32
Notes including accounting policies and additional explanatory information	33
Note 1: Accounting policies	33
Note 2: Accounting Standards Issued but not yet adopted	49
Note 3: Critical Judgements in Applying Accounting Policies	49
Note 4: Assumptions made about the future	50
Note 5: Material Items of Income and Expense	53
Note 6: Notes after the Balance Sheet Date	54
Note 7: Adjustments between Accounting Basis and Regulatory Funding Basis	54
Note 8: Transfers to/(from) Earmarked reserves	57
Note 9: Usable Reserves	57
Note 10: Unusable Reserves	59
Note 11: Other Operating Expenditure	64
Note 12: Financing and Investment Income & Expenditure	64
Note 13: Taxation and Non-Specific Grant Income	64
Note 14: Heritage Assets	65
Note 15: Property, Plant and Equipment	68
Note 16: Investment Property	71
Note 17: Intangible Assets	71
Note 18: Financial Instruments	73
Note 19: Inventories	80
Note 20: Short Term Debtors	80
Note 21: Cash and Cash Equivalents	81
Note 22: Assets Held for Sale	81
Note 23: Creditors and Receipts In Advance	82
Note 24: Provisions	82
Note 25: Amounts Reported for Resource Allocation Decisions	85
Note 26: Acquired and Discontinued Operations	89
Note 27: Trading Operations	89
Note 28: Agency Services	89
Note 29: Joint Arrangement Non Entity	89
Note 30: Member Allowances	89
Note 31: Officers Remuneration	90
Note 32: External Audit Costs	93

Contents contd.	Page
Note 33: Grant Income	94
Note 34: Related Parties	95
Note 35: Capital Expenditure and Capital Financing	97
Note 36: Leases	99
Note 37: Impairment Losses	100
Note 38: Pension	100
Note 39: Contingent Liabilities	106
Note 40: Contingent Assets	107
Note 41: Other Bank Accounts	107
Note 42: Interests in Companies	107
Note 43: Cash Flow Statement - Operating Activities	108
Note 44: Cash Flow Statement – Investing Activities	108
Note 45: Cash Flow Statement – Financing Activities	108
Note 46: Cash Flow Statement – Adjustments for Non Cash Items	109
Note 47: Cash Flow Statement – Adjustments for Investing & Financing items	109
Housing Revenue Account Income and Expenditure Statement	110
Movement on the Housing Revenue Account Statement	111
Note HRA 1: Gross Rent Income	111
Note HRA 2: Housing Subsidy Receivable/payable	111
Note HRA 3: Special Determinations and Transitional Negative Subsidy	112
Note HRA 4: Interest payable and Interest and Investment Income	113
Note HRA 5: Major Repairs Reserve	113
Note HRA 6: Housing Stock Numbers	114
Note HRA 7: Non Current Asset Valuations	114
Note HRA 8: Depreciation, Impairment and Revaluation Gains & Losses of Non Current Assets	115
Note HRA 9: Capital Expenditure, Financing & Receipts	116
Note HRA 10: Rent and Supported Housing Payment Arrears	116
Note HRA 11: Revenue Expenditure Funded from Capital under Statute	117
Note HRA 12: Accounting for Pension Costs in the HRA	117
The Collection Fund Income & Expenditure Account 2010/11	118
Note CF1: Council Tax	119
Note CF2: National Non-Domestic Rates	120
Note CF3: Contributions to Collection Fund Surpluses	120
<u>Annual Governance Statement</u>	121
<u>Statement of Responsibilities for the Statement of Accounts</u>	155
Glossary of Terms	157

Foreword by Strategic Director (Chief Financial Officer)

As the Council's Strategic Director (Resources) & Chief Finance Officer, it is once again my pleasure to write this foreword to Stevenage's Statement of Accounts for 2011/12. 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 2011/12 and highlights specific issues regarding the council's financial position at 31 March 2012. It goes without saying that 2011/12 continued to be set against a challenging economic background. The council continues to feel the effects of this global economic slowdown, with the further losses of income and investment returns. While these events have had a significant impact on the council and the residents of Stevenage, the strength of the council's financial standing and our active budget management has assured a strong financial outturn for the year, without disruption to services or impact on Council Tax levels.

During 2010/11 the Government announced the results of its Comprehensive Spending Review which has led to a grant reduction of 15% for 2011/12 and a further 10% in 2012/13. These reductions combined with the income reductions has resulted in the council having to significantly down size the organisation and look for alternative service delivery models such as shared services.

The Accounts of Stevenage Borough Council for the year ended 31 March 2012 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 2011 Code of Practice on Local Authority Accounting.

The council spends over £107 million each year on your behalf providing services for people in the town. Some 53% of the money used 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 in the main Statement of Accounts section and in the Executive 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. Up until 2010 the council underwent various inspections, such as the Comprehensive Area Assessment and Use of Resources. The council performed well in these inspections. Following the Government's decision to abolish the Audit Commission these inspections will now no longer take place, but are instead replaced with more local arrangements to confirm strong governance, financial management and the organisation's performance. The latest Corporate Governance Statement is presented within these pages in support of the Statement of Accounts.

The council's overall financial position and strategies are 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 the strategy, 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 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 £7.5 million of savings over the last five years that has been used to solve the council's underlying budget gap, and to ensure the council's budget remains in balance supported by a prudent level of reserves.

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 2011/12 the council spent £11.6 million on the decent homes programme for the council's housing stock. In terms of General Fund capital investment, the council continues to face a turbulent period to identify sufficient funding to invest in the town's assets. The council is working hard to be able to support a prudent level of borrowing whilst the outcomes from the recently updated asset management plan is worked on. In addition to borrowing, the council will also continue to work hard securing external funding to deliver such schemes as the regeneration of the Town Centre Gardens.

In September 2011, the council made a decision that housing services undertaken by Stevenage Homes Limited (SHL) should be directly managed by the council. As a result, on 1 December 2011 SHL staff transferred back to the council. The council expects to make savings of over £0.75 million which will be re-invested in maintaining and improving the housing stock.

Staying with housing, 2011/12 also saw the implementation of self financing for the housing revenue account. Following a one off payment to the Treasury and debt take on of £199,911,000, the council will now keep the entire rent yield which will not only maintain existing houses to sustainable standards, but will also allow the building of new council homes for the town.

The council has continued with its commitment to consultation regarding its priorities and resource allocation. Over the last 12 months we have run a town wide consultation event called 'Café Choice' that sought the views of residents on the savings proposals being considered, a budget consultation exercise "the Community Conference" in order to obtain views and opinions of Stevenage residents on how the council spends its money. In addition a dedicated forum on our website including a Facebook and Twitter presence were also provided. All of these forums have helped shape our future financial priorities.

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

This Statement of Accounts is one of a number of publications giving information on the council's finance and other activities. The corporate plan is currently being reviewed in light of the changing environment the council needs to operate in.

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.

Members of the public are welcome to attend council, Executive and Scrutiny meetings. You may also raise local issues at the various forums and consultation events 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 Resources (Chief Financial Officer) & Deputy Chief Executive

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

2010/11		2011/12
	Area and Population	
2,606	Area (hectares)	2,606
80,961	Population	81,327
31.07	Population per Hectare	31.21
	Council Tax	
31,467	Number of Chargeable Dwellings	31,694
	Council Tax per Property in Band D	
£188.52	- Stevenage Borough Council	£188.52
£1,118.83	- Hertfordshire County Council	£1,118.83
£147.82	- Hertfordshire Police Authority	£147.82
<u>£1,455.17</u>	Total Council Tax	<u>£1,455.17</u>

Loan Debt

In 2011/12 the council had long term debt of £216,915,000 (£17,004,000 in 2010/11). £17,004,000 related to HRA borrowing for the Decent Homes Standard. This borrowing was 'supported borrowing' refunded via the HRA subsidy system. From 2012/13 this debt is no longer treated as "supported borrowing" but was included in the calculation of the self financing settlement. The remaining £199,911,000 related to the payment made to central government on the introduction of Self Financing for the Housing Revenue Account.

Population

The population figure is the projected population as published by the Department for Communities and Local Government as part of the Relative Needs Formula Indicator Data.

About Stevenage Borough Council

General information

Stevenage is situated about 30 miles north of London in a highly sustainable location both environmentally, economically and socially. It has excellent road, rail and cycleway links. The town is served by rail services on the East Coast line giving a 22 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, BHS, Tesco, Asda, Waitrose and Sainsburys Superstores. It has been resolved to grant planning permission for a major regeneration scheme within the Town Centre to enhance the range and quality of shopping and more generally improve the available facilities. In addition to the shopping facilities in the Town Centre there are also facilities in the Old Town and at the three retail parks in town.

The main employment area – 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 2011/12 include MBDA, Aeroflex, Astrium, Fujitsu, GlaxoSmithKline, the Lister Hospital and the council itself.

As Britain's first New Town, designated in 1946 Stevenage is in a sustainable location and 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 environmental and landscape quality, which 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 last five years have seen significant new public sector employment and investment focussed upon Stevenage: Hertfordshire County Council closed several of its smaller offices across the county and, instead, concentrated staff at a new campus on Gunnels Wood Road; Hertfordshire Police have substantially expanded Stevenage Police Station; and there is ongoing expansion and improvement of facilities at the Lister Hospital so that it can fulfil its new role as the district general hospital for Central and Northern Hertfordshire. Today, the Lister Hospital is the town's largest employer and Hertfordshire County Council is not far behind.

About Stevenage Borough Council

Services

The East of England Plan proposed that Stevenage should expand by an extra 16,000 new homes and at least 9,000 new jobs. The Government proposes to revoke all Regional Plans in England. While the town will continue to grow the previous level of growth will be reviewed over the coming year. During the past year the council revoked its previous draft Core Strategy and now intends to put in place a new Local Plan setting out future planning policy for the town up to 2031. Consultation on the new Local Plan will start in 2013. While 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.

The main services provided by the Borough Council are:

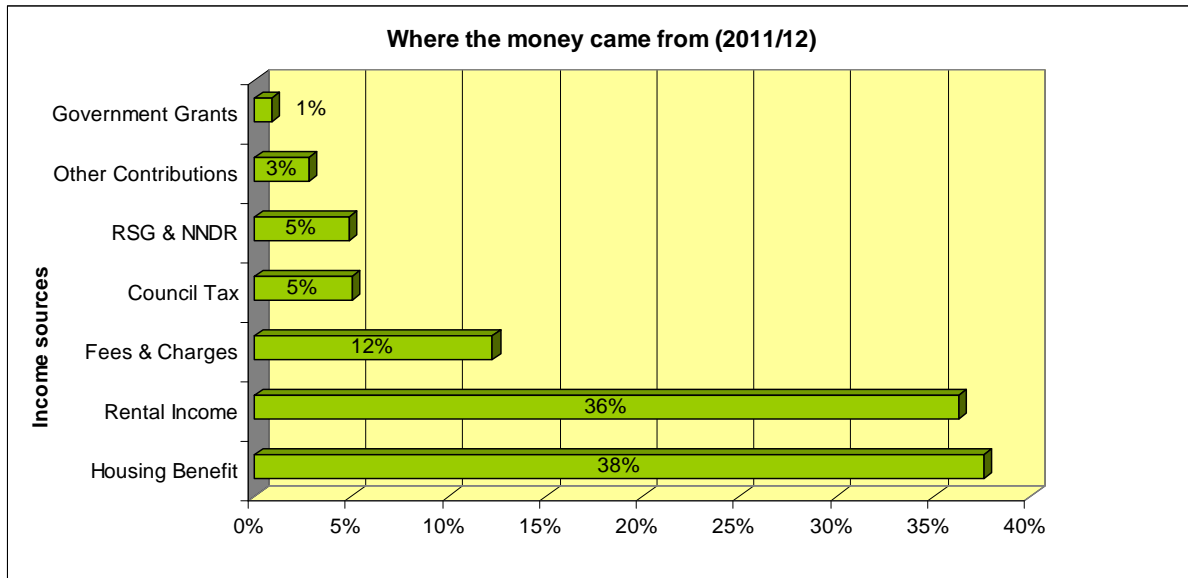
- Refuse Collection and Recycling
- Street Cleansing
- Leisure & Arts Services (including Stevenage Leisure Limited)
- Parks and Open Spaces
- Play & Youth Services
- Environmental Health
- Economic Development & Physical Regeneration
- Building Control and Planning
- Car Parking
- Housing (the housing stock was managed by Stevenage Homes Limited (SHL) up until 1 December 2011 when it was transferred back into Stevenage Borough Council management)
- Community Services
- Community Safety
- Council Tax Collection
- Housing & Council Tax Benefits (managed by Revenues and Benefits partnership)

About Stevenage Borough Council

Gross Revenue Income and Expenditure 2011/12

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

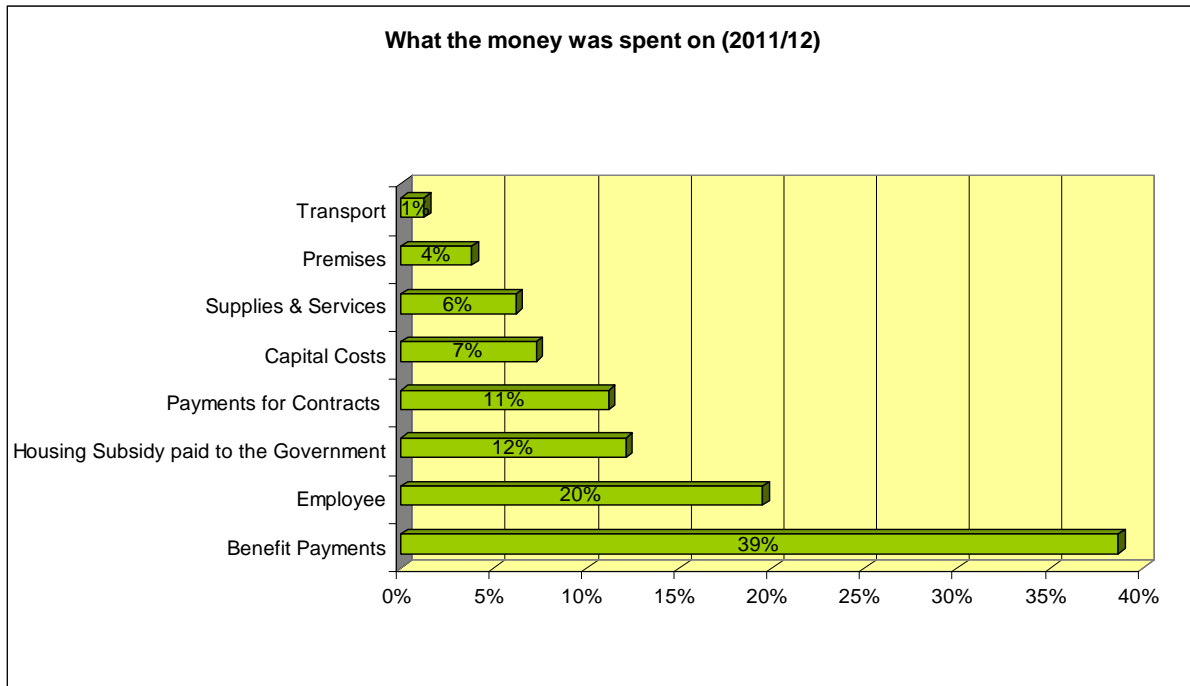
a) Where the money came from



The largest source of income is from housing benefit subsidy (38%). The second largest source of income is rents, which includes commercial and housing rents (36%). Only 5% of the council's gross income comes from Council Tax.

About Stevenage Borough Council

b) What the money is spent on



The largest category of expenditure is benefit payments (39%). Employees (20%) are the second largest category of expenditure, this includes salary and wage related costs and also costs such as staff advertising, training and insurance. The third largest category is housing subsidy paid to the government (12%), this payment ceases with the introduction of self financing for the HRA. Payments for contracts is the fourth largest category of expenditure, this includes payments to Stevenage Homes Limited for April 2011 to November 2011 (see also Note 34 Related Party Transactions) and the Revenues and Benefits partnership.

Executive Summary

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

Comprehensive Income & Expenditure Statement for the year ended 31 March 2012

2010/11 £'000		2011/12 £'000
85,612	Cost of Services	211,282
203	Other Operating Expenditure	215
691	Financing & Investment Income & Expenditure	(282)
<u>(17,411)</u>	Taxation & Non-Specific Grant Income	<u>(12,428)</u>
69,095	Deficit on Provision of Services	198,787
<u>(12,000)</u>	Other Comprehensive Income & Expenditure	<u>12,735</u>
57,095	Total Comprehensive Income & Expenditure	211,522

Balance Sheet

31 March 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
		Assets	
650,082	573,040	Long Term Assets	581,590
25,947	26,976	Current Assets	20,248
(16,675)	(14,870)	Current Liabilities	(17,664)
(69,748)	(52,635)	Long Term Liabilities	(263,185)
<u>589,606</u>	<u>532,511</u>	Net Assets	<u>320,989</u>
		Fund Balances & Reserves	
10,315	12,158	Usable Reserves	13,368
579,291	520,353	Unusable Reserves	307,621
<u>589,606</u>	<u>532,511</u>	Total Fund Balances & Reserves	<u>320,989</u>

Explanatory Foreword to the Statement of Accounts

The council's accounts for the year 2011/12 are set out in The Statement of Accounts for 2011/12 (from page 23). This explanatory forward gives an introduction to the main document and overview of the council's financial position.

The council had a controlling interest in the direction of Stevenage Homes Limited. In December 2011 the management of the council's housing stock returned back to council and Stevenage Homes Limited ceased trading. The production of Group Accounts does not materially alter the Single Entity Accounts for the council and as such Group Accounts have not been produced. Further information on the transactions between the council and Stevenage Homes Ltd are disclosed in Note 34: Related Parties and Note 42 Interest in Companies.

Financial Statements

Core Statements

- **Movement in Reserves Statement** - Which shows the movement in the in year between the councils reserves, analysed into Usable Reserves and Unusable Reserves.
- **Comprehensive Income & Expenditure Statement** - Which shows the accounting costs of providing services in year.
- **Balance Sheet** - Which sets out the financial position of the council as at 31 March 2012 and includes a comparative information for prior years.
- **Cash Flow Statement** - Which shows the changes in cash and cash equivalents held by the council during the reporting period.
- **Notes to Core Financial Statements** - Which provide additional information in support of the Core Financial Statements.

Supplementary Statements

- **Housing Revenue Account (HRA) Income & Expenditure Statement & Notes**
Which shows income and expenditure on council housing.
- **Movement on the HRA Statement**
Which shows how the HRA surplus/deficit for the year reconciles to the HRA Balance as at 31 March 2012.
- **Collection Fund Account & Notes**
Which shows the collection of council Tax and National Non-Domestic Rates (NDR) and payments from this fund to the council, Hertfordshire County Council and Hertfordshire Police Authority to meet their expenditure.

Explanatory Foreword to the Statement of Accounts

Budget – General Fund

The main components of the General Fund Budget for 2011/12 and how these compare with actual income and expenditure are set out below: -

	Original Budget 2011/12	Working Budget 2011/12	Actual 2011/12	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure on Services	76,707	77,304	77,615	311
Income	(59,974)	(60,300)	(61,333)	(1,033)
Total Service Expenditure	16,733	17,004	16,282	(722)
Reversal of capital charges to neutralise the impact on the Council Tax Payer	(5,988)	(6,674)	(6,513)	161
Total Net Operating Expenditure	10,745	10,330	9,769	(561)
Government grants incl. RSG & NNDR	(5,334)	(5,334)	(5,334)	0
Collection Fund Income	(5,516)	(5,516)	(5,516)	0
Net change in reserves for year	(105)	(520)	(1,081)	(561)
Balance brought forward	(2,721)	(2,721)	(2,721)	0
Balance Carried forward	(2,826)	(3,241)	(3,802)	(561)

The working budget was approved by Executive in March 2012 (third quarter monitoring projection). The 2011/12 actual net spend on the General Fund was £560,613 lower than the working budget. Some of the main variances are listed below:

Expenditure:

General Fund gross expenditure was **£310,445** higher than reported in the third quarter projection. This includes additional notional capital charges of £8,135,943 which were **£862,415** higher than budgeted but are reversed out below the line and not charged to the Council Tax Payer. Included in the increased charges were;

- revaluation losses of **£1,487,394**, these additional notional charges arose because of a reduction in the valuation of General Fund assets and in particular the council's main offices at Daneshill House.
- **£606,458** relates to the inclusion of the "Pooling Payment" to the Government for housing capital receipts. This entry is reversed out of the General Fund and charged against capital receipts.

Explanatory Foreword to the Statement of Accounts

Budget – General Fund contd.

