



**AUDIT / STATEMENT OF ACCOUNTS COMMITTEES**

**28 FEBRUARY 2024**

**SUPPLEMENTARY AGENDA**

**PART I**

**3. 2020/21 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT**

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Supplementary Agenda Published 22 February 2024

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**Meeting**                      **AUDIT COMMITTEE/STATEMENT OF  
ACCOUNTS COMMITTEE**

Portfolio Area:            Resources and Transformation

**Date:**                      **28 February 2024**



## **2020/21 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT**

### **NON-KEY DECISION**

Author                      – Rhona Bellis  
Contributor                – Brian Moldon/Clare Fletcher/Debbie Hanson (Appendix 1)  
Lead Officer                – Brian Moldon  
Contact Officer            – Brian Moldon

### **1            PURPOSE**

- 1.1      To present the External Auditor – Ernst & Young LLP's Audit Results Report for consideration and the audited 2020/21 Financial Report including the Statement of Accounts (SOA).

### **2            RECOMMENDATIONS**

That the Audit committee/statement of Accounts Committee agree to delegate authority to the CFO, after consultation with the Chair of Audit Committee/Statement of Accounts Committee, to authorise changes to:

- 2.1      The Council's Letter of Representation provided no matters arise from the conclusion of the audit which are material in nature (Appendix 1).  
2.2      The Statement of Accounts 2020/21 be approved provided no matters arise from the conclusion of the audit which are material in nature (Appendix 3).  
2.3      That the Audit Results Report to those charged with Governance for 2020/21 be noted (Appendix 1).  
2.4      That the Annual Governance Statement is approved (Appendix 2)

### **3            BACKGROUND**

- 3.1.1   This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's results report produced by the Council's External Auditors, Ernst & Young is shown at Appendix 1.

3.1.2 The 2020/21 General Fund and The Housing Revenue Account outturn position were presented to the Executive on 11 August 2021. Following the 2019/20 external audit the HRA 2020/21 balance was reduced by £56k to £25.344Million in relation to intangible asset depreciation. There were no other changes to the yearend financial position for either fund.

### 3.2 **Changes affecting the 2020/21 Statement of Accounts**

3.2.1 The Statement of Accounts (SOA) has to be compiled in accordance with current International Financial Accounting Standards, statutory requirements, and CIPFA published guidance. The standards and guidance may change year on year.

- **Infrastructure Assets** - in January 2023 CIPFA LASAAC published guidance on the temporary solution for accounting for infrastructure assets covering 1 April 2021 to 31 March 2025. This offers temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and is now included in the CIPFA code. In accordance with the Update to the CIPFA Code on infrastructure assets the Council has chosen to adopt the temporary solution for 2020/21.
- **IFRS 16 Leases** – implementation of IFRS 16 Leases has been deferred to 1 April 2024. The Council does not expect there to be any significant impact following its implementation.

3.2.2 The **Annual Governance Statement** is shown as a separate document and is included at Appendix 2 to this report. This Committee is required to approve the SOA and the Annual Governance Statement.

3.2.3 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix 1 to follow on after completion of the audit).

## 4 **REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

### 4.1 **Statement of Accounts**

4.1.1 The Statement of Accounts is Appendix 3 to this report and is required to be signed off by Full Council or a committee delegated to do so such as the Statement of Accounts Committee.

4.1.2 Following the audit there was no change to the General Fund balance reported to executive at outturn. There was a small reduction in the HRA balance of £56k in relation to infrastructure asset depreciation. For the HRA, depreciation is not reversed out of the account as with the General Fund and is used to fund capital expenditure. The reported HRA balance at outturn was £25.4Million and this has now been reduced to £25.34Million.

4.1.3 Changes to the draft SOA, now included in the final SOA are summarised in the table below.

<b>Movement SOA</b>	<b>CIES <sup>1</sup> £000</b>	<b>Balance Sheet £000</b>
<b>Draft SOA</b>	<b>(22,013)</b>	<b>595,594</b>
IAS19 Pension (note 4.1.4)	1,470	(1,470)
Recognition of LEP soft loan (note 4.1.5)	(742)	744
Fixed asset corrections (note 4.1.6)	403	(403)
HRA intangible asset depreciation	50	(50)
<b>Change 2020/21</b>	<b>1,181</b>	<b>(1,181)</b>
Opening balance movements relating to 2019/20 Audit (IAS 19 Pension note 4.1.4)	NA	612
<b>Total Change In Balance Sheet</b>	<b>NA</b>	<b>567</b>
<b>Final SOA</b>	<b>(20,832)</b>	<b>595,027</b>

4.1.4 Restatement of pension entries following audit of pension accounts increasing pension reserve liability and changes to equivalent balances in 2019/20 brought forward. This had no impact on General Fund or HRA but decreases unusable reserves. Members should note unusable reserves are not available to fund expenditure.

4.1.5 Notional interest is required to be accounted for in the Council's accounts for loans received at lower than commercial rates. The Local Enterprise Partnership (LEP) loans fall into this category. The impact of accounting for the notional interest is to increase unusable reserves in the balance sheet.

4.1.6 An asset was duplicated in the fixed asset register. This adjustment reflects that correction – reducing the balance sheet value of the Council's fixed assets. The valuation is for balance sheet purposes as the council doesn't hold the majority of its assets for resale or disposal.

## 4.2 External Auditor's Conclusion

4.2.1 As the Council's appointed Auditor, Ernst & Young LLP is required to review and report on the Council's financial statements and provide a value for money conclusion. Their draft findings and ISA 260 report are included at Appendix 1.

4.2.2 At the time of writing the report the audit had not been concluded so final minor amendments are recommended to be delegated to the CFO following consultation with the Chair of Audit Committee/Statement of Accounts Committee. The Council's auditors will be present at the Statement of Accounts meeting to update Members on the works outstanding.

4.2.3 At the time the time of writing the report, no objections were received by electors to the 2020/21 accounts.

<sup>1</sup> Comprehensive Income & Expenditure Statement

4.2.4 No requests were received for any further details on the Council's financial records.

#### **4.3 CFO comments**

4.3.1 The audit of 2020/21 has been challenged by the delay to the 2019/20 Audit, The Council's auditors EY position was not to restart the 2020/21 audit until the 2019/20 accounts were signed off, the latter was completed in April 2023.- . It should also be noted that delays in completion of the external audit work makes completion of the audit more difficult do due dealing with two year ends, turnover of staff etc. The current audit completion deadline being worked towards by EY is:

- 28 February 2024 – 2020/21 Stevenage Statement of accounts

4.3.2 For the SOA 2021/22 and 2022/23, E&Y will complete a value for money review only. The accounts will then be published with a disclaimer opinion based on restricted scope. The current deadline for this work to be completed is 31 March 2024.

4.3.3 The Financial Reporting Council (FRC) is supporting the Department for Levelling Up, Housing and Communities (DLUHC) to engage stakeholders on a consultation aimed at tackling the backlog in local audit and reporting.

4.3.4 The four-week consultation will gather views on legislative changes to the Accounts and Audit Regulations 2015, specifically looking at 'Backstop' Proposals for financial years 2015/2016 to 2022/2023 and 2023/2024 - 2027/2028.

4.3.5 The National Audit Office have also launched a [consultation seeking views on changes to the Code of Audit Practice](#), which sets out how local auditors in England meet their responsibilities under the Local Audit and Accountability Act 2014. Further information on the consultation will be presented to the March 2024 Audit Committee.

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 The updated Accounts for 2020/21 are financial in nature. As this document is finance related, the financial implications are contained therein.

### **5.2 Legal Implications**

5.2.1 The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021 and extended the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities from 31<sup>st</sup> July to 30<sup>th</sup> September. The publication date for unaudited accounts moved from the requirement under the Accounts and Audit Regulations England (2015) previously to publish draft

accounts by 31 May following the year end to 31 July. If publication was not possible by these dates, then in England the Accounts and Audit Regulations 2015, as amended, required the following actions:

- Unaudited statement of accounts - As soon as reasonably practicable.
- Audited statement of accounts - As soon as reasonably practicable.

5.2.2 Due to a number of complex reasons the he Council's 2020/21 draft accounts were published on 26 October 2021.

5.2.3 The external audit of the draft accounts was delayed by Ernst Young (EY) LLP due to EYs resourcing pressures, exacerbated by COVID, together with internal Finance Team resourcing issues. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. As such the Council was unable to publish its audited accounts by the end of July. The Audit and Statement of Accounts Committees has had to be rescheduled. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

5.2.4 Consultation by DLUHC on proposals to clear the backlog in Local authority audits is ongoing. The current proposed backstop date for Phase 1 (Reset), as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015 is 30 September 2024, to clear all audits outstanding up to 2022/23 including 2020/21.

5.2.5 A report updating members on the current proposals will be presented to the March 2024 Audit Committee.

## **BACKGROUND PAPERS**

- 4<sup>TH</sup> Quarter Revenue Monitoring Report 2020/21 - General Fund and HRA (11 August 2021 Executive)
- 2020/21 Capital Expenditure Outturn report (11 August 2021 Executive)
- General Fund Medium Term Financial Strategy Update (15 September 2021 Executive)
- DLUHC - Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit Published 8 February 2024

## **APPENDICES**

- Appendix 1 – Annual Results Report 2020/21, including Draft Letter of Representation
- Appendix 2 – Annual Governance Statement 2020/21
- Appendix 3 – Statement of Accounts 2020/21

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# **Stevenage Borough Council Audit Results Report**

Year ended 31 March 2021

February 2024

Dear Statement of Accounts and Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Statement of Accounts and Audit Committee. This report summarises our audit conclusion in relation to the audit of Stevenage Borough Council (the Authority) for 2020/21. We will issue our final audit report in March 2024.

We have substantially completed our audit of the Council for the year ended 31 March 2021. Our remaining procedures, which will be completed during early March 2024, mainly consist of the completion of our final quality assurance review procedures on the final assembly of audit working papers and receipt and checking of the final approved financial statements. Subject to concluding the outstanding matters listed in this Report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Appendix C of this report.

This report is intended solely for the use of the Statement of Accounts and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent. We would like to thank your staff for their help during the engagement. We welcome the opportunity to discuss the contents of this report with you at the Statement of Accounts and Audit Committee meeting on 28 February 2024.

Yours faithfully

Debbie Hanson  
Partner  
For and on behalf of Ernst & Young LLP  
Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



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# Executive Summary





# Executive Summary

## Scope and status update

In our Audit Plan dated 26 January 2023, we provided you with an overview of our audit scope and approach for the audit of the financial statements, including our assessment and planned response of risks arising from the Covid-19 pandemic on the financial statements. We carried out our audit in accordance with this Plan.

We have revisited our assessment of materiality during the audit and are satisfied that the level of £2.04 million, set at planning stage remains appropriate. Our performance materiality remains at £1.02 million, which represent 50% of materiality.

The audit of the 2020/21 accounts has not been straightforward due to the delays in the completion of the 2019/20 audit, the impact of the COVID-19 pandemic and challenges in the resourcing for both the Council and audit team. We would like to thank the Council finance team for the cooperation and assistance we have received during the course of the audit.

Our audit is substantially complete, with a small number of areas remaining in progress and subject to final Manager and Partner review, or responses from the Council. We hope to be able to complete these remaining areas by the date of the Committee meeting. The key areas (not already referred to elsewhere in this report) of the audit that in progress at the date of drafting this report are:

### *Detailed audit work:*

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- ▶ Going concern work - completion of review of updated assessment including confirming the amount of cash and investments balances as at February 2024
- ▶ Value for money arrangements - updating of information up to audit report date
- ▶ Property, plant and equipment valuations (other land and buildings) - receipt of final EYRE memo and response from the Council on the supporting calculation of the parking area not included in the valuation of the Cavendish Road property
- ▶ Water provisions - receipt of the confirmation e-mail from Affinity Water related to the bad debt rates, voids, commission and VAT on commission to support the provision calculation.

### *Final audit completion procedures:*

- ▶ Final quality review procedures by the Manager and Partner
- ▶ Completion of conclusion steps
- ▶ Review of the final version of the financial statements
- ▶ Completion of subsequent events review to the date of the audit report.
- ▶ Receipt of the signed management representation letter and accounts



# Executive Summary

## Audit differences

### Unadjusted audit differences

On the basis of the work we have completed to date, we have identified five audit differences which have not been adjusted for by management in the 2020/21 statement of accounts. Overall these are not material to the financial statements. However, we are required to report all unadjusted audit differences above £102k to the Committee, and ask for reasons for these not being adjusted to be include in the letter of representation.

The unadjusted audit differences relate to:

- *Projected misstatements:*
  - Overstatement of parking income, £187k.
  - Overstatement of fees and charges, £194k
- *Factual misstatements:*
  - Overstatement of other services and support recharges expenses, £185k
  - Unrecorded liability on the acquisition of laptops, £188k
  - Difference in the Council Tax reconciliation, £141k
  - Difference in the pension fund assets in the IAS 19 Report, £318k

We will seek representations from management in the letter of representation for all unadjusted audit differences.

Until our audit is fully concluded further differences may be identified.

### Adjusted audit differences

During the audit, we identified five audit differences which have been adjusted for by management. The most significant of which relates to the following:

- Difference in the pension liability and IAS 19 actuarial report, £1.5 million
- Reclassification to asset held for sale of the Marshgate Car Park, £1.7 million.

Other adjustment relates to the accounting treatment of the Queensway Liability and adjustment to the beginning balance of the pension liability. Further detail on these differences are included in Section 2 of this report

In addition, various disclosure differences have been identified and amended for. The most significant of which was to correct multiple financial statement disclosures for internal consistency with other parts of the financial statements.

Refer to Section 3 of this report for further information on audit differences.



## Executive Summary

### Audit Risk and Areas of audit focus

Our Audit Plan identified key areas of audit risk for our audit of the Authority's financial statements. We summarise below our findings in these areas of the audit:

Significant risk	Findings & conclusions (subject to the final completion of our quality review procedures)
Misstatements due to fraud or error - Risk of management override	We have completed our planned audit procedures and found no indications of management override of controls.
Misstatements due to fraud or error - Inappropriate classification of revenue spend as capital	We have completed our planned audit procedures and found no indications of management override of controls.
Incorrect accounting for financing of capital regeneration schemes	We have completed our planned audit procedures and have not found significant issues.
Valuation of market based property assets (including property, plant and equipment, council dwellings and investment properties)	This area of our audit is substantially complete. Our EY Real Estates team have raised a query relating to the basis of the are for the Cavendish Road Depot valuation. We are not able to fully conclude our work in this area until we have received and considered the Council's response on this issue.
<b>Higher inherent risk</b>	
Valuation of property, plant and equipment assets under depreciated replacement cost (DRC) model	This area is substantially complete, subject to the final report from the EY Real Estates team. The current draft report does not include significant issues on the valuation of these assets.
Queensway lease accounting treatment	We have performed our audit procedures in relation to the Queensway lease and have found a difference amounting £641k. This has been corrected by management with a remaining immaterial difference.
Pension liability valuation and disclosures	<p>We have performed our audit procedures in relation to the pension liability and disclosures. We have identified three (3) misstatements affecting the pension liability amount. Two (2) out of 3 misstatements has been adjusted by management as follows:</p> <ul style="list-style-type: none"> <li>• Difference in the beginning balance, £612k</li> <li>• Difference in the pension liability and IAS 19 actuarial report, £1.5 million</li> </ul> <p>There is also a difference in the pension contributions and investment assets as reported by the Pension Fund auditor with net impact in the pension liability of £318k. This has not been amended for by management.</p>



## Executive Summary

### Audit risk and areas of audit focus (continued)

Higher inherent risk	Findings & conclusions (subject to the final completion of our quality review procedures)
Recognition of grant income associated with Covid-19	We have performed our audit procedures in relation to the recognition of grant income associated with Covid-19. We have not identified significant misstatements or any instances of management bias in relation to this area.
Going concern disclosures	We have received management's going concern assessment and cash flow forecasts which cover a period until 31 March 2025. Our review of this area is currently in progress. We do not anticipate reporting of any material uncertainties in relation to going concern in our audit report.
Infrastructure asset accounting	We have completed our procedures on this area. The Council has adopted the statutory instruments and CIPFA Code adaptation and infrastructure assets is now presented at net book value in the statement of accounts. This is consistent with the treatments in the 2019/20 audited statement of accounts.
Impact of non-compliance with the minimum decent home standards	We have performed our audit procedures in relation to the impact of non-compliance with the minimum Decent Homes Standards. As part of this we have considered the potential impact on provisions and the valuation of council dwellings. Based on the procedures performed, we are satisfied that no provision is required in relation to this issue. We are also satisfied that the non-compliance does not have a significant impact on the valuation of dwellings as the quality and condition of the housing stock has been taken into consideration in the valuation undertaken by the Council's valuer (Savills).

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We report our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ You agree with the resolution of the issues; and there are no other significant issues to be considered.
- ▶ There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.





# Executive Summary

## Value for money – progress update

We have considered the Authority's arrangements related to financial sustainability, governance, and improving economy, efficiency and effectiveness. In our Audit Planning Report we have noted that we had yet to complete our detailed VFM planning and that, based on the planning we had undertaken to date, we expected that one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability. Having completed our planning, we are satisfied that there was no significant risk in relation to this area. We include the details of that consideration in Section 5.

We plan to issue the VFM commentary along with our audit opinion as part of issuing the Auditor's Annual Report.

## Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Correspondence from the Public

We did not receive any formal objections and correspondence from members of the public.

## Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

As the Council is below the £2bn threshold set by the NAO for detailed procedures to be undertaken on the Council's WGA submission and the NAO has now confirmed that they do not require any additional procedures on bodies below the £2bn threshold we will issue our WGA assurance statement to the NAO once we have issued our opinion.

We will issue an audit certificate alongside our audit opinion and Auditors Annual Report.



## 02 Areas of Audit Focus





## Areas of Audit Focus

### Fraud risk - misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

#### What did we do?

- We have completed our standard procedures to address the fraud risk, which included:
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
  - ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
  - ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
  - ▶ Determining an appropriate strategy to address those identified risks of fraud.
  - ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including;
    - ▶ Testing of journal entries and other adjustments in the preparation of the financial statements;
    - ▶ Reviewing accounting estimates for evidence of management bias; and
    - ▶ Evaluating the business rationale for significant unusual transactions.

#### What are our conclusions?

**Our mandatory procedures did not identify any instances of management override.**

Our testing of journal entries is complete and has not identified any material weaknesses in controls or evidence of management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error - Incorrect capitalisation of revenue expenditure

##### What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

In 2020/21, the Authority has incurred £43.0 million capital expenditure.

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##### What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

##### What did we do?

Our approach focused on:

- ▶ Sampling testing capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised;
- ▶ Our testing examined invoices, capital expenditure authorisations, leases and other data that support capital additions. We reviewed the sample selected against the definition of capital expenditure in IAS16.
- ▶ We reviewed any unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

##### What are our conclusions?

We performed extensive sample testing on the Council's capital expenditure and revenue expenditure funded from capital under statute (REFCUS) in 2020/21 and have not noted any material issues.

In addition, we did not identify any unusual journal entries in relation to capital additions and REFCUS.



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error - Incorrect accounting for financing of capital regeneration schemes

##### What is the risk?

The Council has a number of highly material capital schemes aimed at the regeneration and revitalisation of Stevenage town centre. In particular for 2020/21 the Council received £9.6m of LEP funding in relation to the new bus interchange in Stevenage town centre.

Given the material misstatement identified and subsequently corrected during the 2019/20 audit in relation to LEP financing of capital schemes, there is a risk that the accounting of the funding of the capital regeneration projects is incorrect within the 2020/21 financial statements.

##### What did we do?

Our approach focused on:

- ▶ Reviewed the financial statements for how the financing of capital regeneration schemes have been accounted for.
- ▶ Confirmed that the accounting treatment adopted is supported by the nature of the underlying funding agreements, e.g. with the Hertfordshire LEP, including if there are any conditions or repayment terms included into the agreement.
- ▶ Tested receipt of capital funding to supporting bank statement evidences to verify that the financing of capital schemes has been accounted for in the correct financial period and any balances at the end of the financial year are appropriately reflected on the balance sheet.

##### What are our conclusions?

Our sample testing has not identified any significant issues on the accounting for financing of capital regenerations schemes.

This work remains subject to Partner review.



# Areas of Audit Focus

## Significant risk

### Valuation of market based property assets (including other land and buildings, council dwellings and investment properties)

#### What is the risk?

The Council has highly material property assets valued on a market basis (including other land and buildings, council dwellings and investment properties). The valuation of such assets is a significant accounting estimate that, in the context of an uncertain economic environment as a result of Covid, has a material impact on the financial statements.

The Council engages property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.

- Other land and buildings - £65.5 million
- Council dwellings - £701.6 million
- Investment properties - £23.7 million

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

#### What judgements are we focused on?

We have identified a specific risk of misstatements that could affect the balance sheet.

We consider the risk applies to the valuation of market based property assets, including other land and buildings, council dwellings and investment properties.

#### What did we do?

Our approach focused on:

- ▶ The adequacy of the scope of the work performed by the Council's valuers, their professional capabilities and the results of their work;
- ▶ The use of EY valuation specialists to review a sample of market based property assets valuations
- ▶ Sample testing property values to corroborate key assumptions used by the valuer in performing their valuations;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consideration of useful economic lives in the most recent valuation; and
- ▶ Testing that accounting entries had been correctly processed in the financial statements.

#### What are our conclusions?

Our work in this area is still in progress and is therefore subject to Manager and Partner review.

- For land and other buildings, we have selected seven samples for testing totalling £43.3 million. Six of these have been tested by the audit team and one has been reviewed by EY Real Estates (Cavendish Road Depot). The Council's response on the query raised relating to the area used in the independent valuation of the Cavendish Road Depot has been recently received and indicates that an element of land (used as a car park) may have been omitted from the valuation. We are currently working with the Council and our EY Real Estates team to consider the potential impact of this on the Council's accounts and whether there may be any other assets which have not been included in the Council's accounts.
- For council dwellings, we tested 62 out of the 276 beacons group. Our testing has not identified any issues.
- For investment properties, we have selected 11 samples for testing totalling £14.8 million. Ten of these were tested by the audit team and one has been reviewed by EY Real Estates. Our testing indicates that the valuations are reasonable.
- Our consideration of the work, professional capabilities and the results of the Council's valuers did not identify issues.
- Our work on the assets not subjected to valuation in 2020/21 did not identify any issues.
- Appropriate accounting entries have been adopted within the financial statements for valuations of the assets.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk/area of focus?

#### Valuation of property, plant and equipment assets under depreciated replacement cost model - inherent risk

Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For specialist assets valued using depreciated replacement cost (DRC) the valuations are based on build cost data and other market-based evidence.

As the Council's DRC asset base is significant (£42.2 million) as of 31 March 2021, and the outputs from the valuer are subject to estimation, there is a higher inherent risk that the valuation of these assets may be under/overstated or the associated accounting entries incorrectly posted.

### What did we do?

We have:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Tested accounting entries, ensuring these have been correctly processed in the financial statements.

#### Our conclusions are:

- Our consideration of the professional capabilities and the results of the Council's valuers work provided us with sufficient assurance that we could rely on their work as a management specialist.
- We have tested three assets valued under DRC which have a total value of £21.4 million. Our testing has not identified any significant issues.
- Accounting entries within the financial statements were appropriate.

This work is subject to Manager and Partner review.





## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

#### What is the risk/area of focus?

##### Queensway lease accounting treatment - inherent risk

In preparing the Queensway LLP financial statements significant judgements are taken in relation to the lease accounting treatment. In our 2019/20 audit, a number of amendments were made to the group financial statements due to the incorrect split of lease repayment amounts between principal and interest in the model used.

We have therefore identified a risk that errors may also be made in the current year

#### What did we do?

We have:

- ▶ Reviewed the lease accounting treatment adopted including following up on points identified during the 2019/20 audit. In particular, we considered the interest rates applied to the leasing and borrowing elements of the lease agreement and the split of repayment of principal and interest.
- ▶ Considered whether the appropriate accounting journal entries are consistent with the prevailing accounting standard IAS 17 Leases.
- ▶ Reviewed the relevant lease disclosures in the Council's financial statements.

#### Our conclusions are:

We noted difference amounting to £641k in the recording of the finance lease liability which is related to differences in the interest rates applied in the calculation. The Council has adjusted this difference.



## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk/area of focus?

#### Pension liability valuation and disclosures - inherent risk

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021, this totalled £61.58 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What did we do?

We have:

- ▶ Liaised with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Stevenage Borough Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering the review of this by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ Considered the nature and value of level 3 investments held by Hertfordshire Pension Fund and the proportion of the overall Fund relating to Stevenage Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021.

#### Our conclusions are:

We have identified three misstatements affecting the pension liability amount. Two of the three misstatements has been adjusted by management as follows:

- Difference in the opening balance, £612k
- Difference between the pension liability and IAS 19 actuarial report, £1.5 million

We also received the Pension Fund Assurance letter from the auditor of Hertfordshire Pension Fund. This highlighted a difference in the contributions and investment assets amounting to a net difference of £318k. The difference has not been adjusted for by management.