Other expenditure variances that impacted on the General Fund were:

- A decrease in the transfer from earmarked reserves of **£90,100**.
- There was a reduction in Housing benefit and Council Tax payments to claimants of **£46,383** compared to the working budget this represented (0.11)% of the total spend.
- There was an increase in the Employee costs of **£63,038** which partly related to higher pension costs than were budgeted for.
- There was a reduction in premises costs of **£141,043**, which partly related to lower maintenance and energy costs than were budgeted for, equating to 4.96% of spend
- There was a reduction in transport costs of **£94,214**, which partly related to lower vehicle insurance costs of **£49,985**.
- There was a reduction in third party costs of **£268,133**, which represented 5.99% of spend, however a proportion of this budget has been requested to be carried forward to the 2012/13 budget to allow the completion of planned projects.
- There were other under spends of **£581,593** relating to a reduction in costs charged to the HRA as a result of bringing housing management service back in house from Stevenage Homes Ltd (SHL). (Fee income from SHL also reduced by **£760,486** (see income below).)

Income:

General Fund gross income was **£1,032,907** higher than budgeted for. This included capital grants which are now shown in the council's published accounts under International Financial Reporting Standards (IFRS) of **£1,260,804**.

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

- There were also notional income of **£362,518** relating to the profit on disposal on the council's assets. This is reversed out below the line and is not income to the General Fund.
- There were additional government grants of **£247,039** over that budgeted, including Housing Benefit and Council Tax Subsidy of **£225,532**.
- There was reduced income of **£837,488** relating to fees and charges of which **£760,486** related to SHL. There was a corresponding reduction in General Fund costs which are now charged to the HRA.

Explanatory Foreword to the Statement of Accounts

Budget – Housing Revenue Account (HRA)

The main components of the Housing Revenue Account (HRA) for 2011/12 and how these compared with actual income and expenditure are set out below:

	Original Budget 2011/12	Working Budget 2011/12	Actual 2011/12	Variance to Working Budget
	£'000	£'000	£'000	£'000
Gross Expenditure	50,163	49,713	32,649	(17,064)
Income	(37,505)	(38,175)	(39,124)	(949)
Net Cost of HRA	12,658	11,538	(6,475)	(18,013)
Reversal of Capital Charges	(12,592)	(12,562)	4,394	16,956
(Surplus) / Deficit for the year	66	(1,024)	(2,081)	(1,057)
Balance brought forward	(3,686)	(3,685)	(3,685)	0
Balance Carried forward	(3,620)	(4,709)	(5,766)	(1,057)

The working budget was approved by Executive in March 2012 and relates to the third quarter monitoring projection. The 2011/12 actual net spend on the HRA was **£1,057,131** lower than the working budget. Some of the main variances are listed below:

Expenditure: HRA gross expenditure was **£32,648,628** compared to the budget of **£49,713,010**, a decrease of **£17,064,382**.

The reduction partly related to a reversal of prior year housing stock revaluation losses of **£8,332,920** partly offset by **£1,219,242** revaluation losses on vehicles, plant and equipment in year. This is compared to the budgeted revaluation loss of **£11,000,000**, a difference of **£18,113,678**, (the revaluation losses for 2010/11 were £77,225,152). The housing stock valuation increased in 2011/12 compared to a substantial decrease the year before.

Other variances include:

- There was an increase in depreciation charged to the HRA of £1,158,179, partly as a result of the increase in stock valuation and partly due to the move to component accounting for the housing stock, whereby individual parts of the property are depreciated over different lives. The revaluation and depreciation charges in excess of the Major Repairs Allowance are reversed out of the HRA and are not a charge to the rent payer in 2011/12, but with the dismantling of the housing subsidy system and the new self-financing regime from 2012/13 depreciation will be cost to the HRA.
- There was an increase in provisions relating to Single Status and Bad Debts of £370,928.
- There were lower premises costs of £103,881 relating to lower maintenance and insurance costs.

Explanatory Foreword to the Statement of Accounts

Budget – Housing Revenue Account (HRA) contd.

- There were other net under spends of £375,930 which related to a reduction in third party payments and supplies and services.

Income: Gross income was **£948,776** higher than budgeted for. This mainly related to the return of SHL company surpluses as a result of the return of housing management to the council in December 2011 (**£764,437**). There were other income increases of **£184,339** or 0.48% of budgeted income.

Major Variances in Net Spend in the Income and Expenditure Account

	2010/11 Net Expenditure	2011/12 Net Expenditure	Year on Year Variance
Central Services to Public	970	1,101	+131
Cultural Environmental & Planning Services	15,823	15,050	(773)
Children's Services	41	61	+20
Highways Roads & Transport Services	(915)	(1,142)	(227)
Concessionary Travel	1,540	(12)	(1,552)
HRA Services	76,821	(8,060)	(84,881)
Self Financing	0	199,911	+199,911
Housing Services	310	(9)	(319)
Adult Social Care	48	11	(37)
Corporate & Democratic Core	3,784	4,236	+452
Non Distributed Costs	(12,810)	135	+12,945
Cost of Services	85,612	211,282	+125,670

Explanations to major variances

Cultural, Environmental & Planning Services: In 2010/11 there were revaluation losses relating to the council's depot at Cavendish Road of £775,223, there were no revaluation losses in 2011/12 regarding Cavendish Road as Non current assets are revalued every five years.

Highways, Roads & Transport Services: From 1 April 2011 the responsibility for Concessionary fares transferred from Stevenage Borough Council to Hertfordshire County Council. In 2010/11 this expenditure was £1,542,000.

Housing Revenue Account (HRA) Services: In 2011/12 the valuation of the housing stock increased which resulted in a reversal of prior year revaluation losses of £8,332,920, (in 2010/11 the revaluation losses were £77,225,152) this improvement in the 2011/12 valuation meant a reduction in the net service costs of £84,338,830. In 2011/12 the new self financing regime for housing revenue accounts was introduced and the HRA had to make a payment of £199,911,000 to central government.

Explanatory Foreword to the Statement of Accounts

Major Variances in Net Spend in the Income and Expenditure Account contd.

Housing Services: In 2011/12 Rent Rebate Allowance Benefit granted increased by £1,178,102 and £1,207,907 respectively compared to 2010/11, a total increase of £2,386,009. The council claimed additional subsidy relating to this increased spend of £2,709,414, a net reduction in spend of £323,405

Non Distributed Costs: There was a net gain of £12,810,000 on pension costs in 2010/11 from a change in benefit entitlement from using the Consumer Prices Index (CPI) instead of Retail Price Index (RPI), this is compared to a net pension cost of £135,000 in 2011/12. (See also Note 38 Pension)

Material Assets Acquired or Liabilities Incurred during 2011/12.

During 2011/12 staff employed by Stevenage Homes Limited transferred back to the council. Former Stevenage Homes staff that are in the pension scheme transferred their accrued benefits. As such assets and liabilities associated with their pension benefits transfer to the council. Note 38 Pension details the liabilities and assets acquired from the transfer of Stevenage Homes Limited.

Transferred services during 2011/12.

During 2011/12 two shared services were established; the Shared Internal Audit Services (SIAS) with Hertfordshire County Council being the lead and employing authority and Revenues and Benefits Shared service with East Hertfordshire District Council as the lead and employing authority. In establishing both these shared services a number of staff transferred to the lead authorities.

From 1st April 2011 the management and costs of providing a concessionary fares scheme transferred to Hertfordshire County Council.

Economic Significant Provisions, Contingencies and Write off's

In 2010/11 the council experienced significant impairment and revaluation losses on the value of its housing stock, shown in the balance sheet under Property, Plant and Equipment. The valuation and impairment losses for 2010/11 were in total £82,204,551, of which £79,908,073 arose because of the change to the calculation of existing use value fro social housing (EVU-SH) from 46% vacant possession to 39% vacant possession value. In 2011/12 the valuation of the housing stock increased which resulted in a net reversal of prior year revaluation losses on Housing stock of £7,113,678.

Explanatory Foreword to the Statement of Accounts

Council Reserves

As part of the budget setting process the council undertakes a risk assessment to determine the level of balances required in 2012/13. The risk assessment identified that General Fund balances of at least £2,544,839 were required. A sufficiently high level of balances was recommended as from 2013/14 there are risks to the General Fund for the implementation of localisation of Business Rates and Council Tax benefit support, and uncertainty around the level of further Government Grant cuts. Furthermore there needs to be a sufficient level of General Fund balances to allow for any delay in the implementation of savings options. General Fund balances as at 31 March 2012 are £3,802,023, in addition there are also earmarked reserves of £1,212,716 which are ring fenced for known expenditure, e.g. single status implementation. Prior to setting the 2010/11 budget, the council had used General Fund balances to support in year expenditure. The Medium Term Financial Strategy recognised that this was unsustainable and has over the last few years identified and achieved savings to allow for a net contribution to balances.

The HRA balances as at 31 March 2012 are £5,765,712 which is higher than the risk assessment of balances for 2012/13, made in January 2012, of £3,594,237. However, there are risks which require higher balances for the HRA that include :

- Increased Right to Buy (RTB) sales over and above those anticipated in the HRA Business Plan as a result of an increase in the maximum discount available to tenants.
- Impact of the universal credit on rent arrears and collection rates from 2013/14 onwards

In setting the General Fund and HRA minimum balances and identifying specific earmarked reserves, these balances are able to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received.

Borrowing and Capital

The council had loans of £216,915,000 as at 31 March 2011. This loan debt related to £17,004,000 expenditure on the council's Decent Homes Programme for its housing stock and £199,911,000 required to make the HRA self financing payment to central government.

In 2011/12 the council spent £17,941,819 on capital projects.

Capital expenditure of £13,280,676 was spent on HRA services and a further £4,661,144 on General Fund services.

The council funded 2.3% (10.5% 2010/11) of its capital programme from the sale of assets, (land and council house sales), using £415,240 capital receipts to fund the in year capital programme.

The council also uses other sources of income to fund its capital programme. Usable capital receipts received in year has been reduced by the payment made to the government for 'pooled receipts'.

Explanatory Foreword to the Statement of Accounts

The table below shows resources used and available to fund future capital expenditure.

	Brought Forward	Received in Year	Used in Year	Available to fund future year expenditure
	£'000	£'000	£'000	£'000
Usable Capital Receipts	202	218	(415)	5
MRA	414	6,591	(6,939)	66
Section 106 Receipts (Capital)	1,098	140	(335)*	903
Borrowing	0	7,732	(7,732)	0
Grants and Other Contributions	3,808	1,376	(2,588)	2,596
TOTAL	5,522	16,057	(18,009)	3,570

* £68,000 of Section 106 monies were transferred to commuted sums and not used to finance capital expenditure

Pensions Liability

The council participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council, and the impact of the pension liability is shown on the face of the balance sheet. The effect of the 2011/12 pension liability is to decrease the value of the council's reserves by £13,638,890, (£29,117,679, increase in 2010/11). The increase in the council's 2011/12 pension liability was partly as a result of additional staff in the pension scheme following the transfer of management of the HRA back to the council from Stevenage Homes Ltd. (See also Note 38 Pension).

Significant Changes in Accounting Policies

Following last year's transition to preparing The Statement of Accounts on an International Financial Reporting Standards (IFRS) basis there have been no significant changes to accounting policies with the exception of Heritage Assets.

This year the council has considered whether its assets fall into the category of heritage asset and has made adjustments and disclosure to the accounts accordingly.

Material Events after the reporting date

On the 15 May 2012 there was an electrical fire at the Stevenage Leisure Centre, a council owned building. Repairs are covered by insurance and insurance excess is covered by the council's insurance provisions.

Further Information

Further information about the accounts are available from: Assistant Director of Finance, Stevenage Borough Council, Daneshill House, Danestrete, Stevenage, SG1 1HN

Email: clare.fletcher@stevenage.gov.uk

Statement of Accounts 2011/12

Movement in Reserves Statement

This Statement shows the movement in year of the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the Provision of Services line in the Comprehensive Income and Expenditure Account shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

Movement in Reserves Statement

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 carried forward		(1,954)	(1,178)	(2,430)	0	(1,094)	(3,659)	(10,315)
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of services		(7,652)	0	76,747	0	0	0	69,095
Other Comprehensive Expenditure and Income		(12,000)	0	0	0	0	0	(12,000)
Total Comprehensive Expenditure and Income		(19,652)	0	76,747	0	0	0	57,095
Adjustments between accounting basis & funding basis under regulations	7	18,678	0	(78,002)	(414)	892	(92)	(58,938)
Net Increase/Decrease before Transfers to Earmarked Reserves		(974)	0	(1,255)	(414)	892	(92)	(1,843)
Transfers to/from Earmarked Reserves	8	207	(207)	0	0	0	0	0
Increase/Decrease (movement) in Year		(767)	(207)	(1,255)	(414)	892	(92)	(1,843)
Balance at 31 March 2011 carried forward		(2,721)	(1,385)	(3,685)	(414)	(202)	(3,751)	(12,158)
Movement in reserves during 2011/12								
Surplus or (deficit) on provision of services		6,099	0	192,687	0	0	0	198,786
Other Comprehensive Expenditure and Income		12,735	0	0	0	0	0	12,735
Total Comprehensive Expenditure and Income		18,834	0	192,687	0	0	0	211,521
Adjustments between accounting basis & funding basis under regulations	7	(19,743)	0	(194,768)	348	197	1,235	(212,731)
Net Increase/Decrease before Transfers to Earmarked Reserves		(909)	0	(2,081)	348	197	1,235	(1,210)
Transfers to/from Earmarked Reserves	8	(172)	172	0	0	0	0	0
Increase/Decrease in Year		(1,081)	172	(2,081)	348	197	1,235	(1,210)
Balance at 31 March 2012 carried forward		(3,802)	(1,213)	(5,766)	(66)	(5)	(2,516)	(13,368)

Movement in Reserves Statement

	Note	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000
Balance at 31 March 2010		(10,315)	(579,291)	(589,606)
Surplus or (deficit) on provision of services		69,095	0	69,095
Other Comprehensive Expenditure and Income		(12,000)	0	(12,000)
Total Comprehensive Expenditure and Income		57,095	0	57,095
Adjustments between accounting basis & funding basis under regulations	7	(58,938)	58,938	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,843)	58,938	57,095
Transfers to/from Earmarked Reserves	8	0	0	0
Increase/Decrease (movement) in Year		(1,843)	58,938	57,095
Balance at 31 March 2011 carried forward		(12,158)	(520,353)	(532,511)
Surplus or (deficit) on provision of services		198,786	0	198,786
Other Comprehensive Expenditure and Income		12,735	0	12,735
Total Comprehensive Expenditure and Income		211,521	0	211,521
Adjustments between accounting basis & funding basis under regulations	7	(212,731)	212,731	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,210)	212,731	211,521
Transfers to/from Earmarked Reserves	8	0	0	0
Increase/Decrease in Year		(1,210)	212,731	211,521
Balance at 31 March 2012 carried forward		(13,368)	(307,622)	(320,990)

Comprehensive Income & Expenditure Statement for the year ended 31 March 2012

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

All council operations are continuing.

Best Value Accounting Code of Practice (BVACOP) :

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

Comprehensive Income and Expenditure Statement

2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
11,012	10,042	970	Central Services to Public	10,670	9,569	1,101
21,699	5,876	15,823	Cultural Environmental & Planning Services	20,422	5,372	15,050
880	839	41	Childrens Services	841	780	61
2,560	3,475	(915)	Highways Roads & Transport Services	2,303	3,445	(1,142)
1,542	2	1,540	Concessionary Travel *	(12)	0	(12)
112,262	35,441	76,821	HRA Services	30,886	38,946	(8,060)
0	0	0	HRA Self Financing	199,911	0	199,911
35,381	35,071	310	Housing Services	37,313	37,322	(9)
48	0	48	Adult Social Care	11	0	11
3,784	0	3,784	Corporate & Democratic Core	4,236	0	4,236
0	12,810	(12,810)	Non Distributed Costs	135	0	135
189,168	103,556	85,612	Cost of Services	306,716	95,434	211,282
		203	Other Operational Expenditure	Note 11		215
		691	Financing & Investment Income and Expenditure	12		(282)
		(17,411)	Taxation & Non-Specific Grant Income	13		(12,428)
		69,095	Deficit on Provision of Services			198,787
		5,345	Deficit/surplus on revaluation of Non-current Assets			(884)
		0	Impairment losses on non-current assets charged to the revaluation reserve			0
		(17,345)	Actuarial gains/losses on pension assets/liabilities	38		13,619
		(12,000)	Other Comprehensive Income and Expenditure			12,735
		57,095	Total Comprehensive Income and Expenditure			211,522

* Administration of the concessionary travel scheme transferred to Hertfordshire County Council from 1st April 2011.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the authority is not able to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line “adjustment between accounting basis and funding under regulations”.

Balance Sheet

31 March 2010 Restated £'000	31 March 2011 Restated £'000	Note	31 March 2012	
			£'000	£'000
		Property, Plant & Equipment:		
510,835	436,809	- Council Dwellings	448,866	
103,849	101,234	- Other Land & Buildings	97,662	
7,541	7,459	- Vehicles, Plant & Equipment	5,203	
9,542	9,033	- Other	9,831	
631,767	554,535	Total Property, Plant & Equipment		561,562
621	593	Heritage Assets	820	
17,289	17,553	Investment property	18,887	
145	119	Intangible Assets	92	
0	0	Long Term Investments	0	
260	240	Long Term Debtors	229	
650,082	573,040	Total Long Term Assets		581,590
5,801	8,010	Short Term Investments	5,004	
0	0	Assets Held for Sale	56	
76	46	Inventories	215	
9,775	10,548	Short Term Debtors	8,887	
10,295	8,372	Cash and Cash Equivalents	6,086	
25,947	26,976	Current Assets		20,248
(8)	(63)	Short Term Borrowing	(3,230)	
(15,045)	(12,342)	Short Term Creditors	(11,539)	
(1,622)	(2,465)	Provisions	(2,895)	
(16,675)	(14,870)	Current Liabilities		(17,664)
(5,000)	(17,004)	Long term borrowing	(213,915)	
(64,748)	(35,631)	Pension Liability	(49,270)	
(69,748)	(52,635)	Long Term Liabilities		(263,185)
589,606	532,511	Net Assets		320,989
10,315	12,158	Usable Reserves		13,368
579,291	520,353	Unusable Reserves		307,621
589,606	532,511	Total Net Worth		320,989

Cash Flow Statement for the year ended 31 March 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The Statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator to the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of service provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

2010/11		Note	2011/12
£'000			£'000
69,095	Net (surplus) or deficit on the provision of services		198,787
(70,995)	Adjustments to net surplus or deficit on the provision of services for non cash movements	46	(5,964)
1,723	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	47	220
(177)	Net Cash flows from Operating Activities	43	193,043
12,205	Investing Activities	44	13,249
(10,106)	Financing Activities	45	(204,005)
1,922	Net increase or decrease in cash and cash equivalents		2,287
(10,295)	Cash and Cash Equivalents at the beginning of the reporting period		(8,373)
(8,373)	Cash and Cash Equivalents at the end of the reporting period		(6,086)

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Notes to the Core Financial Statements

1. Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting the financial statements. In accordance with IAS 8 the accounting policies are disclosed below:

1.1 General Principles

The Statement of Accounts summarises the council's transactions for the 2011/12 financial year and its position as at the year end of 31 March 2012. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* and the *Service Reporting Code of Practice 2011/12* supported by *International Financial Reporting Standards* and the statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Service expenditure in the Comprehensive Income and Expenditure Statement and the Housing Revenue Account analysis expenditure is categorised as specified in the *Best Value Accounting Code of Practice (BVACOP)*.

1.2 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. This includes services provided by employees. 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.

- 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.

Notes to the Core Financial Statements

1.2 Accruals of Income and Expenditure contd.

- 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.

1.3 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the council's financial performance.

1.4 Prior Period Errors

Prior period errors are material omissions or misstatements in the council's prior year(s) published financial statements for one or more prior periods arising from failure to use, or misuse reliable information that:

- a. was available when the financial statements for those periods were authorised for issue and,
- b. could reasonably be expected to have been obtained and taken into account in preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of the facts and fraud.

Where any material Prior Period Errors are found they will be disclosed as a separate note to the accounts and the prior period accounts are retrospectively restated to show the correct accounting entries.

1.5 Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by transfer of economic benefits, but where timing of the transfer is uncertain. The council's policy is to assume all transfers of economic benefit will be made within 12 months. The council recognises that on rare occasions a provision is utilised after 12 months (for example an insurance provision), however these instances do not materially alter the financial statements.

Provisions are charged to the appropriate service account in the year that the council 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 less than probable that a transfer of economic benefits will not now be required

Notes to the Core Financial Statements

1.5 Provisions contd

(or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Impairment for doubtful debts are separately disclosed against debtors.

1.6 Reserves

The council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed is incurred, it is charged to the appropriate service revenue account in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back through the Movement in Reserves Statement so that there is no net charge against council Tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council. These reserves are explained further in the notes to the accounts.

1.7 Contingent Liabilities and Contingent Assets

Contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by occurrence of one or more uncertain future events not wholly within the council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

When a contingent liability is identified the council will disclose the contingent liability as a note to the core statements (Note 39).

The council does not recognise any contingent assets due to the uncertainty of economic gain of a contingent asset (Note 40).

Notes to the Core Financial Statements

1.8 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments , and
- the grants or contributions will be received – without requiring any impairment for capital contributions.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advances as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied to fund capital expenditure, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.9 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 2010 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 estimations of projected earnings for current employees.

Notes to the Core Financial Statements

1.9 Pensions-Local Government Pension Scheme contd.

- 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

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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- 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 Pensions Reserve.
- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employees contributions to the pension fund in settlement of liabilities.

Notes to the Core Financial Statements

1.9 Pensions-Local Government Pension Scheme contd.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserves to remove the notional debits and credits for retirement benefits and replaces them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary benefits:

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.10 Value Added Tax (VAT)

Income and expenditure excludes any amounts that relate to VAT, except where the VAT element is not recoverable from HM Revenue and Customs.

1.11 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service provided in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2011/12* (BVACOP). The basis for internal charging is, wherever possible, on a unit basis appropriate for the service provided, e.g. office accommodation by floor area, Human Resources (HR) charges by number of employees etc. Other categories of internal charge are apportioned on an appropriate percentage basis based on staff time.

Notes to the Core Financial Statements

1.11 Overheads and Support Services contd.

The basis for accounting for overheads complies with the *Best Value Accounting Code of Practice 2011/12* (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 Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

1.12 Intangible Fixed Assets

Expenditure on non-monetary 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 in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits.

Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. No such assets exist for this council.

Any losses from impairment are recognised in the relevant service revenue account and the Comprehensive Income and Expenditure Statement.

Any gain or loss from the disposal or abandonment of an asset is posted to the other operating expenditure line on the Comprehensive Income and Expenditure Statement.

Where expenditure qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance, and are therefore reversed out through the Movement in Reserves Statement and Capital adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Notes to the Core Financial Statements

1.13 Investment Property contd.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to the market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a net gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in the Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts reserve.

Recognition: The council recognises an investment property only when it is probable that the future economic benefits associated with the property will flow to the council and the cost or fair value of the investment property can be measured reliably.

Measurement: Investment properties are initially measured at cost, until such time as its fair value can be determined reliably or its construction is complete, whichever comes first are measured at Fair Value, this is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

1.14 Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used in more than one financial year are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of tangible non current assets is capitalised on an accruals basis, provided that the future economic benefits or service potential will flow to the council and that the cost can be measured reliably.

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: Non Current Assets are initially measured at cost, comprising, in addition to the purchase price, all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment contd

This includes the cost of dismantling and removing the item, and any the costs of any restorative work on the site on which it is located. Non Current Assets are then carried in the Balance Sheet using the following measurement bases:

- dwellings – fair value determined using the basis of existing use value for social housing (EUV-SH)
- infrastructure assets, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The basis on which DRC is calculated has been amended by the Royal Institute of Chartered Surveyors, to take into account what a modern equivalent asset (MEA) would be. The effect on this council has been assessed as immaterial, and the new valuation requirement will be implemented fully in 2013/14 when the councils specialised assets are due for revaluation.

Where non-property assets (e.g. vehicles plant and equipment) have short useful lives, low value or both, depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carry amount of the asset is written down against that balance (up to the amount of the accumulated gains)

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment contd

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 and expenditure on replacing fully depreciated components, 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.

The revaluation process is co-ordinated by the council's Estates Manager K Clark MSc. MRICS. The latest valuation certificates are dated 1 April 2011 (including Housing Dwellings) and revaluations are carried out by both the council's in-house professional staff and a private firm of Chartered Surveyors.

Impairment: Assets are assessed annually for any indication of impairment. Where indications exist and any possible differences are estimates to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-Current Assets Held For Sale: Where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued use, it is reclassified as an asset held for sale. The asset is revalued at that point. Any subsequent gains and losses are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probable sale within 12 months of the balance sheet date.

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment contd

A reasonable assessment can be made of General Fund disposals. However, for council dwellings, at the balance sheet date, the council can not reliably estimate specific disposals for the following 12 months. For example Right to Buy requests are received from tenants which may not result in a subsequent sale. As the numbers involved are not material, Right to Buy properties which are nearing completion of a sale are not recognised as Assets held for sale and no adjustment is made in the accounts for these.

Fair value gains are only recognised up to the amount of any previously recognised losses, recognised in the revenue account.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 Capital Receipts Reserve.

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 General Fund Balance in the Movement in Reserves Statement.

Pre-Sale Expenses and Disposal costs: The council is able to offset costs incidental to disposals against the capital receipt. This is restricted for General Fund disposals to a maximum of 4% of the capital receipt. Any costs not covered by a separate agreement with the purchaser to meet the council's revenue costs are considered for this treatment.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Exception is made for assets without a determinable finite useful lives (i.e. freehold land and certain community assets) and assets not yet available for use (i.e. assets under construction).

Notes to the Core Financial Statements

1.14 Property, Plant and Equipment contd

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	Up to 50 years
Operational Buildings	Up to 50 years
Computer Equipment	3-7 years
Vehicles Plant and & Other Equipment	3-7 years

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

The criteria applied by the council for componentisation, is that where the cost of a component exceeds 15% of the cost of the asset, and there is a significant difference in depreciable life of a component, compared to the asset as a whole, the council will componentise the asset, to ensure no material distortions in either the value of the asset or the charge made for use of the asset.

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. The council's housing stock is now accounted for using componentisation from April 2011.

1.15 Charges to Revenue For Non-Current Assets

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

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

Notes to the Core Financial Statements

1.15 Charges to Revenue For Non-Current Assets contd.

The council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.16 Borrowing Costs

It is not the council's policy to capitalise borrowing costs.

1.17 Revenue Expenditure Funded From Capital Resources Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in reserves Statement from the General Fund Balance to the Capital Adjustment Account then reversed out the amounts charged so that there is no impact on the level of council Tax.

1.18 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, plant and equipment – applied to write down the lease liability, and
- a finance charge (debited to Financing and Investment Income the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such 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 note reflects new leases entered into during 2011/12 and leases transferred over from Stevenage Homes Limited.

Notes to the Core Financial Statements

1.19 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.
- Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the surplus/deficit on Revaluation of Available for Sale Assets. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available for Sale 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 Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

1.19 Financial Assets contd.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

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

1.20 Cash and Cash Equivalents

Cash is represented by notes and coins held by Stevenage Borough Council and deposits available on demand. Cash Equivalents are represented by short-term investments, highly liquid investments that can be readily converted (within seven days) into known amounts of cash and that are subject to an insignificant risk of changes in value.

In the Cash Flow Statement and Balance Sheet cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and where they form an integral part of the council's cash management.

1.21 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive 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 2012 related to former supported borrowing (£17,004,000) for the Decent Homes programme for the council's housing stock now included in the calculation if the self financing settlement and the £199,911,000 borrowed as the payment for Self Financing.

1.22 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet. Stocks are valued at the latest purchase price paid. The council does not comply with IFRS which requires stocks to be shown at the lower of costs and current replacement cost, however, the effect of the different treatment is not significant. Work in progress on uncompleted jobs is valued at cost price.

Notes to the Core Financial Statements

1.23 Employee accrued benefits

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and are recognised as an expense for service in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlement (or any form of leave e.g. flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following year, being the year in which the employee takes the benefit. Stevenage Borough Council policy states that no more than five days annual leave should be carried over into the next financial year unless permission is granted in exceptional circumstances. The flexi time scheme is available to the majority of employees except in services areas where, due to the nature of the work, it is not possible for employees to fully participate.

1.24 Segmental Reporting

As part of the council's budget monitoring process Quarterly Budget Monitoring Reports are presented to the Senior Management Board and the council's Executive.

The council's Budget and Policy Framework empowers the Executive to approve changes up to £400,000 to the General Fund net budget, £250,000 to the Housing Revenue Account and on Capital Programme where scheme changes would require capital receipt funding or borrowing of up to £250,000. Any budget adjustment greater than these thresholds require council approval.

Within these limits the Executive act as Chief Operating Decision Maker in approving changes to the budgets, beyond these limits council acts as the Chief Decision Maker. The reports are structured to reflect operational teams and grouped by directorates. A reconciliation between the internal reporting formats and those presented in the Statement of Accounts is included in Note 25: Amounts Reported for Resource Allocation Decisions.

1.25 Heritage Assets (New accounting policy for 2011/12)

A heritage asset will be recognised as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and is not being used for operational purposes and where the council can obtain, at reasonable cost, the valuation of the heritage asset.

Where that valuation is material these assets will be recognised as a separate class of asset – heritage asset on the face of the balance sheet. The method of valuation will be appropriate and relevant to they type of heritage assets and the method of valuation will be disclosed as a note to the Statement of Accounts.

Notes to the Core Financial Statements

1.25 Heritage Assets (New accounting policy for 2011/12) contd

Depreciation will not be applied where a heritage assets has an indefinite life, however where there is evidence of physical deterioration or doubts arise as to the authenticity of the asset, the value of the assets will be reviewed. In addition assets held at current value will be reviewed with sufficient frequency as to ensure that the valuation is up to date.

2. Accounting Standards issued but have not yet been adopted

The council is required to disclose information relating to the impact of a new accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the council.

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 will adopt the amendments to the IFRS 7 Financial Instruments. These amendments are intended to improve the understanding of transfer transaction of financial assets and the effect of any risks associated with the transfer of assets.

The effective date of the amended standard was 1 July 2011, however the council is not required to implement the change until 1 April 2012, the Statement of Accounts 2012/13 being the first year in which these changes will be incorporated.

Following a review of the council's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standards will have a material impact on the financial statements.

3. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 above, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Funding Levels: There is a degree of uncertainty about the future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities or reduce levels of service provision. The council has identified a savings target in its Medium Term Financial Strategy in anticipation of reduced grant funding levels.

Leases: Following a review of leases under the stricter IFRS categorisation the council is of the judgement that no finance leases are in existence. In 2011/12 the council

Stevenage Homes Limited (SHL): Up to 2009/10 the council has published Group Accounts to incorporate the accounts of SHL.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies contd.

Since that date the council considers that there is no material change between the single entity accounts and group accounts and made a judgement not to compile group accounts for the year 2010/11 onwards. Information relating to SHL has been disclosed in Note 34 Related Parties and Note 42 Interests in Companies.

In September 2011, the council made a decision that housing services undertaken by Stevenage Homes Limited (SHL) should be directly managed by the council

CCTV partnership: The council considered that the partnership arrangements of the CCTV control room constitute a Joint Arrangement Non Entity (JANE) and as such each authority accounts for its share of the liabilities and assets of the partnership. (See also Note 29 Joint Arrangement Non Entity)

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet as at 31 March 2012 for which there is a significant risk if material adjustment in the forthcoming financial year are shown on the following pages:

Notes to the Core Financial Statements

4. Assumptions made about the future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>A 2011/12 review of the council's housing stock useful lives resulted in an overall increase from 39 years on average per property to 43.34 years. It is estimated that the annual depreciation charge for council houses would decrease by approximately £200,000 for every year that useful lives are increased.</p>
Provisions	The Authority has made a provision of £905,895 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that all valid claims have yet been received by the Authority relating to up to 31 March 2012 or that the estimated reserve levels will be sufficient.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £90,000 to the provision needed.
Provisions	The Authority has made a provision of £1,354,954 for the implementation cost arising from the Equal Pay and Single Status agreement.	An increase over the forthcoming year of 10% in the estimated average implementation costs would have the effect of adding £135,000 to the provision needed.

Notes to the Core Financial Statements

4. Assumptions made about the future and other major sources of estimation uncertainty Contd.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the next pensions liability of changes in individual assumptions can be measured. For instance, a one year increase in member life expectancy would result in an increase in the pension liability of £4,302,000.
Arrears	At 31 March 2012, the Authority had a balance of sundry debtors of £846,789 of which £662,581 was overdue. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 33% of the outstanding arrears was appropriate. However, it is not certain that such an allowance would be sufficient should the age profile of arrears increase.	If arrears were to age by a further year, the council would be required to set aside a further £36,356 in provision.
Benefit Overpayments	At 31 March 2012, the Authority had a balance of housing overpayment debtors of £1,387,835. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 54% of the outstanding arrears was appropriate. However, it is not certain that such an allowance would be sufficient should the age profile of arrears increase. The council has only been able to recognise arrears relating to on-going entitlement since November 2009.	If collection rates were to deteriorate by 10%, an equivalent impairment of doubtful debts would require an additional £44,000 to set aside as an allowance.

Notes to the Core Financial Statements

5. Material Items of Income and Expense

Material items of revenue income and expenditure are detailed in the table below:

Material Items of Expenditure	2010/11	2011/12
	£000	£000
Central Services		
Council Tax Benefit	7,110	7,332
Cultural, Environmental & Planning Services		
Stevenage Leisure Limited Contract Payment	1,124	1,155
Highways, Roads & Transport Services		
Concessionary Travel	1,519	(16)
Housing Services		
Rent Rebate	18,040	19,218
Rent Allowances	13,346	14,554
Housing Revenue Account		
HRA self Financing	0	199,911
 Material Items of Income		
Central Services		
Council Tax Benefit Subsidy	(7,249)	(7,424)
Highways, Roads & Transport Services		
Car Parks	(2,909)	(2,948)
Housing Services		
Rent Rebate Subsidy	(17,609)	(18,913)
Rent Allowances Subsidy	(12,687)	(14,092)
Garage Rental Income	(2,511)	(2,577)
Non Distributed Costs		
Past Pension cost gains in the Council's Pension Liability arisen from a change in benefit entitlement	(12,810)	0
Financing & Investment Income & Expenditure		
Commercial Property Rent	(2,094)	(2,038)

Material items of capital income and expenditure:

The council spent £17.9 million on its capital programme in 2011/12, this included £13.3 million on Housing. The housing spend related predominantly to delivering the decent homes programme and major works (£13m). In addition, the general fund programme spend was £4.6 million – this included £0.7 million on Town Centre Gardens, £0.3 million on Weston Road Cemetery extension, and more than £1.0 million on regeneration schemes funded from our Growth Area Fund budget.

Notes to the Core Financial Statements

6. 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 12th September 2012 by the Strategic Director (Resources (Chief Financial Officer)). Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

The General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and, out of which, liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover. Stevenage Borough council is a housing authority and as such the General Fund Balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function.

Major Repairs Reserve

The council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). From 2012/13, the introduction of self financing and the abolition of the subsidy system mean that the MRA will no longer exist. Instead, there will be a requirement for a depreciation charge to the HRA with a corresponding credit to the MRR.

Notes to the Core Financial Statements

2011/12 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement							
Charges for depreciation & impairment of non current assets	(4,864)	0	0	0	0	(4,864)	4,864
Derecognition & Revaluation losses on Property, Plant & Equipment	(939)	7,301	0	0	0	6,362	(6,362)
Movements in the market value of Investment Property	0	0	0	0	0	0	0
Amortisation of intangible assets	(26)	0	0	0	0	(26)	26
Capital Grants & Contributions	1,003	139	0	0	0	1,142	(1,142)
Revenue expenditure funded from capital under statute	(1,162)	0	0	0	0	(1,162)	1,162
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(5)	(468)	0	0	0	(473)	473
HRA Self financing		(199,911)	0	0	0	(199,911)	199,911
Capital Expenditure charged against General Fund and HRA balances	142	218	0	0	0	360	(360)
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	22	96	0	0	(118)	0	0
Use of the CGU to finance new capital expenditure	0	0	0	0	1,353	1,353	(1,353)
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	7	794	(801)	0	0	0	0
Use of the CRR to finance new capital expenditure	0	0	414	0	0	414	(414)
Contribution from CRR to finance the payments to the Government capital receipts pool	(606)	0	606	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	23	0	0	0	23	(23)
Adjustments involving the Deferred Capital Receipts Reserve (CRR):							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&E	0	0	(22)	0	0	(22)	22
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA	0	(2,719)	0	(6,590)	0	(9,309)	9,309
Use of the MRA to Finance new capital expenditure	0	0	0	6,938	0	6,938	(6,938)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 38)	(16,514)	(423)	0	0	0	(16,937)	16,937
Employer's pension contributions & direct payments to pensioners payable in year	3,097	280	0	0	0	3,377	(3,377)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	23	0	0	0	0	23	(23)
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	79	(98)	0	0	0	(19)	19
TOTAL ADJUSTMENTS	(19,743)	(194,768)	197	348	1,235	(212,731)	212,731

Notes to the Core Financial Statements

Comparator Year 2010/11 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement							
Charges for depreciation & impairment of non current assets	(5,348)	(49)	0	0	0	(5,397)	5,397
Revaluation losses on Property, Plant & Equipment	(6,761)	(77,237)	0	0	0	(83,998)	83,998
Movements in the market value of Investment Property	(128)	0	0	0	0	(128)	128
Amortisation of intangible assets	(26)	0	0	0	0	(26)	26
Capital Grants & Contributions	2,472	272	0	0	0	2,744	(2,744)
Revenue expenditure funded from capital under statute	(985)	0	0	0	0	(985)	985
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(1,078)	(731)	0	0	0	(1,809)	1,809
HRA Self financing	0	0	0	0	0	0	0
Capital Expenditure charged against General Fund and HRA balances	0	0	0	0	0	0	0
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1,281	0	0	0	(1,281)	0	0
Use of the CGU to finance new capital expenditure	0	0	0	0	1,188	1,188	(1,188)
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1,206	1,355	(2,561)	0	0	0	0
Use of the CRR to finance new capital expenditure	0	0	2,464	0	0	2,464	(2,464)
Contribution from CRR to finance the payments to the Government capital receipts pool	(997)	0	997	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	8	0	0	0	8	(8)
Adjustments involving the Deferred Capital Receipts Reserve (CRR):							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&E	0	0	(8)	0	0	(8)	8
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA	0	(1,620)	0	(6,434)	0	(8,054)	8,054
Use of the MRA to Finance new capital expenditure	0	0	0	6,020	0	6,020	(6,020)
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 39)	25,878	0	0	0	0	25,878	(25,878)
Employer's pension contributions & direct payments to pensioners payable in year	3,239	0	0	0	0	3,239	(3,239)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(116)	0	0	0	0	(116)	116
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	42	0	0	0	0	42	(42)
TOTAL ADJUSTMENTS	18,679	(78,002)	892	(414)	(93)	(58,938)	58,938

Notes to the Core Financial Statements

8. Transfers to/from Earmarked Reserves

This note details the net amounts set aside from General Fund and Housing Revenue Account (HRA) balances in the earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 201/12.[Error! Not a valid link.](#)

9. Usable Reserves

The council has a number of earmarked reserves, which are detailed below:

- **Capacity Building Reserve**

This reserve pump primes 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.

- **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 2011/12 is £5,000. Expenditure below this value is classified as revenue rather capital, (de-minimus level).

Notes to the Core Financial Statements

9. Usable Reserves contd.

- **Interest Equalisation Reserve.**

This reserve meets the cost of adverse interest movements for the General fund as interest rates fluctuate on the council's investments compared to budget. The General Fund also gives investment interest to the HRA and this reserve could potentially meet any in year changes of the proportion of investment interest that becomes due to the HRA over and above that budgeted for.

- **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 an earmarked reserve. The monies have been allocated to schemes by the Stevenage Local Strategic Partnership (SoStevenage) and the remaining grant will be spent in 2012/13.

- **Single Status Reserve**

The council is working towards implementing single status for all employees. 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 cost of transferring staff from the existing scheme to the new 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.

- **New Homes Bonus Reserve**

The New Homes Bonus scheme commenced in April 2011. The scheme gives councils a financial reward for new homes and properties brought back into use. The grant may be used to fund any expenditure. This reserve has been established to enable the proper consideration of schemes that could be funded from this grant.

- **Information and Communication Technology Reserve**

This reserve was approved as part of the 2011/12 budget setting process to enable the purchase of ICT equipment.

Movements in the council's usable reserves are shown in the Movement in Reserves Statement. A more detailed breakdown of the movement in specific earmarked reserves is shown in Note 8 Transfers to/from Earmarked Reserves.

Notes to the Core Financial Statements

10. Unusable Reserves

The council's has a number of reserves that are required for statutory reasons, to comply with proper accounting practice. As such these reserves are unavailable to fund expenditure.

31 March 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
(34,439)	(27,248)	Revaluation Reserve	(27,583)
(609,476)	(528,693)	Capital Adjustment Account	(329,332)
(280)	(272)	Deferred Capital Receipts Reserve	(248)
64,748	35,631	Pension Reserve	49,270
(204)	(88)	Collection Fund Adjustment Account	(65)
360	317	Accumulated Absences Account	337
(579,291)	(520,353)	Total Unusable Reserves	(307,621)

Note 10.1 : Revaluation Reserve: The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve only contains revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £'000		2011/12 £'000	£'000
(34,439)	Balance as at 1 April		(27,248)
0	Upward revaluation of assets	(875)	
5,590	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
5,590	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(875)
585	Difference between fair value depreciation and historic cost depreciation	539	
1,016	Accumulated gains on assets sold or scrapped	1	
1,601	Amount written off to the Capital Adjustment Account		540
(27,248)	Balance as at 31 March		(27,583)

Notes to the Core Financial Statements

10. Unusable Reserves contd.

Note 10.2 : Capital Adjustment Account: The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non Current Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation reserve to convert fair value figures to a historic cost basis). The Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised as donated assets that have yet to be consumed by the council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the revaluation Reserve was created to hold such gains.