The accounting entries and pension liability related disclosures in the financial statements were appropriate.



## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

#### What is the risk/area of focus?

##### Recognition of grant income associated with Covid-19

The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be incorrectly accounted for or manipulated to improve the reported position.

#### What did we do?

We have:

- ▶ Considered the revenue and capital grants received by the Council;
- ▶ Assessed the potential for manipulation of individual grant streams (including those related to business rates); and
- ▶ Carried out sample testing to ensure the accounting treatment and recognition applied to grant income is appropriate.

#### Our conclusions are:

Based on the grant testing performed during the audit we did not identify any errors or management bias in relation to recognition of grant income related to Covid-19.

This work is subject to Partner review.



## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

#### What is the risk/area of focus?

##### Going concern disclosures

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

#### What did we do?

##### We have:

Obtained, reviewed management's going concern assessment, focusing on the reasonableness of the financial projections, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, including those related to reductions in fees and charges.

Considered the adequacy of the revised disclosure and its consistency with the going concern assessment and our audit procedures.

##### Our conclusions are:

The Council has provided a going concern cash flow forecast covering a period to 31 March 2025. Our review and assessment of this is currently in progress. The cash flow forecast shows a cash and investment balance of £26.9 million as at 31 March 2025.

Our review of the final version of the financial statements will evaluate the updated going concern disclosures included by the Council.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk/area of focus?

#### Infrastructure assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets which are held at depreciated historic cost. Following more detailed consideration, it was identified that although local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be considering the Cipfa Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore are not derecognising the old asset or component. As a consequence, the gross cost and gross accumulated depreciation are continually increasing and the notes to the financial statements may be misstated where the expenditure is a replacement for an asset/component that is not fully depreciated.

Cipfa established a task and finish group to address this issue. The Department to Levelling Up, Housing and Communities (DLUHC) and Cipfa have worked on a sector wide approach to resolution of the reporting of infrastructure assets. Following consultations with FRAB, local councils, ICAEW and external audit firms, a resolution has been agreed which has two elements:

- 1) Cipfa have issued an adaptation to the Code of Practice on Local Authority Accounting.
- 2) DLUHC have issued a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022).

The Code allows for infrastructure assets to be reported in the notes to the accounts on a net basis. The SI allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil.

The Council has applied both the Code adaptation and SI to the 2019/20 and 2020/21 financial statements.

As at 31 March 2021, infrastructure assets amounted to £3.0 million.

### What did we do?

#### We have:

- ▶ Agreed the opening balance for infrastructure assets to the closing balance on the prior year audited financial statements.
- ▶ Where material, we have tested in year additions of infrastructure assets to ensure they are supported and correctly reflected in the accounts.
- ▶ Performed a reasonableness check to determine whether the economic useful lives used by management to calculate depreciation were appropriate and obtain an understanding of how these had been determined.
- ▶ Compared the depreciation charge included in the financial statements to an estimated depreciation charge using the CIPFA example useful economic lives.
- ▶ Reviewed updated accounting disclosure to ensure they are in line with the requirement of amended CIPFA code of practice and accurately reflected the Council's practices.

#### Findings and conclusion:

The Council has adopted the statutory instruments and CIPFA Code adaptation. The infrastructure assets of the Council have been presented at net book value in the amended statement of accounts.

Our testing of depreciation did not identify any significant differences.

Additions on infrastructure assets is included in the additions testing population. However, no additions related to infrastructure assets has been selected for testing. Total infrastructure asset additions are immaterial.



## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What did we do?
<p><b>Non-compliance with minimum Decent Homes Standards</b></p> <p>In 2022, the Housing Regulator received information that raises concerns about the Council's housing health and safety compliance matters.</p> <p>The Council has been working with the regulator since the receipt of the information and has received a response to the action plan they have put in place to address the areas of non-compliance identified.</p> <p>We have considered the impact of the non-compliance in the following areas:</p> <ul style="list-style-type: none"> <li>Valuation of the council's dwellings</li> <li>Provisions</li> </ul>	<p><b>We have:</b></p> <p><i>Valuation of council dwellings:</i></p> <ul style="list-style-type: none"> <li>▶ Obtained confirmation from Savills (Council's valuer) regarding how the quality of dwellings has been considered in their valuations.</li> <li>▶ Confirmed the date of the last physical inspection of the council dwellings, which is February 2020</li> <li>▶ Obtained input from our internal valuers to assess the reasonableness of the responses of the valuer</li> </ul> <p><i>Provisions:</i></p> <ul style="list-style-type: none"> <li>▶ Considered the requirements of CIPFA Code of Practice on Local Authority Accounting</li> <li>▶ Obtained 2020/21 Local Authority Housing Standard return and reviewed the costs to bring council dwellings that do not meet the decent home criteria up to standard</li> <li>▶ Assessed whether the related cost are revenue or capital in nature.</li> </ul> <p><b>Findings and conclusion:</b></p> <p>Based on the procedures performed, the non-compliance does not have significant impact on the valuation of dwellings, as the quality and condition of the stocks have been considered in the valuation undertaken by the Council's valuer (Savills).</p> <p>In addition, no provision is required as the cost to bring dwellings that do not meet the decent home criteria up to standard are largely capital in nature.</p> <p>This conclusion is has been consistent with our prior year work.</p>





## 03 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Until our audit is fully complete, further differences may be identified.

## Summary of unadjusted audit differences

The following audit differences, above our reporting threshold of £102k, have not been amended for by management in the 2020/21 statement of accounts:

- *Projected misstatements:*

- Overstatement of parking income, £187k - one sample in our testing of the parking income has been failed as the parking has not been renewed based on the credit note support. This is the extrapolated value of the error on the population not tested.
- Overstatement of fees and charges, £194k - one sample in our testing of the fees and charges could not be supported. This is the extrapolated value of the error on the total population.

- *Factual misstatements:*

- Overstatement of other services and support recharges expenses, £185k - this is related to the error in the recording of a portion of the rent expense for the period covering 2021/22
- Unrecorded liability on the acquisition of laptops, £188k - this is related to an error in the recording of a liability for laptops acquired in 2020/21 resulting in an understatement in the assets and liability,
- Difference in the pension fund assets in the IAS 19 Report, £318k - this is related to the difference in the investments as reported in the final pension fund accounts (and reported by the pension fund auditor) compared to the pension fund assets in the IAS 19 Report and resulted in an overstatement in the pension liability.
- Difference in the Council Tax income, £141k - difference is related to the reconciliation of the Council Tax income with an understatement of income.

We will seek representations from management in the management letter of representation for all unadjusted audit differences.



# Audit Differences

## Summary of adjusted audit differences

In total there were five audit adjustments that have been amended for by management in the 2020/21 statement of accounts. We report to the Audit Committee significant audit differences (above our performance materiality threshold of £1.0 million) that have been amended for in the financial statements. The significant audit differences that have been adjusted for include:

- Asset held for sale - classification of Marshgate car park to asset held for sale amounting to £1.7 million
- Pension liability - difference in the pension liability recorded in the pension fund accounts and as per the IAS 19 actuarial report. The pension liability increased by £1.5 million.

Other audit differences that were above our reporting threshold of £100k for unadjusted differences, but below our performance materiality threshold of £1.0 million which have been amended for in the 2020/21 statement of accounts include the following:

- Difference in the opening balance of the pension liability
- Difference in the Queensway finance leases
- Difference in the debtors account related to the Queensway lease

In addition, there were numerous disclosure misstatements in the draft 2019/20 statement of accounts that have been corrected.

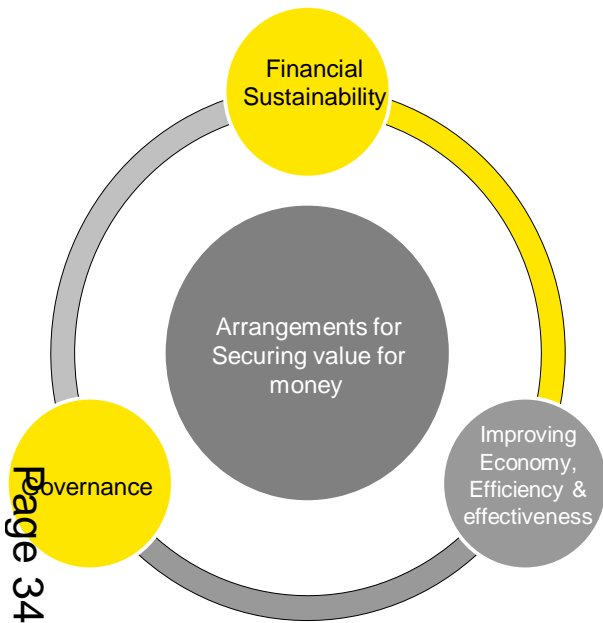




## 04 Value for Money Risks



# Value for Money



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## Auditor responsibilities

The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Status of our VFM work

We have completed our risk assessment and have not identified any significant risks. We have considered your arrangements related to financial sustainability, governance, and improving economy, efficiency and effectiveness as part of this risk assessment.

We anticipate reporting our commentary on the arrangements in place in our Auditor's Annual Report which we will issue alongside our audit report.





## 05 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

As the Council is below the £2bn threshold set by the NAO for detailed procedures to be undertaken on the Council's WGA submission and the NAO has now confirmed that they do not require any additional procedures on bodies below the £2bn threshold we will issue our WGA assurance statement to the NAO once we have issued our opinion.

## Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues which required any such actions.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.





06

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your 2020/21 financial statements of which you are not aware.



07

# Independence



## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 26 January 2023.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Accounts Audit Committee on 28 February 2024.

## Relationships, services and related threats and safeguards

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The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2021. The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Proposed Fee 2020/21	Final Fee 2019/20
	£	£
Scale fee - Code Work	49,283	49,283
Scale fee variation	TBC (a)	99,292 (b)
<b>Total audit fee</b>	<b>TBC (a)</b>	<b>148,575</b>
Other non-audit services (Housing Benefits Certification)	51,000	38,800
<b>Total all fees</b>	<b>TBC</b>	<b>187,375</b>

*All fees exclude VAT*

### Notes:

- a) We do not believe the existing scale fees provide a clear link between public sector bodies risk and complexity and the increased regulatory requirements to deliver an ISA compliant audit. We will propose an increase to the scale fee to recognise this, in the range of £110k to £140k. This proposed increase will be determined by PSAA following the conclusion of our audit. The key factors impacting the scale fee are:
  1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
    - To address this risk our procedures now entail testing higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.

## Fees (continued)

2. **Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
  - ▶ To address these findings, our required procedures now entail testing higher samples sizes, increased requirements for corroborative evidence to support the assumptions, use of our internal specialists and increased correspondence with external specialists.
3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:
  - ▶ Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
  - ▶ This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting requirements plus changes in auditing and accounting standards. In addition, the regulatory lens on Local Audit specifically, is greater.

This is the amount scale fee variation for the 2019/20 audit to reflect the issues noted above as well as specific in year risks resulting in additional audit work which has been determined by PSAA.

### Next steps

We will share and discuss the detail of the proposed scale fee variation for 2020/21 with the Chief Financial Officer once the audit is complete. We will submit our proposed scale fee variation to PSAA for their determination.

We will communicate with this Audit Committee at the next available opportunity the outcome of this process.

## Other communications

### EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is issued in October 2023:

[EY UK 2023 Transparency Report | EY UK](#)






## 08 Appendices

## Appendix A




# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - January 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - January 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - February 2024



## Appendix A

Required communications	 What is reported?	 Our Reporting to you
		 When and where
Major Local Authorities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> <li>▶ A declaration of independence</li> <li>▶ The identity of each key audit partner</li> <li>▶ The use of non-member firms or external specialists and confirmation of their independence</li> <li>▶ The nature and frequency of communications</li> <li>▶ A description of the scope and timing of the audit</li> <li>▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>▶ Materiality</li> <li>▶ Any going concern issues identified</li> <li>▶ Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>▶ The valuation methods used and any changes to these including first year audits</li> <li>▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>▶ The completeness of documentation and explanations received</li> <li>▶ Any significant difficulties encountered in the course of the audit</li> <li>▶ Any significant matters discussed with management</li> <li>▶ Any other matters considered significant</li> </ul>	Audit Plan - January 2023 and Audit Results Report - February 2024



## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - February 2024
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - February 2024
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - February 2024
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - February 2024

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures, Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - February 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit Plan - January 2023 and Audit Results Report - Audit Results Report - February 2024



## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - February 2024

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Results Report - February 2024
Written representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - February 2024
Material inconsistencies or misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - February 2024
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - February 2024
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - January 2023 and Audit Results Report - February 2024

# Draft Management representation letter

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Debbie Hanson  
Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

Dear Debbie,

This letter of representations is provided in connection with your audit of the consolidated Group and Council financial statements of Stevenage Borough Council ("the Group and Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Stevenage Borough Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance

# Draft Management representation letter

## Management Rep Letter

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with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule (see Appendix 1), accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because overall we believe they are not material to the financial statements.

6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange.

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial statements;
- Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and Council's financial statements;
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and Council financial statements and, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;
- Involving management, or employees who have significant roles in internal controls, or others; or
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

# Draft Management representation letter

## Management Rep Letter

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- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

We have made available to you all minutes of the meetings of the Group, and committees (including Queensway Properties LLP Board) (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **[list date]** and of the Council, and committees (including Executive and Council) (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **[list date]**.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter, 28 April 2023, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

## D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 28 to the consolidated and Council financial statements all guarantees that we have given to third parties.



# Management representation letter

## Management Rep Letter

### E. Going Concern

1. Note 32 to the Council financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than those events described in Note 6 to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

### H. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Forward by Chief Executive, Narrative Statement, Glossary of Terms and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the useable and unusable reserves.

### J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate for the valuation of property, plant and equipment and investment properties; valuation of the pension liability; valuation of the business rates provision; and valuation of the Queensway property asset and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### K. Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic on 31 March 2021 of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the property, plant and equipment and investment property valuations, business rates appeal provision and pension liabilities valuation.
3. We confirm that the significant assumptions used in making the above estimates appropriately reflect our intent and ability to carry out the specific courses of on behalf of the entity.

# Draft Management representation letter

## Management Rep Letter

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4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on 31 March 2021, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)). We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements due to subsequent events, including due to the COVID-19 pandemic.

5. We confirm that appropriate specialized skills or expertise has been applied in making the above estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements, including due to the COVID-19 pandemic.

### L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### M. Non-compliance with minimum decent home standards

1. In 2022, the Council was subject to a referral to the Housing Regulator relating to compliance matters. Following our response to this and development of the accompanying action plan, no action was taken or required by the Regulator. However, we have been providing regular updates to the Regulator on progress against that action plan.

2. We have considered the impact of the referral with the valuation of council dwellings and whether any provision for remedial works is required. The referral has no significant impact on either of these areas as the quality and condition of the stocks have been considered in the valuation undertaken by Savills. In addition, no provision is required as the cost to bring dwellings that do not meet the decent home criteria up to standard are largely capital in nature.

### N. Infrastructure Assets

1. The Council has elected to take up a statutory override relating to the accounting for highways infrastructure assets. The update provides that for all statements of accounts that are currently open up to 2024/25, authorities are not required to report gross book value and accumulated depreciation for infrastructure assets, because the information is may not faithfully represent what it purports to represent. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, our accounts do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements.

Yours faithfully,

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Strategic Director (Chief Financial Officer)

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(Chairman of the Audit Committee)

# Appendix A

## Draft Management representation letter

### Communication schedule for uncorrected misstatements

Entity: Stevenage Borough Council

Period Ended: 31-Mar-2021

Currency: £

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description )	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
Factual misstatements:												
Page 57	21 SBC	Other services and support recharges expenses										
		Other services expenditures							(185,047)			
		Payables and receipts in advance			185,047							
	21 SBC	Unrecorded liability related to the invoice on the acquisition of laptops										
		PPE		161,260								
		VAT	26,877									
		Creditors			(188,136)							
	21 SBC	Difference noted in agreeing Ci&E to reconciling amounts.										
		Debtor Accrual	141,000									
		Council Tax							(141,000)			
	21 SBC	Difference in the pension fund assets as reported by the Pension Fund Auditor										
		Pension Liability			318,912							
		Actuarial gains/losses						(318,912)				
		Pension Reserve					(318,912)					
		Adjustment between accounting basis and funding basis					318,912					

## Appendix A

# Draft Management representation letter

### Management Rep Letter

#### Projected misstatements:

21 SBC	Difference in the parking income								
	Parking income							186,735	
	Debtors	(186,735)							

21 SBC	Other income - fees and charges								
	Other income - fees and charges							193,719	
	Debtors	(193,719)							

#### Judgmental misstatements:

Total of uncorrected misstatements before income tax	(212,577)	161,260	315,823	0	0	(318,912)	54,407
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Total of uncorrected misstatements	(212,577)	161,260	315,823	0	0	(318,912)	54,407
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Financial statement amounts	81,585,000	860,738,000	41,285,000	305,445,000	595,593,000	(14,610,000)	
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Effect of uncorrected misstatements on FIS amounts	-0.3%	0.0%	0.8%	0.0%	0.0%	-0.4%	0.0%
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Memo: Total of non-taxable items (marked 'X' above)

Uncorrected misstatements before income tax	0.0%	54,407	
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Less: Tax effect of misstatements at current year marginal rate			
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Uncorrected misstatements in income tax			
---	--	--	--

Cumulative effect of uncorrected misstatements after tax but before turnaround	-0.4%	54,407	
--	-------	--------	--

Turnaround effect of prior period uncorrected misstatements

All factual and projected misstatements:

Judgmental misstatements (Note 3):

Cumulative effect of uncorrected misstatements, after turnaround effect	-0.4%	54,407	
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Current year income before tax			
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Current year income after tax		(14,610,000)	
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## Appendix C - Audit Report

# Draft audit report

This is an example report. Our audit report will not be completed and issued until the work and internal consultation are complete.

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEVENAGE BOROUGH COUNCIL

##### Opinion

We have audited the financial statements of Stevenage Borough Council ( 'the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 32 and G1 to G7 and the Expenditure and Funding Analysis on page 36.
- Housing Revenue Account (HRA) Income & Expenditure Statement, the Movement on the HRA Statement, and the related notes HRA 1 to HRA 6
- Collection Fund Statement 20/21 and the related notes CF 1 to CF 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Stevenage Borough Council and the Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Strategic Director (Chief Financial Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Strategic Director (Chief Financial Officer) with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

##### Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Strategic Director (Chief Financial Officer) is responsible for the other information contained within the statement of account.



## Appendix C - Audit Report

### Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

### Responsibility of the Strategic Director (Chief Financial Officer)

As explained more fully in the Statement of the Strategic Director (Chief Financial Officer) Responsibilities set out on pages 33, the Strategic Director (Chief Financial Officer) is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Strategic Director (Chief Financial Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director (Chief Financial Officer) is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Appendix C - Audit Report

### Our opinion on the financial statements

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2021,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Stevenage Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of [management/head of internal audit/those charged with governance/any other] and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified incorrect capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of incorrect capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. In addition, we also tested specific journal pairings relating to capital expenditures posted around year-end.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Stevenage Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Stevenage Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.





# Appendix C - Audit Report

## Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Stevenage Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of Stevenage Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Stevenage Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
City  
xx March 2024

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ED None

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# Stevenage Borough Council's Annual Governance Statement 2020/21

## What is Corporate Governance?

Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to help ensure the organisation runs effectively, can be held to account for its actions and delivers the best possible outcomes for the community with the resources available. Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

### Achieving the intended outcomes whilst acting in the public interest



**Figure 1: International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) 'Achieving the Intended Outcomes While Acting in the Public Interest at all Times' – The International Framework**

The CIPFA/SOLACE\* *Delivering Good Governance in Local Government Framework* sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way.

(\* CIPFA – Chartered Institute of Public Finance and Accountancy, SOLACE – Society of Local Authority Chief Executives and Senior Managers, IFAC – international Federation of Accountants)

The Framework is designed to assist authorities with the review of the unique local governance arrangements in place with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of these resources to achieve desired outcomes for service users and communities.

## **The Council's responsibility in relation to Corporate Governance**

### **Identifying Local Governance Arrangements**

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.

In discharging this overall responsibility, Stevenage Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

Stevenage Borough Council has adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements in place to enable the Council to monitor the achievement of its strategic objectives, to consider whether those objectives have enhanced delivery of appropriate cost effective services and outlines the activities through which it accounts to and engages with its communities. The Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'

The Council's Local Code of Corporate Governance is reviewed and approved by Audit Committee each year. It was last approved by Audit Committee at its meeting on 9th June 2020 and has been reviewed and the revised Local Code is being presented to Audit Committee at its meeting on 8<sup>th</sup> June 2021 for approval.

This Annual Governance Statement explains how the Council has continued to comply with the Local Code, summarises the review of its governance arrangements and identifies areas of governance to be strengthened and outlines actions to strengthen areas identified.

The Statement also meets the statutory requirements in section 6 of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

## **How do we know our arrangements are working?**

### **The Local Governance Framework – How the Council monitors arrangements in place**

The local Governance Framework outlines the process the Council applies to review corporate governance arrangements. 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.

Stevenage Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of local governance arrangements including the system of internal control.

## **Governance monitoring and assurance arrangements**

The review of effectiveness is informed by the work of the senior 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 external auditors and other review agencies and inspectorates.

To monitor and maintain the effectiveness of the Council's governance arrangements and drive continuous improvement:

- A Corporate Governance Group meets four times a year to consider governance arrangements from the perspective of the seven core principles of corporate governance in the CIPFA/SOLACE Framework - the seven core principles are set out in the diagram on pages one and seven.
- In addition to this proactive in-year review, an annual review of compliance with the behaviours that make up the seven core principles of corporate governance in the CIPFA/SOLACE Framework is carried out.
- At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year.
- Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates), and the Head of Assurance Annual Report, require inclusion in the Statement.

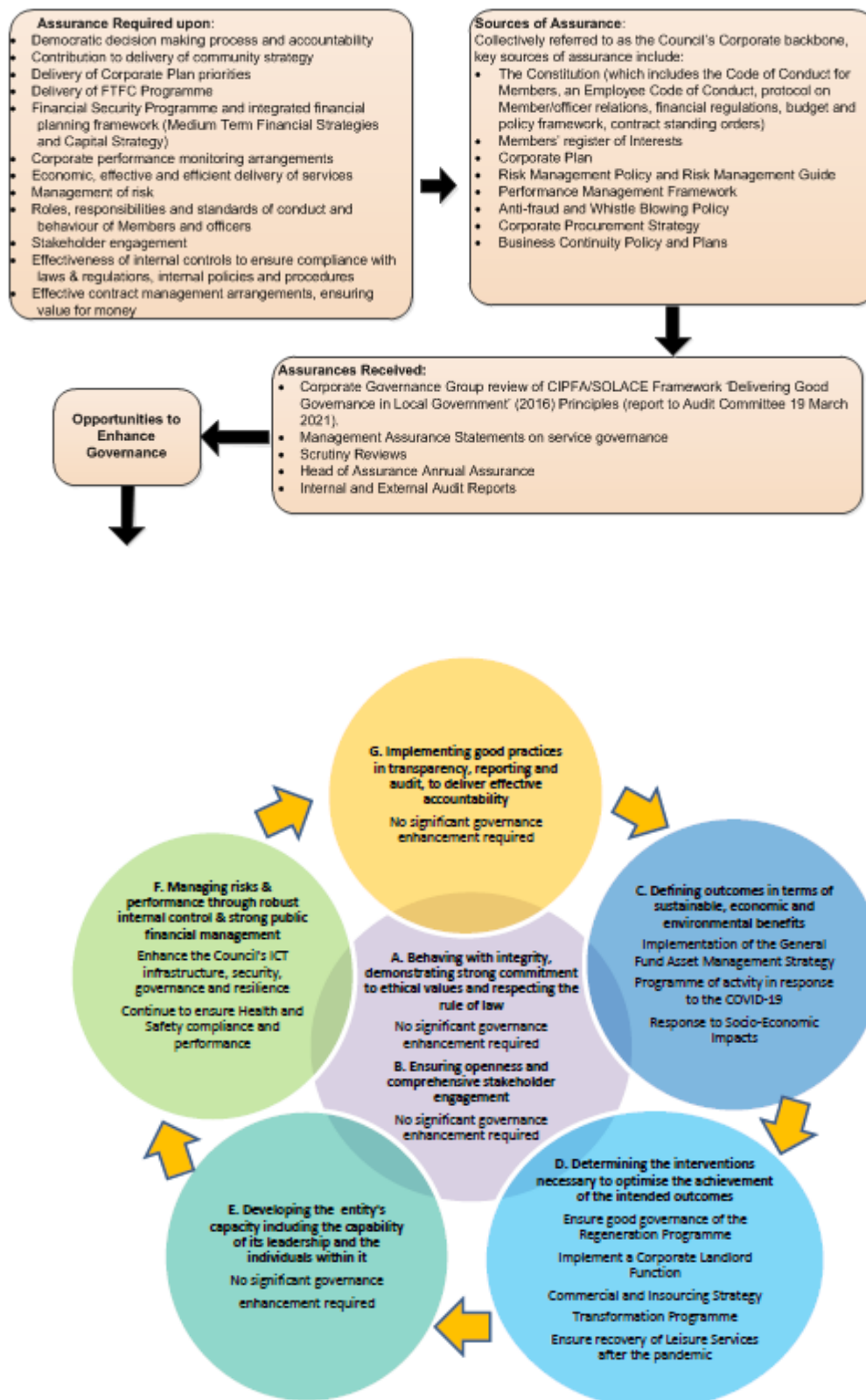
All of these mechanisms of review contribute to overall assurance for the 2020/21 Annual Governance Statement. A summary of the types of assurance required, sources of assurance, assurance received and planned enhancement actions is represented on the next page (page 4). More detail is provided throughout the Annual Governance Statement.