Note 7 provides further details on the source of all transactions, other than those involving the Revaluation Reserve, to the Capital Adjustment Account.

Notes to the Core Financial Statements

10. Unusable Reserves contd.

Capital Adjustment Account:

2010/11 £'000		2011/12	
		£'000	£'000
(609,476)	Balance as at 1 April		(528,693)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement		
13,451	Charges for depreciation & impairment of non-current assets	14,173	
78,401	Derecognition & Revaluation losses on Property, Plant & Equipment	(6,175)	
0	Self Financing - Housing Revenue Account	199,911	
26	Amortisation of Intangible Assets	26	
985	Revenue expenditure funded from capital under statute	1,162	
1,809	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	473	
94,672			209,570
(1,601)	Adjusting amounts written out of the Revaluation Reserve		0
93,071	Net written out amount of the cost of non-current assets consumed in the year		209,570
	Capital financing applied in the year		
(2,464)	Use of the Capital Receipts Reserve to finance new capital expenditure	(415)	
(6,020)	Use of the Major Repairs Reserve to finance new capital expenditure	(6,939)	
(2,745)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(1,142)	
(1,187)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,353)	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0	
0	Capital expenditure charges against the General Fund and HRA balances.	(360)	
(12,416)			(10,209)
128	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		0
(528,693)	Balance as at 31 March		(329,332)

Notes to the Core Financial Statements

10. Unusable Reserves contd.

Note 10.3 : Deferred Capital Receipts: The Deferred Capital Receipts reserve holds the gains recognised on the disposal of Non-Current Assets but for which cash settlement has yet to take place. Under statutory arrangements the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £'000		2011/12 £'000
(280)	Balance as at 1 April	(272)
24	Amounts received in year & available for funding	24
(16)	Capital sale resulting in deferred receipt	0
<u>(272)</u>	Balance as at 31 March	<u>(248)</u>

Note 10.4 : Pension Reserve: The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to the pension fund or eventually pays any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid difference that would otherwise arise on the General Fund Balance from changes in the Pension Liability. Under Statutory arrangements the impact on the General Fund balance is neutralised by transfers to or from the Reserve. (See also Note 38 Pension) **Error! Not a valid link.**

2010/11 £'000		2011/12 £'000
64,748	Balance as at 1 April	35,631
(29,117)	Amount by which Reserve is adjusted for changes in Pension Scheme Liabilities	13,639
<u>35,631</u>	Balance as at 31 March	<u>49,270</u>

Notes to the Core Financial Statements

10. Unusable Reserves contd.

Note 10.5 : Collection Fund Adjustment Account: The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £'000		2011/12 £'000
(204)	Balance as at 1 April	(88)
116	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	23
<u>(88)</u>	Balance as at 31 March	<u>(65)</u>

Note 10.6 : Accumulated Absences Account: The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to/ from the Account.

2010/11 £'000		2011/12 £'000	
360	Balance as at 1 April		317
(360)	Settlement or cancellation of accrual made at the end of the preceding year	(318)	
317	Amounts accrued at the end of the current year	338	
(43)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		20
<u>317</u>	Balance as at 31 March		<u>337</u>

Notes to the Core Financial Statements

11. Other Operating Expenditure

2010/11 £,000		2011/12 £,000
997	Payments to the Government Housing Capital Receipts Pool	606
<u>(794)</u>	Gains/losses on the disposal of non current assets	<u>(391)</u>
203	Total	215

12. Financing and Investment Income and Expenditure

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2010/11 £'000		2011/12 £'000
657	Interest payable & similar charges	1,197
1,920	Pensions interest cost & expected return on pensions	948
(457)	Interest receivable & similar income	(651)
216	Expenditure in relation to investment properties and changes in their fair value	752
(1,276)	Income in relation to investment properties and changes in their fair value	(2,187)
<u>(369)</u>	Surplus/deficit on trading operations	<u>(341)</u>
691	Total	(282)

13. Taxation and Non Specific Grant Income

2010/11 £,000		2011/12 £,000
(5,431)	Council Tax Income	(5,493)
(6,857)	Non domestic rates	(4,075)
(1,098)	Non ringfenced government grants	(1,599)
<u>(4,025)</u>	Capital grants and contributions	<u>(1,261)</u>
(17,411)	Total taxation and Non Specific Grant Income	(12,428)

Notes to the Core Financial Statements

14. Heritage Assets

Assets that are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Recognition and measurement: heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements the asset will not be recognised on the balance sheet. Where heritage assets are not recognised in the balance sheet appropriate disclosure is made in the notes to the financial statements.

Acquisitions of heritage assets will be recognised at cost. However, where an asset is donated or acquired for less than fair value the asset will be recognised at valuation.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Depreciation and impairment are relevant to heritage assets except where the asset has an indefinite life, in which case depreciation is not required. Where there is evidence of physical deterioration or doubts arise as to authenticity of an asset, the value of the asset will be reviewed. Assets held at current value will be reviewed with sufficient frequency as to ensure that the valuation is up to date.

The council's collections of heritage assets are categorised as follows:

Town Square including Clock Tower: This was classified as a community asset in 2010/11 and has been reclassified as a heritage asset for 2011/12. The town square includes the water feature and clock tower. The clock tower being a grade II listed building.

Museum Collection: The museum collections include paintings, local history archives, Roman coin hoard from Chells, clocks, Vincent Motorbike, a bible from 1754 and a Chalice from 1572 from St Mary's in Aston. These items are reported as at their insurance valuation. The council maintains an inventory of this collection however there is no readily available valuation of individual items. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. Items that form the museum collection are deemed to have indeterminate lives, therefore the council does not consider it appropriate to depreciate these assets.

Notes to the Core Financial Statements

14. Heritage Assets contd.

Statues and Sculptures: The council has a number of statues and sculptures around the borough which were gifted by the Commission for New Towns to the Stevenage Development Corporation which is now Stevenage Borough Council.

Public Art and Cultural Artefacts: The council has a number of public art works around the borough, however does not hold readily available valuations.

There is no readily available valuation held by the council for statues, sculptures, public work of art or cultural artefacts as no definitive market value for these types of assets exist as they are not normally traded. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of these assets, as such the council has not recognised these assets on the balance sheet.

War memorial: The council has a war memorial previously categorised as a community asset. The war memorial has been reclassified as a heritage asset and is valued at historic cost on the balance sheet.

Civic Regalia: The council holds civic regalia for use by the mayor and mayoress for official ceremonial purposes. These are reported at insurance valuation. Due to the nature of these assets the council does not deem it appropriate to depreciate these assets.

Archaeological Sites including Six Hills Burial Site: The council does not consider that reliable cost or valuation information can be obtained for its archaeological site at Six Hills Burial site. This is because of the diverse nature of the asset held and lack of comparable market values, consequently the council does not recognise these assets on the balance sheet.

Historical valuations and valuation method of heritage assets is shown below.

Heritage Assets					Total
Method of valuation	Town Square	Museum Collection	War Memorial	Civic Regalia	Heritage Assets
Cost or Valuation	£831,520		£19,608		£851,128
Valued at Insurance					
Valuation		£200,000		£52,650	£252,650
	£831,520	£200,000	£19,608	£52,650	£1,103,778

Heritage Assets: Five-Year Summary of Transactions

It is not practicable to produce a five-year summary of transactions as knowledge of the cost

Notes to the Core Financial Statements

14. Heritage Assets contd.

of acquisitions, disposals and current value is largely unknown as they were gifted by the Commission for New Towns to the Stevenage Development Corporation Commission which is now Stevenage Borough Council.

	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
At April 2011	832	20	0	0	852
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	200	52	252
At 31 March 2012	832	20	200	52	1,104

Accumulated Depreciation & Impairment

At April 2011	(256)	(3)	0	0	(259)
Depreciation charge	(26)	0	0	0	(26)
At 31 March 2012	(282)	(3)	0	0	(285)
Net Book Value					
At 31 March 2012	550	17	200	52	819
At 31 March 2011	576	17	0	0	593



Stevenage Town Square, clock tower and water feature, a newly classified Heritage Asset.

Notes to the Core Financial Statements

15. Property, Plant and Equipment

Non Current Asset Valuation: The freehold and leasehold council properties are valued by the council's In-House 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 practical nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are re-valued at each 1 April as part of the continuous rolling revaluation which aims to cover all assets over a 5 year period by the council's Estates Manager K Clark MSc. M.R.I.C.S.

The rolling programme has been amended to include valuations on opening balance in line with common practice. Very few non-investment property assets were reviewed in year, the change in practice has does not therefore have a significant impact on the statements. 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 they have been valued at Depreciated Replacement Cost (DRC).

The council's housing stock is valued by external valuers Jones Lang La Salle, who are a firm of chartered surveyors, the housing stock is valued as at 1 April.

The Code and IFRS identifies that Modern Equivalent (MEA) should be considered if properties are valued using the DRC method. A review of council properties has found that there are no material differences in valuation between the two valuation methods and so has not implemented this approach for its DRC buildings at present but intends to programme this change into future revaluations.

The valuations provided for non-housing stock assume that there are no encumbrances to the council's Fair Value in the use of those assets. It is however noted that there is a prohibited transfer period of five years from 26 May 2009 on the Business Technology Centre. Furthermore any disposal before 29 November 2022 will trigger a claw-back to East of England Development Agency (EEDA) in accordance with a formula. There is no intention on the part of the council to dispose of this asset.

The valuation shown below of vehicles, plant and equipment includes a valuation adjustment of £1,219,242 in respect of equipment identified separately within the council's asset register, that already forms part of the valuation of housing stock.

Notes to the Core Financial Statements

15. Property, Plant and Equipment contd.

Movement of Property, Plant and Equipment in 2011/12.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At April 2011	470,198	109,339	20,396	3,380	2,209	3,153	1,439	610,114
Additions	13,210	1,150	922	790	0	314	1,035	17,421
Accumulated Depreciation & Impairment written off to cost/valuation	0	(1,644)	(183)	0	0	0	0	(1,827)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	622	0	0	0	0	0	622
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	726	(1,487)	0	0	0	0	0	(761)
Derecognition - Disposals	(477)	(7)	0	0	0	0	0	(484)
Derecognition - Other	0	0	(1,219)	0	0	0	0	(1,219)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(58)	0	(58)
Other movements in Cost or Valuation	0	(940)	0	11	847	0	(1,893)	(1,975)
At 31 March 2012	483,657	107,033	19,916	4,181	3,056	3,409	581	621,833
Accumulated Depreciation & Impairment								
At April 2011	(33,389)	(8,105)	(12,937)	(988)	(160)	0	0	(55,579)
Depreciation charge	(9,018)	(3,685)	(1,909)	(172)	(72)	(8)	0	(14,864)
Accumulated Depreciation Write off to Cost/Valuation	7,607	2,419	133	0	0	0	0	10,159
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	1	0	1
Derecognition - Disposals	9	0	0	0	0	0	0	9
Derecognition - Other	0	0	0	0	3	0	0	3
At 31 March 2012	(34,791)	(9,371)	(14,713)	(1,160)	(229)	(7)	0	(60,271)
Net Book Value								
At 31 March 2012	448,866	97,662	5,203	3,021	2,827	3,402	581	561,562
At 31 March 2011	436,809	101,234	7,459	2,392	2,049	3,153	1,439	554,535

Notes to the Core Financial Statements

15. Property, Plant and Equipment contd.

Comparative movements of Property, Plant and Equipment in 2010/11.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At April 2010	536,568	110,076	18,281	2,646	2,203	4,218	1,442	675,434
Additions	16,517	2,409	2,122	736	6	0	203	21,993
Accumulated Depreciation & Impairment written off to cost/valuation	0	(1,227)	0	0	0	(67)	0	-1,294
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,931)	(669)	0	0	0	4	0	-5,596
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(77,225)	(1,170)	0	0	0	(2)	0	-78,397
Derecognition - Disposals	(731)	(80)	(213)	(2)	0	(1,000)	0	-2,026
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	206	0	0	0	(206)	0
At 31 March 2011	470,198	109,339	20,396	3,380	2,209	3,153	1,439	610,114
Accumulated Depreciation & Impairment								
At April 2010	(25,733)	(6,227)	(10,739)	(821)	(86)	(58)	0	(43,664)
Depreciation charge	(7,607)	(3,112)	(2,405)	(167)	(74)	(9)	0	(13,374)
Accumulated Depreciation Write off to Cost/Valuation	0	1,230	0	0	0	67	0	1,297
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(49)	0	0	0	0	0	0	(49)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	4	207	0	0	0	0	211
Assets Derecognised - Reclassified	0	0	0	0	0	0	0	0
At 31 March 2011	(33,389)	(8,105)	(12,937)	(988)	(160)	0	0	(55,579)
Net Book Value								
At 31 March 2011	436,809	101,234	7,459	2,392	2,049	3,153	1,439	554,535
At 31 March 2010	510,835	103,849	7,542	1,824	2,115	4,160	1,442	631,767

Notes to the Core Financial Statements

16. Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2010/11 £,000		2011/12 £,000
2,187	Rental Income from Investment Property	2,146
(911)	Less Direct Operating expenses arising from investment	(753)
<u>1,276</u>	Net gain	<u>1,393</u>

The valuations assume that there are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance on income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summaries the movement in the fair value of investment properties over the year.

2010/11 £,000		2011/12 £,000
17,289	Balance at start of year	17,553
	Additions:	
392	Subsequent expenditure	84
	Disposals	
(128)	Net gains/losses from fair value adjustments	0
	Transfers:	
0	From Property, Plant & Equipment	1,250
<u>17,553</u>	Balance at end of year	<u>18,887</u>

17. Intangible Assets

The council accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and not accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include a number of services such as Business Objects which is a report and project modelling tools.

All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the council - usually 5 years.

Notes to the Core Financial Statements

17. Intangible Assets contd.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £26,378 charged to revenue in 2011/12 was charged to the IT cost centre and then recharged out across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2010/11 £000's		2011/12 £000's
145	Balance as at 1st April	119
188	Gross carrying amounts	188
(43)	Accumulated amortisation	(70)
<u>145</u>	Net carrying amount at start of year	<u>118</u>
	Additions:	
0	Internal development	0
0	Purchases	0
0	Other disposals	0
(26)	Amortisation for the period	(26)
<u>119</u>	Net carrying amount at year end	<u>92</u>
	Comprising:	
188	Gross carrying amounts	188
(69)	Accumulated amortisation	(96)
<u>119</u>		<u>92</u>

There are no items of capitalised software that are individually material to the financial statements.

Notes to the Core Financial Statements

18. Financial Instruments

The council'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 council'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 includes 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 council's Treasury Management Strategy applicable from 1 April 2011 complies fully with the 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 £5,000,000 of its investment monies to one institution or banking group.

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.

Notes to the Core Financial Statements

18. Financial Instruments contd.

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 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default & uncollectability 31 March 2012	Estimated maximum exposure to default & uncollectability 31 March 2011
	£'000 A	% B	% C	£'000 (Ax C)	£'000
Banks & Building Societies	11,569	0	0	0	0
Other Counter parties	0	0	0	0	0
Trade Debtors	846	14%	17%	144	234
Total	12,415			144	234

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 2012.

The calculation is based on the age of the trade debtor and debt type.

The authority does not generally allow credit for customers, such that £662,581 of the £846,789 Trade Debtors balance has passed its due date for payment. The passed due amount can be analysed by age and service in the following table

Age of Sundry Debt	Estates Services £'000	Direct Services (incl Recycling) £'000	Planning £'000	Benefit Related £'000	Other £'000	Total £'000
	Within term	32	72	1	38	80
Over Term:						
2-12 months	126	27	1	587	127	868
> 1 year < 2 years	67	2	1	426	61	557
>2 years	60	11	8	337	171	587
Total trade debtors over term	253	40	10	1350	359	2012
Total Trade Debtors	285	112	11	1388	439	2,235

Notes to the Core Financial Statements

18. Financial Instruments contd.

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 2012 Deferred Capital Receipts were £249,817, (31 March 2011, £272,204).

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 in Note HRA10 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 a further £199,911,000 on long term loans from the Public Works Loan Board, this was to make a payment to central government in respect of the introduction of self financing.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement.

The council has long term debt of £216,915,000; however, within its Treasury Management Strategy (approved February 2012), the 2011/12 operational boundary for external debt is £221,426,000. This included an allowance for general fund and HRA borrowing which was not taken up.

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 2012), if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Notes to the Core Financial Statements

18. Financial Instruments contd.

	£'000	
Increase in interest receivable on investments	(223)	Error! Not a valid link.
Impact on Comprehensive Income & Expenditure Statement	(223)	
Share of overall impact credited to the HRA	228	
Impact on Movement in Reserves Statement	5	

The impact of a 1% rise in interest rates would be as above but with movements being reversed. The above represents that the cost will be less than the payment due to the HRA. The PWLB borrowings undertaken to date are all fixed rate, therefore there would be no impact from a rise in interest rates.

Price risk The Authority does not invest in equity shares and does not have any shareholdings.

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

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

Notes to the Core Financial Statements

18. Financial Instruments contd.

	Long Term			Short Term		
	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Investments						
Loans and Receivables	0	0	0	5,801	8,010	5,004
Total	0	0	0	5,801	8,010	5,004
Debtors (including Cash and Bank)						
<i>Loans and Receivables comprising:</i>						
Mortgages	258	240	225	22	16	15
Car Loans	2	0	4	7	2	1
Housing Rents Leaseholders	0	0	0	702	604	707
Other debtors	0	0	0	4,087	4,803	4,177
Cash & Bank	0	0	0	10,295	8,372	6,086
Financial assets carried at contract amounts	0	0	0	0	0	0
Total Debtors	260	240	229	15,113	13,797	10,986
Borrowings						
Financial liabilities at amortised cost	5,000	17,004	213,915	8	63	3,230
Financial liabilities as fair value through profit and loss	0	0	0	0	0	0
Total Borrowings	5,000	17,004	213,915	8	63	3,230
Other Long Term Liabilities						
Finance Lease liabilities	0	0	0	0	0	0
Total Other Long Term Liabilities	0	0	0	0	0	0
Creditors						
Receipts in Advance	0	0	0	1,097	760	846
Sundry Creditors	0	0	0	7,487	5,123	4,808
Financial liabilities carried as contract amount	0	0	0	0	0	0
Total Creditors	0	0	0	8,584	5,883	5,654

Notes to the Core Financial Statements

18. Financial Instruments contd.

The gains and losses recognised in the Comprehensive Income & Expenditure Statement and Movement in Reserves Statement in relation to financial instruments are made up as follows:

	Interest Income		Net Gain for year	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
Financial Assets	£'000	£'000	£'000	£'000
Investments	173	174	173	174
Available for sale	0	0	0	0
Other	16	16	16	16
Total	189	190	189	190

	Interest Payable		Net cost for year	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
Financial Liabilities	£'000	£'000	£'000	£'000
Borrowing - PWLB	377	724	377	724
Borrowing - Local Authorities	0	0	0	0
Other	5	11	5	11
Total	382	735	382	735

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.

Notes to the Core Financial Statements

18. Financial Instruments contd.

The financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet. Their fair values are calculated as follows:

Financial Assets:

	31 March 2010		31 March 2011		31 March 2012	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Investments						
Fixed term loans & receivables	2,097	2,108	3,007	3,002	0	0
Variable term loans & receivables	13,987	13,987	12,997	12,997	11,569	11,569
Total	16,084	16,095	16,004	15,999	11,569	11,569

The fair value will be the same as the market value, as all investments held at the balance sheet date were liquid.

Financial Liabilities:

	31 March 2010		31 March 2011		31 March 2012	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Loan Debt						
Fixed term financial liabilities	5,008	5,022	17,067	17,865	217,145	227,975
	5,008	5,022	17,067	17,865	217,145	227,975

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.

Notes to the Core Financial Statements

19. Inventories Error! Not a valid link. Due to the high value of grounds maintenance and tyres inventories held during the year, they are now included as part of the year end Inventories.

On 1 December the management of the council's housing stock transferred to Stevenage Borough Council (see also note 42 Interest in Companies). Included in this transfer was the Building Maintenance Organisation (BMO) which holds inventory to repair and maintain the council's housing stock. This inventory is now included in the council's balance sheet.

20. Short Term Debtors

31 March 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	% change on year
4,109	4,415	Central Government Bodies	1,341	-70%
536	369	Other Local Authorities	2,309	526%
702	604	Housing Rents & Leaseholders	707	17%
334	355	Collection Fund	337	-5%
7	2	Car Loans	1	-50%
4,087	4,803	Other Debtors	4,192	-13%
9,775	10,548	Total	8,887	-15%

Debtors figures have been reduced for an allowance for non collection (bad debt).