The preparation and publication of the Annual Governance Statement in accordance with the requirements set out in the 'Delivering Good Governance in Local Governance' Framework (2016) fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control meeting the requirement for 'preparation in accordance with proper practice'.

The Governance Framework summarised in this Statement has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.



**Figure 2: Overview of sources of assurance to inform review of effectiveness and identification of governance enhancements.**



The Action Plan outlined on pages 30 to 33 of this document provides more detail in relation to the action required and timescales to deliver the above enhancement activity

## Assurance: Internal Audit Arrangements

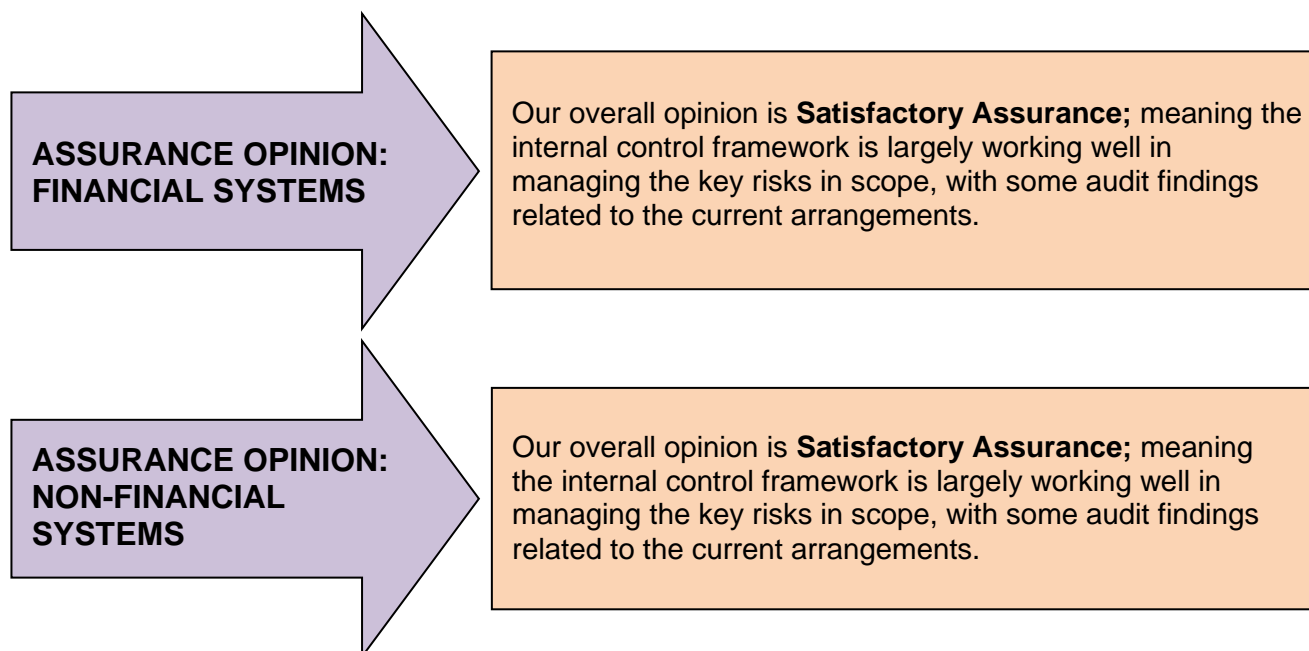
### Annual Audit Coverage

Delivery of the Council's Internal Audit is carried out by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council and managed by the Head of Assurance. 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, risk management and governance in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework.

The SIAS operates to defined professional standards, i.e. the Public Sector Internal Audit Standards (PSIAS) and the Head of Assurance reports to the Council's Strategic Director (Chief Finance Officer and Section 151 Officer) providing updates on internal audit progress and issues at regular liaison meetings. The Head of Assurance provides an independent opinion on the adequacy and effectiveness of the system of internal control and this is reported annually to Audit Committee. The main responsibility of SIAS is to provide assurance and advice on the internal control systems of the Council to both Management and Members. The SIAS reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems by providing advice on matters pertaining to risk and control.

### 2020/21 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement is being reported to the Audit Committee in June 2021. From the internal audit work undertaken in 2020/21, SIAS can provide the following assurance on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems as follows:



### Review of Effectiveness of Systems of Internal Audit

The Accounts and Audit Regulations 2015 came into force from 1 April 2015; Paragraph 5 (1) states, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Head of Assurance must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes an annual self-assessment undertaken by the Head of Assurance against the Public Sector Internal Audit Standards (PSIAS) for Internal Audit in Local Government in the UK. The self-assessment concluded that the system of Internal Audit employed at Stevenage Borough Council is effective.

In addition, PSIAS require that an external assessment or peer review is undertaken at least once every five years. An independent Peer Review was undertaken in 2015/16, which concluded that SIAS 'generally conforms' to the PSIAS, including the Definition of Internal Auditing, the Code of Ethics and Standards. 'Generally conforms' is the highest opinion within the scale of three ratings, and the peer review identified areas of good practice and high standards. The next independent Peer Review is in June 2021.

The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS performance against the performance indicator relating to planned days delivery and planned projects delivery.

Area of Activity	Target	2017/18	2018/19	2019/20	2020/21
<b>Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	95%	99%	99%	98%
<b>Planned Projects</b> – actual completed projects to draft report stage against planned completed projects	95%	100%	97%	100%	100%

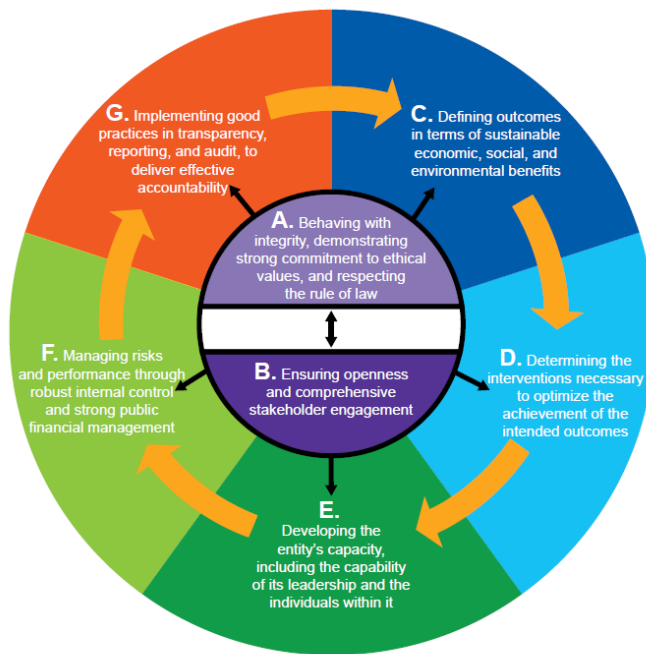
The assurance arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010), as demonstrated through the assessment in the SIAS Annual Assurance Statement and Internal Audit Annual Report being reported to Audit Committee in June 2021.

## The CIPFA/SOLACE Core Principles of Governance

**Figure 3: International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)**

The Council achieves good standards of governance by applying the CIPFA/SOLACE Principles of Governance set out in the

**Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times**



Governance set out in the 'Delivering Good Governance in Local Government' Framework (2016) represented in the International Framework.

The diagram at figure 3 illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times.

As overarching requirements for acting in the public interest, Principles A and B apply across all other principles (C – G)

A summary of the review of effectiveness of local arrangements in place for 2020/21 against each of the principles is set out on the

following pages identifying opportunities for governance enhancements.

Arrangements are monitored throughout the year as set out on page 3. Progress against the delivery of actions identified in the 2019/20 Annual Governance Statement is reflected in the green boxes throughout this Annual Governance Statement.

### Principle A: Behaving with integrity and respecting the rule of law

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is acknowledged as key to the delivery of good governance and underpins the delivery of Council priorities and services for the community.**

#### Summary of 2020/21 Review of Effectiveness:

The Council's Local Code of Corporate Governance identifies the Nolan Principles (Standards in Public Life) as underpinning all local government activity.

The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols.

The Council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Authority's Code of Conduct and sets out how the authority will deal with such allegations. Complaints about Members and allegations that a Member has

breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. The Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

The Council has a Standards Committee to promote and maintain high standards of conduct by Members of the Council and deal with any allegations that a member is in breach of the Council's Code of Conduct and to consider changes to the Code as required.

The Council's Constitution sets out the employment procedures for the Head of the Paid Service, Strategic and Assistant Directors, Monitoring Officer and Chief Finance Officer.

**Figure 4: Organisational Values**

The Council's six organisational Values shown here are underpinned by a behaviour framework for staff. The values are intended to influence the ways in which elected Members and officers think and behave in responding to future challenges.



The Values are embedded into Member and Officer Induction, regular officer meetings with their managers (REAL conversations), the Modern Member training programme, and management development programmes. A set of desired behaviours associated with each of the Values has been developed and form part of the Council's appraisal process for officers.

The Council has a Whistle-blowing Policy which is based on the Public Interest Disclosure Act 1998 as well as an Anti-Fraud and Corruption Policy, and new Anti-Money Laundering and Anti-Bribery Policies. The Council's website and intranet have options for the public and staff to report suspected fraud that link to the Shared Anti-Fraud Service webpage.

During 2020/21, the Council carried out one instance of directed covert surveillance in accordance with the Regulation of Investigatory Powers Act 2000.

#### **The following governance activity pertaining to best practice has been delivered in 2020/21:**

- The Council's Financial Regulations and Contract Standing Orders were reviewed and changes were agreed by Council.
- A new Anti-Bribery Policy and a new Anti-Money Laundering Policy have been produced, approved and are available to staff
- The Whistle-Blowing Policy has been reviewed and republished.
- The Officer Code of Conduct has been reviewed and is due to be approved by Council in 2021.
- Dr Robert Crawley was re-appointed as the Council's Independent Person for a further term of four years with effect from October 2020.
- A new Borough Solicitor was appointed as the Council's Monitoring Officer with effect from July 2020.

**Arrangements reflect those summarised in the Council's Local Code of Corporate Governance – No significant requirements to enhance governance have been identified.**

#### **Principle B: Engaging with local people and other stakeholders**

**Principle B: Ensuring openness and comprehensive stakeholder engagement is considered essential in meeting the Council's corporate ambitions and framework of values and regarded as key to effective service delivery. Communication supports the decision-making process and**



**helps to improve service quality and foster good relationships between staff, Members and stakeholders.**

### **Summary of 2020/21 Review of Effectiveness:**

Stevenage Borough Council is a co-operative council which means working in equal partnership with local people to shape and strengthen communities.

The Council wants to hear views about Council services. The Council regularly provides local residents, partners and other interested parties with opportunities to influence the planning, prioritisation and monitoring of services. A variety of methods are used to engage the local community, such as: surveys and questionnaires, community roadshows, focus and action groups and stakeholder conferences.

The Council has a Community Engagement Framework which provides a clear overview of ways in which the Council engages with communities across Stevenage. A customer friendly version of the Framework is being produced which will be available on the Council's website. Toolkit development will be ongoing as resources are created for Council teams moving forward.

The Council has implemented Co-operative Neighbourhoods. Co-operative Neighbourhoods looks to make better connections between the Council, the community and the people who live and work in Stevenage. It is a partnership between the people who live in Stevenage, the public and voluntary services and the businesses based in the town. The Co-operative Neighbourhoods teams help by connecting staff from different services who work in the same part of Stevenage so they can provide better services to residents, responding more quickly to matters that residents are concerned about, making it easier for residents to shape the services and projects in their neighbourhood, supporting the activities of residents and communities who want to improve their neighbourhoods and create new opportunities for themselves. Each of the six Neighbourhoods will have a community plan which sets out:

- Plans for investment in the area
- Community projects and activities
- Issues prioritised with the community that the team will work on together
- Corporate priorities which involve local activity, such as climate change
- Priorities identified for possible action in the future, such as where funding bids may need to be made.

The Council has over the past few years established a number of shared service arrangements to provide efficient and effective shared service provision and governance arrangements facilitate effective stakeholder engagement to deliver agreed outcomes.

The Council has a system for recording customer feedback which enables learning from feedback and complaints to facilitate effective monitoring of information provided by customers to review future service delivery.



**Figure 5: Residents' Newsletter**

The Council uses a variety of media to communicate with its residents, businesses and customers, for example Stevenage Chronicle which is the Council's quarterly magazine for residents which provides the latest information about Council initiatives and services, community news and events, the Council's website, press releases and social media.

In response to the COVID-19 public health emergency, the Council has played an active role in promoting and signposting residents and businesses to the Government's package of guidance and support measures.



A dedicated Coronavirus section has been set up on the Council's website which includes Frequently Asked Questions, Government advice, and information about changes the Council has made to its services. A special Coronavirus edition of Chronicle was distributed to all households in Stevenage as well as being available online.

As part of its response to COVID-19, the Council has worked closely and collaboratively with its partners to respond to the crisis. The Council has been working in partnership with the Hertfordshire LEP, Chamber of Commerce, Wenta and the Hertfordshire Growth Board to ensure that businesses in the town are supported and informed.

To help residents who were shielding and/or vulnerable during the pandemic, the Council has worked together with local voluntary and community organisations and local businesses to set up Stevenage Helps. Over the year Stevenage Helps assisted over 500 residents with deliveries of food, personal care and cleaning packs as well as helping residents to access essential services and has also provided other assistance where possible.

**The following governance activity pertaining to best practice has been delivered in 2020/21:**

- The Annual Report and Performance Overview highlighting the Council's achievements over the past year and plans for the next twelve months was approved by Executive and published on the Council's website
- The Council now has a new website which provides a portal for new customer online services.
- To inform the Council's new Climate Change Strategy an array of traditional consultation as well as online methods, including a digital Facebook engagement campaign which received over 1400 responses was used.
- As part of the Council's commitment to addressing climate change, a citizen's panel has been established. The panel represents a broad and diverse range of views in the town and will help inform the Council's ongoing response to the climate emergency.
- The co-operative Inclusive Economy Charter to encourage residents and businesses to work together to help protect Stevenage's economy and support the Council's approach to Community Wealth Building was launched.
- The revised Strategy for resuming the development of Co-operative Neighbourhoods, following a delay as a result of the pandemic, was agreed by Executive in August. A Co-Operative Neighbourhoods Communications Plan has been produced as well as a Guide for Councillors. Strategic and operational leads have been appointed for each Co-operative Neighbourhoods area.
- Public consultation to inform the Amenity Tree Management Policy and the Stevenage Cemetery Policy was carried out via the Council's web pages and promoted via social media.
- As part of the development of the Workforce Strategy (2020-2023), consultation took place with members, SLT and Trade Unions.
- The themes for the Community Safety Strategy, which has recently been approved by Executive, were informed through engagement with residents and visitors to the town through a number of social media consultations, surveys with clients and data collected from the police Echo platform.
- Staff working from home were given the opportunity to participate in a 'Ways of Working' Survey. Through the insight of over 300 employees and survey responses, the Council has been able to plan its recovery from Covid in a way that suits the majority of staff and address staff concerns with this new way of working.

Arrangements reflect those summarised in the Council's Local Code of Corporate Governance – No significant requirements to enhance governance have been identified.

## Principle C: Defining outcomes – the Council's vision and priorities

**Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits. The focus of the Council's governance arrangements is to deliver the best possible outcomes for the community and the Council's vision for the town. It is essential that the Council seeks customer feedback and works with partners, to pool resources and skills**

### Summary of 2020/21 Review of Effectiveness:

#### The Council's vision:

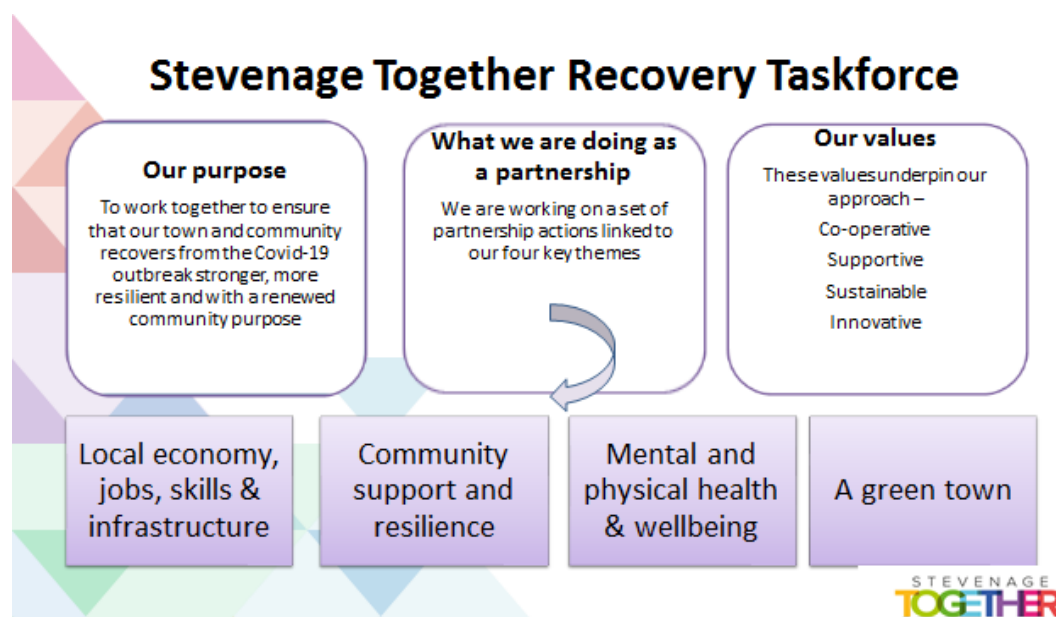
Stevenage: a prosperous town with vibrant communities and improved life chances

#### Working in partnership

Stevenage Together, Stevenage's local strategic partnership includes a range of diverse partner agencies. Its ethos is to foster innovative ways of working together, to improve the lives of people who live in, work in and visit Stevenage.

The aims of the partnership are to generate pride in the borough, develop communities, help people feel safe and improve residents' health

Stevenage Together oversees four themed groups: Social Inclusion Partnership (SIP), Community Safety Partnership (SoSafe), Health and Wellbeing Partnership and the recently re-launched Economy Taskforce.



Stevenage Together held a Covid Recovery Summit in July to provide an update on shared responses to the Covid-19 pandemic and to identify how partners could best work together as a Recovery Taskforce to support the recovery efforts in Stevenage. Subsequently a high level partnership recovery action plan has been developed, based around the purpose, themes and values, as illustrated below.

Stevenage Development Board was set up in 2020 to prepare Stevenage's bid for government funding through the MyTown initiative. The Board is formed of representatives from across Stevenage and the surrounding area and includes key stakeholders from public sector organisations, private businesses and not-for-profit organisations to ensure a diverse range of views are represented. The work of the development board forms part of the wider 20 year £1bn regeneration of Stevenage Town Centre. The Board provides an environment for collaboration and innovation across a range of partners, especially in the skills sector, providing a strong platform to support the regeneration efforts in the town.

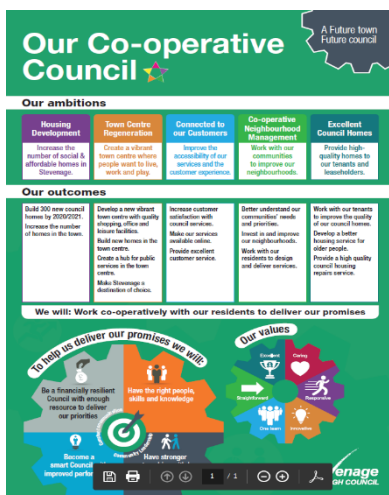
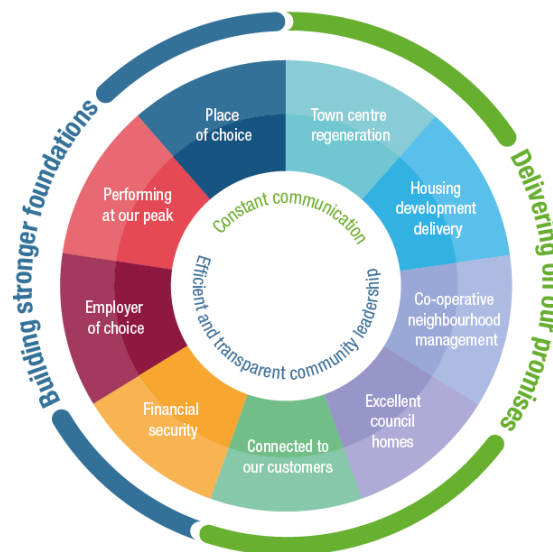
## Future Town, Future Council

The Future Town, Future Council (FTFC) programme consists of nine key programmes that aim to deliver improved outcomes and real change for Stevenage residents. The Future Town Future Council programme serves to enhance governance. The focus and scopes of programmes is monitored to ensure that the FTFC Programme continues to deliver the Council's priorities. The FTFC Programme is currently being reviewed for 2021/22.

A further FTFC programme called 'Place of Choice' has been included into the FTFC Programme and incorporates the activities associated with a number of existing and emerging strategies that focus on improving the quality of life of residents and visitors. This programme provides overarching governance, to ensure that these strategies are well aligned, and that the FTFC Board are tracking key deliverables and priorities for each year. The following existing and emerging strategies/plans are included in the scope of the programme:

- Stevenage Reimagined
- Healthy Stevenage
- Community Safety
- Community Wealth Building
- Climate Change
- Future Town Future Transport
- Biodiversity Action Plan

## Future town future council



Where it has been possible and in line with the government's restrictions, key FTFC delivery programmes have continued during the COVID-19 crisis. The regeneration schemes at Queensway and Town Square continue to be progressed, with contractors working in accordance with government guidance. The Housing Development programme continues on existing sites. A number of critical ICT projects are also continuing to progress as planned.

The Co-operative Corporate Plan (FTFC) reflects the ambitions and projects and articulates to the public the Council's key priorities and objectives that support the achievement of the FTFC programme over the next few years.

Every year progress against the Council's priorities are considered and this informs important decisions about where to spend the budget. The

Annual Report summarises the Council's achievements over the past year and outlines what it plans to do in the next twelve months and is published on the Council's website.

### **Financial and Asset Planning**

The Medium Term Financial Strategy (MTFS) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including Council tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for Stevenage as set out in the FTFC agenda and other strategic documents of the Council. The key aim of the Strategy is to facilitate the Council in achieving the outcomes set out in those documents, by setting out MTFS principles, which generates the need for Financial Security targets, identifies financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

The CFO continues to assess the financial impact of the pandemic. As a result of the government restrictions in response to the pandemic there has been significant impact on the Council's income, expenditure and cash flow. The projected gap between government funding and losses has necessitated the MTFS to be updated on three occasions during 2020. Members approved financial resilience measures which have improved General Fund balances for this and future financial years. The 2021/22 General Fund Report considered by Council at its meeting in February 2021 set out the impact of the pandemic on the Council's General Fund budgets.

The Housing Revenue Account (HRA) Business Plan is the Council's 30 year strategic plan for managing and maintaining its housing stock. It sets out the Council's short-to-medium term plans and priorities for its housing management services and provides a long term perspective on stock investment and financial plan. The Council's HRA Medium Term Financial Strategy looks at these plans over a five year horizon in greater detail setting out the principles which generates the need for Financial Security targets. The HRA Business Plan is currently being reviewed.

The HRA Medium Term Financial Strategy underpins the Council's key housing priorities for Stevenage as set out in the FTFC agenda 'Excellent Council Homes' and 'Housing Development' and in the Housing Asset Management Strategy. The Council continues to work co-operatively with housing customers to help shape these priorities and associated programmes.

The Council also has a five year Capital Strategy. The purpose of the Capital Strategy is to show how the Council determines its priorities for capital investment, how much it can afford to borrow and sets out any associated risks. All capital schemes are regularly reviewed and prioritised to determine whether they should be included in the Capital Strategy. The Officers' Capital Group ensures that effective arrangements are in place for the design and delivery of capital projects.