Notes to the Core Financial Statements

21. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements

31 March 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
11	12	Cash held by the Authority	9
1	367	Bank Current Accounts	(8)
10,283	7,993	Investment Cash Equivalents	6,085
<u>10,295</u>	<u>8,372</u>	Total Cash & Cash Equivalents	<u>6,086</u>

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22. Assets held for sale

	2010/11		2011/12	
	Current Assets £'000	Non- Current Assets £'000	Current Assets £'000	Non- Current Assets £'000
Balance outstanding at start of year	0	0	0	0
Transfers from surplus assets	0	0	0	56
Assets sold	0	0	0	0
Balance Outstanding at year end	<u>0</u>	<u>0</u>	<u>0</u>	<u>56</u>

Notes to the Core Financial Statements

23. Creditors and Receipts in Advance

Creditors

31 March 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	% change on year +/-
486	1,255	Central Government Bodies	1,471	15%
565	602	Other Local Authorities	2,612	77%
2,660	2,693	Stevenage Homes Limited	0	-100%
7,487	5,123	Other Entities & Individuals	4,809	-7%
11,198	9,673	Total	8,892	-9%

Receipts in Advance

31 March 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	% change on year +/-
4	4	Government Departments	0	-100%
616	513	Housing	653	21%
155	196	Tenants (redecorating scheme)	190	-3%
104	98	Collection Fund	93	-5%
1,871	1,098	Developer Contributions (s106)	865	-27%
1,097	760	Other Entities & Individuals	846	10%
3,847	2,669	Total	2,647	-1%

24. Provisions

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

In accordance with the requirements of IAS 37, the opening and closing balance on these provisions together with details on their movements are set out below.

Notes to the Core Financial Statements

24. Provisions contd.

	Insurance Provision	Implementation of Single Status	Accumulated Absences Provision	Organisation change	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2010	(479)	(783)	(360)	0	0	(1,622)
Additional Provisions made in 2010/11	(679)	(37)	0	(507)	(101)	(1,324)
Amounts Used in 2010/11	439	0	42	0	0	481
Unused Amounts reversed in 2010/11	0	0	0	0	0	0
Balance as at 31 March 2011	(719)	(820)	(318)	(507)	(101)	(2,465)
Additional Provisions made in 2011/12	(699)	(535)	(20)	(189)	(37)	(1,480)
Amounts Used in 2011/12	512	0	0	509	22	1,043
Unused Amounts reversed in 2011/12	0	0	0	0	7	7
Balance as at 31 March 2012	(906)	(1,355)	(338)	(187)	(109)	(2,895)

As at the 31 March 2012 the council had provisions totalling £2,891,593, of which £905,895 related to insurance obligations.

Insurance Provision: The insurance provision is to provide for excesses relating to known claims as analysed in the following table;

Claim Type	2009/10	2010/11	2011/12	Year on year change (lower)/ higher
	£'000	£'000	£'000	%
Public Liability	366	547	738	35%
Employers Liability	9	20	50	150%
Motor	6	2	5	150%
General Properties	18	18	10	(44%)
Housing Properties	80	132	103	(22%)
Balance as at 31 March 2012	479	719	906	26%

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 increased by £535,014 in 2011/12 for implementation costs which will potentially be due to employees with the introduction of the scheme. Included within the provision is the sum of £466,285 which relates to staff transferred from Stevenage Homes Limited (SHL) who are now Stevenage Borough Council (SBC) employees.

Notes to the Core Financial Statements

24. Provisions contd.

Accumulated Absences Provision: Employees build up an entitlement to paid leave as they work. Any outstanding leave or time owed at year end may be paid over to the Employee. This provision recognises the value of accumulated absences owed to SBC employees.

Organisational Change Provision: As part of the 2011/12 budget setting process, a number of savings options leading to service reductions were indentified that would result in staff redundancies and costs that were paid in the 2011/12 financial year. As part of the 2012/13 budget setting process, a further number of service efficiencies were indentified that would result in staff redundancies. As at the balance sheet date some costs will be paid in the 2012-13 and as such a provision has been recognised for these redundancy costs.

Other Provisions: All other provisions are individually insignificant.



Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the council's Executive on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to services.

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

The income and expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

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Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

Service Income and Expenditure 2010/11 Comparative Figures

	Resources	Community Services	Housing Services	Environmental Services	Support Services	Neighbourhood Action Teams	Trading Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees charges and other service income	(6,164)	(1,084)	(1,514)	(6,076)	(1,955)	(30)	(2,453)	(34,949)	(54,225)
Government grants	(7,550)	(136)	(31,031)	(204)	(51)	0	(30)	(792)	(39,795)
Total Income	(13,714)	(1,220)	(32,545)	(6,280)	(2,006)	(30)	(2,483)	(35,741)	(94,020)
Employee expense	620	1,922	626	5,141	7,313	0	4,011	399	20,032
Other service expenses	1,837	4,496	32,668	12,520	3,809	117	(4,446)	33,011	84,012
Support service recharges	5,512	467	1,593	(2,203)	(8,891)	100	3,698	1,077	1,354

STATEMENT OF ACCOUNTS 2011/12

Total Expenditure	7,969	6,884	34,887	15,458	2,231	218	3,263	34,487	105,397
Net Expenditure	(5,745)	5,664	2,342	9,178	225	188	780	(1,254)	11,377

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

2010/11 £000		2011/12 £000
11,377	Net expenditure in the Service Analysis	7,689
(42)	Net expenditure of services and support services not included in the Analysis	20
57,760	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	191,078
0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
69,095	Cost of Services in Comprehensive Income and Expenditure Statement	198,787

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

2011/12 Reconciliation from Subjective analysis to Deficit on Provision of Services	Service Analysis	Services and Support Services not in the Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees charges and other service income	(54,337)	0	1,130	(53,207)	(2,187)	(55,394)
Surplus or deficit on trading ventures	(341)	0	341	0	(341)	(341)
Interest and investment income	(2,419)	0	0	(2,419)	0	(2,419)
Council tax precept & surplus	0	0	0	0	(5,493)	(5,493)
Government grants and contributions	(42,180)	0	1,601	(40,579)	(6,935)	(47,514)
Total income	(99,277)	0	3,072	(96,205)	(14,956)	(111,161)
Employee expenses	20,872	20	104	20,996	0	20,996
Other service expenses	71,511	0	202,105	273,616	753	274,369
Support Service recharges	3,427	0	0	3,427	0	3,427
Depreciation, amortisation and impairment	9,663	0	0	9,663	0	9,663
Interest payments	1,493	0	(1,493)	0	1,493	1,493
Payments to Housing Capital Receipts Pool	0	0	(606)	(606)	606	0
Gain or Loss on Disposal of Fixed Assets	0	0	391	391	(391)	0
Total expenditure	106,966	20	200,501	307,487	2,461	309,948
Surplus or deficit on the provision of services	7,689	20	203,573	211,282	(12,495)	198,787

Notes to the Core Financial Statements

25. Amounts Reported for Resource Allocation Decisions contd.

2010/11 Reconciliation from Subjective analysis to Deficit on Provision of Services	Service Analysis £000	Services and Support Services not in the Analysis £000	Amounts not reported to management for decision making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees charges and other service income	(51,049)	0	(2,267)	(53,316)	216	(53,100)
Surplus or deficit on trading ventures	(369)	0	369	0	(369)	(369)
Interest and investment income	(2,807)	0	2,371	(436)	(2,371)	(2,807)
Council tax precept & surplus	0	0	0	0	(5,547)	(5,547)
Government grants and contributions	(39,795)	0	4,011	(35,784)	(11,864)	(47,648)
Total income	(94,020)	0	4,484	(89,536)	(19,935)	(109,470)
Employee expenses	20,014	(42)	(13,359)	6,613	1,920	8,533
Other service expenses	46,294	0	84,446	130,740	0	130,740
Support Service recharges	21,098	0	0	21,098	0	21,098
Depreciation, amortisation and impairment	16,696	0	0	16,696	(35)	16,661
Interest payments	1,295	0	(1,295)	0	1,295	1,295
Payments to Housing Capital Receipts Pool	0	0	0	0	997	997
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(759)	(759)
Total expenditure	105,397	(42)	69,792	175,147	3,418	178,565
Surplus or deficit on the provision of services	11,377	(42)	74,276	85,611	(16,516)	69,095

Notes to the Core Financial Statements

26. Acquired and Discontinued Operations

In September 2011, the council made a decision that housing services undertaken by Stevenage Homes Limited (SHL) should be directly managed by the council. As a result, on 1 December 2011 SHL staff transferred back to the council.

The council did not discontinue any operations in 2011/12.

27. Trading Operations

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

2010/11		2011/12
£'000		£'000
(653)	Income from stall holders	(491)
285	Expenditure	150
<u>(368)</u>	Surplus taken to General Fund	<u>(341)</u>

28. Agency Services

The council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the council was reimbursed £27,771 in 2011/12 (£303,361 in 2010/11).

The council entered into a new agency agreement with Hertfordshire County Council on 1st April 2011 to provide four Children's Centres under an agency agreement for which the council was reimbursed £761,148 in 2011/12.

29. Joint Arrangement Non Entity

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

30. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £452,362 in 2011/12. (£478,131 in 2010/11). Payments made outside the scheme for Mayoral Allowances totalled £11,422 in 2011/12, (£9,112 in 2010/11).

Notes to the Core Financial Statements

31. Officers Remuneration

The remuneration paid to the council's senior employees is as follows :-

	Salary, Fees and Allowances	Expenses Allowance	Other Emoluments	Total Remuneration (excluding pension contributions)	Pension Conts.	Total Remuneration Incl Pension Contributions
	£	£	£	£	£	£
Remuneration 2011/12						
Chief Executive	114,732	660	7,571	122,963	33,285	156,248
Strategic Director (Resources)	94,073	1,142	1,534	96,749	25,682	122,431
Strategic Director (Environment)	79,551	429	0	79,980	21,717	101,697
Strategic Director (Community)	79,551	659	406	80,616	21,717	102,333
Borough Solicitor	65,570	235	64	65,869	17,901	83,770
Total remuneration in 2011/12	433,477	3,125	9,575	446,177	120,302	566,479
Remuneration 2010/11						
Chief Executive	110,730	299	7,571	118,600	32,297	150,897
Strategic Director (Resources)	91,222	299	3,625	95,146	25,893	121,039
Strategic Director (Environment)	76,575	299	0	76,874	20,904	97,778
Strategic Director (Community) (former)	30,793	100	1,677	32,570	7,124	39,694
Strategic Director (Community) (current)	70,246	0	3,845	74,091	20,227	94,318
Borough Solicitor	63,570	12	2,000	65,582	17,900	83,482
Total remuneration in 2010/11	443,136	1,009	18,718	462,863	124,345	587,208

Notes to the Core Financial Statements

31. Officers Remuneration contd.

In December 2011 the management of the council's housing stock was transferred from Stevenage Homes Limited to the council. Following the transition and subsequent management restructure a number of positions were made redundant. This has increased number of staff paid over £50,000 during the year as officer remuneration includes termination payments. However these major management changes will enable significant savings to be made.

The number of council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is detailed below:

2010/11 Number of employees	Remuneration Band *	2011/12 Number of employees
3	£50,000 - £54,999	3
3	£55,000 - £59,999	6
1	£60,000 - £64,999	3
2	£65,000 - £69,999	2
2	£70,000 - £74,999	0
1	£75,000 - £79,999	2
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
1	£90,000 - £94,999	0
0	£95,000 - £99,999	1
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£115,000 - £119,999	1
0	£120,000 - £124,999	1
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	1
14	Total	20

* The table includes redundancy and severance payments made to officers on termination of employment during the year.

Notes to the Core Financial Statements

31. Officers Remuneration contd.

The number of exit packages with total costs per band and total costs of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments) 2011/12	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £19,999	18	6	24	£252,492
£20,000 - £59,999	10	2	12	£405,974
£60,000 - £250,000	3	0	3	£373,904
Total	31	8	39	£1,032,370

Exit package cost band (including special payments) 2010/11	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £19,999	5	1	6	£43,025
£20,000 - £59,999	2	1	3	£100,554
£60,000 - £250,000	0	0	0	£0
Total	7	2	9	£143,579

Notes to the Core Financial Statements

32. External Audit Costs

The council has incurred fees in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections. The estimated fees payable for audit work in respect of the 2011/12 financial year are shown in the table below:

2010/11 £'000	Fees Payable	2011/12 £'000
148	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	141
55	Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	41
(2)	Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(11)
0	Fees payable to the Audit Commission for the certification of statutory inspection for the year.	0
2	Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	0
4	Fees payable to in respect of other services provided by Grant Thornton during the year.	0
207		171

The fee paid to Grant Thornton in 2010/11 for other services was in respect of technical advice regarding four complex leases and their treatment under International Financial Reporting Standards (IFRS).

Notes to the Core Financial Statements

33. Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	996	1259
NNDR Receipt from Pool	6857	4075
Housing, Planning Delivery Grant	0	48
Area Based Grant (Formerly LAA Grant)	79	0
Climate Change Grant	23	0
New Homes Bonus	0	85
Council Tax Freeze Grant	0	136
Local Services Support Grant	0	71
GAFF	1048	0
Disabled Facilities Grant	265	285
Waste Performance Efficiency Grant	368	0
Play builder Grant	22	0
Lottery Fund	795	390
Regional Housing Capital Pot	46	0
Football Foundation	0	50
Safer Stronger Community Grant	10	0
Performance Reward Grant	31	0
Contribution to Town Centre (HCA)	16	0
Other Capital Contributions	1424	536
Total Grants, Contributions credited to Taxation and Non Specific Grant Income	11,980	6,935

Notes to the Core Financial Statements

33. Grant Income contd.

	2010/11 £'000	2011/12 £'000
Credited to Services		
NNDR admin Grant	104	107
Small Business Rate Relief New Burden Grant	7	0
Department of Work and Pensions Grants for rebates	38,325	41,143
Discretionary Housing Payments	21	25
Performance Reward Grant	71	0
Local Housing Allowance	0	3
DWP Atlas Project	27	45
Mortgage Rescue Programme	26	0
Petitions Grant	5	0
Economic Assessment Duty Grant	6	0
Homelessness Grant	51	0
Free School Swim	25	0
Growth Area fund Delivery Grant (revenue)	167	0
Supporting People Programme Grant	792	548
Future Jobs Fund	56	0
Safer Food Better Business	0	3
Working Together Programme	0	14
DCLG Personal Search Fee S31 Grant	34	0
Big Lottery Fund Grant	35	0
Heritage Lottery Grant	16	0
Take Part Pathfinder Grant	50	0
Other Grants	5	0
Total Grants, Contributions credited to Services	39,823	41,888

The council has not received any donations in 2011/12.

34. Related Parties

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.

Notes to the Core Financial Statements

34. Related Parties contd.

Central Government: 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. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 25 Reporting for Resource Allocation Decisions and in Note 33 Grant Income.

Other Public Bodies: Payments between the council and Hertfordshire County Council (HCC) amounted to £507,931 (2010/11, £2,308,099 which included concessionary travel costs, this service transferred to HCC in April 2011). Further payments between the council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 38 Pension and Note 33 Grant Income.

Members and Senior Officers: Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in 2011/12 is shown in Note 30 members Allowances.

During 2011/12 the council made a number of payments to Stevenage Homes Limited up to and including 30 November 2011 (See also note 42 interest in companies). These payments are listed in the following table:

2010/11	Payments made to Stevenage Homes Limited	2011/12
13,661,460	Management Fee	8,710,147
1,267,717	Capital Management Fee	691,685
2,856,474	Building Maintenance Operation (BMO)	989,887
173,557	Other	135,687
17,959,208		10,527,406

Conversely payments of £1,635,664 (£2,324,946 in 2010/11) were made by Stevenage Homes Limited to the council in relation to Service Level Agreements for the provision of support services and grounds maintenance.

Notes to the Core Financial Statements

34. Related Parties contd.

A £1,699,782 contract payment was paid to Stevenage Leisure Limited (2010/11 £1,041,575) and £1,112,324 paid to other organisations (2010/11 £2,990,923), 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 2011/12 4 meetings were held at which 10 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 2011/12, the Chief Executive and Strategic Directors declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972, in payments totalling £1,699,782 (2010/11 £1,041,575) paid by the council to one organisation. Neither the Chief Executive nor the Strategic Directors took part in any discussion, decision or administration relating to the contract payment.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table on page 98, together with resources that have been used to finance it. No assets were acquired through finance leases or PFI/PP contracts. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

Notes to the Core Financial Statements

35. Capital Expenditure and Capital Financing contd.

Capital Expenditure & Financing

2010/11 £'000		2011/12 £'000
6,051	Opening Capital Financing requirement	17,004
	<i>Capital investment :</i>	
21,993	Property, Plant & Equipment	17,421
392	Investment Property	84
0	Intangible assets	0
0	HRA Self financing payment	199,911
984	Revenue expenditure funded from Capital under statute	436
<u>23,369</u>		<u>217,852</u>
	<i>Sources of Finance :</i>	
(2,464)	Capital Receipts - general	(415)
0	Revenue Contribution to Capital	(360)
(3,932)	Government Grants & Other Contributions	(2,495)
(6,020)	Major Repairs Allowance	(6,939)
<u>(12,416)</u>		<u>(10,209)</u>
<u>17,004</u>	Closing Capital Financing requirement	224,647
	<i>Explanation of movement in year:</i>	
10,953	Increase in underlying need to borrow (supported by government financial assistance)	5,929
0	Increase in underlying need to borrow (unsupported by government financial assistance)	201,714
<u>10,953</u>	Increase in Capital Financing requirement	207,643

Notes to the Core Financial Statements

35. Capital Expenditure and Capital Financing contd.

As at 31 March 2012 significant commitments for major projects already underway included:-

	£'000
HRA Decent Homes & Major Repairs	9,640
Neighbourhood Centres	173
Refuse Freighters	296

36. Leases

Operating Leases

Plant and Equipment: In 2011/12 the council had use of multi functional printing devices and vehicle leases assigned to the council from Stevenage Homes Ltd. The amount paid under these arrangements in 2011/12 was £435,423 (2010/11 £4,066).

31 March 2011	Lease Costs Payable	31 March 2012		
		Printers £'000	Assigned Vehicles £'000	Total £'000
0	Not later than one year	31	207	238
0	Later than one year and not later than five years	110	87	197
0	Later than five years	0	0	0

Property: Authority as Lessor - the authority currently leases 271 premises which include 180 shops, 22 workshops, 12 public houses, 11 surgeries and 46 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2011/12 was £2,379,748 (2010/11 £2,245,749).

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2011	Lease Income Receivable	31 March 2012
£'000		£'000
2,392	Not later than one year	2,364
8,806	Later than one year and not later than five years	9,455
33,024	Later than five years	35,497

Notes to the Core Financial Statements

36. Leases contd.

Finance Leases : Property, Plant, and Equipment: There were no assets held under finance leases by the council as at 1 April 2011. This is with the exception of de minimis lease arrangements in respect of Timebridge and Westgate. As these involve only a peppercorn rent and the assets are correctly shown within the council's asset base, no further accounting adjustments have been made.

The council was not a lessor in respect of any assets disclosed within the Non-current Assets, except where an operating lease arrangement has already been identified, and disclosed.

37. Impairment Losses

During 2011/12 the council did not incur any losses as result of impairment. This compares with £57,704 in 2010/11.

38. Pension

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 Post-employment Benefits

The cost of retirement benefits is recognised in the reported 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 of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Notes to the Core Financial Statements

38. Pension contd.

2009/10 £'000	2010/11 £'000		2011/12 £'000
		Cost of service	
1,382	2,360	Current service costs	2,314
191	(12,810)	Past service costs	135
		Financing and Investment Income & Expenditure	
6,004	6,930	Interest costs	6,387
(3,423)	(5,012)	Expected return on scheme assets	(5,439)
<hr/>	<hr/>	Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services	<hr/>
4,154	(8,532)		3,397
		Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
31,776	(17,346)	Actuarial gains and losses	10,750
0	0	Acquired deficit from SHL	2,869
<hr/>	<hr/>	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	<hr/>
35,930	(25,878)		17,016
		Movement in Reserves Statement	
(35,930)	25,878	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(17,016)
		Actual amount charged against the General Fund Balance for pensions in the year	
3,464	3,240	Employer's contributions payable to the scheme	3,377

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £38,636,000 (loss of £27,886,000 to 31 March 2011).