Revision to the 2020/21 General Fund and Housing Revenue Account Capital Programme and approval of the Capital Programme for 2021/22 was approved by Council in February 2021.

The Stevenage Borough Local Plan 2011-2031 sets out how Stevenage will develop in the future. The plan seeks to provide around 7,600 new homes, alongside new jobs and community facilities. It provides the basis for the regeneration of the town centre, which includes plans for new homes, shops, offices, coffee bars, restaurants and seeks to create a centre people can be proud of. It also protects green infrastructure and historic assets, to ensure people can continue to have a good quality of life in the town.

A five year Housing Asset Management Strategy and action plan for implementation of the strategy over the five years of the Plan was approved in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management and the key strategic projects and programmes to ensure the Council derives maximum value for its assets whilst providing high quality homes for its tenants. The Strategy will allow the Council to meet its strategic goals of having fit for purpose, safe, well maintained and well-presented housing stock, with a view to optimising housing development opportunities where appropriate.

The General Fund Asset Management Strategy and rolling five year action plan is guiding the Council's future strategic property decisions to make sure the estate is managed sustainably and efficiently so it can adapt and remain fit for the future, and help the Council meet its Future Town Future Council aims. The strategy sets out clear financial targets to achieve to meet the Council's financial challenges. To help reach these financial targets, the Strategy recommends seven clear areas for change, including undertaking local asset reviews to identify new opportunities to release surplus land and buildings for sale and opportunities to generate new sustained revenue income as well as improving efficiency and utilisation of assets with partners. The Strategy will remain in place until 2023 and the Action Plan is the key change document and main focus to be updated annually.

**Progress of significant governance (2020/21 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**General Fund Asset Management Strategy:** Work on locality reviews is now well underway. All three tranches of land identified for disposal have now been agreed by Executive.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 30).**

**Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:**

The Housing Revenue Account (HRA) Business Plan is under ongoing review to ensure a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to support the council's Housebuilding and Acquisitions Programme.

**In addition, the following governance activity pertaining to best practice has been delivered in 2020/21:**

- Establishment of the Hertfordshire Growth Board Joint Committee and Hertfordshire Growth Board Scrutiny Committees as Joint committees agreed at December Council. A new Hertfordshire Growth Board Integrated Governance Framework has been adopted and incorporated into the Council's Constitution. A North East and Central Hertfordshire Growth Board has also met to agree a forward plan of work.

**Principle D: Determining Intervention**

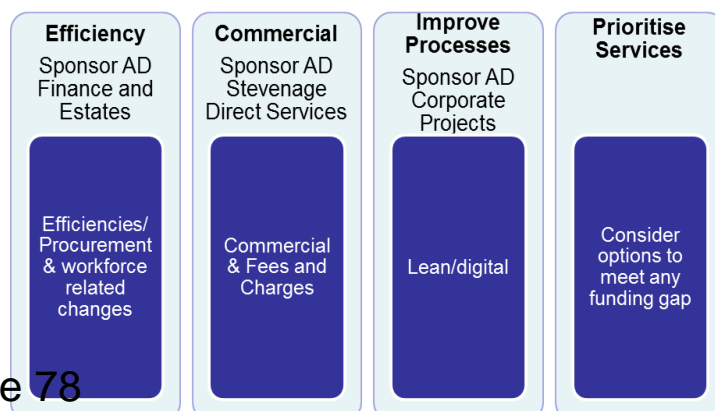
**Principle D: Determining the interventions necessary to optimise the achievement of outcomes requires robust monitoring and decision-making mechanisms to ensure that actions identified are sustainable within available resources.**

**Summary of 2020/21 Review of Effectiveness:**

**Financial Governance Arrangements:**

The Financial Security Programme has three main workstreams, with Assistant Directors taking key leads in relation to Efficiency, Commercial, and Improving Processes. There is a further workstream to prioritise services to meet a funding gap should the need arise. The Financial Security programme continued to enhance the financial resilience of the Council by ensuring resources are being used effectively

**Figure 9: Financial Security Work Streams**





and efficiently and through the development of commercial and entrepreneurial skills and services.

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.

The Council's framework of internal financial control is supported by Financial Regulations and Contract Standing Orders. The regulations provide the framework for managing the Council's financial affairs. They set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services. The Council's Financial Regulations and Contract Standing Orders were reviewed and agreed by Executive in July 2020.

### **Monitoring performance:**

The performance and quality of each FTFC programme is monitored through a monthly Programme Board. The corporate programme is monitored through assessment of progress against target for a set of corporate performance measures aligned to service priorities.

A performance management framework monitors performance measure results associated with the FTFC Programme together with measures to monitor the delivery of effective services (the corporate programme).

A performance and governance system is used to monitor performance and risk and is providing improved insight into corporate priority delivery. The system provides a range of corporate performance monitoring relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

The status of performance for both the FTFC programme and the corporate programme with proposed improvement plans, where necessary, are discussed by senior management prior to Executive on a quarterly basis. In addition the Executive receive separate regular updates on the Council's financial position and quarterly overview reports.

A Performance Guide is available to staff on the Council's intranet. The guide sets out the Council's approach to:

- Identifying appropriate performance measures aligned to corporate and services priorities and resource
- Monitoring and reviewing performance measure results to help identify activity to improve outcomes for the community
- Identifying and celebrating business achievements
- Identifying and managing risk
- Ensuring that the overall governance of the organisation is robust.

All of this information provides business insight that helps to drive improvement and deliver outcomes that benefit the community.

The Council also has a Data Quality Policy which outlines the Council's commitment to ensuring data quality and arrangements are in place to monitor and enhance the quality of performance data.

### **Housing Development Programme**

The Housing development programme aims to increase the affordable and social housing provision in the town (both within the town centre and the suburbs).

The Housing Development and Regeneration Executive Committee receives updates on the Housing Development Programme. Progress of the programme against key milestones is reported each month



to the FTFC programme board. Budgets are also monitored by the Assets and Capital Board which meets bi-monthly to ensure spend is in line with predictions. New build schemes within the HRA form part of the HRA Business Plan, and the General Fund schemes are reported to Executive as part of the Capital Strategy updates.

The various contracts for the building works commissioned by the Housing Development team are monitored through monthly site meetings attended by an officer representative as well as the contractor and an independent Employers Agent whose role is to administrate the effective running of the contract.

Executive at its meeting in January 2021 approved the setting up of a Wholly Owned Company (WOC). This will allow the Council to meet the needs identified in the Strategic Housing Market Assessment commissioned by the Council, specifically with providing housing in the private rental market. These ambitions complete the wider ambitions to develop more affordable housing, achieve place shaping improvements and generally improve the neighbourhoods that the town's communities enjoy. The WOC will sit alongside the existing housing delivery methods utilised by the Council.

## Regeneration

The Council, along with its development partners are currently delivering a major, twenty year, £1bn regeneration programme designed to transform Stevenage. Stevenage First are responsible for driving forward over £1 billion of development across six major opportunity areas in the town centre. The masterplan includes a new rail station, 3600 new homes, 65,000 sqm of office space, 24,000 sqm of retail, four star hotels and a new community hub.

As part of the regeneration programme, the Council has partnered with Mace to deliver a £350m scheme called SG1. SG1 is a 14.5 acre site including a minimum of 1700 new homes, 60,000sq feet of ground floor retail and restaurant space, new public spaces and a public services hub, combining community assets such as health services, library, voluntary sector, café and Council offices. Following a competitive tender process, the Council selected Mace as its development partner to deliver SG1. The governance arrangements for this scheme include fortnightly Project Team meetings and monthly Steering Group meetings between Stevenage Borough Council and Mace with issues resolved through the business plan.

The Council has also signed a £50m development deal with Reef Estates to redevelop Queensway North. Queensway North is a mixed-use redevelopment scheme transforming an existing town centre site into retail and leisure units, office space, and delivering 110 residential units. This will completely reposition a partly empty asset which included the vacant Marks and Spencer site, derelict for a number of years, and will act as a major regeneration catalyst.

Stevenage Development Board oversees the investment being made as part of the Government's Town's Fund initiative. The work of the board has prioritised projects in Culture & Heritage, Sustainable Transport, Town Centre Regeneration, and Skills & Employment. This includes improving the infrastructure in the town and investing in facilities, creating employment and skills opportunities for local people, and attracting investment in the internationally-recognised life sciences sector.

Stevenage Development Board was successful in its bid for government funding and has been awarded £37.5 Million. This will bring about a once in a generation investment to revitalise and regenerate the town.

## Community Wealth Building

The Council has produced a Community Wealth Building Strategy. Community Wealth Building focuses on how much money is held and reinvested in an area for the benefit of local communities. For the Council, this relates to how much business it does with local suppliers and how it supports local people to connect to, and drive forward, a sustainable and inclusive economy. At the heart of the strategy is making sure that the economy works for everyone. This has identified four key foundations that underpin an inclusive economy:

- Procurement and social value,
- Training and skills,
- Cooperative and social economy growth and
- Tackling climate change.

A motion in favour of Community Wealth Building and developing an Inclusive Economy Charter was passed by Full Council in January 2020.

To support the Council's approach to Community Wealth Building a Cooperative Inclusive Economy Charter for Stevenage was agreed by Executive in July 2020. A Cooperative Inclusive Economy encourages communities, organisations and businesses to work together, helping to shape the economy and to share the benefits of growth. The Charter's aim is to create a fairer society and a more resilient economy for everyone; local residents, organisations and businesses. The Charter will be monitored by a single working group, reporting to a cross-party advisory Community Wealth Building Board, chaired by the Leader of the Council. The Charter is underpinned by an action plan, and includes a space for communities and stakeholders to pledge their support.

**Progress of significant governance (2019/20 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**To ensure the governance of key regeneration projects the following action has been carried out:**

The SG1 Scheme gained planning approval at Planning and Development Committee in October 2020. The holding direction on the SG1 planning application has been lifted by the Secretary of State. This now allows the Council to finalise and conclude the Section 106 legal agreement with the developer Mace and to issue the planning permission.

Regeneration and Housing Development meetings have been separated to maximise the effectiveness of the meetings. Regular updates on key projects are provided at each meeting. This has included a session dedicated to Queensway/Marshgate which the Council's regeneration partner Reef attended and presented, and a number of sessions focussing on the Town Investment Plan. FTFC milestones have been adjusted following Covid-19, although the majority of progress remains unaffected.

Regular Steering Group meetings are held with key members of the Mace and SBC teams, with two-weekly operational meetings between the project teams. This has been invaluable when dealing with challenging issues, and regular communication has been a real positive. The Queensway Limited Liability Partnership continues to run smoothly with regular board meetings and reporting with Reef.

An action tracker is now in place to monitor progress of actions. On a monthly basis the status of actions are reported in the Highlight Report to the Regeneration Steering Committee. Highlight reporting arrangements have been reviewed and enhanced. The Risk Register has been updated and is being reviewed quarterly. GD3 funding has now been released and Local Enterprise Partnership deeds agreed. Monthly meetings are held with the Local Enterprise Partnership. Meetings are attended by the Assistant Director, Regeneration Manager and Programme Manager which provides a robust and resilient structure.

Virtual consultation sessions have been carried out with businesses on Queensway South and surrounding residents regarding the demolition of the former Police Station site

Recommendations from the internal audit report and the Resourcing, Governance and delivery review have now been merged into an operations and performance package of improvement for the business unit. The Programme team is working on creating a project toolbox and other process improvements for the delivery of the programme in preparation for the increased number of projects anticipated in the next 12 months.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 30-31).**

**Progress of significant governance (2019/20 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**To ensure that the Shared Hertfordshire Home Improvement Agency (HHIA) service, operated by Hertfordshire County Council, can deliver its financial targets in the medium term, as well as ensure that minimum key standards are being met, enhance its governance structure and ensure the HHIA Board is offering value for money, the following activity has taken place:** All of the key measures of outputs of the service have improved since 2018/19 and now represent an improvement over both that year and the last year it was provided in house by SBC. A follow up audit was completed by SIAS in August 2020. SIAS were satisfied that systems have been amended to improve the quality and accuracy of information recorded on the internal management information systems. The evidence from their testing demonstrated significant improvements since the last audit, as well as improved checks by management to review such progress. The HHIA, whilst addressing recommendations, have sought to identify other improvements that can be made to further improve the service.

The Executive at its meeting on 6<sup>th</sup> October 2020 considered a report which provided information on the Council's second year of participation in the HHIA. The report proposed that the Council remains a member of the HHIA and this was agreed by Executive. This action is now complete as all the high audit recommendations have been actioned and will therefore not be carried over as an Annual Governance Statement action for 2021/22.

**In response to the COVID-19 crisis and to ensure the Council can reinstate and continue to deliver services, continue to meet its Future Town Future Council ambitions and enable recovery from the effect of the virus in the town, the following action has been carried out:** IMT, Business Continuity and Coronavirus Emergency Committee meetings are being held as required to co-ordinate and manage the Council's response to the pandemic. Service changes have been made in accordance with the lockdown restrictions. Redeployment plans have been drawn up to assist with the Stevenage and County-wide response. The Chief Finance Officer is continuing to assess the ongoing impact of Covid-19 ensuring all applicable Government grants are applied for and received. Advice and guidance of funding and grants is being provided to businesses in the town.

The January 2021 General Fund report set out the impact of Covid on the Council's General Fund budgets. The projected gap between government funding and losses has necessitated the MTFS to be updated with mitigating actions on three occasions during 2020. Members approved financial resilience measures that improved General Fund balances for this and future years.

Stevenage Together local strategic partnership held a Covid Recovery Summit in July 2020 to provide an update on shared resources to the Covid-19 pandemic and to identify how partners could best work together to support the recovery efforts in Stevenage. Subsequently a high level partnership recovery action plan has been developed.

Executive in July 2020 approved the Council's Recovery Plan and actions are in place embedded in the Council's Future Town Future Council reporting process. The Economic Taskforce has now met a number of times. The Taskforce has asked for an action plan to be drafted focussing on business advice and support, skills and job matching and employment opportunities. Stevenage Together Partnership is working on a joint recovery action plan for the town, covering areas from health to jobs and skills, environment, regeneration and support to those who need it most.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 31-32).**

**To ensure that the Council's ambitious commercial agenda can be achieved, the following action has been taken:** On 12<sup>th</sup> August 2020, Executive approved the Council's Co-operative Commercial and Insourcing Strategy 2020-2023 and associated action plan. This strategy outlines the Council's approach to operating more commercially. This will be achieved through maximising opportunities to insource services, the delivery of business process improvements and the generation of new or enhanced sources of revenue. A new Commercial and Investment Executive Committee has been established, terms of reference have been agreed and the first meeting was held on 22<sup>nd</sup> October 2020. Commercial key performance indicators have been agreed and these will be reported to the Commercial and Investment Executive Committee on a quarterly basis. A Commercial Culture and Skills Audit has been carried out and a Commercial Learning and Development Action Plan based on the feedback from this audit has been developed. Insourcing guidance has also been developed.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 31).**

**In response to the challenges which could result from the Government's Local Government Reform and Devolution White paper, the following action has been carried out:** The Government's White Paper has been delayed and currently no date has been set for its publication. District/Borough Councils in Hertfordshire have worked together to consider appropriate opportunities for future reform. A residents' poll was carried out and demonstrated that the majority of residents in Hertfordshire are opposed to the creation of a large unitary council. MHCLG officials attended the Hertfordshire Growth Meeting in August to observe the collegiate way in which the ten Hertfordshire authorities are working together for the good of Hertfordshire communities. Discussions have taken place with other Local Authorities who have recently undergone or are considering devolution options to inform the debate in Hertfordshire.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 31).**

**Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:**

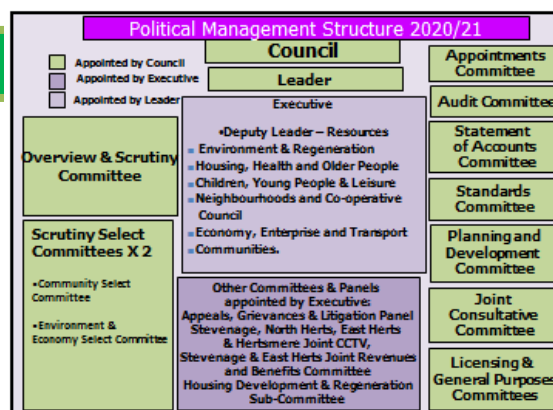
Risks associated with the impact of Welfare Reform on the community and Council have been identified. The Council is continuing to assess potential impacts through business insight.

**In addition, the following governance activity pertaining to best practice has also been delivered:**

- The Local Development Scheme 2020 was approved as the programme for the new Stevenage Local Development Document by Executive.

## Principle E: Leadership capacity and capability

**Principle E: Developing the organisation's capacity, including the capability of its leadership and the individuals within it. The appropriate structures and leadership, as well as people with the right skills and values, enable the Council to operate efficiently and effectively and achieve the best possible outcomes for the community.**



## **Summary of 2020/21 Review of Effectiveness:**

### **The Council's Political Management Structure:**

The Political Management Structure diagram summarises the Council's political structure.

All Councillors meet together as the Council. Meetings are generally open to the public and feature a main topical debate item. The Council has an approved Constitution which details how the Council operates, how decisions are made, including delegation of decisions and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer ensures that the Constitution remains fit for purpose, that legal requirements are met and that the public interest is paramount in all decision making.

In response to the COVID-19 pandemic, the government brought in new arrangements for meetings to be held remotely. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ('the Regulations') came into force on 4<sup>th</sup> April 2020 and apply to local authority and police and crime panel meetings that are required to be held before 7 May 2021. The Council put in place arrangements for meetings to be held remotely in line with these new regulations. This has meant members and the public can view meetings at a time convenient to them and this has the added benefit of improving scrutiny and reaching a wider audience. A protocol has been written for the management and conduct for remote meetings. Meetings can be viewed by the public via YouTube.

Audit Committee meets quarterly, and its duties include advising and commenting on internal and external audit matters, anti-fraud and corruption issues, risk management and governance, the Council's Constitution in respect of Contract Standing Orders and Financial Regulations and the Statement of Accounts and related Capital determinations. The Audit Committee has been constituted in line with best practice recommendations from CIPFA guidance.

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. The Council also appoints officers qualified to undertake statutory responsibilities, such as:

- Chief Financial Officer (Strategic Director (Chief Finance Officer)) as contained within Section 114 of the Local Government Finance Act 1988.
- Monitoring Officer (Borough Solicitor) to meet Section 5 of the Local Government and Housing Act 1989.

There is a Modern Members Programme which provides Members with a programme of training to ensure they have the skills and knowledge to ensure effective and informed decision making. This training programme covers essential skills such as understanding budgets as well as topical items and briefing on new legislation. The Modern Members Programme is arranged for all elected members, based on their feedback and requests. There is also a programme of induction training and meetings with key officers for newly elected Members.

### **The Council's Officer Structure:**

The Council aims to create a flexible, collaborative, creative and modern workforce to ensure the Council can deliver the priorities set out in the FTFC programme and give residents the standard of services they expect.

The senior leadership team has been structured to drive the development of a sustainable, customer orientated and commercial operating model. The model is focused upon delivering the right services to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models.

The Council's Employer of Choice programme is transforming the way the Council works, ensuring staff have the skills, abilities and experience to deliver excellence.



The Council uses a Human Resources Management system to support workforce planning, training, development and the implementation of the Council's competency framework structure. The Council's Competency Framework provides a map of the behaviours, as well as the skills, that are valued and recognised by the Council.

The Council has a staff Performance and Improvement Policy and Manager Toolkit, as well as associated policies (Absence Management, Dignity at Work, Disciplinary, Grievance and Appeals policies, Organisational Change Policy, Sick Leave Policy) to encourage all employees to personally deliver the highest standards of service possible and for managers to proactively address performance issues. The Council has a rolling appraisal process called REAL Conversations with regular meeting arrangements providing a framework for achieving the best performance on a day-to-day basis. These conversations typically include objectives, development, engagement, and wellbeing, but they are also tailored to individuals.

**Progress of significant governance actions (2019/20 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Corporate Capacity:** The Council's new Workforce Strategy was approved by Executive in October 2020. The Strategy is a critical enabler for delivering the Council's strategic ambitions over the next three years. The Strategy identifies actions that will improve employees' experiences and position the Council as an 'Employer of Choice'. The majority of the Council's business unit reviews are now complete. The business unit reviews within Digital and Transformation and the Garages and Markets service are now complete. Recruitment of key roles has continued during the Covid-19 pandemic to ensure corporate capacity is maintained. Four Assistant Directors were recruited in 2020 and have now all started (AD Digital and Transformation, AD Stevenage Direct Services, AD Finance and Estates, AD Regeneration). In light of the improved situation due to the completion of the business unit reviews and the recruitment of senior posts at the Council, this action will not be carried over as an Annual Governance Statement action for 2021/22.

**In addition, the following governance activity pertaining to best practice has also been delivered:**

- The Council has teamed up with the local Mind charity to deliver a number of Mental Wellbeing webinars to help staff to manage the negative impacts of the pandemic.

**Principle F: Managing Risks – The Council's risk governance arrangements**

**Principle F: Managing risks and performance through robust internal control and strong public financial management. Risk management, together with a strong system of financial management are integral parts of a performance management system and are crucial to the achievement of outcomes.**

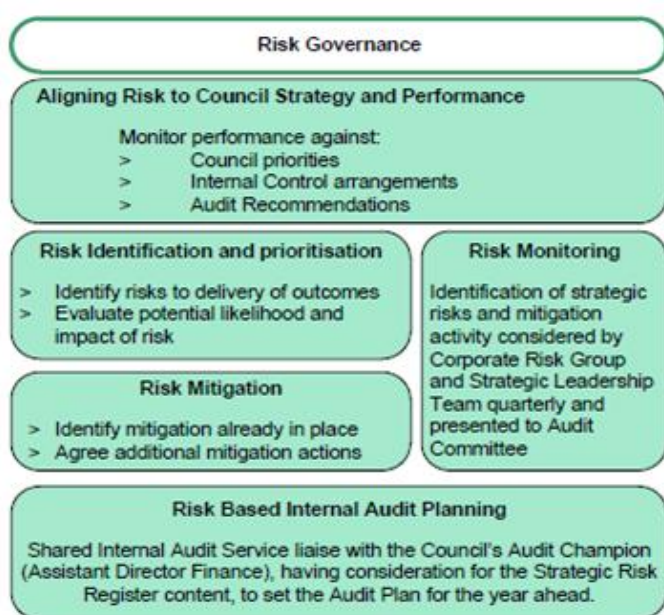
**Summary of 2020/21 Review of Effectiveness:**

**Risk Management**

The Council consider and counter risk across a broad range of areas. The Council has an approved Risk Management Policy and a Risk Management Guide is available to all employees. Strategic risks are linked to the Council's priorities and the Strategic Risk Register is reviewed and monitored on a quarterly basis. Operational risks are also developed and monitored.



**Figure 13: Risk Management Arrangements**



A Corporate Risk Management Group meets quarterly to oversee and review the process and development of the Council's approach to risk.

To support service delivery improvements, the Council welcomes constructive challenge as a result of scrutiny from internal/external audit activity, the work programme of Overview and Scrutiny Committee and other external review agencies and inspectorates.

The Shared Anti-Fraud Service's annual Action Plan ensures compliance with the best practice issued by central government, National Audit Office and CIPFA. The Council has an Anti-fraud and Corruption Policy as well as a Whistle-blowing Policy. Data Protection and Information Security responsibilities for staff, and processes for the management of both electronic and manual records are also available.

## Information Technology

The ability to identify and assimilate new technologies is an integral part of the Council's aim to achieving its strategic objectives. The Council has a Shared IT service with East Herts which is responsible for developing the shared IT platform as well as delivering IT services. The shared service was established through a partnership agreement between the two Councils in 2013.

The Councils have established an Information Technology Steering Group (ITSG), which meets on a monthly basis and oversees the operation of the Shared IT Service. In addition, the Councils have established an ICT Partnership Board, which also meets on a monthly basis and is responsible for the strategic direction of the service. Both the ITSG and the ICT Partnership Board include senior members of staff from both Councils.

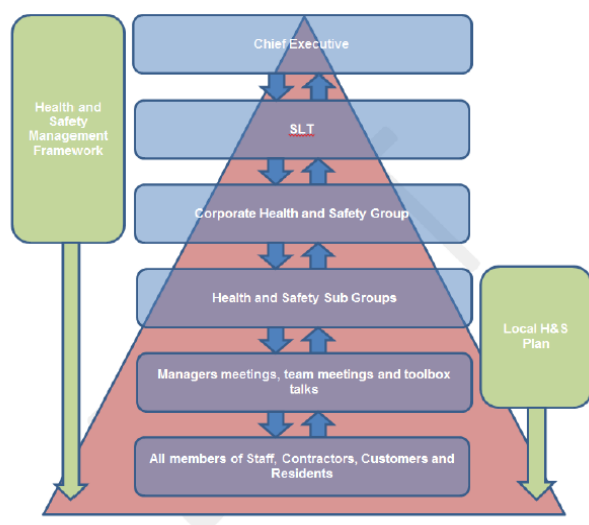
The IT Steering Group and the IT Programme Management Office function facilitates delivery of the projects that supports the Council's Future Town, Future Council programme and the Council's Business Unit reviews alongside the day to day IT service.

The IT service is committed to embracing new digital opportunities to better meet the needs of residents, achieve savings and transform services. A secure, resilient, effective and forward looking Technology Service is critical in delivering these aims.

The ICT strategy, approved in 2019/20 by both Stevenage Borough Council and East Herts District Councils provides a united vision for the ICT service. The ICT Strategy articulates the ICT vision and objectives now and in the future. The Partnership vision is to create a modern, secure, resilient, and transformational ICT service that drives and supports delivery of joined up services to customers through the effective use of technology.

## Health and Safety

**Figure 14: Council's Health and Safety Framework**



To ensure and maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a corporate health and safety governance structure is in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed. Assistant Directors have ensured that health and safety responsibilities at each level of management within their business units are clear. An ongoing schedule of review by Assistant Directors and internal/external peers is providing assurance that key health and safety risks are being suitably controlled while identifying areas where improvements can be made and including these into the ongoing action plan. Senior management representation on the Strategic

Health and Safety Group ensures the group is providing senior management with the assurances that are required. The Council has a complete database of health and safety risk assessments for all services.

Embedding of the Health and Safety framework is being achieved by a process of internal and external audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans

The COVID-19 emergency, the most serious public health crisis in the UK for over a Century, has and continues to present a challenge for the Council to ensure the health and safety of its staff, Members and customers. Risk assessments and appropriate measures and changes to service delivery arrangements have been put in place to ensure that the government restrictions and guidelines are adhered to throughout the crisis. This has included closure of buildings, cessation/limiting of services, provision of PPE to appropriate frontline staff, as well as other measures.

Alongside e-learning health and safety packages there is now a range of tool box talks available, plus courses on Risk Assessment, Construction, Design and Management Regulations, Manual Handling, COSHH, Hand Arm Vibration, Legionella, Needle sticks, Sharps and Diseases, Hot Works and Noise.

## Business Continuity

The Council has business continuity plans for all of its key services and a Corporate Business Continuity Plan is in place to manage the corporate response to an incident. In response to the COVID-19 outbreak and to ensure business continuity of its essential services, the Council instigated an Incident Management Team which is co-ordinating the local emergency response within Stevenage. This included the establishment of eight response cells each led by an Assistant Director or senior Manager, which includes a Business Continuity Cell.

## Information and Records Governance

New General Data Protection Regulations were approved by the EU Parliament on 14 April 2016 and were enforced on 25 May 2018. The primary objectives of these regulations are to give citizens and residents control of their personal data and to simplify the regulatory environment.

Overall responsibility for information management at the Council has been assigned to the Council's Information and Records Governance Manager, who is also the joint Data Protection Officer for both Stevenage and East Herts Councils. The Council has a Corporate Information Governance Group in place, which oversees the Council's information governance arrangements.

The Council has identified and documented its information assets and data flows and developed an information asset register. The Council has a Data Protection Policy as well as an Information Security Incident Management Policy and Procedure which defines the Council's procedures in response to any actual or suspected data security incident. Specific guidance on records management with defined responsibilities of information asset owners has been developed. Document retention guidance has been produced and communicated to all members of staff, which includes a defined and enforced corporate records retention schedule in line with the requirement of the GDPR and good practice. There are also defined procedures in place for the disposal and destruction of information. All staff are required to complete GDPR e-learning and keep their knowledge up to date.

**Progress of significant governance actions (2019/20 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Cyber Security and IT Resilience:** Design of the Virtual Desktop Infrastructure, which will improve the user experience and is an enabler for Microsoft 365 and Windows 10 is complete and is currently being piloted. The design work for the upgrade of the ICT network, to increase IT resilience, is also complete and configuration and testing of the upgraded network is currently underway.

The installation of the microwave link between the Council's two data centres to almost eliminate chances of link breakage and therefore ICT interruption is now complete and is scheduled to go live once the network upgrade is complete. Microsoft 365, which will support new ways of working, team collaboration and video-conferencing, is currently being piloted by ICT to troubleshoot any issues prior to its full roll out. Work is also continuing to upgrade the Council's 50 plus servers. The roll out of the Windows 10 Operating system, which is a pre-requisite for Microsoft 365 and a key requirement of the Security Enforcement Programme is progressing well. Email and web filtering has also been replaced to increase ICT security. Meta-compliance which is a new platform that incorporates requirements of e-learning, policy compliance, cyber security and phishing awareness has been installed and will be rolled out soon. The replacement of the Council's firewalls and implementation of controls and management tools to monitor and control the ICT network are in the soft market testing phase.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 32).**

**Progress of significant governance action (2019/20 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Information Management:** Improvement activity has continued to enhance and embed information management arrangements to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed. The review of data sharing arrangements with local authority partners and public agencies to reflect GDPR requirements on information sharing obligations is now complete. All Supplier agreements which involve the processing of personal data have also been updated. Enhancement activity has decreased the information management risk to a medium level; therefore this action will not be carried over as an Annual Governance Action for 2021/22.

**Progress of significant governance action (2019/20 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Corporate Health and Safety:** A RAG monitor of all the Council's high health and safety risks is now being produced. All high risks are reviewed by the Strategic Health and Safety Group and reported to Corporate Risk Group and the Senior Leadership Team quarterly. The monitor is also reviewed by the Chief Executive at monthly HR meetings.

The Health and Safety team have assisted to ensure that all Council buildings are Covid Secure. New working arrangements for Daneshill and Cavendish Road have been implemented to ensure the health and safety of staff. The team have also provided support and advice to frontline staff to ensure their safety and the safety of customers. PPE requirements for specific operational settings have been identified and procured. Staff communication messages have been provided to advise staff of Covid-19 guidance. The usual scheduled health and safety training and audits have been affected by the response to the pandemic but have now resumed.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 32).**

#### **Progress of significant governance action (2019/20 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**To ensure there is a clear governance structure through a corporate landlord functions and ensure compliance of the Council's non-housing property, the following action has been taken:**

The Mears contract has been brought in house and responsible officers have now been assigned to all operational buildings. Compliance work continues to be progressed and regular compliance checks have been programmed. The compliance audit is nearly complete for all operational buildings, community centres and the depot. Risks have been identified and these are being prioritised.

The Assistant Director (Finance and Estates) has now started in post as well as a new Estates Manager. Recruitment for a permanent Facilities Manager is in progress. There is now a full procedure manual in place documenting work carried out by the team and work is progressing on a full suite of policies. Procedures for training staff, community centre managers and users are being produced. Preventative maintenance is being investigated and prioritised. Empty properties are now being inspected weekly for damage, leaks etc.

**Information regarding continued enhancement activity proposed for 2021/22 and timeline for delivery is reflected on page 31.**

### **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

**Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability** will ensure that the Council provides information regarding the completion of actions in a timely and understandable way.

#### **Summary of 2020/21 Review of Effectiveness:**

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Executive
- Quarterly FTFC and corporate performance status reports to Executive
- Annual publication of Statement of Accounts
- Publication of the Annual Governance Statement
- the Council's Annual Report

Compliance to provide information as outlined in the Local Government Transparency Code 2015 is monitored throughout the year by Corporate Governance Group.

The Council's internal audit provision is delivered by the Shared Internal Audit Service hosted by Hertfordshire County Council. A summary of 2020/21 arrangements is set out on pages 5 to 7 of this Statement outlining assurance for both financial and non-financial systems.

For 2020/21 the Shared Internal Audit Service assigned 'satisfactory' assurance for financial systems and 'satisfactory' assurance to non-financial systems. Actions to enhance governance for the areas highlighted have been identified and prioritised.

At the time of writing, the Council's External Auditors, Ernst and Young, have not as yet provided their Annual Audit Letter for 2019/20 that the Council's financial statements give a true and fair view of the financial position of the Council at 31 March 2020 and its expenditure and income for the year then ended. The Auditors have also not as yet confirmed their opinion as to whether the Council has put in place proper arrangements to secure value for money in our use of resources and that our Annual Governance Statement for 2019/20 was consistent with Ernst and Young's understanding of the Council.

**Arrangements reflect those summarised in the Council's Local Code of Corporate Governance – No significant opportunities to enhance governance have been identified**

## **Corporate Governance Calendar 2020/21**

The following corporate governance calendar on the next two pages summarises activity delivered throughout the year to ensure compliance with the corporate governance arrangements outlined in the Council's Local Code.




## Corporate Governance Calendar April 2020 – September 2021



### Apr 2020

-  Internal Audit of Corporate Governance arrangements achieves 'Satisfactory' assurance for areas assessed
-  Internal Audit of Risk Management arrangements achieves 'Satisfactory' assurance for areas assessed

### May 2020

-  Annual Council agree the political management structure of the Council



### June 2020

-  Head of Assurance confirms to Audit Committee the 'fitness for purpose' of internal audit to carry out the work that informs the assurance opinion for 2019/20
-  The Coronavirus Recovery Plan and Review of the MTF S approved by Executive.
-  Q4 Performance Report considered at Executive.
-  Q4 Strategic Risk Register reported to Audit Committee

### July 2020

-  Annual Scrutiny Report to Council
-  Executive approves the Co-operative Inclusive Economy Charter
-  Annual Report and Performance Review approved by Executive
-  Corporate Governance Group reviews Principles D, E and F
-  Q4 Financial reports to Executive
-  Appointment of Independent Person (Standards Committee) by Council
-  Appointment of Monitoring Officer agreed by Council
-  Financial Regulations and Contract Standing Orders agreed by Council

### Aug 2020





-  Executive receives an update on the implementation of Co-operative Neighbourhoods
-  The Co-Operative Commercial and Insourcing Strategy 2020-2023 agreed by Executive

### Sep 2020

-  Executive consider Q1 Performance and Financial Monitoring reports
-  Executive considered a report providing an update to the General Fund MTF S Strategy 2020/21-2024/25
-  Executive approved site disposals as part of the Locality Ward Asset and Land Review
-  Q1 Strategic Risk Register presented to Audit Committee
-  SAF S provides Audit Committee with an update on the 2020/21 Anti-Fraud Plan

## Corporate Governance Calendar October 2020 - March 2021


### Oct 2020

-  Council approves the **Annual Treasury Management Review of 2019/20** including prudential code
-  **Corporate Governance Group** carried out a review of Principles C and G of the CIPFA/SOLACE Framework
-  Executive approves the **Workforce Strategy for 2020-2023**
-  Executive considered a report on the Council's second year of partnership in the **Herts Home Improvement Agency**




### Nov 2020

-  Executive approves establishment of the **Herts Growth Board Joint Committee**
-  **Q2 Strategic Risk Register** presented to **Audit Committee**
-  **SIA S** provides **Audit Committee** with an update on their **2020/21 Audit Plan**
-  **HRA MTF S Strategy Update** reported to Executive
-  **Audit Committee** consider the six month progress review of **AGS** and **Service Governance** actions
-  Executive considers financial monitoring reports




### Dec 2020

-  Executive consider the **Q2 Corporate Performance** report

### Jan 2021

-  Council approve the **Housing Revenue Account Final Budget Proposals, Rent Setting and Draft Council Tax Support Scheme 2021/22**
-  Executive approves site disposals identified as part of the **Local Ward asset and land review**
-  **Corporate Governance Group** carried out a review of Principles A and B of the CIPFA/SOLACE Framework

### Feb 2021

-  Council approves the **2021/22 Council Tax, General Fund and Capital budgets, and the Annual Treasury Management Strategy** including Prudential Code Indicators 2020/21
-  **Members' Allowances Scheme 2021/22** approved at Council
-  **Pay Policy Statement for 2021/22** approved by Council

### Mar 2021

-  **Q3 Performance/Financial Monitoring reports** considered by Executive
-  Formation of a **Wholly Owned Housing Development Company** agreed by Executive
-  **SIA S 2021/22 Audit Plan** and **SAF S 2021/22 Anti-Fraud Plan** agreed by **Audit Committee**
-  **Q3 Strategic Risk Register** considered at **Audit committee**
-  **Audit Committee** receive an update on progress of the **IT Investment Strategy**
-  Review of **2020/21 Governance Arrangements** presented to **Audit Committee**

## Planned Improvement Activity for 2021/22:

Significant internal control and governance issues identified as part of the 2020/21 review of the Governance Statement are summarised on page 4, identified in the relevant section throughout this Statement and set out in the following Action Plan.

Enhancement activity is deemed significant if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service following reviews of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and the associated delivery of priority outcomes should be addressed.

There are currently a few high level strategic risks where related mitigation activity is identified throughout this document as ongoing governance monitoring rather than as enhancement activity, such as:

- The Housing Revenue Account (HRA) Business Plan, (agreed by Executive November 2018 and reviewed and updated in December 2019) is under ongoing review to ensure a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to support the Council's Housebuilding and Acquisitions Programme and the Housing Asset Management Strategy. The HRA Business Plan is being reviewed in 2021.
- The HRA and General Fund Medium Term Financial Strategies and Capital Programme are under ongoing review to ensure finances remain robust in the long term and ensure the Council can deliver the ambitions set out in its Future Town Future Council Programme; deliver a once in a generation investment in the town, through town centre regeneration, housing development and investment in neighbourhoods and become financially self-sufficient. The General Fund and HRA Medium Term Financial Strategies and Capital Programme have been reviewed in 2021/22 to reflect the significant impact on the Council's financial situation as a result of the COVID-19 crisis and continue to be under ongoing review.

Action Ref	Action	Target Date
1	<p><b>To implement the General Fund Asset Management Strategy the following activity is planned:</b></p> <ul style="list-style-type: none"> <li>• Continue the review of the council's commercial portfolio</li> <li>• Continue with Locality reviews of the Council's current land and buildings to identify new opportunities for better use of existing buildings</li> <li>• Identify further potential sites for release for sale and identify land for the Council's own housing building programme.</li> </ul>	<p>March 2022</p> <p>March 2022</p> <p>March 2022</p>
2	<p><b>To ensure the Council is able to continue to regenerate the town centre and build much needed new housing and create job opportunities the people of Stevenage need and want, a programme of work is required to implement the required governance arrangements to make this happen. This will be achieved by:</b></p> <ul style="list-style-type: none"> <li>• Ensuring measures are being taken to reduce the risk of construction delay and protect project budgets</li> </ul>	

Action Ref	Action	Target Date
	<ul style="list-style-type: none"> <li>• Ensure contracts and adequate funding is available to carry out the regeneration works as planned.</li> <li>• Creation of business cases for projects and work in relation to governance, resourcing, engagement and financial planning in light of the £37.5 Million Towns Fund award.</li> <li>• Continue to implement good governance arrangements in relation to the programme and key projects</li> </ul>	Ongoing to March 2022
3	<p><b>In response to the challenges which could result from the Government's Local Government Reform and Devolution White paper, the following action is proposed:</b></p> <ul style="list-style-type: none"> <li>• Undertake a review of the White Paper and its implications once it has been published</li> <li>• Engage again with other Hertfordshire District and Borough councils to consider a response to the White Paper</li> </ul>	Currently awaiting Government announcement
4	<p><b>To ensure that the Council's ambitious Co-operative Commercial and Insourcing Strategy can be achieved, a programme of work is required:</b></p> <ul style="list-style-type: none"> <li>• Delivery of the Commercialisation Action Plan</li> <li>• Ensure greater flexibility round income generation and savings opportunities</li> <li>• Implementation of the Commercial Learning and Development Action Plan</li> <li>• Recruitment of additional post to increase commercialisation capacity</li> </ul>	<p>February 2022 March 2022</p> <p>March 2022</p> <p>May 2021</p>
5	<p><b>To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property, a review of the current arrangements and responsibilities for managing non-housing property is required. This will be achieved by:</b></p> <ul style="list-style-type: none"> <li>• Recruitment of a permanent Facilities Manager</li> <li>• Implementation of a new Asset Management System</li> <li>• Setting up of an Asset Management Board</li> <li>• Produce a strategic plan for implementation of the Corporate Landlord function</li> <li>• Procedures for documenting air circulation risk assessments to be reviewed</li> </ul>	<p>July 2021 Dec 2021 June 2021 July 2021</p> <p>July 2021</p>
6	<p><b>In response to the COVID-19 crisis and to ensure the Council can reinstate and continue to deliver services, continue to meet its FTFC ambitions and enable recovery from the effect of the virus in the town, the following action is planned:</b></p> <ul style="list-style-type: none"> <li>• Continue with Incident response management arrangements as required in response to the Covid-19 emergency.</li> </ul>	July 2021

Action Ref	Action	Target Date
	<ul style="list-style-type: none"> <li>Review the General Fund and HRA Medium Term Financial strategies in light of the financial pressures arising from the COVID-19 response</li> <li>Implement the agreed town wide Recovery Plan</li> <li>Review the corporate performance measure suite and targets, to ensure they support the monitoring of the Council's recovery efforts and are realistic in the context of Covid-19 impacts on delivery.</li> </ul>	Sept 2021  July 2021
7	<b>To enhance IT infrastructure, cyber security, governance arrangements, policy framework and resilience the Shared IT service to continue to develop and implement a strategy and programme of activity as follows:</b> <ul style="list-style-type: none"> <li>Completing the replacement of all the Council's firewalls</li> <li>Completing the upgrade from Windows 7 to Windows 10</li> <li>Roll out of Microsoft Office 365</li> <li>Installing and roll out of network security and reporting tools</li> <li>Creation of a Disaster Recovery Team to review all ICT documentation and update the ICT Disaster Recovery Plan.</li> <li>Implementation of Microwave Link</li> <li>Horizon VDI Update</li> </ul>	December 2021 September 2021 October 2021 December 2021 October 2021  October 2021 October 2021
8	<b>To continue to ensure health and safety compliance and performance across the Council the following activity is planned:</b> <ul style="list-style-type: none"> <li>Train SLT in IOSH Leading Safety</li> <li>Continue the rolling programme of internal and external audits for medium and high-risk services</li> <li>Strategic Health and Safety Group to continue to meet quarterly and report high health and safety risks to Corporate Risk Group and the Council's Senior Leadership Team quarterly.</li> </ul>	March 2022 Ongoing  Ongoing
9	<b>New action for 2021/22 to mitigate a new strategic risk: Transformation Programme:</b> To deliver a productive and resilient Council which can deliver the Council's strategic priorities, protect outcomes for residents, and provide excellent customer experiences, the need to implement a transformation programme has been identified: <ul style="list-style-type: none"> <li>Preparation of a work plan and report for consideration by Executive</li> <li>CFO and AD Digital and Transformation to prepare a resourcing plan to support the programme, including new resources to deliver where appropriate.</li> <li>Recruitment of a new Transformation Delivery Manager.</li> <li>Establishment of an Officer Programme Board to prioritise the projects which will have the most impact.</li> </ul>	August 2021  August 2021  July 2021 September 2021
10	<b>New action for 2021/22 to mitigate a new strategic risk: As a result of the combined socio-economic impacts of welfare reform, the Covid-19 pandemic, and an economic downturn following a programme of activity has been identified:</b> <ul style="list-style-type: none"> <li>Close management of the Council's financial position via the MTFS</li> </ul>	Ongoing for 2021/22 Sept 2021

Action Ref	Action	Target Date
	<ul style="list-style-type: none"> <li>Bidding for available short-term Covid-related funding from government to help recover costs</li> <li>Monitor key service performance and pressures via Performance Management Framework</li> <li>Continue to implement the Arrears Action Plan</li> <li>Stevenage Economy Taskforce to continue to meet to create jobs and upskilling opportunities</li> <li>Continue to support key partnerships including SoSafe, Healthy Stevenage and the Social Inclusion Partnership to deliver socio economic, environmental and health related outcomes</li> <li>Deliver the Construction Industry Training Board initiative and create a Stevenage Works fund and job brokerage service</li> <li>Implement the Community Wealth Building Strategy and programme to help address the financial inequalities that exist</li> <li>Launch of a new inclusive Economy Charter</li> <li>Implementation of the £37.5M Town Deal Programme to create enhanced economic opportunity</li> <li>Working with local government representative bodies to lobby for longer-term sustainable funding settlement for local government</li> </ul>	<p>Ongoing for 2021/22</p> <p>Ongoing for 2021/22</p> <p>Ongoing for 2021 /22</p> <p>Ongoing for 2021/22</p> <p>Ongoing for 2021/22</p> <p>Sept 2021 March 2022</p> <p>Sept 2021</p>
11	<p><b>New action for 2020/21 to meet an audit recommendation: The following activity is planned to enhance compliance with Payment Cards Industry Data Security Standards:</b></p> <ul style="list-style-type: none"> <li>Key stakeholders across the Council to be identified and a Working Group set up to carry out the review.</li> <li>Payment methods to be reviewed and a replacement payment system to be considered.</li> </ul>	<p>July 2021</p> <p>March 2022</p>
12	<p><b>New Action for 2021/22 to mitigate a new strategic risk: The Council to continue to work with with its leisure contractor to ensure recovery of leisure services after the pandemic.</b></p>	<p>December 2021</p>



## Approval of Statement:

### Approval of Statement by Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Leadership Team, relevant officers and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Areas to enhance the governance framework already addressed are summarised in this Annual Governance Statement. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 29-33.

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 .....  
Matthew Partridge  
Chief Executive of Stevenage Borough Council

APPENDIX 3

2020/21

Financial Report including  
Statement of Accounts  
and Group Accounts



The 2020/21 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 28 February 2024.



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 on the Council's web site.

The Foreword and Narrative Statement have not been updated to reflect operational changes that have taken place since 31 March 2021 and may contain comments that have been superseded by events.

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## Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2020/21. As a co-operative Council we work alongside residents and partners to improve the lives of the people that live and work in the town. To enable this, it's important that we maintain a high degree of openness around our spending and our decision making. The publication of our accounts is a key part of our commitment to this transparency.

## Organisational overview and external environment

### About Stevenage Borough Council

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. Stevenage has a population of around 88,000 people across 13 different wards. The council employs 663 people, complete approx. 958,000 recycling collections, have 10 Community Centres, 14 car parks and a housing stock of 7,908 properties.

Stevenage Borough Council provides circa 120 different services, most of which we provide ourselves, which includes our Council housing. However, the Council's leisure facilities are currently under contract to Stevenage Leisure Services and we do share some services with other Councils which are:

- Shared Revenues and Benefits service (hosted by East Hertfordshire District Council (EHDC))
- Shared ICT service with EHDC hosted by Stevenage Borough Council
- Shared Internal Audit Service (SIAS) and Shared Anti-Fraud Service (SAFS) with other Hertfordshire Councils hosted by Hertfordshire County Council
- Shared CCTV service (partnership and company) with EHDC, NHDC and Hertsmere Borough Council, hosted by Stevenage Borough Council
- Shared Legal service hosted by Hertfordshire County Council
- Shareholder in Building Control company with seven other Hertfordshire Councils
- Shared Disabled Facilities service (Hertfordshire Home Improvement Agency) hosted by Hertfordshire County Council
- Shared Procurement service with EHDC and Hertsmere



The town's design means it has a great range of parks and open spaces in all areas, including our 120 acre Fairlands Valley Park with a series of four lakes, water sports and a splash park and our Town Centre Gardens, along with five 'Green Flag' parks. The Arts and Leisure Centre houses the Gordon Craig Theatre, sports facilities and a gym. The town also boasts its own swimming pool, golf centre and over 45km of dedicated cycleways.

Stevenage is a town steeped in rich heritage and culture, with a long history spanning back to Saxon times. It has a varied cultural offer including Stevenage Museum, which is a small, family-friendly museum which tells the story of the town from pre historic Stevenage through to the modern day, including the evolution of Britain's first post-war new town. The town is home to around 47,000 jobs, with established businesses in key sectors such as the pharmaceutical sector, advance manufacture, space and defence, and health care. Larger, sector-leading organisations are based in the town, including in Airbus Space and Defence, MBDA and GSK, all of which are based on Gunnels Wood Road, one of the largest employment areas in the East of England. The GSK campus also incorporates the national Cell and Gene Manufacturing Catapult and Stevenage Bioscience Catalyst, which are supporting early stage research and development in cell and gene therapies

Stevenage is home to some of the UK's leading retailers and high street favourites, in the town centre, the old town High Street and retail parks. Our major regeneration programme will also introduce a range of new and exciting shopping and leisure opportunities for residents and consumers.

## Geography

Stevenage is strategically located within Hertfordshire 30 miles north of London. With a major station on the East Coast Main Line, Stevenage offers superb connectivity with 19 minute journey times to Kings Cross and less than 40 minutes to Cambridge. Thameslink services giving direct connections to Farringdon, London Bridge and Gatwick have also expanded into Stevenage, with links all the way through to Brighton.