Notes to the Core Financial Statements

38. Pension contd.

Assets & Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

2009/10 £'000	2010/11 £'000		2011/12 £'000
(87,775)	(136,997)	1 April	(110,238)
(1,382)	(2,360)	Current Service Cost	(2,314)
0	0	Liabilities acquired from transfer of SHL	(20,348)
(6,004)	(6,930)	Interest cost	(6,387)
(774)	(739)	Contributions by Scheme participants	(712)
(44,805)	18,789	Actuarial Gains & Losses	(7,945)
3,934	5,189	Benefits paid	4,681
(39)	12,810	Past service costs	(135)
(152)	0	Changes in scheme assumptions	0
<u>(136,997)</u>	<u>(110,238)</u>	31 March	<u>(143,398)</u>

Reconciliation of the fair value of the scheme assets:

2009/10 £'000	2010/11 £'000		2011/12 £'000
55,449	72,248	1 April	74,607
0	0	Assets acquired from transfer of SHL	17,480
3,423	5,012	Expected rate of return	5,439
13,029	(1,443)	Actuarial Gains & losses	(2,805)
3,507	3,240	Employer contributions	3,377
774	739	Contributions by Scheme participants	712
(3,934)	(5,189)	Benefits paid	(4,681)
<u>72,248</u>	<u>74,607</u>	31 March	<u>94,129</u>

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 £2,641,000 (2010/11 £6,345,000).

Notes to the Core Financial Statements

38. Pension contd.

Scheme History

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 As restated £'000
Fair Value of Assets	94,129	74,607	72,248	55,449	70,807
Present Value of liabilities	(143,399)	(110,238)	(136,996)	(87,775)	(89,691)
Surplus / (Liabilities) in Scheme	(49,270)	(35,631)	(64,748)	(32,326)	(18,884)

The liabilities show the underlying commitments the council has in the long term to pay post employment (retirement) benefits. The total liability of £49,269,805 (2010/11 £35,630,915) has a substantial impact on the net worth of the council as recorded in the Balance Sheet net worth of £320,988,961 (2010/11 £532,510,731).

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.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £3,607,000.

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 formal valuation of the scheme as at 31 March 2010.

Notes to the Core Financial Statements

38. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:

2010/11		2011/12
	Long Term expected rate of return on assets in the scheme:	
7.5%	Equity investments	6.2%
4.9%	Bonds	4.0%
5.5%	Property	4.4%
4.6%	Cash	3.5%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
21.0	Men	21.0
23.8	Women	23.8
	Longevity at 65 for future pensioners:	
22.9	Men	22.9
25.7	Women	25.7
2.8%	Rate of inflation	2.5%
5.1%	Rate of increase in salaries	4.8%
6.8%	Expected return on scheme assets	5.5%
5.5%	Rate for discounting scheme liabilities	4.8%
50%	Take up of option to convert annual pension into retirement lump sum. (Pre-April 2008 service)	50%
75%	Take up of option to convert annual pension into retirement lump sum. (Post April 2008 service)	75%

Sensitivity analysis of Actuarial assumptions

In calculating the post employment benefit liability the Actuaries have had to make a number of assumptions as shown in the table above. Should these assumptions be inaccurate they will affect the value of the scheme liabilities. The following table details the impact on the scheme liabilities should these assumptions change.

Notes to the Core Financial Statements

38. Pension contd.

Change in assumptions at year ended 31 March 2011	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	9	13,071
1 year increase in member life expectancy	3	4,302
0.5% increase in salary increase rate	2	2,886
0.5% increase in salary increase rate	7	10,155

Pension Scheme Assets

The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held with fair value of employer assets quoted as bid value as at 31 March 2012:

2010/11			2011/12	
Bid Value as at 31 March 2011	Scheme assets as a % of total scheme assets		Bid Value as at 31 March 2012	Scheme assets as a % of total scheme assets
£'000	%		£'000	%
54468	73	Equity Investments	64,949	69
14177	19	Bonds	16,943	18
2985	4	Property	5,648	6
2985	4	Cash	6,589	7
<u>74,615</u>	<u>100</u>		<u>94,129</u>	<u>100</u>

Notes to the Core Financial Statements

38. Pension contd.

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 2012 :

	2011/12		2010/11		2009/10		2008/09		2007/08	
	£'000	%	£'000	%	£'000	%	£'000	%	As restated	%
	£'000		£'000		£'000		£'000		£'000	
Difference between expected & actual return on assets	(2,805)	(3)	(1,443)	(2)	13,029	18	(20,655)	(37)	(8,464)	(12)
Difference between expected and actual losses on liabilities	(7,933)	(6)	18,788	17	(44,805)	(33)	7,551	9	16,476	18
Actuarial Gain/(Loss) as at 31 March	(10,738)		17,345		(31,776)		(13,104)		8,012	
Experience adjustments on assets	(2,813)	(3)	(1,443)	(2)	13,029	18	(20,655)	(37)	(7,120)	(10)
Experience adjustments on liabilities	(4,774)	(3)	7,435	7	0	0	0	0	2,068	2

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 (email contact : pensions.team@hertsc.gov.uk)

39. Contingent Liabilities

At the Balance Sheet date two contingent liability were identified, that related to:

- The council has made no provision for any costs associated with any legal claims that may arise as a result of the implementation of Single Status.
- The council has made no provision for its exposure to the possibility of having to repay part of the claims already settled by Municipal Mutual Insurance (MMI) (the council's previous insurer) if MMI can not achieve a solvent run off.

Notes to the Core Financial Statements

40. Contingent Assets

The council does not recognise any contingent assets due to the uncertainty of economic gain of a contingent asset.

41. Other Bank Accounts

The council administers bank accounts in respect of the Mayors' Charity. The balance on this account as at 31 March 2012, which have not been included in the Balance Sheet, was £5,060.82 (Other bank account balances as at the 31 March 2011 were £1,305.37 and as at 31 March 2010 were £6,460). This account is used to fund various charitable donations and events.

42. Interests in Companies

The council was the sole shareholder in Stevenage Homes Limited (SHL) which was limited by Guarantee, an Arms Length Management Organisation formed on 1 October 2006 to manage the council's housing stock. In return, SHL was paid a management fee.

In September 2011, the council made a decision to return housing management services undertaken by Stevenage Homes Limited (SHL) to the council having regarded the results of the conclusions and recommendations of the Housing Options Appraisal Steering Group. As a result, on 1 December 2011 SHL staff transferred back to the council and Stevenage Homes Limited (SHL) ceased trading (see also note 26).

Transactions between Stevenage Borough Council and SHL up to the date of transfer, 1 December 2011, are detailed in Note 34 Related Party Transactions.

In the final, full year of trading Stevenage Homes Limited reported profit before and after tax of £2,071,244, for the year ended 31 March 2011 (2009/10 profit £110,594).

Notes to the Core Financial Statements

43. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2010/11 £'000		2011/12 £'000
(184)	Interest received	(196)
7	Interest paid	735
<u>(177)</u>		<u>539</u>

44. Cash Flow Statement – Investing Activities

2010/11 £'000		2011/12 £'000
21,915	Purchase of property, plant & equipment, investment property & intangible assets	17,674
2,209	Purchase of short term & long term investments	7,250
0	Other payments for investing activities	6
(2,642)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(848)
0	Proceeds from short-term & long-term investments	(10,250)
(9,277)	Other receipts from investing activities	(583)
<u>12,205</u>	Net cash flows from investing activities	<u>13,249</u>

45. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
(12,004)	Cash receipts of short & long term borrowing	(199,911)
0	Other receipts from financing activities	(4,165)
0	Repayments of short and long term borrowing	0
1,898	Other payments for financing activities	71
<u>(10,106)</u>	Net cash flows from financing activities	<u>(204,005)</u>

Notes to the Core Financial Statements

46. Adjustments to net surplus or deficit on the provision of services for non cash movements

2010/11 £'000	Non Cash Items	2011/12 £'000
(89,916)	Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement	(8,390)
(414)	Removal of transfer to Major Repairs Reserve for un-used Major Repairs Allowance	0
(984)	Removal of Revenue Expenditure Funded from Capital Resources under Statute from Comprehensive Income & Expenditure Statement	0
11,473	Removal of IAS Pension entries in the Comprehensive Income & Expenditure Statement	(104)
42	Removal of (increase)/decrease in accumulated absences	(20)
747	Removal of carrying amount of assets disposed	(473)
(116)	Council tax Deficit/surplus not yet distributed	0
2,167	Contributions to/(from) provision	(411)
0	Other non cash items movements	0
	Items on an accrual basis	0
(30)	Add/(less) (decrease)/increase in stock	28
1,088	Add/(less) (decrease)/increase in debtors	3,110
4,948	Add/(less) (increase)/decrease in creditors & receipts in advance	296
<u>(70,995)</u>		<u>(5,964)</u>

47. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.

2010/11 £'000	Investing & financing activities included in net surplus or deficit on provision of services	2011/12 £'000
(24)	Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement	826
2,744	Capital Grants received or applied to meet financing	0
(997)	Other payments in respect of property	(606)
<u>1,723</u>		<u>220</u>

Housing Revenue Account (HRA) Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2010/11 £000's		Notes	2011/12 £000's
	Expenditure		
5,745	Repairs & Maintenance		5,394
9,657	Supervision & Management		10,058
6	Rents, Rates, Taxes & Other Charges		45
11,309	Negative HRA Subsidy Payable	HRA 2	12,929
85,328	Depreciation, Impairment, Derecognition & Revaluation Gains & Losses of Non-Current Assets	HRA 8	2,197
4	Debt Management Costs		70
213	Movement in the allowance for bad debts		193
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code Settlement payment to Government for HRA self financing	HRA 3	0
0	Total Expenditure		199,911
112,262	Total Expenditure		230,797
	Income		
(32,666)	Dwelling rents	HRA 1	(34,315)
(338)	Non-dwellings rents		(1,139)
(1,422)	Charges for Services & Facilities		(2,520)
(1,015)	Contributions towards expenditure		(972)
(35,441)	Total Income		(38,946)
76,821	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement		191,851
720	HRA Services share of Corporate & Democratic Core		797
77,541	Net cost for HRA services		192,648
(620)	Gain on sale of HRA Non-Current Assets		(342)
273	Interest payable & similar charges		579
(176)	Interest & Investment Income	HRA 4	(106)
(272)	Capital grants & Contributions receivable		(235)
0	Pension Interest and expected return on pension assets	HRA 12	143
76,746	Deficit for the year on HRA services		192,687

Movement on the Housing Revenue Account (HRA) Income & Expenditure Statement

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2010/11 £000's		Note	2011/12 £000's	£000's
(2,430)	Balance on the HRA at the end of the previous year			(3,685)
76,746	Deficit for the year on the HRA Income & Expenditure Statement		192,687	
(76,382)	Adjustment between accounting basis and funding basis under statute	7	(192,222)	
364	Net (increase)/decrease before transfers to or from reserves		465	
(1,619)	Transfers to/from reserves	7	(2,546)	
(1,255)	(Increase)/Decrease in year on the HRA			(2,081)
(3,685)	Balance on the HRA at the end of the year			(5,766)

Notes to the Housing Revenue Account (HRA)

HRA 1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year 0.55% of lettable properties were vacant. In 2010/11 the figure was 0.85%. Average rents were £80.45 a week in 2011/12 (£77.07 in 2010/11).

HRA 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. 2011-12 is the last year of HRA subsidy system and has been replaced with Housing Revenue Account Self Financing.

The following table summarises the basic elements used in the calculation.

Notes to the Housing Revenue Account (HRA)

HRA 2. Housing Subsidy Receivable/Payablecontd.

Notional Subsidy CalculationError! Not a valid link.

** adjustment for 2010/11 subsidy: Additional subsidy payable by the council arose from a late change to the interest due on HRA investments.*

HRA 3. Special Determinations and Transitional Negative Subsidy Transfer

In 2011/12 the Housing Revenue Account was granted a Special Determination of £506,913 payable through the subsidy system. The Determination allows the General Fund to charge the HRA it's share of the Decent Homes supported borrowing costs and for the HRA to be reimbursed via the subsidy system.

Notes to the Housing Revenue Account (HRA)

HRA 4. Interest payable and Interest and Investment Income

Interest payable is due to the General Fund. This interest cost is reimbursed to the HRA via a special determination through the HRA subsidy and relates to the Decent Homes Programme. (See also note HRA 2 Housing Subsidy receivable/payable and Note HRA 3 Special Determinations and Transitional Negative Subsidy Transfer)

The interest credited to the HRA is in respect of interest on receipts, revenue balances and mortgages.

	2010/11 £'000	2011/12 £'000
Interest on receipts	141	58
Interest on revenue balances	21	35
Interest on mortgages	14	13
	176	106

HRA 5. Major Repairs Reserve

Authorities are required to operate a Major Repairs Reserve[Error! Not a valid link.](#)

Notes to the Housing Revenue Account (HRA)

HRA 6. Housing Stock Numbers

The stock movement can be summarised as follows:-

2010/11 No.		2011/12 No.
8,297	Stock as at 1st April	8,280
(13)	Less Right to Buy Sales	(9)
(4)	Properties impaired to be demolished	0
8,280	Stock at 31st March	8,271
5,369	Houses	5,364
2,911	Flats	2,907
8,280	Total	8,271
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The stock numbers disclosed above are properties that are in management and available to let. The total stock valuation included the hostel (equating to 16 equivalent properties) and a further three properties, which are classified as 'out of management'.

HRA 7. Non Current Asset Valuations

Housing Stock

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

As at 1 April 2011	£ 436,808,674
As at 31 March 2012	£ 448,865,548
The Vacant Possession value of the dwellings as at 1 April 2011 was	£1,150,946,875

Notes to the Housing Revenue Account (HRA)

HRA 7. Non Current Asset Valuations (continued)

The valuation of the dwellings in the Balance Sheet is on the basis of fair value, which is the market value on the assumption that the property is sold as part of the continuing enterprise in occupation. 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.

Other non current assets held by the HRA are detailed below:

	1 April 2011	31 March 2012
Vehicles Plant & Equipment	£1,712,759	£458,587

The reduced value of assets results from the council identifying some assets which were already included within the valuation of council dwellings.

HRA 8. Depreciation, Impairment and Revaluation Gains & Losses of Non Current Assets

Depreciation and impairment of non current assets is shown here in respect of HRA dwellings & other non current 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.

2010/11 £000's		2011/12 £000's
	Depreciation	
7,608	HRA Dwellings	9,018
446	Other Assets	292
	Impairment	
49	HRA Dwellings	0
	Revaluation gain	
77,225	HRA Assets	(7,113)
85,328	Total	2,197

Notes to the Housing Revenue Account (HRA)

HRA 9. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2011/12 is summarised as follows:-

2010/11 £'000		2011/12 £'000
	Capital Expenditure	
0	HRA Payment for Self financing	199,911
15,261	Major Repairs & Improvements	12,377
1,256	Disabled Adaptations	833
783	Equipment	71
17,300		213,192
	The Capital Expenditure was financed as follows:	
19	Capital Receipts	56
6,020	Major Repairs Allowance	6,939
10,953	Borrowing (Decent Homes)	5,929
	Borrowing - Unsupported for Self financing	199,911
308	Contributions	357
17,300		213,192

Total Capital Receipts in 2011/12 from the sale of property within the HRA can be summarised as follows :-

2010/11 £'000		2011/12 £'000
(1,299)	Right to Buy Sales	(791)
(24)	Right to Buy Mortgage Repayments	(15)
(40)	Other Land & Property *	(12)
(1,363)		(818)

*Includes repayment of Right to Buy discounts

HRA 10. Rent and Supported Housing Payment Arrears

During the year 2010/11 rent arrears as a proportion of gross rent income were 3.1% (2.8% in 2010/11).

2010/11 £'000		2011/12 £'000
998	Arrears at 31 March	1,182
137	Amounts written off during the year	83

The bad debts provision stood at £508,520 at 31 March 2012 (£398,244 at 31 March 2011).

Notes to the Housing Revenue Account (HRA)

HRA 11. Revenue Expenditure Funded from Capital under Statute.

There was no HRA expenditure in 2011/12 relating to revenue expenditure funded from capital under statute.

HRA 12. Accounting for Pension Costs in the HRA

Note 39 of the core financial statements gives a detailed explanation to the accounting requirements for pension costs. In 2011-12 staff transferred back to the council and the HRA now picks up a proportion of pension fund transactions. The following transactions were made in the HRA in 2011/12 to reflect its share of the pension fund transactions in the year.

2010/11* £'000		2011/12 £'000
	Cost of service	
0	Current service costs	265
0	Past service costs	15
	Financing and Investment Income & Expenditure	
0	Interest costs	963
0	Expected return on scheme assets	(820)
0	Total Post Employment Benefit Charged to the HRA Income and Expenditure Statement	423
	Movement on the HRA Statement	
0	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	423
0	Employer's contributions payable to the scheme	462

* As staffing costs for the HRA were previously incurred by Stevenage Homes Ltd there were no comparative entries in earlier years.

The Collection Fund Statement 2011/12

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. Stevenage Borough Council is a billing authority.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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Notes to the Collection Fund Statement

CF 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; (28,797.44 for 2011/12, 28,570.81 for 2010/11). The basic amount of council tax for a band D property £1,455.17 (£1,455.17 for 2010/11) 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		1,436	5,983	20,848	3,168	2,916	836	416	12	35,615
Exemptions		(71)	(220)	(281)	(36)	(19)	(5)	(8)	(5)	(645)
Disabled Relief	1	4	81	(73)	16	(25)	2	(5)	(1)	0
Discounts (25%)	0	1011	3,821	6,687	797	455	105	55	0	12,931
Discounts (10%)	0	46	125	190	24	19	15	10	3	432
Equated Value Discount	0	257.35	967.75	1,690.75	201.65	115.65	27.75	14.75	0.30	3,275.95
Effective Properties	1.00	1,111.65	4,876.25	18,803.25	2,946.35	2,756.35	805.25	388.25	5.70	31,694.05

Notes to the Collection Fund Statement

CF 1. Council Tax (continued)

The income chargeable of £47,948,481 2011/12 is from the following sources:

2010/11 £		2011/12 £
34,745,504	Billed to Council Tax Payers	35,285,332
7,109,609	Council Tax Benefits	7,331,564
<u>5,552,443</u>	Exemptions, Discounts, etc.	<u>5,331,585</u>
<u>47,407,556</u>		<u>47,948,481</u>

CF 2. National Non-Domestic Rates

The Government specifies an amount (41.4p in 2010/11 and 43.3p in 2011/12) 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 42.6p in 2011/12 (40.7p in 2010/11). The council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a 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 £44,554,285 for 2011/12 (£40,189,374 2010/11). The rateable value for the council's area is £111,398,085 at 31 March 2012 (£111,271,565 at 31 March 2011). The rateable value changes throughout the year due to increases and decreases in assessments.

CF 3. Contributions to Collection Fund Surpluses

The surplus on the Collection Fund as at 31 March 2012 was £499,026. Hertfordshire 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. The surplus calculated in proportion to the respective precept made as at 31 March 2012 is as follows:

2010/11 £		2011/12 £
87,754	Stevenage Borough	64,650
119,915	Hertfordshire Police Authority	50,683
<u>930,046</u>	Hertfordshire County Council	<u>383,693</u>
<u>1,137,715</u>	Total	<u>499,026</u>

**In accompaniment to the
Statement of Accounts:**

**Statement of
Internal Control –
Annual
Governance Report**

Annual Governance Report

1 Scope of Responsibility

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 This Statement explains how the council has complied with the code and also meets the statutory requirements in section 4(2) of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.
- 1.5 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.

2 The Purpose of The Governance Framework

- 2.1 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.
- 2.2 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.

Annual Governance Report

- 2.3 The governance framework has been in place at the council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.
- 2.4 Stevenage Homes Ltd, previously an Arms Length Management Organisation for the council was integrated with the council from 1 Dec 2011. On 28 November 2011, Stevenage Homes submitted a 'State of the Company' report to their Board. The report provided a position statement on the performance of Stevenage Homes Limited prior to integration with the council. The report considered:
- Operational Performance
 - Financial Performance
 - Human Resources
 - Strategic Risk

From 1 December 2011, Stevenage Homes (Housing Services) were subject to the governance arrangements of the council, though harmonisation of protocols will be carried out. Consequently, the processes set out in this statement apply.

3 The Governance Framework

- 3.1 Corporate Governance Group meet six times per year to drive continuous improvement of the council's Governance Framework and develop the assurance framework with a focus on the CIPFA six core principles of corporate governance.
- 3.2 In addition, a review of the requirements that make up the CIPFA Six Principles of Corporate Governance has been carried out to identify any weaknesses and Service Based Governance Statements have been compiled that contribute to overall assurance for the 2011/12 Annual Governance Statement.
- 3.3 Following integration of Stevenage Homes, as outlined in paragraph 2.4, the Housing Services were assigned to the responsibility of the Council's Strategic Director Communities. Due to interim integration arrangements, the Strategic Director Communities has provided assurance that robust governance arrangements have been in place for these services from 1 Dec 2011 to 31 March 2012.
- 3.4 The key elements of the systems and processes that comprise the council's governance arrangements are summarised in sections 4 to 20
- 3.5 At the end of each section, any identified improvement actions have been summarised. These actions are set out in the Action Plan at section 22 with planned delivery timescale.