Stevenage is also situated on the A1(M) with good access to Cambridge, Peterborough, Northampton and Milton Keynes in less than one hour by road. In addition, two international airports are within easy reach of Stevenage: London Luton (14 miles) and London Stansted (29 miles).



## Business

Many of the world's most innovative companies as well as numerous exciting start-up businesses have chosen Stevenage to base their operations. Whether it is creating a new drug, driving on Mars or building a successful technology business, Stevenage is the place to do business. Our business base has a rich history and diversity that spans a wide range of sectors including aerospace, information technology, pharmaceuticals, advanced engineering and media. A quarter of the world's satellites currently in orbit were made in Stevenage, and we are one of the leading locations for cell and gene therapy development. Our major employers include:

- GlaxoSmithKline
- Airbus Defence & Space
- MBDA
- Stevenage Bioscience Catalyst
- Stevenage Cell & Gene Catapult
- Fujitsu

## Living

Stevenage offers residents a wide range of local amenities and a good standard of living with a strong mix of urban and rural life. There is a good mix of housing in and around the town at reasonable prices. Schools and colleges provide an excellent education offer, with many exceptional schools situated throughout Hertfordshire. It has a strong culture and leisure offer within the town centre with major retailers present within the Borough. The Old Town provides a

pleasant contrast with the High Street popular for cafes, pubs and independent retailers. There are over 300 acres of public park within the Borough that provide a wide range of recreational activity that can be accessed via an extensive, safe cycle network.

## Opportunity

Stevenage is planning on delivering over 7,500 new homes over the coming 20 years with half of these to be delivered in the Town Centre. The Stevenage Central Framework sets out our ambitious regeneration programme for the town centre and with planning permission submitted by our development partner Mace for the first phase, called SG1, and with the Council's Planning and Development Committee resolving to grant permission for a hybrid planning application in October 2020. SG1 will see over 1,800 new homes, restaurant, commercial spaces, public spaces and a new community hub delivered.

In addition to this, the Council has begun construction of a new bus interchange, which will enable part so of the SG1 Programme to come forward – including a new Garden Square in the heart of the town. Investments have been made to enhance the public realm in the town centre, including the uplift of the Town Square, and creation of a new 'co-working' facility on the edge of the Town Square.

The Council has also entered into a partnership to redevelop part of Queensway in the town centre. The £50million redevelopment will include mixed retail use, housing and leisure facilities, helping to regenerate this area of the town centre. This scheme is on site with substantial progress made through the construction phase in 2020/21.



Queensway: artist's impression

The regeneration of Stevenage town centre is a priority for Stevenage Borough Council, and benefits from close partnership working with other local partners such as Hertfordshire County Council, Hertfordshire Local Enterprise Partnership, and local businesses. A 'Stevenage Development Board' was formed in March 2020, leading the development of a Town Investment Plan, and in March 2021, securing £37.5 Million funding from the Ministry of Housing, Communities and Local Government to regenerate the town, deliver a range of projects, and provide greater opportunities for local people.



## Priorities

For 2020/21, the Council's Executive set clear priorities through the Future Town, Future Council programme, based on nine clear priorities. The strategic objectives for this programme were established and confirmed for the year and subject to quarterly review by the Executive and the Overview and Scrutiny Committee. As a priority, we will focus on these five themes to improve the town and the lives of the people in it:

- Housing Development to increase the number of social and affordable homes in Stevenage.
- Town Centre Regeneration to create a vibrant town centre where people want to live, work and play.
- Co-operative Neighbourhood Management to work with our communities to improve our neighbourhoods.
- Excellent Council Homes to provide high quality homes to our tenants and leaseholders.
- Connected to our Customers to improve the accessibility of our services and the customer experience.

## Covid-19

During the last financial year, the Covid-19 pandemic has had a substantial impact on our community, residents, business, Council and other local partners. A number of steps have been taken mitigate the impact of the pandemic, provide and adapt services for local people, ensure financial sustainability, and prepare for recovery beyond the pandemic. A range of national and local restrictions were in effect during the year, requiring close management and use of an incident management approach and a partnership response to the challenges faced.

## Governance

### Corporate Governance

A Corporate Governance Group meets four times a year to consider governance arrangements from the perspective of the seven core principles of corporate governance in the CIPFA/SOLACE Framework - the seven core principles are set out in the diagram on pages one and seven. At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year.

Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates), and the Head of Assurance Annual Report, require inclusion in the Statement. All of these mechanisms of review contribute to overall assurance for the 2020/21 Annual Governance Statement.

The 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. In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

Stevenage Borough Council has adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements in place to enable the Council to monitor the achievement of its strategic objectives, to consider whether those objectives have enhanced delivery of appropriate cost effective services and outlines the activities through which it accounts to and engages with its communities.



The Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. The Council's Local Code of Corporate Governance is reviewed and approved by Audit Committee each year. It was approved by Audit Committee at its meeting on 9th June 2020 and has since been reviewed and the revised Local Code was presented to Audit Committee at its meeting on 8th June 2021 for approval.

The Annual Governance Statement for 2020/21 explains how the Council has continued to comply with the Local Code, summarises the review of its governance arrangements and identifies areas of governance to be strengthened and outlines actions to strengthen areas identified. This includes actions identified by the Shared Internal Audit Service, or are considered important in the management of 'very high/high level' strategic risks. are set out in the Annual Governance Statement on pages 30 to 33.

The Head of Assurance's Annual Internal Audit Report and Assurance Statement for 2020/21 was reported to the Audit Committee in June 2021. The Statement also meets the statutory requirements in section six of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

### **Political Makeup as at March 2021**

As set out in the provisions of the Coronavirus Act (2020), the poll for the election of councillors for any local government area in England that would otherwise be held on the ordinary day of election in 2020 was suspended, and scheduled to be held instead on the ordinary day of election in 2021.

As such the political composition of the Council was unchanged in the year 2020/2021. Across the 13 different wards, there are 39 members spread across three parties. The political makeup as at 31 March 2021 was:

- Labour Co-operative Group - 27
- Conservative - 7
- Liberal Democrats – 5

The Council has adopted the Leader and Cabinet model as its Political Structure, throughout the year the Leader of the Council has responsibility for the appointment of the members of the Cabinet and the allocation of areas of responsibility for each cabinet member, except the position of Deputy Leader, who is elected from within the ruling group. The responsibilities of the Council, its Committees, Elected Members and Officers are set out in the Council's Constitution.

The Senior Leadership Team, led by the Chief Executive, is responsible for implementing the decisions taken by the Council and Cabinet.



## Corporate Objectives

The Corporate Plan, Future Town Future Council, is our main strategic planning document. It is the key five year plan for Stevenage Borough Council and outlines our vision and the outcomes and objectives we wish to achieve for the next five years whilst working co-operatively with and for our residents.

Members approved the current Future Town Future Council Corporate Plan in December 2016. It reflects the Council's continuing focus on co-operative working and outlines the key outcomes and priorities for the town over the period 2016-2021 through the flagship Future Town Future Council (FTFC) transformation programme. This programme is delivering key improvements that our residents told us they want to see. Included in this five year programme are plans to regenerate the town centre, provide housing that works for all, make services more accessible, and invest in our town's neighbourhoods.

We will ensure our cooperative approach helps us address the economic and social recovery challenges in the year ahead. This will be coupled with our commitment to addressing both the Council and the town's contribution to climate change through sustainable local growth via partnership and resident engagement across the town.



Over the past year, we have seen substantial progress across our corporate 'Future Town Future Council' programme and despite the difficulties the current coronavirus outbreak has placed on residents, business and the community, the council is determined to continue its ambitious programme of work to ensure both town and council are revitalised for the 21<sup>st</sup> century.

As set out above, a highlight of the 2020/21 financial year was the work of Stevenage Development Board in securing £37.5 Million new funding to deliver the Town Investment Plan, which will provide

a real boost to support our ambitious programme of work to transform Stevenage town centre. Work continues to bring forward the SG1 regeneration scheme, via a partnership with Mace Developments, covering the Council's offices at Daneshill House, the Plaza, bus station and some of the adjacent car parks redeveloped with new shops, bars and restaurants, homes, new public spaces, and a central public sector hub accommodating our offices, a library, exhibition space, and health services. The improvements to the public realm in the Town Square were completed in 2020/21 and construction of the new bus interchange commenced, utilizing Growth Deal funding from Hertfordshire Local Enterprise Partnership and funding from Stevenage Borough Council.

The Council has continued to deliver new social and affordable homes. During 2020/21, nine social and affordable homes were delivered at Addison House and this will bring the total to 270 homes completed since the programme began. A further 10 homes were delivered at Ditchmore Lane for private sale, bringing in receipts that will enable re-investment elsewhere in the town, and work began on site on the Kenilworth Close scheme which will provide over 200 homes, including a new older persons housing scheme.

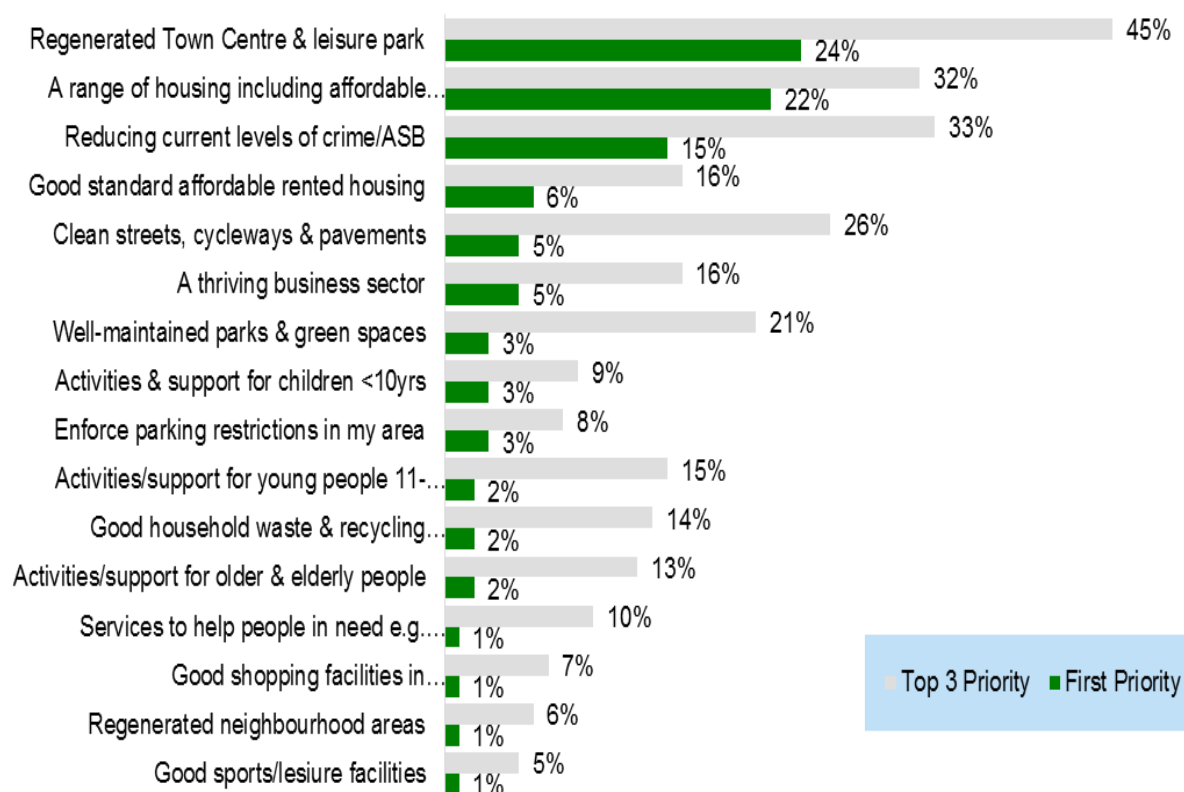
Further progress was made with the Excellent Council Homes for Life programme, with phases one and two of the £45Million Major Refurbishment Contract (MRC) programme complete, and investments into the lift refurbishment programme underway with twelve lifts have been refurbished. During the pandemic, the Council launched its "Housing First" approach, which focuses on the importance of access to safe, secure accommodation for homeless people and the role it can play in allowing them to move forward in their lives.

During 2020/21, the Council began the implementation of the Co-operative Neighbourhoods (CN) way of working, aiming to put residents at the heart of decision making by making services more responsive to the strengths, needs and aspirations of communities and localities.

Two new strategies agreed in 2020/21 - focussing on climate change and community wealth building – are intended help drive forward our commitments to achieving net zero carbon emissions in Stevenage and to supporting jobs, skills and opportunities for local people. When we asked our residents<sup>1</sup>, they said their top priorities were regenerating the town centre and affordable housing, and these match the Council's top priorities, the residents survey is due to be refreshed in the Autumn of 2021. This data helps inform our FTFC programme.

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<sup>1</sup> Residents Survey 2017



## Partnership Working

During 2020/21, the Council continued to work closely in partnership with other organisations to deliver our shared objectives and meet challenges facing the town and its residents.

This includes partnership working to secure and deliver regeneration schemes. A new, Stevenage Development Board was established in March 2020, with an independent Chair selected following an external recruitment process, and the Board established to meet the bidding requirements of the government's Towns Fund Prospectus and to release Growth Deal funding for the town. This Board successfully brought forward a Stevenage Investment Plan in October 2020, and following government review and challenge, secured £37.5Million in March 2021.

In addition, Stevenage Borough Council formally joined the new 'Hertfordshire Growth Board', formed of District and Borough Councils, the County Council and Hertfordshire Local Enterprise Partnership. This new Board formed as a Joint Statutory Committee in December 2020, working together to develop a prospectus for investment from Government and to help secure funding towards areas such as new homes, new infrastructure, tackling climate change and building wealth in local communities.

During 2020/21, the Council has been a key partner in the response to the Covid-19 pandemic, as an active participant in a number of decision-making structures overseen via the Hertfordshire Local Resilience Forum, to understand the wide ranging impacts across the county and town, and respond to these pressures. A number of county-wide partnership structures were in place through 2020/21 to address particular challenges, from providing additional emergency accommodation, to access to PPE, to preparation of vaccine centres.

Stevenage Borough Council also put in place an informal public meeting on a regular basis to review the Covid-19 situation – national impacts, regional-level responses, the status and continuity of Council services, changes and impacts for residents and customers. This meeting was filmed and available in the public domain, and regular written reports.

## **Responding to Covid-19**

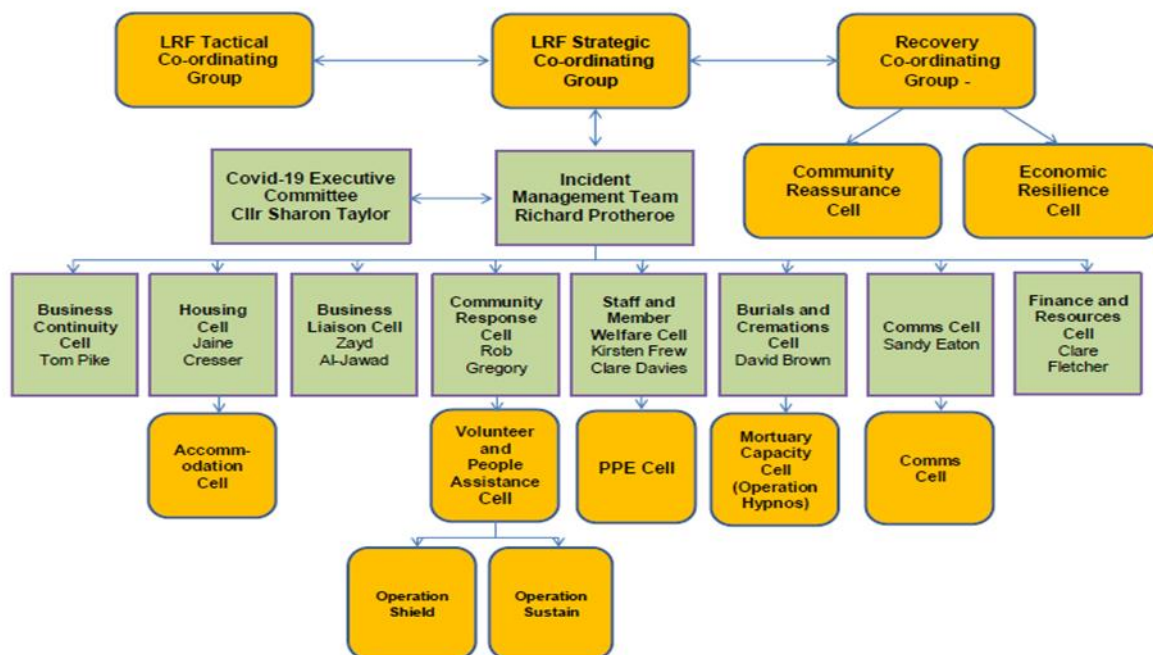
The effects of the pandemic have required the Council to quickly adapt services to provide support for residents and businesses and to manage the impacts of the pandemic. Partnership working and working with communities is key to our recovery and all the work we do to support our community. The pandemic has had significant impacts on our residents and businesses in the town, which is reflected in areas of increasing demand or pressures in different service areas such as homelessness support and advice, Council Tax and Housing Benefits, income and rents, and the capacity of teams such as the Environmental Health team who have played a leading role in Local Outbreak Management.

In respect of decision-making during the pandemic, the Executive continued to operate throughout as the primary committee for routine and ad-hoc decisions requiring Member approval to proceed. This ensured stability of the constitutional governance framework was maintained. The minutes for the Executive confirmed that regular online meetings were convened from the outset of the pandemic, during which officers managing the incident updated members on the corporate response. In addition, officers were proactive in ensuring the financial impact of the pandemic was routinely reported on. For example, in June 2020, a comprehensive paper was presented that recommended the Medium-Term Financial Plan be revised.

The Government's announcement in March 2020 that people should "stay at home" effectively declared COVID-19 a national emergency. In response, the Council's COVID-19 team that was initially monitoring the unfolding situation assumed incident management status and responsibilities. The decision established the formal response framework, with a clearly defined strategic body at the top of the structure and specific sub-groups operating underneath. Appropriate records have been maintained for the incident management team that confirm regular meetings took place and provide transparency over decision-making and closure of actions.

Published committee records show that the corporate response also included the COVID-19 Emergency Response Committee. This is a Member and officer forum. Meetings were broadcast online during the three lockdowns and while COVID-19 safety measures remained applicable, thus enabling residents and other external stakeholders to observe decision-making and to interact with officials and elected representatives about matters of interest.

An incident management structure was put in place, ensuring effective structures were in place in relation to key challenges from housing, to community support, business continuity, workforce and wellbeing, financial implications and to ensure services were adapted and delivered both in accordance with changing legislation and sector guidance. The Incident Management Team provided oversight of eight response cells in the COVID-19 response framework.



Each response cell had a clear area of delegated responsibility, with a nominated lead officer (a senior management grade post) who was accountable to the Incident Management Team. The nominated leads were selected based on current role, knowledge, and skills, which ensured authority and competence to plan and deliver the relevant work. For example, the lead for the Staff and Member Welfare response cell was the Senior HR Manager, which is the most senior post in the HR service.

As part of the Council's response to the Covid-19 outbreak, we took a number of steps to adapt services, protect residents and support our community. This included establishing a 'Stevenage Helps' community support offer, providing advice and guidance to over 500 residents with referrals or additional help, and over 190 individuals receiving food packs. The Council worked closely with Hertfordshire County Council Public Health team, forming a local outbreak team during the year. This team handled 310 service requests including complaints and requests for advice, and further visits to check self-isolation. The Housing Service responded to the Government's "Everyone In" initiative and housed a significant number of rough sleepers. The No More Service

offered their services to these individuals to help them maintain their accommodation and make positive changes to their wellbeing. Services such as the Independent Living Service continued to keep in close contact with residents to monitor their welfare and provide support. The Revenue and Benefits team processed over £21m of business rate reliefs and £20Million of business grants, and Officers worked closely with Herts Local Enterprise Partnership (LEP), Chamber of Commerce and Hertfordshire Growth Board (HGB) to provide assistance and advice to local businesses.

The Council made a number of changes to adapt services during the year, as required by changing legislation and guidance for different services. This included a shift to home working for those who were able to, changes to core services, and redeployment pools in place to support vital front line services or through the provision of mutual aid to other incident responders – such as provision of capacity to help open one of the country's first mass vaccination centres.

COVID-19 related risks to some of the Council's operational services and systems have been reviewed as part of the routine programmed internal audit coverage e.g. key financial systems. This also included the associated control framework for which management has ongoing responsibility. The outcome of this internal audit work was reflected positively in the Internal Audit Annual Assurance Statement for 2020/21. The Internal Audit work programme for 2021/22 will look to provide similar assurance over the current year. The outcome of that work will be reported to senior leaders, management and Members in the usual way.

The impact of Covid-19 requires a comprehensive recovery response beyond the remit of the Council alone. In the context of a partnership approach to the town's recovery, the Council has a key role to convene stakeholders and articulate a shared vision for the town.

Work over the last five years on the Co-operative Future Town and Future Council (FTFC) vision has enhanced the Council's network of partners. The FTFC vision provides a strong platform to build the town's recovery.

The Covid-19 crisis has had a significant impact across the town and the focus to date has been on the immediate coordinated response to support residents and local businesses during the lockdown period. Although this work will continue for some time, the Council's focus has turned to how it will aid recovery of the town and the Council.

Recovery will be a complex and long running process that will involve many agencies and participants from across the borough, it will be costly in terms of resources, and it will undoubtedly be subject to scrutiny from the community, the media and politicians alike. It is therefore, essential for the process to be based on well thought out and tested structures and procedures for it to work in an efficient and orderly manner. To co-operatively restore the social, economic, environmental well-being of residents of Stevenage, and ensure that the whole borough recovers from the Covid-19 outbreak stronger, more resilient and with a renewed community purpose.



The town's and Council's recovery will be taken forward through adopting a co-operative partnership approach, through working with other public sector partners, with local business and commerce representative groups, faith groups, community and voluntary organisations and with academic institutions. Ultimately, the future prosperity and wellbeing of the town in the aftermath of Covid-19 will depend on the Council and its strategic partners continuing to take actions to keep people safe and working towards the Future Town, Future Council vision for the future.

The Council's Executive approved the Council's Town and Council Recovery Plan in July 2020. The recovery plan for the town is currently set around four over-arching themes:

1. Supporting businesses and the local economy
2. Supporting local people and maintaining strong communities
3. Supporting the mental and physical health of the town
4. Travel and mobility

The recovery plan for the Council is based around the following five themes:

1. Ensuring staff and Member welfare
2. Operational services
3. Development and delivery of Future Town, Future Council corporate priorities
4. Transformation and lessons learnt
5. Financial security of the Council

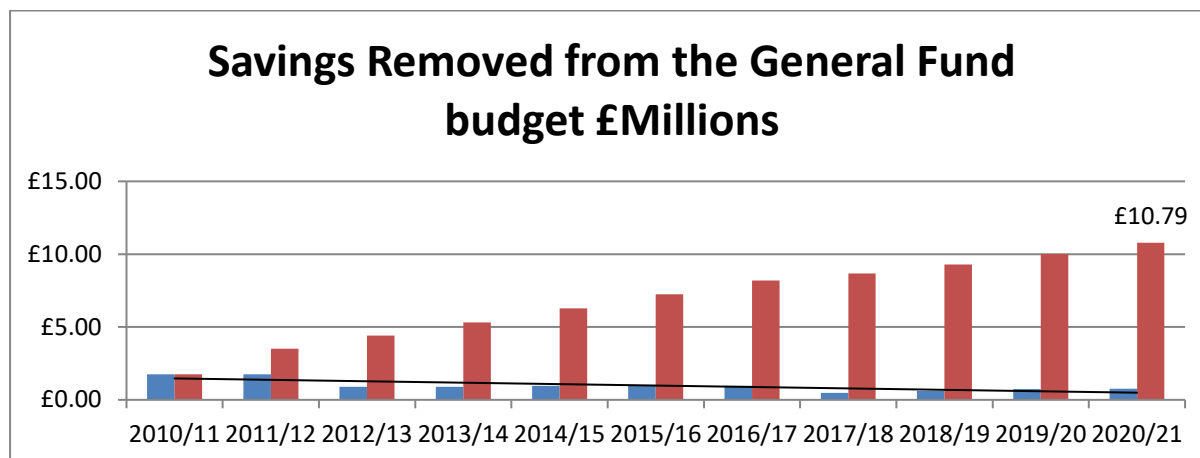
For each theme a range of priorities programme, projects and deliverables have been captured. The Council's Environment and Economy Select Committee commenced a review looking at the impact of Covid-19 on the local economy.