Annual Governance Report

Governance Arrangements

4 Establishing and Monitoring the Achievement of Objectives

Establishing objectives

The council's vision for the town and strategic ambitions and associated priorities are set out in the Corporate Plan (Making a Difference) 2008 – 2013. The Plan links with the Stevenage Community Strategy which is produced in liaison with the council's strategic partners on SoStevenage, the Local Partnership.

Each strategic ambition has an associated programme of work with projects to deliver the priorities and these are set out in the council's Corporate Improvement Programme. As part of the Performance Management Framework, programme governance arrangements are in place to monitor delivery.

The council has made considerable progress since the publication of the Corporate Plan (Making a Difference) in 2008 and publish an Annual Report each year to inform the community of our progress and advise any necessary changes of focus to reflect:

- Local Government Legislation
- Results of Community Consultation
- Analysis of local data and demographics

In response to emerging changes in Local Government Legislation and the economic environment, an interim review of the Corporate Plan was carried out during 2010/11. The review indicated that some minimal revision was required to the ambitions and priorities. In addition the council adopted a set of co-operative principles that recognise that the support and partnership of organisations, residents and staff is needed to run services. These revisions were communicated through the Annual Report 2011.

A full review of the Corporate Plan commenced during 2011/12 to define what the council wants to achieve over the next five years. It is intended that the full review of the Corporate Plan will:

- Determine focussed priorities that are achievable with the council's resources in the current financial context
- Enable the council to clearly articulate the co-operative approach, recognising that the support and partnership of organisations, residents and staff is needed to run services
- Demonstrate a commitment to community involvement in service design and delivery
- Assign clear performance measures and targets to monitor success.

In January 2011, the council launched its new Cooperative Principles, which promote and support the close working relationships the council has with the town's residents and organisations. The principles were communicated to the public in the Annual Report 2011. More information is provided in Section 11 of this Statement

Annual Governance Report

4 Establishing and Monitoring the Achievement of Objectives

Monitoring the achievement of objectives

Arrangements to monitor performance include quarterly monitoring of:

- The Corporate Improvement Programme
- Balanced Scorecard results
- Strategic Risk

Further detail on the Performance Management Framework is set out in section 17

Residents' views on priority activity and perceived outcomes is established through local consultation

During 2011/12, consultation and participation activity has included:

- Two Café Choice events – at Stevenage Day in June and in the town centre in December
- 'Your Choice, Your Voice' community conference – residents were invited to tell us what they think of council services, and help shape the budget for the next few years
- A town-wide survey – questionnaires were sent to around 4,000 homes seeking views on how well services are delivered and what our priorities should be for the town.
- Tenants' Survey – questionnaires were sent to 2,500 council tenants seeking views on the delivery of housing services.

In May 2009 the council was assessed as 'achieving status' of the Equalities Standard for Local Government. Following changes in legislation, our equality and diversity action plan was developed in 2011/12, outlining a programme of activity for completion in 2013 to implement improvements to our equalities and diversity arrangements across the council.

Our approaches to consultation and engagement and ensuring equalities and diversity, articulate how we 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. For further information on consultation, please see section 8.

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

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

Improvement Activity:

The council considers the governance processes in place to 'Establish and Monitor the Achievement of Objectives' robust and no significant improvement actions are identified. However, as indicated, in keeping with the council's current arrangements and schedule for the review of ambitions and priorities, the Corporate Plan is being reviewed during 2012/13 to ensure current standards are maintained.

Annual Governance Report

5 The Facilitation of Policy and Decision-Making

Constitution

The Council has an approved Constitution which details how the council operates, how decisions are made and the procedures that 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.

Executive

Under the Council's Constitution, the Executive meets on a monthly basis and comprises the Leader of the Council and seven other Councillors from the Majority Group. Both the Leader of the Council and each of the seven Councillors have a specific area of responsibility, as their Portfolio. The Portfolio areas are:-

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

- The Leader of the Council has Portfolio responsibility for Town Twinning, Modernisation of Local Government (new political structures and the Constitution), Media and Communications, Public Consultation, Partnerships, Members' Services including the Modern Member Programme and the Civic Suite.

The Council appoints the Leader who then appoints the Executive and identifies their Portfolio areas. 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.

Decision-making

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. Strategic Directors meet with their relevant Portfolio Holders on a regular basis to brief them on all aspects within their remit.

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.

Annual Governance Report

5 The Facilitation of Policy and Decision-Making

Overview and Scrutiny

The council has seven Development & Scrutiny Committees that mirror the Executive portfolios in terms of their remit. The Committees undertake scrutiny studies on topics/services they decide upon for themselves, and also assist Portfolio Holders in developing new policies. Relevant Committees formally consider budget and policy framework matters before final consideration by the Executive and recommendation to Council. Each month the decisions of the Executive are sent to all Scrutiny Members 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 results in a matter being reconsidered by the decision maker.

Compliance with recent legislation

In accordance with the provisions of the Local Government and Public Involvement in Health Act 2007 the council was required to adopt new arrangements for its executive governance to come into effect from May 2011. At an Extraordinary meeting of the Council in December 2010 it was agreed that 'a Leader and Cabinet Executive (England) model' prescribed in Section 11 of the Local Government Act 2000 (as amended) be adopted with the following principal elements:

- (a) The Council appoints a Leader for a 4 year term unless he or she is removed from office, or is disqualified or ceases to be a Councillor.
- (b) The Leader appoints a cabinet (Executive) of between 2 and 9 councillors and allocates any areas of responsibility (portfolios) to them. The Leader also determines the scheme of delegation for the discharge of the executive functions of the Council.
- (c) The Leader appoints a Deputy Leader from the Cabinet (Executive) whose term of office will be the same as the Leader's save that the Leader can replace the Deputy at any time. The Deputy Leader will exercise all the powers of the Leader in their absence.
- (d) The Council will be able to remove the Leader by a majority resolution of the Council.
- (e) The 'Local Choice Functions' set out in the Council's current Constitution will be maintained.

Improvement Activity:

The council considers the governance processes in place to 'The Facilitate Policy and Decision-Making' robust and no significant improvement actions are identified.

Annual Governance Report

6 Compliance With Policies, Procedures, Laws And Regulations

Governance Structure

The Council has structured its processes and procedures for the Executive and Scrutiny Committees 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, and 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.

Regulation Guidance

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.

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, an Employee Code of Conduct, protocol on Members/officer relations, financial regulations, budget and policy framework, contract standing orders)
- Members' Register of Interests
- Corporate Plan
- Corporate Improvement Programme.
- Risk Management Policy and Risk Management Guide
- Performance Management Framework
- Communications Strategy
- Whistle Blowing Policy
- Corporate Procurement Strategy
- Business Continuity Policy

Improvement Activity:

The council considers the governance processes relating to 'Compliance with Policies, Procedures, Laws and Regulations' robust and no significant improvement actions are identified.

Annual Governance Report

7 Receiving and Investigating Complaints from the Public

Complaints relating to Service Delivery

The council has a robust complaints procedure, which is publicised via the council's website and in council buildings. Complaints can be received anywhere in the council but are coordinated centrally by staff in the council's Customer Service Centre. Details of the procedure and complaints forms are available on the council's website and in the Customer Service Centre.

However, the process has not been reviewed for several years. We plan to review the complaints and compliments system during 2012/13. In addition, Customer Access Reviews are planned to improve customer access and reduce failure demand. These reviews will include consideration of how complaints are handled.

Complaints regarding Member Conduct

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).

However, the Localism Act changes entirely the ethical standards regime for Members. It is not known for certain when this change will be brought into force or what the detail of the scheme will be as Statutory Instruments are awaited. However, an implementation date of 1 July is anticipated. Preparations are underway and the progress of emerging implementation is being watched carefully by the Borough Solicitor and Chief Executive, and the Leader of the Council is aware of developments.

Under the Localism Act, the council will be able to make its own Code of Conduct for Members. Several models are in circulation, including separate drafts from DCLG and the Local Government Association. It is also open to the council to keep its existing code, in so far as it does not conflict with the yet unknown Statutory Instruments to be made under the Act.

Improvement Activity:

Whilst the council considers the governance processes for 'Receiving and Investigating Complaints' provide sufficient assurance, they have not been reviewed for several years. As a result plans are in place to review and update the processes as set out below:

Action: Complete relevant strands of the Customer Focus Strategy in relation to the Customer Access Review Project and in particular arrangements to deal with failure in service delivery (Ref 1 of Action Plan at section 22)

Action: Complete relevant strands of the Customer Focus Strategy, in particular a review of corporate complaints procedures. (Ref 2 of Action Plan at section 22)

Annual Governance Report

8 Establishing Clear Channels of Communication with all Sections of the Community and other Stakeholders, Ensuring Accountability and Encouraging Open Consultation

Communication

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

The council's Corporate Communications Strategy, Let's Talk, sets out the process to ensure the council communicates its aims and achievements to all stakeholders. The purpose of the strategy is to determine how the council will establish and maintain clear and relevant two-way channels of communication in order to create an informed and recognisable profile for Stevenage Borough Council and a positive image of the town as a whole.

The strategy sets out our Communications Pledge, which is:

We will communicate clearly, openly, accurately and regularly with our residents, with our partners, and with each other, in order to promote mutual understanding, and give a better service to the people of Stevenage.

A Communications Forward Plan is maintained and submitted to Strategic Management Board monthly to ensure that robust communication is carried out across all council services and with key stakeholders.

Consultation

A review of the council's approach to participation and engagement with the community, voluntary and private sector commenced during 2011/12. A summary of progress to date is set out below:

- Building on the excellent relationship we have with the voluntary and community sector we worked with them to make sure their views were considered when we developed our approach to supporting them.
- We surveyed over 400 businesses in the town asking for their views on how they currently support, or would like to support, local groups through staff volunteering, business advice and use of other skills.
- A consultation audit was initiated to establish the level and nature of consultation being carried out by services across the authority

This information has informed the consultation and engagement framework that is currently being implemented. However, further improvement is planned and the findings from the research will inform a revised consultation and engagement framework for implementation from July 2012.

Councillor Call for Action

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. Additionally a formal Petition Scheme, including provisions for E.Petitions was introduced in 2010.

Annual Governance Report

Improvement Activity:

Whilst the council considers the governance processes for 'Communication with All Sections of the Community and Other Stakeholders..' provide sufficient assurance, the consultation framework is currently being reviewed.

Action: A draft report on the revised consultation and engagement framework is scheduled for consideration by Executive in July 2012. (Ref 3 of Action Plan at section 22)

9 Incorporating Good Governance Arrangements in Respect of Partnerships and Reflecting these in the Council's Overall Governance Arrangements

'Significant Partnership' Governance

Partnerships are a key component for service provision. The council has two significant partnerships:

- SoStevenage, the local partnership
- Stevenage Leisure Limited (SLL)

In addition, there are emerging significant partnerships through shared services.

SoStevenage includes a governance statement in its *Guide to SoStevenage* that sets out risk and performance management arrangements.

The governance arrangements for **SLL** are subject to contractual arrangements and underpinned by a detailed management agreement.

The council's Corporate Risk Group monitors consistency of risk management across key partnerships as identified in section 10.

Stevenage Homes Ltd (SHL) was considered a significant partner to 30 November 2011. As an Arms Length Management Organisation arrangements with SHL were also underpinned by detailed management agreements. Following consultation with residents, SHL was integrated with the council from 1 December 2011. (Please see section 18 for further information)

In addition to the governance processes above, the council is a leading partner in the development of the Community Strategy, liaising with SoStevenage partners regarding the setting of priorities and actions for delivery, and seeking the partnership's agreement for implementation.

Shared Service arrangements

The council has been working with other Hertfordshire local authorities during 2011/12 to consider and establish shared service initiatives:

- A Shared Internal Audit Service (SIAS) went live from July 2011
- A Housing Benefits and Local Taxation Service shared with East Herts District Council went live from the end of March 2012.

Annual Governance Report

East Herts, North Herts and Stevenage councils have, in a strategic business case, agreed that there were likely to be significant benefits arising from partnerships for the following:

- ICT
- Human Resources and Payroll
- Facilities Management; and
- Print services

A detailed business case will be submitted to the three Executive Committees in July 2012.

9 Incorporating Good Governance Arrangements in Respect of Partnerships and Reflecting these in the Council's Overall Governance Arrangements

The arrangements for managing these projects and the governance arrangements for the ensuing partnerships are likely to differ. However, there are a number of common principles that apply to all. All project work has been and will be undertaken jointly by the partners in line with good project management practice. Decisions that need to be signed off by Members are signed off concurrently. Partnership governance arrangements are formal and involve both Member and senior management oversight of the partnerships from all participating partners.

Partnership Governance Guidance

A Partnership Toolkit is available to all staff on the council's Intranet.-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.

In summary, the Toolkit sets out guidance on:

- Governance arrangements
- Risk management
- Financial arrangements
- Communication and engagement
- Dispute resolution

Improvement Activity:

The council considers the governance processes in place relating to 'Incorporating Good Governance Arrangements in respect of 'Partnerships and reflecting these in the Council's Overall Governance' robust and no significant improvement actions are identified. However, as indicated, the council is pursuing further shared service arrangements with other Hertfordshire authorities.

The council hope that sharing services may provide an opportunity for improvements to the sustainability and resilience of services in scope, delivering a level of quality and efficiency that is not achievable individually. The detailed business case will outline possibilities.

Annual Governance Report

Risk Management

Policy and Direction

The council has an approved Risk Management Policy, and a Risk Management Guide is available to all employees. Strategic and Operational Risk Registers are in place. Both the Strategic and Operational Risk Registers require risks to be scored in terms of their 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.

During 2011/12 each service has identified both Strategic and Operational risks. The Strategic Risk Register is monitored, on a quarterly basis, by the Council's Strategic Management Board (SMB). The Audit Committee also review the latest Strategic Risk Register as a standing agenda item.

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.

Corporate Risk Group

A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, set up in July 2008, meets quarterly. The group's role is to oversee and review the reporting process and the development of the council's approach to risk. The Chair of the Audit Committee and the Members' Risk Champion are invited to this group. The Risk Management Group reviews the content of the Strategic Risk Register before it goes to SMB and quality assures the risk management process as summarised below:

- Considers whether the content of the Strategic Risk Register reflects the risk environment the organisation is facing
- Identifies new or emerging risks that may require management at corporate level
- Challenges mitigation actions planned to manage new and existing strategic risks
- Monitors consistency of risk management across key partnerships
- Considers quality and content of Operational Risk Registers at least annually
- Considers the council's risk appetite

The council's risk appetite was clarified during 2011/12. CRG agreed that any residual risk score of 10 or above (a 'High' or 'Very High' level risk) is above tolerable level. A clear process of escalation for risks above 'tolerable' level was set out for officers.

Operational Risk Management

The Operational Risks Registers are developed and monitored by the relevant Head of Service. Action plans are developed to mitigate key risks and delivery monitored. Any risks which should be escalated to strategic level are added to the quarterly review of the Strategic Risk Register and reported to SMB. A report on the status of Operational Risk Registers is submitted to Strategic Management Board on a quarterly basis. The report identifies when Operational Risk Registers for each service delivery unit were last reviewed and provides an indication of the quality of the register, based on assessment by the Performance and Improvement Team.

Annual Governance Report

Project Risk Management

The council also requires project risks to be identified for major projects and capital schemes when seeking approval from Executive. Identified risks are added to the Strategic Risk Register where appropriate. Project risks are further defined in Project Initiation Documents and monitored by Project Managers during the implementation phase of projects.

Training

Since 2008/09, the council's insurers have provided a programme of risk management consultancy to strengthen and embed our risk management arrangements. Training and awareness workshops have been provided for Heads of Service on the council's approach to risk by Zurich in 2008, followed up with in-house training in 2009. Further training on risk identification was carried out by Zurich with Heads of Service in May 2011 and officers are offered one to one training appropriate to need. Officer training is particularly focussed on the development of operational level risk registers. Risk management training has been provided for Members annually since 2009/10 as part of the Modern Member Programmes. In 2011/12, this training focused on the launch of a new 'pocket sized' Risk Management Guide for Members. We will continue to enhance training to meet particular needs.

Improvement Activity:

The council considers the governance processes in place in relation to 'Risk Management' robust, achieving a 'substantial assurance rating from the Shared Internal Audit Service for 2011/12 and no significant improvement actions are identified.

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

Member Codes and Protocols

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 that identify development needs
- Standards Committee with an independent Chairperson.

In 2011, in advance of the MPs' 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.

Recent audits have not identified any necessary further improvements.

Annual Governance Report

Complaints regarding Members

As outlined in section 7, under the Localism Act, the Council will be able to make its own Code of Conduct for Members. Several models are in circulation, including separate drafts from DCLG and the Local Government Association. It is also open to the Council to keep its existing code, in so far as it does not conflict with the yet unknown Statutory Instruments to be made under the Act.

Officer Code of Conduct

The Employee Code of Conduct was revised and reported to Council in February 2011. The code:

- Sets out the general standard of conduct expected of officers
- Includes a re-statement of the law and guidance on officers accepting gifts and hospitality
- Includes a statement of the statutory requirements (with criminal sanctions for default) for officers to register certain interests.

During 2011/12, measures have been taken to increase awareness of the code using the Council's 'Message of the Day', the staff magazine, 'Link' and Induction processes.

Organisation's Values

In January 2011, the council launched its new cooperative principles, which promote and support the close working relationships the council has with the town's residents and organisations. The principles were communicated to the public in the Annual Report 2011. Staff communication was initiated by the Chief Executive's Road-show references to the Council's Cooperative Agenda. However, further communication with staff is necessary to ensure that the principles are widely applied and embedded in corporate culture.

Improvement Activity:

Whilst the council considers the governance processes in place to 'Develop, communicate and embed Codes of Conduct detailing standards of behaviour for Members and officers' sufficient, the Council's Cooperative Principles are not fully embedded in corporate culture. An action to address this is set out below:

Action: Communicate change of values to cooperative principles to staff (Ref 4 of Action Plan at section 22)

12 Member and Officer Capacity and Capability

Officers

The council's approach to developing officers aims to find a balance between appropriate capacity, continuity of knowledge and renewal of thinking that encourages officers to develop their capabilities to meet the current and future needs of the organisation.

During 2011/ 12 the council prepared for and then reassumed direct responsibility for housing services and transferred the ALMO in house. This has resulted in an increase in more than one third of staff and so all HR programmes of work have been adjusted accordingly. As well as holding briefing sessions, we have also progressed more than 250 staff through a formal induction programme.

Annual Governance Report

The transfer is delivering savings which are arising in the main from organisation restructures. The HR team have supported the design, creation and launch of new posts across that senior management structure and also in performance improvement.

Training is designed in accordance with corporate and individual needs, in addition to the technical and professional training requirements that ensure compliance with legislative and corporate governance changes.

Training during the year has continued to focus on how to support managers and staff during periods of corporate change (including developing project management skills and cultural awareness and health and wellbeing issues) has resulted in reduction in absence levels in the organisation and the sickness levels are now below the national averages for both public and private sectors.

Training during 2011/12 has focused also on multi-skilling staff to ensure resilience and as directed by corporate needs to facilitate business continuity has included:

- Microsoft Office IT skills training
- Change management training including TUPE awareness
- Management training, incorporating managing team dynamics

Housing staff are being incorporated into the council's training programmes.

In addition, we helped 46 officers obtain NVQs in Cleansing and Support Services, Waste Management Operations and Grounds Maintenance.

The last staff survey from 2009 gave a generally positive response regarding staff feeling adequately skilled to do their job.

However, the organisation recognises that it would benefit from continuing to be more proactive about the development of staff for the future. This issue is important not least because it is linked to staff retention and staff engagement. Succession planning is an important way to target training and development, and a refresh of the Workforce Planning Policy and People Strategy is planned following implementation of Single Status.

During the year ending March 2012, 98% of performance appraisals were completed. However, a review of the performance appraisal process may enhance meaningful performance dialogue for all staff with their managers. The design and implementation of a Competency Framework is planned following implementation of Single Status to support resourcing, pay and the performance management of officers throughout the council. Council positions for more than 700 staff were reviewed during 2011/12 as part of the Single Status work programme (incorporating harmonisation of pay and conditions). In addition, some technical competency frameworks have been reviewed and are in place e.g. in the Customer Service Centre to support skills development and resilience.

Members

The Modern Member Programme (MMP) is working well and Members are engaged with the programme reporting an average level of satisfaction with training of 90% and regularly attending the events. The attendance rate of 64% is the best in the region.

Annual Governance Report

Skills development for Councillors aligns to specific roles and groups, recognising the different skills requirements in Councillor Roles. During 2011/12 a training programme was carried out for Councillors in scrutiny groups to support the development of chairing skills, questioning skills, research techniques and community engagement.

In addition, all Councillors receive refresher training and skills development in relation to legislative matters, financial awareness, ethics, code of conduct and risk management.