## **Operational Model**

### **Financial Context**

Local government has faced significant funding cuts during the period of national austerity, which has seen successive governments reduce financial support to all parts of the public sector, with lower tier authorities such as Stevenage Borough Council receiving a significant proportion of that reduction. The impact on Stevenage has been our General Fund services will have seen £5.3Million of government grant removed between 2011/12-2019/20. But at the same time fund an estimated £4.2Million of inflation increases and pressures in that period in addition to the grant reductions, without the ability to fund the widening gap from Council tax. This is because increases have been limited by legislation for District Councils at below 2% up to 2017/18 and thereafter limited to increase below 2% or £5 on a Band D property, without triggering a local referendum vote.

The graph below shows the savings removed from the general fund budget since 2010/11:



## COVID Impact 2020/21

The Covid-19 pandemic has had a considerable financial impact on the Council. The Government's lockdown announced on 20 March 2020, and subsequent further restrictions and lockdowns has meant that many businesses in Stevenage have had to close, significantly impacting on the local economy, which in turn impacted on the Council's income. Furthermore the Council has had to put significant resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

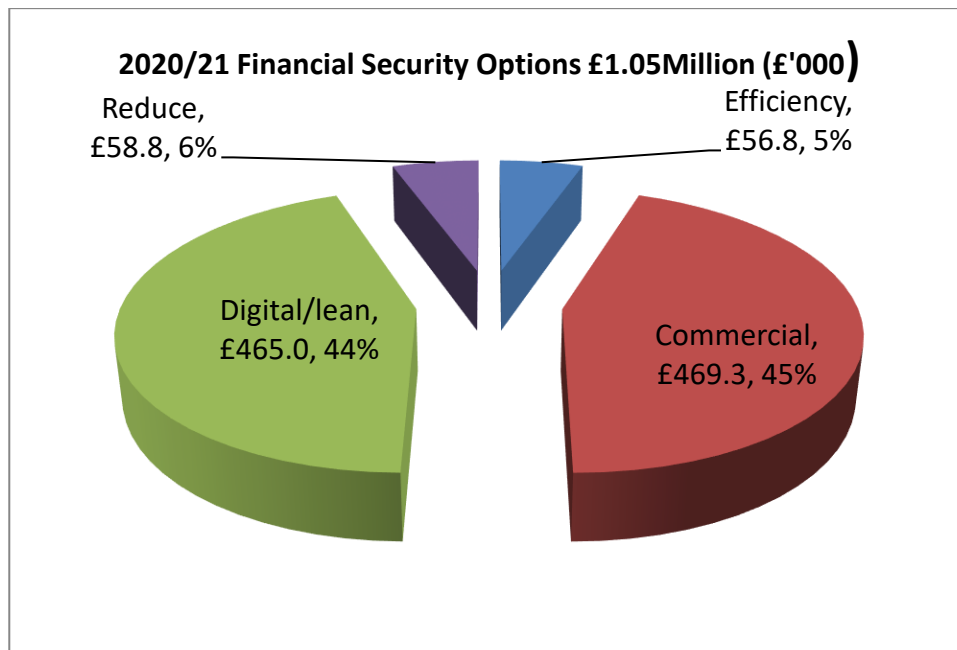
The Council identified that the cost of COVID was likely to be significant in 2020/21 even after taking onto account government funding so the Council took early action in 2020/21 and approved measures totalling £3.8Million, together with a programme of locality review land disposal sites, to reduce the use of revenue to fund capital during the MTFS period to help address the impact of COVID on the Council's General Fund, (June 2020 MTFS update).

The July 2021 outturn report for 2020/21 identified that there was a COVID significant financial impact on the Council's finances during that year. There was £6.584Million of additional spend or income foregone predominately as a result of COVID during 2020/21 plus Business Rates losses of £1.164Million, (to be repaid over 2021/22 – 2023/24) and Government grant funding of £5.269Million including £2.453Million from the income guarantee scheme, £1.422Million across tranches 2-4 of the Government support package and £886K Tax Income Guarantee support (TIG). This left a 2020/21 net cost to the Council of £2.478Million

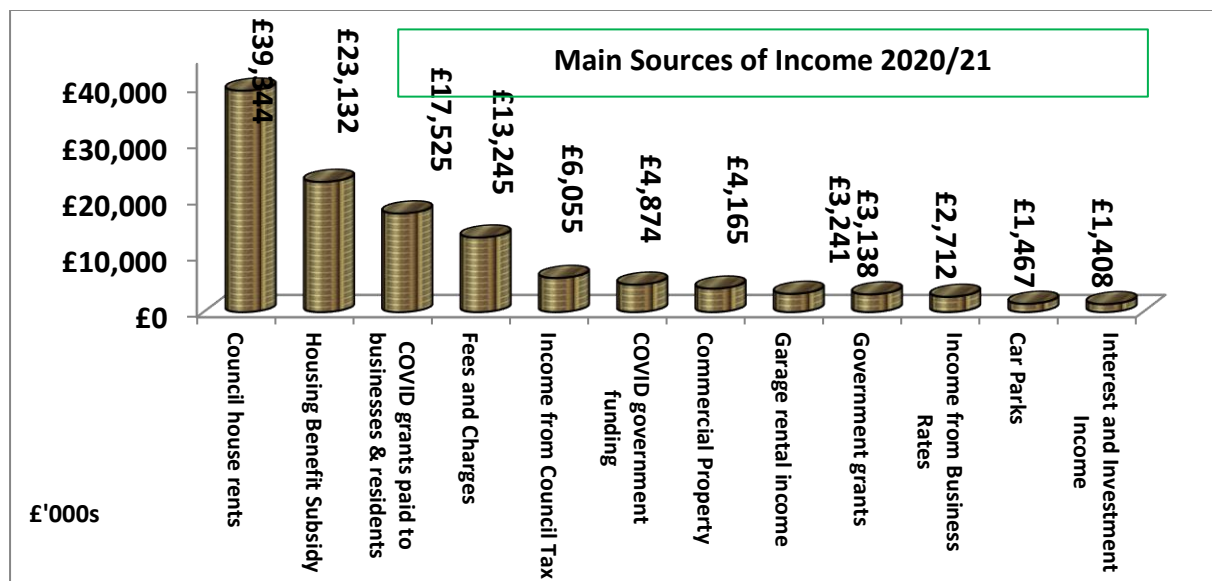
## 2020/21 Financial Position

### Savings

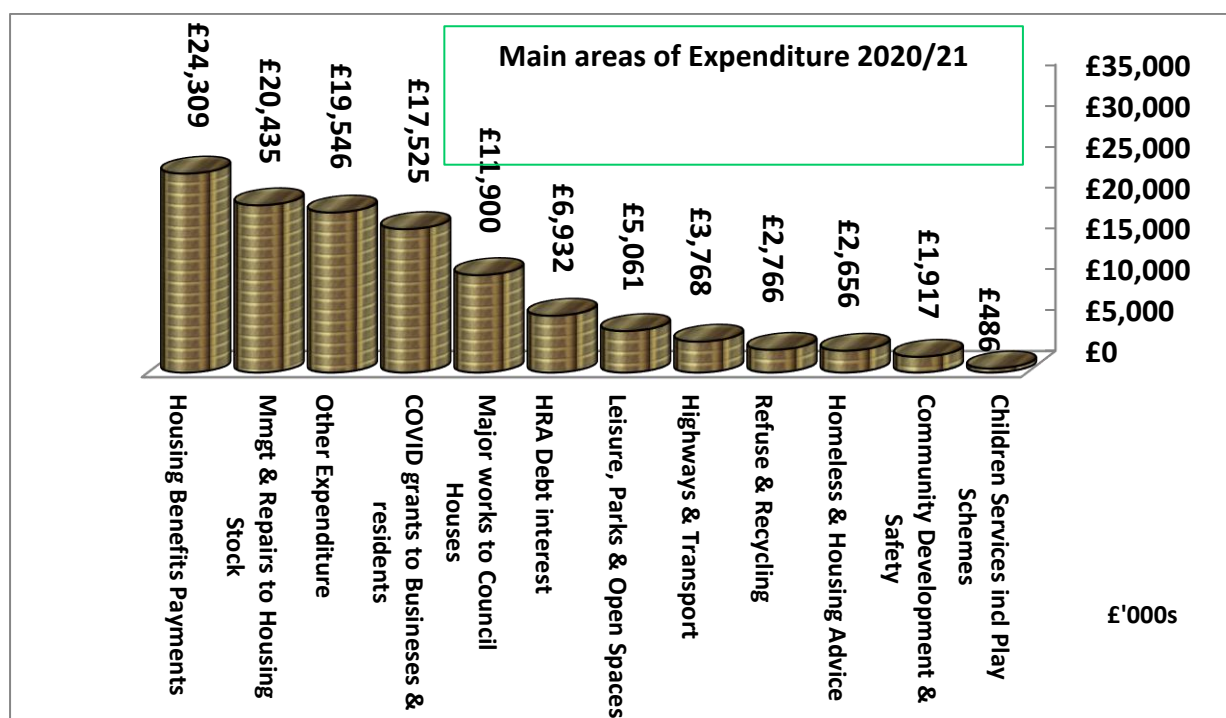
The graph below shows the different categories of savings options for 2020/21, of which £847K relates to the General Fund and £203K to the Housing Revenue Account (HRA).



The Council provides a wide range of services to the residents of Stevenage including refuse and recycling collections, leisure facilities including children's play schemes and maintenance of the public open spaces in the district. In addition the Council helps to keep the residents safe with responsibility for environmental health issues and ensuring new buildings comply with legislation. The Council also has a responsibility to help homeless families and to administer housing benefit claims. To pay for these services the Council receives money from a number of sources. The following charts show where we receive our income and where we spend it for our residents and tenants.



Note: Business rate income has been netted down by £9.3Million, relating to amounts transferred to a special reserve for business rate losses that will be repaid back to the Collection Fund £8.5Million in 2021/22 relating to 2020/21.



## Risk and Opportunities

The FTFC programme is an ambitious programme for Stevenage and this brings a level of risk for the Council. The Council maintains a Strategic Risk register which is reported to the Senior Leadership Team (SLT), Corporate Risk Group and our Audit Committee on a quarterly basis. This register includes all the top perceived risks for the Council and includes actions to mitigate risk. In addition any decisions taken by our Members are considered taking into account financial, legal and identified risks.

We ensure that we deliver the services and priorities our Members have approved by reporting quarterly using some key measures and programme updates to see how we are doing. Some of the measures relate to the FTFC programme and the remainder to key performance indicators that check how well we are providing our services and meeting our targets. These are reviewed by the SLT and we look at any mitigation we can implement if our targets are not being met. The performance measures are then approved by our Members. Although not all our measures are on target and we have put plans in place to achieve them and we recognise we can always improve.

Risk Area	Risk Mitigation	Likelihood	Impact
Government COVID funding does not cover losses in 2022/23 or meet any increase in 2021/22 in losses	Additional MYMC options will need to be identified and a number of options are being considered. However projections for the 2021/22 budget assumes £2Million (2022/23 £549K) of COVID losses and the risk assessment of balances includes a further £1.2Million for 2021/22	High	High
Anticipated MYMC options not achieved (Negative Risk) –agreed options do not deliver expected level of savings either on a one-off basis or On-going.	Regular monitoring and reporting takes place, but the size of the net budget reductions increases the risk into the future. Non achievement of options would require other options to be brought forward. General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner. This may become more of a risk as options around commercialisation are explored.	Medium	Medium
REVISED: Council Tax Support (CTS) (Negative Risk) – Increased demand is under-estimated.	An increase in demand would impact on future years as the deficit in the collection fund would need to be repaid by the General Fund. However the modelling in the MTFS leaves the higher level of CTS caseload.	High	Medium
Localisation of Business Rates (Potential Negative) – A major employer leaves the town and impacts the business rate yield due to the Council	Negative: The safety net means a maximum loss in year of £190K which the council has included in an allocated reserve. On-going this would impact on the savings target and ultimately services.	Medium	High
Loss of Business Rates due to Companies going into administration	As above.	High	High
The NDR Check Challenge Appeal process impacts on the council's baseline assessment and increases the level of successful appeals and reduces the yield (Negative risk)	Officers will be monitoring changes to the NDR system and will be talking to the Valuation office. However since the system has been introduced, little has been completed in Stevenage and there are appeals from the 2010 list remaining.	Medium	Medium
Impact of the Universal Credit (Negative Risk) – The grant given to the Council is cut before the Revenue and Benefits Partnership is able to reduce costs. The Welfare reform bill may impact on residents' ability to pay council bills.	A reduction in the amount of grant assumed within the MTFS would require compensating reductions in planned spending within services. However UC is being implemented at a very slow pace and the current case load is reducing.	Medium	High
Inflation (Negative Risk) – The majority of contracts	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected	Medium	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
the Council holds include an annual price increase	inflation rates. The inflation projections include a 2% pay award for 2022/23 onwards.		
Impact of Future Welfare Reforms (Negative Risk) – There could be an increase in the need for the council's services requiring additional resources to be put into those services	Regular monitoring and reporting and the council has a welfare reform group which monitors impacts.	Medium	Medium
All MTFS risks not adequately identified (Negative or Positive Risk) – Financial risks and their timing are not accurately judged leading to either a pressure or benefit to the MTFS.	Council's risk management framework ensures operational and strategic risks are identified as part of the annual service and MTFS planning process.	Low	High
The impact of BREXIT (negative risk) causes supply chain issues increasing costs	An amount has been included in the minimum level of balances and the inflation increases for contracts and utilities has been included in the MTFS modelling.	Medium	Medium
Impact of future years capital programme (Negative) There could be increased pressure from the capital programme on the General Fund.	There is a robust challenge process for capital bids. Officers will be required to confirm that resources are in place to deliver any approved spend. The Locality reviews should identify capital receipt opportunities.	Medium	High
The Council's regeneration of SG1 increases the financial resources the Council must find.	The Council has already approved the use of ring fenced NDR gains for this purpose and the MTFS recommends this continues. However a full reset of business rate gains could see this reduce and put a pressure on the General Fund.	High	High
Fees and Charges target may not be reached (negative risk)	Non achievement of the target may require other options to be brought forward, for future years. The in year losses have been addressed within the report from a central scenario modelling and increase in minimum balances	High	High
NEW: Homeless Bed and Breakfast costs increase over that budgeted	An allocation of £280,000 has been included in the MTFS for 2022/23.	High	High



## Strategy and Resource Allocation

The Council's Financial Strategies (MTFS) highlighted the need for on-going savings to fund inflation and service pressures. We aim to ensure we can deliver our priorities even though our resources are reducing through our 'Financial Security' work stream (which has been re-named for 2021/22 as 'Making Your Money Count'. The Council's priority 'Financial Security' helps us to deliver this through, efficiencies, transformation, smarter ways of working, income options and new and innovative transformation of our services, prioritising where we spend our money before reductions in services. This will help us maintain our priority services while still meeting our FTFC ambitions.



**Transformation** by improving customer access to services through digital means and improving and streamlining processes



**Co-operative Commercial and insourcing** bringing services inhouse if value for money and ensuring we charge appropriately for our services



**Efficiencies** through robust monitoring efficiencies will be identified where they arise to ensure that Council stays financially resilient

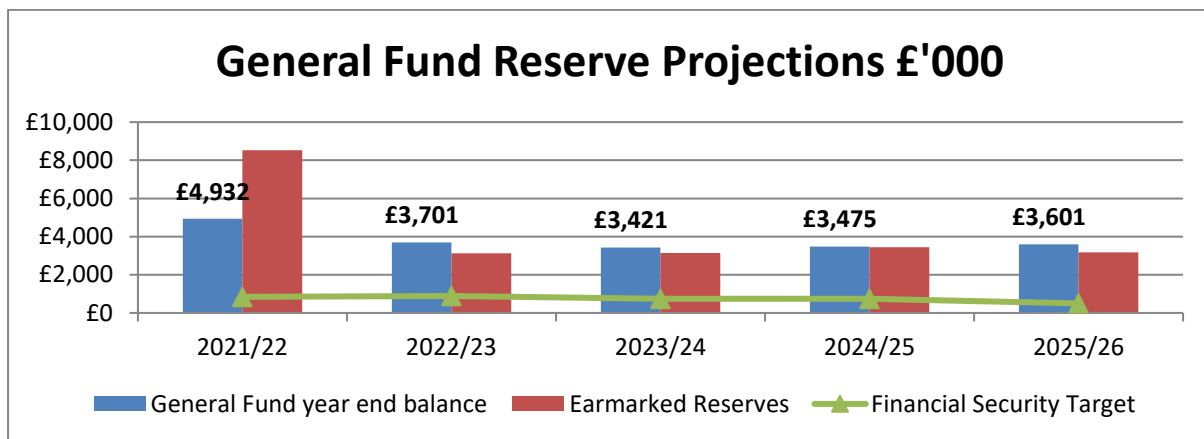


**Prioritise services** if there are not sufficient budget savings achieved from the other three work streams to ensure a balanced budget

The four strands of the financial security priority are set out in the Council's Medium Term, Financial Strategy (MTFS) and is the enabler to delivering our MTFS objectives which includes:

*'To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on-going balanced budget by 2022/23 (this has been revised to 2024/25 in the September 2021 MTFS update), by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'*

The projected impact on COVID on fees and charges and homeless costs has meant increased projected budget pressures in 2021/22 and in 2022/23, necessitating a change to the MTFS principle. However General Fund balances are higher than current risk assessed levels and are prudent with the caveat that the annual Financial Security target is achieved.



Source: MTFS report September 2021

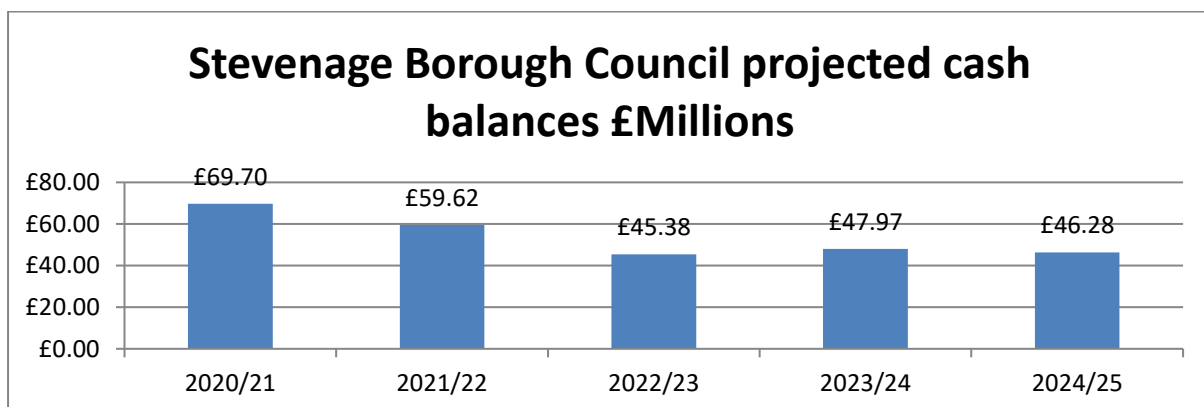
The Council's Housing Revenue account (HRA) projected a 2021/22 yearend balance of £26.9Million of useable reserves and a further £3.4Million in an earmarked interest equalisation reserve. The HRA holds higher reserves for repayment of borrowing over the 30 year business plan, but also requires a savings target of £668K of yet unidentified savings over the period 2022/23-2024/25 in total. The Council's HRA 30 year business plan will be updated during 2023/24.

Due to the impact of COVID, historic funding cuts and the delivery of FTFC priorities against growth will only be to approve which meet the outcomes of the FTFC priorities.

In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring 'Financial Security' targets to be set and implemented.

The savings target was approved by Members in the September 2020 MTFS, that set out a General Fund Financial Security Target of £2.45million for the period 2021/22- 2023/24.

The financial resilience of the Council in terms of its major funds has been set out above and in terms of financial liquidity the Council's projected cash flows are summarised below



## General Fund Impact of COVID

The original General Fund net budget of £9.070Million was agreed at Full Council on 26 February 2020. This was slightly adjusted subsequently to £10.220Million to reflect the inclusion of S31 Grants in the Council's core resources (rather than in net cost of services). During the year, Members have approved various budget amendments to take into account service pressures and the impact of the pandemic on the Council's financial plans for 2020/21. The impact of these amendments off-set by Government support was reported to Executive on 11 August 2021 as outlined above and mitigated a net COVID cost of an estimated £2.4Million down to £11K, (actions taken in the Executive June 2020 MTFS).

## General Fund 2020/21 Outturn Position

The 2020/21 actual General Fund net expenditure was £2.082Million lower than the revised working budget, however this included £1.162Million of commitments approved to be made in 2021/22. The budget was amended as part of the quarterly monitoring reports plus the MTFS updates to the June and September 2020 Executive. A summary of the working budget versus outturn is shown below.

2020/21 General Fund Outturn	2020/21 Original Budget	2020/21 Working Budget	2020/21 Outturn	Variance to Working Budget
	£'000	£'000	£'000	£'000
<b>Services Net Expenditure:</b>				
Housing General Fund	653	683	1,244	561
Regeneration	1,249	1,087	1,050	(37)
Resources	105	114	210	96
Finance & Estates	(1,683)	(3,279)	472	3,751
Policy	423	514	362	(152)
Communities	4,934	4,815	645	(4,170)
IT & Transformation	56	659	122	(537)
SDS	2,866	3,458	1,755	(1,703)
Communications	1	(12)	(2)	10
Planning	466	4,195	4,427	232
<b>Total Services Net Expenditure</b>	<b>9,070</b>	<b>12,234</b>	<b>10,285</b>	<b>(1,949)</b>
<b>Income:</b>				
Council Tax	(6,136)	(5,989)	(5,989)	-
Transfers to/from Collection Fund	(56)	(67)	(67)	-
Retained Business Rates	(2,563)	(2,592)	(2,700)	(108)
S31 Grants	-	(9,536)	(9,332)	204
Transferred to S31 Reserve	-	8,396	9,351	955
Income Guarantee Scheme	-	(195)	(886)	(691)
<b>Total Income: Taxation &amp; Grants</b>	<b>(8,755)</b>	<b>(9,983)</b>	<b>(9,623)</b>	<b>360</b>
<b>Drawdown from Balances</b>	<b>315</b>	<b>2,252</b>	<b>662</b>	<b>(1,589)</b>
<b>Proposed Carry Forwards to 2021/22</b>	<b>-</b>	<b>(1,162)</b>	<b>-</b>	<b>1,162</b>
<b>GF Position Compared to Budget</b>	<b>315</b>	<b>1,090</b>	<b>662</b>	<b>(427)</b>

The variance to the working budget was partly as a result of the carry forward requests and underspends which were reported in the 4<sup>th</sup> quarter monitoring report to the August 2021 Executive. In addition there were a number of variations relating to asset revaluation adjustments, (which are not a real cost or income to the General Fund but are removed as part of a statutory override), in Finance & Estates, Communities and Stevenage Direct Services.

### General Fund Reserves

The latest General Fund year end position compared to the prior year and the 2020/21 Original Budget are summarised below.

General Fund Balances	2019/20 Actual	2020/21 Actual	2021/22 Original Budget
	£'000	£'000	£'000
Opening Balance	4,794	7,063	7,063
In Year Contribution to/(from) reserves	2,269	(662)	(2,252)
Closing Balance	7,063	6,401	4,811
Earmarked Reserves	5,492	15,193	15,193

The planned draw-down of £2.252Million in the working budget would have reduced the GF Balances to £4.811Million at 31 March 2021. In the event, the actual drawdown amounted to £662K, so that General Fund Balances stood at £6.401Million at year-end. However as already stated the reader should note that £1.162Million of the reduction is a timing difference only and relates to carry forwards that are planned to be spent in 2021/22.