We are now planning member and staff training in the use of social media.

Induction training for new Councillors includes core competence training to ensure compliance with constitutional codes of conduct and practice, in addition to service function overviews and skills training in accordance with Councillor Roles.

Improvement Activity:

The council considers that the governance processes in place to monitor and develop 'Member and officer capacity and capability' are sufficient. The implementation of Single Status is in progress to harmonise terms and conditions.

Activity previously identified relating to 'Member and officer capacity and capability' have been deferred until after implementation of Single Status to ensure appropriate alignment of policies and procedures.

Consideration will be given to the appropriate way forward once Single Status has been implemented.

13 Internal Audit Arrangements

Annual Audit Coverage

The council's Internal Audit service was transferred to the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council from the 1 June 2011. 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 Head of Assurance reports to the Council's Assistant Director 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 Head of Assurance 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 Service 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.

Annual Governance Report

2011/12 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2012. From the internal audit work undertaken in 2011/12 the Shared Internal Audit Service (SIAS) can provide Moderate assurance on the adequacy and effectiveness of the council's control environment. The assurance is broken down between financial and non-financial systems as follows:

- **Assurance opinion on financial systems:** SIAS overall opinion is *Substantial Assurance*; whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk
- **Assurance opinion on non-financial systems:** SIAS overall opinion is *Moderate Assurance*; whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.

The 2010/11 Annual Governance Statement highlighted some particular recommendations relating to the declaration of officer interests. Some progress has been made during 2011/12 with the review of, and awareness raising in regard to the Officer Code of Conduct. However, appropriate actions for the following recommendations are to be considered:

- The relevant Strategic Director or Head of Service is made aware of officer interests within their service areas. An assessment of whether action needs to be taken to manage an officer interest and any action taken should be documented.
- Procedures for the management review of the Interest Register should be developed and approved for use.
- Separate registers for Officer Interests, and Gifts and Hospitality are maintained
- To ensure adequate separation of duties in the Strategic Director Resources review of the declarations made in the Officer Interests Register, and Gifts and Hospitality Register, an alternative officer reviews any declarations made by the Strategic Director Resources

The recommendations made are being reviewed by relevant officers and appropriate plans developed.

Improvement Activity:

The council considers that the 'Internal Audit Arrangements' are robust and no significant improvement actions have been identified.

14 Audit Committee

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

Annual Governance Report

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 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, and '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

The Audit Committee is an advisory committee of the council. It has been constituted in line with best practice recommendations from CIPFA guidance. In 2011/12 the membership of the Audit Committee includes only one Executive Member, two Opposition Members, a Majority Group Scrutiny Member and the Chair plus one other Member who is neither on the Executive, nor serves on a Scrutiny Committee. The Committee is further supported by an independent representative who, in addition to independence also brings further financial/accounting professional skills. The Committee has received specific training by our external auditors and in-house training on the Statement of Accounts and Treasury Management. 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.

The structure and role of Audit Committees was subject to the consultation on the review of local public audit arrangements published in March 2011. The consultation set out options for independent audit committees to appoint auditors. The Department for Communities and Local Government (CLG) published a response to a consultation on the Framework in January 2012. The response indicates that the following key principles will apply regarding the appointment of an auditor:

- Local public bodies will have a duty to appoint an auditor from the register of local public auditors
- Appointment of the auditor will be made by the full council on the advice of an Independent Auditor Appointment Panel.
- The independent Appointment Panel will have an independent chair and a majority of independent members

CLG plan to hold further discussions with local authorities to determine the detail of the future framework of local public audit and its implementation.

The council currently has a contract with Grant Thornton for the provision of External Audit Services. As a result the council has sufficient time to develop and establish the necessary processes for the appointment of auditors.

Annual Governance Report

Improvement Activity:

The council considers that the operation of the 'Audit Committee' is robust and no significant improvement actions have been identified.

15 Ensuring Economic, Efficient and Effective Use of Resources

Budget Process

The council has continued 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 identifying budget pressures as part of the Service and Financial Planning process, starting with the MTFS in July and then formal approval (growth bid) as part of the annual budget setting process in February, (January for the Housing Revenue Account). In year pressures will be reported to SMB and Executive as part of the quarterly monitoring process for approval, with any mitigating actions. The Performance Management Framework ensures that changes identified as part of the service and financial planning process are cascaded through to front line service provision through Performance Development Meetings (PDMs) as part of the management review processes for all members of staff. The effectiveness of these processes is recognised in the council's achievement of Investors in People (IiP) status. Effective Workforce Planning also forms a key part of the council's processes to seek to ensure effective use of resources. The council's Corporate Plan is supported by service planning 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

Consultation to inform Use of Resources

The council provided a number of online and face to face opportunities for people to contribute to the budget consultation exercise in 2011/12. From September until January there was a dedicated area on the council's website that brought information together in one place about all the avenues available for people to get involved. As well as providing information about meetings and events, it included links to the Council's Facebook and Twitter pages, a link to the online community forum and an opportunity to complete a short online questionnaire. A community consultation event (the Community Conference) took place in November 2011 to seek residents' views and ideas on how the council could respond to the financial challenges it is facing. In December 2011 the consultation event Café Choice took place in a marquee in the town centre and provided residents with an opportunity to give their views on savings proposals.

Continuous Improvement

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.

The current unprecedented financial context the council faces requires ever more focus on budgetary control to ensure that the council delivers maximum effectiveness and efficiency with the resources available in times of economic constraint.

Annual Governance Report

To support the council's commitment to efficient and effective use of its resources, special Challenge Board meetings were convened throughout the year to review the process for savings, and growth. Identifying potential opportunities for efficiencies with a view to challenging Heads of Service on their total resources not just on options submitted for consideration, while ensuring options were aligned to the council's priorities. SMB and the Executive Portfolio Holders supported by officers then challenged the package of savings and growth bids. The Leaders Services Priority Group reviewed the savings and the Council's Strategy (MTFS) and the assumptions underpinned within it and associated policies e.g. Fees and Charges Strategy. 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.

Improvement Activity:

The council considers that the governance processes in place to ensure the 'Economic, Effective and Efficient Use of Resources' are robust and no significant improvement actions are identified.

16 Financial Management

Compliance with Financial management legislation and guidance

Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer.

Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and the role in the council demonstrates the five principles that define the core activities and behaviours of the role. The Chief Financial Officer is:

- A member of the Strategic Management Board
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and decision align to the Council's financial strategy.
- A key lead on the promotion and delivery of good financial management of the Council, so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Directs a finance team that is resourced to be fit for purpose
- Professionally qualified and suitably experienced.

The systems of internal financial control provide reasonable but not absolute assurance that finances 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.

Framework of Management Information

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 2011/12 include the following:

Annual Governance Report

- The setting of detailed annual budgets, Council Tax and Housing Rents
- 30 Year HRA Business Plan to reflect the new HRA self financing regime
- Regular Treasury Management officer meetings to ensure compliance with the Treasury Management Strategy.
- Regular 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
- 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 on to Executive
- Continuous reviews, updating and reporting of the Council's General Fund and HRA Medium term Financial Strategies and the monitoring of finances against the Medium Term Plans 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.

Treasury Management

The council has enhanced its treasury management arrangements following the Icelandic Banks collapse in line with the CIPFA Revised Treasury Management Code and Guidance. This includes training of key staff and Members, improved information and regular reviews by Councillors in both Executive and Scrutiny functions (Audit Committee), and above all ensuring the security of the council's investments.

The controls created by management are evaluated to ensure that council ambitions are being achieved:

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

Financial management arrangements

The council's financial management arrangements consist of a number of interrelated strands:

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

Medium Term Financial Planning – The council publishes in its Budget Book revenue and capital projections for the next few years. The projections are reviewed and updated on at least an annual basis. The in year and the five year forecast are reviewed as part of the

Annual Governance Report

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 ambitions and priorities. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.

Budget Preparation – The council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2010/11 the Council was able to identify a savings package of some £1.65million for 2011/12, which while still focussing on efficiency savings included some service reductions. The Forward Plan bids were geared to help the residents of Stevenage affected by the recession.

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.

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.

Improvement Activity:

The council considers the governance processes for 'Financial Management' robust, as supported by audit reports and no significant improvement actions are identified.

17 Performance Management – Objectives And Service Delivery

Corporate Improvement Programme

The portfolio of projects agreed to deliver the council's ambitions and priorities (or meet legislative change) form the council's Corporate Improvement Programme. All projects on the programme are agreed by either SMB or the relevant Director. The Corporate Improvement Programme consists of two tiers of projects:

Tier 1 – capacity to deliver and progress monitored by Strategic Management Board quarterly

Tier 2 – capacity to deliver and progress monitored by Directors quarterly.

The monitoring arrangements put in place for the Corporate Improvement Programme create a structured process of managing change. It enables the organisation to maintain an effective balance of organisational change and 'business as usual' with the capacity that is available.

Annual Governance Report

Balanced Scorecard

The council introduced a Balanced Scorecard for reporting performance information, from April 2008. 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 to aid 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. The scorecard is reviewed annually to ensure the suite of measures is appropriate and robust. 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 the council's performance
- Includes data quality status for individual indicators
- Sets out the trend of results that enables a comparison of quarterly results over time and year on year.

The Scorecard is presented to Executive on a quarterly basis by the Chief Executive.

Annual Report

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 reason for the adjustment is explained.

Customer Satisfaction

The council has systems in place to measure customer satisfaction in the Customer Service Centre (CSC). Systems were developed further during 2008/09, with the introduction of Govmetric, which allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's website in real time.

In 2011/12, the council received the Govmetric Award for Council of the Year 2011 recognising both the high levels of customer satisfaction achieved and the high levels of feedback through Govmetric attained from customers.

Improvement Activity:

The council considers the governance processes for the 'Performance Management of Objectives and Service Delivery' robust and no significant improvement actions have been identified.

Annual Governance Report

18 Stevenage Homes

A Housing Options appraisal involving several months of research and consultation with tenants was carried out in 2011. As a result, Stevenage Homes Ltd, previously an Arms Length Management Organisation for the council, was integrated with the council from 1 Dec 2011. On 28 November 2011, Stevenage Homes submitted a 'State of the Company' report to their Board. The report provided a position statement on the performance of Stevenage Homes Limited prior to integration with the council. The report considered:

- Operational Performance
- Financial Performance
- Human Resources
- Strategic Risk

In relation to strategic risk, risks deemed 'unacceptable' in the report included:

- The termination of the Management Agreement with the Council: Housing management transferred to the council on 1 December 2011 as outlined below. The council does not consider there to be any risk to the delivery of housing services.
- Self Financing leading to risks associated with Assets Management: Consultants have reviewed the 30-year HRA Business Plan to assess the impact of government funding decisions. Officers have modelled options for bridging the long term investment gap that was originally identified. This included the reprioritisation of housing capital programmes. The council monitors risk associated with both the HRA and Asset Management on its Strategic Risk Register
- Single Status: The council monitors risks associated with the delivery of Single Status on its Strategic Risk Register.
- Damage to relationship with the council: Stevenage Borough Council and Stevenage Homes have taken all possible measures to ensure that relationships are not damaged during the process of transferring Stevenage Homes' staff to the Council.

From 1 December 2011, Stevenage Homes (Housing Services) were subject to the governance arrangements of the council, though harmonisation of protocols will be carried out. Consequently, the processes to deliver good governance set out in this Statement apply.

All staff were consulted on initial restructure proposals following the integration, and changes agreed are now being implemented.

Improvement Activity:

As Stevenage Homes Ltd has integrated with Stevenage Borough Council, no forward actions apply for the forward management of Stevenage Homes as a separate organisation.

Annual Governance Report

19 Review of Effectiveness of Systems of Internal Audit

The Accounts and Audit Regulations 2011 came into force from 31 March 2011. Paragraph 6 (3) states, "A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its system of Internal Audit".

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 Head of Assurance.

The self assessment and peer review 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.

The 2009/10 Annual Governance Statement reported that 96% of the planned days in the 2009/10 audit plan were delivered in year against a target of 95%. There was further improvement in performance in 2010/11, with the delivery of 98% of the 2010/11 planned audit days against a target of 95%. In 2011/12, 92% of the planned audit days were completed, no target was set by the SIAS Board due to it being a transitional year for the service.

Improvement Activity: The self assessment concluded that the system of Internal Audit at Stevenage Borough Council is effective

20 Review of Effectiveness of Internal Control

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 Head of Assurance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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 provide an overall opinion on the adequacy of the council's internal control environment and identifies any significant areas of weakness
- 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
- Annual service planning, to align service development against strategic goals
- Ongoing review and action identified by the Corporate Governance Group and officers assigned with responsibility for co-ordinating Corporate Governance arrangements
- Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of council services

Annual Governance Report

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- 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 audit 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
- Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- 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 Standards 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.

Improvement Activity: The self assessment concluded that the system of Internal Control at Stevenage Borough Council is effective

Progress on delivering improvement activity

21 Progress on 2011/12 Action Plan

The following significant internal control and governance issues were identified in the 2010/11 Governance Statement for delivery in 2011/12. Progress on the action plan is outlined below:

Governance principle	Section and Ref	Action	Responsible Officer	Target Date	Progress
Significant actions for 2011/12 identified through the review of the council's governance process against the six core principles at March 2011 are set out below:					
Principle 1	1	Carry out Housing Options Feasibility Study	Head of Housing, Communications and Partnerships	September 2011	<p>Completed The Housing Options feasibility study was completed in September 2011</p> <p>Stevenage Homes Limited was integrated with the Council on 1st December 2011</p>
Principle 1	2	Complete relevant strands of the Customer Focus Strategy in relation to arrangements to deal with failure in service delivery	Head of Customer Services and Business Improvement	Timeline subject to prioritisation of Strategy delivery	<p>Partial Completion - Carried Forward to 12/13 The Council launched a new website in August 2011 to help enhance customer information. A customer survey on website development and access is being carried out to inform future development.</p> <p>In addition, the Council won Govmetric 'Council of the Year' award. The award recognises the high level of satisfaction that Stevenage Borough Council customers feedback through the website and for service delivered through the Customer Service Centre.</p> <p>The Customer Focus Strategy has been rescoped and prioritised during 2011/12. However, full implementation will not be complete until June 2013. As part of the Programme, Customer Access reviews are planned to improve customer access options and reduce failure demand.</p>

STATEMENT OF ACCOUNTS 2011/12

Governance principle	Section and Ref	Action	Responsible Officer	Target Date	Progress
					(see action ref 1 in 12/13 plan)
Principle 4	3	Complete relevant strands of the Customer Focus Strategy in relation to handling complaints	Head of Customer Services and Business Improvement	Timeline subject to prioritisation of Strategy delivery	<p>Carried Forward to 12/13</p> <p>The Customer Focus Strategy has been rescoped and prioritised during 2011/12. However, full implementation will not be complete until June 2013. As part of the Programme, a corporate review of complaints is planned. Customer Access reviews will also include consideration of how complaints are handled.</p> <p>(see action ref 2 in 12/13 plan)</p>
Principle 5	4	Implement a competency based framework for Job Descriptions, Person Specifications and associated appraisals	Head of Human Resources and Development	March 2012	<p>Deferred</p> <p>The implementation of an officer appraisal and proposed competency framework has been deferred by the Council's Strategic Management Board, as consideration and introduction is not appropriate until after implementation of Single Status (complete harmonisation of terms and conditions).</p> <p>Consideration will be given to the appropriate way forward once Single Status has been implemented.</p> <p>The implementation of Single Status will address some common competencies through associated grading.</p>
Principle 5	5	Refresh and update the Council's People Strategy and Succession Planning Policy	Head of Human Resources and Development	March 2012	<p>Deferred</p> <p>The implementation of an officer appraisal and proposed competency framework has been deferred by the Council's Strategic Management Board, as revisions to the Council's People Strategy and Succession Planning Policy will need to consider the implementation of Single Status (complete harmonisation of terms and conditions).</p>

STATEMENT OF ACCOUNTS 2011/12

Governance principle	Section and Ref	Action	Responsible Officer	Target Date	Progress
Principle 6	6	Review and implement the Council's consultation and engagement framework	Head of Housing, Communications and Partnerships	November 2011	Partial completion - Carried Forward to 12/13 The Council's approach to consultation and engagement with the community, voluntary and private sector partners has been reviewed this year. A new consultation and engagement framework is currently being implemented and a consultation audit is being carried out (see action ref 4 in 12/13 plan)
Identified through the Internal Audit of the Corporate Governance Process 2009/10					
Principle 3	7	It is recommended that the Local Code of Governance is approved by Council; considered at the same time as the approval of the Annual Governance Statement. The Local Code of Governance should be updated to include: 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	Reported 'In progress' in 11/12: A Report was prepared for submission June 2011 following submission of the 2010/11 AGS to the Audit Committee. However, given that we are changing the ethical standards regime as identified in section 7, it would be appropriate to wait until implementation to devise a Code of Governance around the changes. The Chief Executive has advised that as part of implementing the new standards regime, the Member/officer Protocol should be reviewed. It is anticipated that revised arrangements will be finalised in October 2012. However, this is not considered a significant action for carry forward to 2012/13, as current governance arrangements are considered robust, as indicated by the Internal Audit of Corporate Governance achieving 'substantial assurance'
No significant internal control and governance issues were identified as part of the 2010/11 review of service based governance, leading to actions for 2011/12.					

Planned Improvement Activity

22 Significant Governance Improvement Actions Planned

Significant internal control and governance issues identified as part of the 2011/12 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

Actions are deemed 'significant' if any of the following applies:

- The related requirement in the local assessment of six principles has been scored at seven or below
- The action applies to more than one requirement in the six principles local assessment
- Analysis of Service Based Assurance Statements identifies a common concern
- The action is in response to a high risk recommendation advised for inclusion as a result of internal audit activity.

These improvement actions are also set out in the relevant section throughout this report.

Governance principle	Section and Ref	Action	Responsible Officer	Target Date
Significant actions identified through the review of the council's governance process against the six core principles for 2011/12 are set out below:				
Principle 1	Section 7, Action 1	(Action partially completed 2011/12, completion of action carried forward from 2011/12)	Head of Customer Services and Business	June 2013

STATEMENT OF ACCOUNTS 2011/12

Governance principle	Section and Ref	Action	Responsible Officer	Target Date
		Complete relevant strands of the Customer Focus Strategy (in particular Customer Access Review Project)	Improvement	
Principle 4	Section 7, Action 2	(Action carried forward from 2011/12) Complete relevant strands of the Customer Focus Strategy (in particular review of Corporate Complaints procedures)	Head of Customer Services and Business Improvement	March 2013
Principle 6	Section 8, Action 3	(Action partially completed 2011/12, completion of action carried forward from 2011/12) Draft report on revised Consultation and Engagement Framework to Executive	Head of Housing, Partnerships and Communications	July 2012
Principle 3	Section 11, Action 4	Communicate change of values of cooperative principles to staff	Head of Housing, Partnerships and Communications	July 2012
No significant internal control and governance issues were identified as part of the 2011/12 review of service based governance.				
Delivery of governance actions agreed through the 2011/12 Internal Audit of Corporate Governance will be monitored throughout the year by the Council's Corporate Governance Group.				

Annual Governance Report

Approval of Statement

23 Approval of Statement by Chief Executive and Leader of the Council
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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. As outlined above plans to address weaknesses and ensure continuous improvement of the system are in place.

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, 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 2012.

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 8 of the Accounts and Audit Regulations (England) 2011 and present true and fair view of the financial position of the Authority as at 31 March 2012 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2012.

Strategic Director (Chief Financial Officer)

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

Independent external auditors that provide an audit opinion as to whether the Statement of Accounts shown are true and fair.

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.

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

Working Budget – an updated revision of the original budget for the financial year approved at Executive Meetings and/or Council Meetings throughout the year

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).

Capital Financing Costs

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

Glossary of Terms

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.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. An examples of community assets would be parks.

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.

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.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost or revalued amount of benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

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.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Heritage Assets

Assets that are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Glossary of Terms

Housing Revenue Account (HRA)

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

Housing Subsidy

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

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

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

Interest on Balances and from Investments

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

Major Repairs Allowance (MRA)

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.

Net Book Value

The amount at which non-current assets are included in the balance sheet. This would be either the asset’s historic cost or current value less the cumulative amount provided for depreciation.

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.

Glossary of Terms

Precepts

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

Rateable Value

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

Related Parties

For a relationship to be treated as a related party relationship there has to be some element of control or influence by one party over another, or by a third party over the two parties.

Direct Revenue Financing

Resources provided from an authority's revenue budget to finance the cost of capital projects.

Revenue Expenditure

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

Retrospective Restatement

Retrospective restatement of the financial statements will occur where there has been a change in accounting policy (unless there are specific transitional arrangements) or where material Prior Period errors have been identified. Correcting the recognition, measurement and disclosure amounts of elements of the financial statements as if a prior period error had never accorded. This is achieved by restating the comparative amounts for prior period(s) presenter in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net worth for the earliest prior period presented .