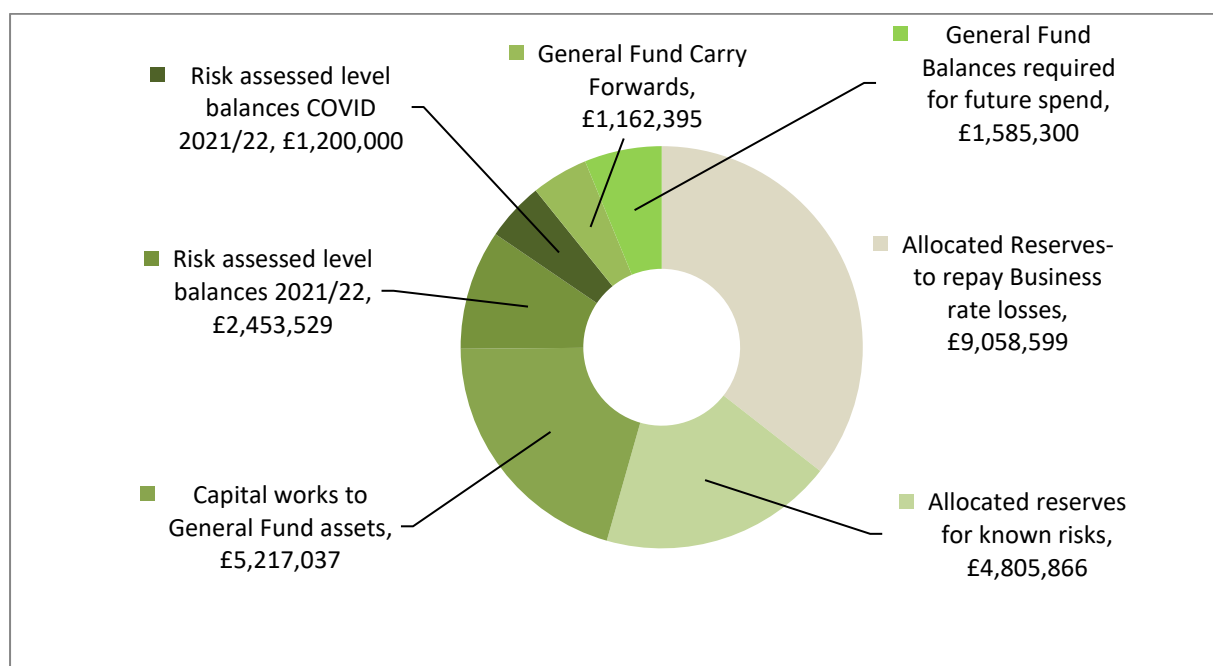
The Reserves which can be used for “one-off” funding of day-to-day General Fund services total £21.594Million, £6.401Million of General Fund Balances plus 15.193Million earmarked for future schemes or repayment of business rate losses (£9Million).

As part of the budget setting process the Council undertakes a risk assessment to determine the level of balances required in each year. The risk assessment identified General Fund balances of £2.920Million were required for 2020/21, (£2.671Million for 2019/20). Setting a minimum balance ensures that there are reserves available to meet unforeseen expenditure and/or income losses arising in the year and to meet any expenses arising before income is received.

The Council continues to manage its use of General Fund balances in the short term, but has reviewed the Council's ‘Making Your Money Count’ principle objective of an ongoing balanced budget by 2023/24 to 2024/25 (September 2021 MTFS), ensuring in year inflationary pressures are matched by increases in income or reductions in expenditure as a result of COVID 19.

Local Government finances are going through considerable change and challenge and the assessment of balances must not only deal with unplanned spend but also future Government funding changes, including the fair funding review and the localisation of Business Rates which

place greater risk and reward on the Council in regard to NDR collection rates and yield. These changes to funding have been deferred beyond 2021/22 as a result of Covid 19 and the need for Councils to focus on meeting the public health challenges posed by the pandemic.



### Housing Revenue Account (HRA) 2020/21 Outturn Position

The original HRA budget of £2.417Million (surplus) was agreed at Council on 28 January 2020. Subsequently, as with the General Fund Members have approved variations to the budget as part of the quarterly monitoring reports to the Executive take into account service pressures and budget options arising in the year resulting in a revised budget of £4.032Million (surplus). The final outturn position for the year against the revised budget and its impact on balances is set out below:

HRA Reserves	2020/21 Original Budget	2020/21 Working Budget	2020/21 Actual	Variance to Working Budget
	£'000	£'000	£'000	£'000
HRA Balance 1 April 2020	(19,819)	(19,819)	(19,819)	-
In Year Surplus	(2,417)	(4,032)	(5,575)	(1,543)
Less Late Audit Adjustment – amortisation	0	0	50	50
HRA Balance 31 March 2021	(22,236)	(23,851)	(25,344)	(1,493)

The 2020/21 actual HRA net surplus was £1.5Million higher than the working budgeted deficit. Included within this underspend is £378K relating to projects which have slipped into 2021/22 and for which carry forward of budget has been approved by Executive (11 August 2021).

In April 2012 the HRA became subject to the Self Financing regime. Under the scheme the costs associated with running, maintaining and replacing the Council's housing stock is financed from income generated from rents, sale receipts, and if necessary, capital borrowing which, at the time, was limited by a borrowing cap set by the government. This borrowing cap was lifted in 2018/19 by the government. At the time of the Self Financing settlement the HRA took loans totalling £196.911Million, (an amount determined by and payable to The Secretary of State). HRA reserves over and above minimum balances are required to repay the loans taken out as part of the Self Financing agreement and subsequent debt. In addition Members have approved a reserve of £3.4Million to allow for interest rate fluctuations on borrowing.

Key programme successes during 2020/21 included:

- Nine social and affordable homes meaning 270 homes completed since the programme began. A number of other schemes are in development. With a further 10 homes were delivered for private sale.
- Work began on site on the Kenilworth Close scheme which will provide over 200 homes, including a flagship older persons housing scheme.
- The Council has received a total of £3.600Million through sales and grant funding as part of the Council's Housing Development Programme.
- Council approved the establishment of a Wholly Owned Company to provide new homes.

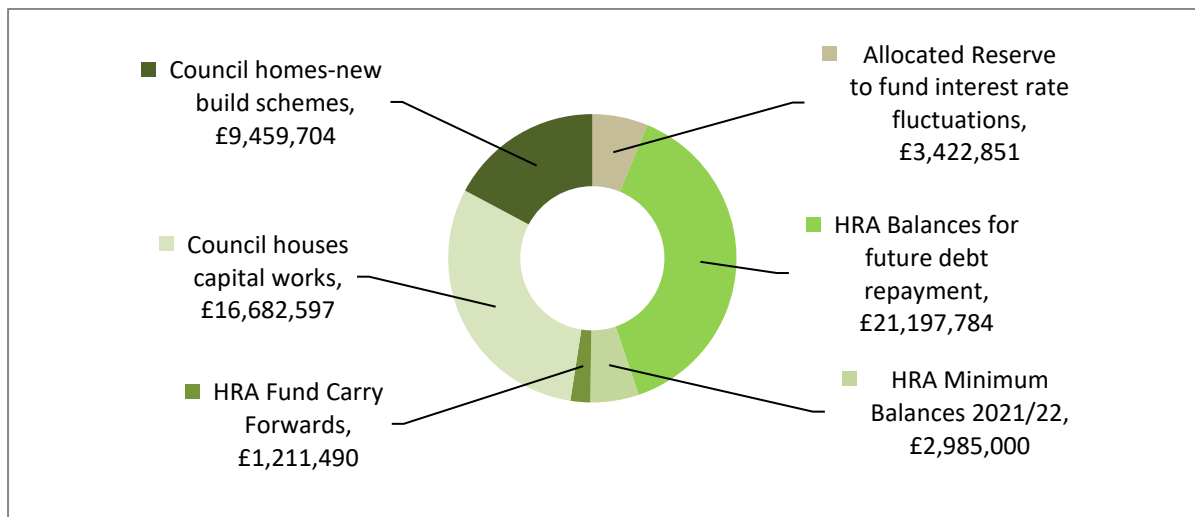
During the financial year 2020/21, 25 council homes were sold under the Right to Buy scheme and the Council's closing stock of council homes at 31 March 2021 was 7,974 (7,990 properties at 31 March 2020). During 2020/21 the Council's focus was on the development of the Kenilworth Close scheme and when this is delivered the Council's net stock is expected to increase significantly.

### **HRA Reserves**

HRA reserves are ring fenced and cannot be used for General Fund expenditure. The Reserves which can be used to support Housing Revenue Account (HRA) total £28.817Million of which £25.344Million is available predominantly for the purpose of repaying debt and £3.423Million to provide resilience against interest rate fluctuations.

As with the General Fund a risk assessment is undertaken on the HRA to determine the level of balances required each year. The risk assessment identified HRA balances of £2.985Million were required for 2020/21. In addition balances will be needed to repay the HRA loans (as at 31 March 2021, the HRA had loans of £216.796Million) of which most related to a one off payment to the Government as a result of the self-financing settlement on the 28 March 2012.





The HRA balances as at 31 March 2021 were £25.344Million and higher than the risk assessment of balances for 2020/21, however as already stated required for the repayment of debt as set out in the 2019 HRA Business Plan. The HRA is also subject to significant financial risks including:

- Legislative changes have increased the levels of RTB sales and may result in sales above those anticipated in the HRA Business Plan. Future policy changes are not known, however the revised business plan currently assumes 35 sales per year.
- Impact of universal credit on the collectability of rents and possible adverse effect on rent arrears.
- Increased prudential borrowing in the HRA increases the risk of adverse interest rate fluctuation throughout the life of the business plan. (HRA interest equalisation reserve £3.4Million)
- Impact of future changes in government policy on rent increases.

### Other Usable Reserve

The Council has the following reserves over and above those specifically held for the General Fund or HRA detailed above.

- A Capital reserve of £12Million, allocated to either General Fund or HRA
- A Major Repairs Reserve of £14.4Million which can only be used for HRA capital expenditure.
- A Capital Grants Unapplied Reserve of £3.8Million.

The Capital Receipts Reserve and Capital Grants Unapplied Reserve are statutory reserves and can only be used for specific purposes.

As at the 31 March 2021 the Council had total usable reserves of £80.4Million.

## **Borrowing and Capital**

As at the 31 March 2021 the Council had PWLB external borrowing of £219Million (£209Million at 31 March 2020). The majority of this debt relates to the Housing Revenue Account (HRA) payment to the government (Self Financing for the HRA). The HRA business plan has a timetable for the repayment of this debt phased over the next 25 years.

In 2020/21 the Council spent £44.3Million on capital projects, of which £17Million was spent on our existing housing stock and other housing related assets, £9.7Million on new HRA homes and a further £17.7Million on General Fund assets.

The Council funded £9.3Million of its capital programme from the sale of assets, (land and council house sales), which equates to 21%, (18% 2019/20) of the total funding. Grants and 3<sup>rd</sup> party payments made up £8.9Million of funding (20%) in 2020/21. Contributions from the Major Repairs Reserve (MRR) totalled £2.3Million (5%). The MRR is funded from the depreciation charge made from the HRA to the MRR to finance future capital investment. The residual was financed by revenue contributions to capital expenditure and internal borrowing and external borrowing.

## **Pension 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. As at 31 March 2021 the pension liability decreased by £62.4Million compared to £38.8Million at 31 March 2020.

## Outlook

This section includes abbreviated versions of the Accounts. The full, detailed versions with supporting notes are shown later.

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

2019/20 £'000		2020/21 £'000
5,109	<b>Cost of Services</b>	8,979
(2,501)	Other Operating Expenditure	(3,437)
5,843	Financing & Investment Income & Expenditure	6,879
(19,508)	Taxation & Non-Specific Grant Income	(27,305)
<b>(11,057)</b>	<b>Deficit on Provision of Services</b>	<b>(14,884)</b>
(27,272)	Other Comprehensive Income & Expenditure	(5,949)
<b>(38,329)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(20,833)</b>

### Balance Sheet

2019/20 £'000		2020/21 £'000
	<b>Assets:</b>	
812,964	Long Term Assets	858,794
58,692	Current Assets	82,554
(26,478)	Current Liabilities	(41,565)
(270,985)	Long Term Liabilities	(304,756)
<b>574,194</b>	<b>Net Assets</b>	<b>595,027</b>
	<b>Fund Balances &amp; Reserves:</b>	
(59,297)	Usable Reserves	(80,443)
(514,897)	Unusable Reserves	(514,584)
<b>(574,194)</b>	<b>Total Fund Balances &amp; Reserves</b>	<b>(595,027)</b>

Useable reserves have increased by £21Million between 2019/20 and 2020/21, however £9.1Million is monies that need to be repaid to the Collection Fund for business rates as a result of the COVID reliefs granted in 2020/21 to businesses. In addition the Major Repairs Reserve balance has increased by £9.5Million, this is committed funding for the HRA 30 Capital Programme for works to existing homes and the re-provision of new ones.

## Cash flow

2019/20			2020/21
	Cash Flow Statement	Notes	
£'000			£'000
(11,057)	Net (Surplus) or Deficit on the Provision of Services		(14,884)
(21,786)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	31	(30,458)
16,282	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	30	19,655
(16,561)	Net cash flows from Operating Activities		(25,687)
20,133	Investing Activities	31	23,330
(7,748)	Financing Activities	31	(8,888)
(4,176)	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(11,244)</b>
2,084	Cash and cash equivalents at the beginning of the period	18	6,260
<b>6,260</b>	<b>Cash and Cash Equivalents at the End of Period</b>		<b>17,504</b>

## General Fund Balances

The table below shows the projected impact on GF Balances across the next 5 years:

General Fund balances	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Opening Balance</b>	<b>(6,401)</b>	<b>(4,932)</b>	<b>(3,701)</b>	<b>(3,421)</b>	<b>(3,475)</b>
In Year	1,469	1,232	280	(53)	(126)
<b>Closing Balance</b>	<b>(4,932)</b>	<b>(3,701)</b>	<b>(3,421)</b>	<b>(3,475)</b>	<b>(3,601)</b>
February Council report 2021	(4,520)	(4,194)	(4,205)	(4,249)	(4,500)
Variance to January 2020 MTFS	(412)	493	784	774	899

The large drawdown in 2021/22 is predominantly to fund expenditure carried forward from 2020/21 and the large drawdown in 2022/23 is due to the anticipated length of the COVID recovery period.

## Basis of Preparation

This Statement of Accounts for the year ended 31st March 2021 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2020/21, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2020. There have been no major changes in the Council's statutory functions during the year.

The Statement of Accounts has been published later than in previous years due to the impact of COVID and the delayed audit of the 2019/20 Statement of Accounts. Normally, the audited accounts are published at the end of July.

### Core Financial Statements

The Statement of Accounts comprises Core Financial Statements and related notes along with Supplementary Financial Statements. The Core Financial Statements are as follows:-

- **Movement in Reserves Statement** – This shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- **Comprehensive Income and Expenditure Statement** – This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from Council Tax. Councils raise Council Tax to cover expenditure incurred in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
- **Balance Sheet** – This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 is those that the Council is not able to use to provide services. This category of reserves 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 shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

- **Cash Flow Statement** – 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 of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services 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.

In addition to the core statements outlined above is the Expenditure and Funding Analysis (EFA). The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement



## Supplementary Statement

The Collection Fund is an agent's statement which we are required by law to maintain separately from all our other funds and accounts. It shows transactions that have arisen because we are a billing authority responsible for the collection and distribution of Council Tax and Business Rates on behalf of Central Government and precepting authorities. The Collection Fund records the income we receive from local tax payers and the money that is paid out as precepts.

The Government introduced the Business Rates Retention scheme in 2013/14 as part of its reform of the local government finance regime under which a key objective is to provide an incentive for Councils to generate business growth in their locality. There are also financial risks associated with the scheme arising from potential losses due to non-collection and changes in the business rate base as a result of appeals by businesses against their rating assessment. During 2020/21 under this scheme the Council retains 40% of total business rate income. The remainder is apportioned to the Government (50%) and the County Council (10%) in accordance with regulations governing the scheme.

Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and irregularities which might undermine the figures provided in these accounts.

The Chief Finance Officer (CFO) is the statutory officer responsible for the proper administration of the Council's financial affairs. The CFO is required by law to confirm that the Council's system of internal controls and related governance arrangements can be relied upon to produce an accurate Statement of Accounts.

### Further Information

Further information about the accounts is available from: Strategic Director (Chief Financial Officer), Stevenage Borough Council, Daneshill House, Danestrete, Stevenage, SG1 1HN

Email: [clare.fletcher@stevenage.gov.uk](mailto:clare.fletcher@stevenage.gov.uk)

# 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 (Chief Financial Officer) Responsibilities

The Strategic Director (Finance and Estates) (Chief Financial Officer) is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), 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 2021. 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 Code.

The Strategic Director (Chief Financial Officer) has also:

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

## Certificate of Chief Financial Officer

I certify that this Statement of Accounts has been prepared in accordance with Regulation 8 of the Accounts and Audit Regulations (England) 2015 and presents a true and fair view of the financial position of the Authority as at 31 March 2021 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2021.



**Clare Fletcher**  
Strategic Director (Chief Financial Officer) 28 February 2024

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# Statement of Accounts 2020/21

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a **note** to the financial statements however it is positioned here as it provides a link between the figures in the narrative statement and the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from core resources government grants, rents, council tax and business rents by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated for decision making purposes between the council's services. Income and expenditure is accounted for under generally accepted accounting practices and is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustment for capital purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	4,631	(3,339)	48	15	(3,276)	1,355
Housing Services	1,917	1,280	15	10	1,305	3,222
Environmental Services	8,298	1,303	317	54	1,674	9,972
Local Community Budgets	107			-	-	107
Resources	2,973	1,205	3	3	1,211	4,184
Resources - Support	(194)	477	261	63	801	607
Housing Revenue Account	(10,813)	-	279	66	345	(10,468)
<b>Net Cost of Services</b>	<b>6,919</b>	<b>926</b>	<b>923</b>	<b>211</b>	<b>2,060</b>	<b>8,979</b>
Other Operational Expenditure	(76)	(3,361)		-	(3,361)	(3,437)
Financing & Investment Income and Expenditure	5,306	671	902	-	1,573	6,879
Taxation and other non-specific grant inc and exp	(24,992)	(11,705)	-	9,392	(2,312)	(27,305)
<b>Surplus or Deficit</b>	<b>(12,843)</b>	<b>(13,469)</b>	<b>1,825</b>	<b>9,603</b>	<b>(2,040)</b>	<b>(14,884)</b>
<b>Opening General Fund and HRA balance</b>	<b>(26,882)</b>					
<b>Opening HRA balance</b>						
Deficit or (surplus) on Provision of Services	(12,843)					
Other adjustments non-CIES	570					
Transfer to / (from) Earmarked Reserves	7,410					
<b>Closing General Fund Balance</b>	<b>(31,745)</b>					
<b>Closing HRA Fund Balance</b>						
<b>Closing General Fund and HRA Balances</b>						

## Expenditure and Funding Analysis (contd.)

2019/20	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustment for capital purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	4,433			133	(70)	63	4,496
Housing Services	2,724			41	473	514	3,238
Environmental Services	6,085			882	224	1,106	7,191
Local Community Budgets	92			-	-	-	92
Resources	(7,065)		5,651	73	3,004	8,728	1,663
Resources - Support	563			727	263	990	1,553
Housing Revenue Account		1,483	(5,599)	775	(9,778)	(14,602)	(13,124)
<b>Net Cost of Services</b>	<b>6,832</b>	<b>1,483</b>	<b>52</b>	<b>2,631</b>	<b>(5,889)</b>	<b>(3,206)</b>	<b>5,109</b>
Other Operational Expenditure				(2,856)	355	(2,501)	(2,501)
Financing & Investment Income and Expenditure				1,443	4,400	5,843	5,843
Taxation and other non-specific grant inc and exp	(9,101)				(10,407)	(10,407)	(19,508)
<b>Surplus or Deficit</b>	<b>(2,269)</b>	<b>1,483</b>	<b>52</b>	<b>1,218</b>	<b>(11,541)</b>	<b>(10,271)</b>	<b>(11,057)</b>
<b>Opening General Fund balance</b>	<b>(4,794)</b>						
<b>Opening HRA balance</b>		<b>(21,302)</b>					
<b>Less/plus (surplus) or deficit on General Fund</b>	<b>(2,269)</b>						
<b>Less/plus (surplus) or deficit on HRA</b>		<b>1,483</b>					
<b>Closing General Fund Balance</b>	<b>(7,063)</b>						
<b>Closing HRA Fund Balance</b>		<b>(19,819)</b>					
<b>Closing General Fund and HRA Balances</b>		<b>(26,882)</b>					



## Comprehensive Income & Expenditure Statement for the year ended 31 March 2021

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 and rents to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position is shown previously in the Expenditure and Funding Analysis and in the Movement in Reserves Statement that follows.

All Council operations are continuing. The Council is a shareholder in Hertfordshire CCTV Partnership Ltd which started trading in 2015 and the Building Control Company that started trading in August 2016.

The Council holds a 99.9% share of a new Partnership – Queensway Properties (Stevenage) LLP for which Group Accounts have been included in the Statement of Accounts.

These accounts have been prepared on a **going concern** basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code, therefore, assume that a local authority's services will continue to operate for the foreseeable future.

## Comprehensive Income and Expenditure Statement

2019/20			Comprehensive Income and Expenditure Statement	2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
4,837	(341)	4,496	Community Services	2,066	(711)	1,355
30,566	(27,328)	3,238	Housing Services	27,898	(24,676)	3,222
16,084	(8,893)	7,191	Environmental Services	14,985	(5,013)	9,972
92	-	92	Local Community Budgets	107	-	107
7,615	(5,952)	1,663	Resources	9,751	(5,567)	4,184
3,670	(2,118)	1,553	Resources - Support	2,644	(2,037)	607
29,990	(43,115)	(13,124)	Housing Revenue Account	33,293	(43,761)	(10,468)
<b>92,856</b>	<b>(87,747)</b>	<b>5,109</b>	<b>Cost of Services</b>	<b>90,744</b>	<b>(81,765)</b>	<b>8,979</b>
				<b>Note</b>		
	(2,501)		Other Operational Expenditure	10		(3,437)
	5,843		Financing & Investment Income and Expenditure	10		6,879
	(17,466)		Taxation & Non-Specific Grant Income: Retained Business rates	11		(9,257)
	12,968		Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)	11		15,917
	(15,010)		Taxation & Non-Specific Grant Income: Other	11		(33,965)
	<b>(11,057)</b>		<b>Deficit/(surplus) on Provision of Services</b>			<b>(14,884)</b>
	(3,569)		Deficit/(Surplus) on revaluation of Property, Plant and Equipment assets	9	(27,758)	
	(23,703)		Actuarial (gains)/losses on pension assets/liabilities	26	21,809	
	<b>(27,272)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(5,949)</b>
	<b>(38,329)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(20,833)</b>

## Movement in Reserves Statement

This statement shows the movement in year of the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year after these adjustments. (See also Expenditure and Funding Analysis)

Movements in Reserves during 2020/2021	General Fund	Earmarked General Fund Reserves	HRA Fund	Earmarked HRA Reserve	Major Repairs Reserve	Capital Receipts	Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2020 Brought Forward</b>	(7,063)	(5,493)	(19,819)	(5,713)	(4,746)	(14,793)	(1,672)	(59,297)	(514,897)	(574,194)
Surplus/Deficit on Provision of Services	(7,385)		(7,499)					(14,884)	-	(14,884)
Other Comprehensive Income and Expenditure								-	(5,949)	(5,949)
<b>Total Comprehensive Expenditure and Income</b>	(7,385)	-	(7,499)	-	-	-	-	(14,884)	(5,949)	(20,833)
Adjustments between Accounting Basis and Funding Basis under Regulations	(1,653)		4,264	-	(9,625)	2,833	(2,081)	(6,261)	6,261	-
<b>Net (Increase)/Decrease before Transfers to Reserves</b>	(9,038)		(3,235)	-	(9,625)	2,833	(2,081)	(21,146)	313	(20,833)
Transfer to/from Reserves	9,700	(9,700)	(2,290)	2,290		-	-	-	-	-
<b>(Increase)/Decrease in Year 2020/2021</b>	662	(9,700)	(5,524)	2,290	(9,625)	2,833	(2,081)	(21,146)	313	(20,833)
<b>Balance at 31 March 2021 Carried Forward</b>	(6,401)	(15,193)	(25,344)	(3,423)	(14,371)	(11,958)	(3,753)	(80,443)	(514,584)	(595,027)

Movements in Reserves during 2019/2020	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserve	Major Repairs Reserve Earmarked HRA Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2019 Brought Forward</b>	<b>(4,794)</b>	<b>(3,905)</b>	<b>(21,302)</b>	<b>-</b>	<b>(10,919)</b>	<b>(15,191)</b>	<b>(1,671)</b>	<b>(57,782)</b>	<b>(478,082)</b>	<b>(535,864)</b>
(Surplus)/Deficit on Provision of Services	(3,314)		(7,743)			-	-	(11,057)	-	(11,507)
Other Comprehensive Expenditure and Income	-	-				-	-	-	(27,272)	(27,272)
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,314)</b>	<b>-</b>	<b>(7,743)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,057)</b>	<b>(26,660)</b>	<b>(38,329)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(543)		3,513		6,173	398		9,542	(9,542)	-
<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(3,857)</b>	<b>-</b>	<b>(4,230)</b>	<b>-</b>	<b>6,173</b>	<b>398</b>	<b>-</b>	<b>(1,515)</b>	<b>(36,202)</b>	<b>(38,329)</b>
Transfer to/from Reserves	1,587	(1,587)	5,713	(5,713)		-	-	-	-	-
<b>(Increase)/Decrease in Year 2019/2020</b>	<b>(2,269)</b>	<b>(1,587)</b>	<b>1,483</b>	<b>(5,713)</b>	<b>6,173</b>	<b>398</b>	<b>-</b>	<b>(1,515)</b>	<b>(36,202)</b>	<b>(38,329)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(7,063)</b>	<b>(5,492)</b>	<b>(19,819)</b>	<b>(5,713)</b>	<b>(4,746)</b>	<b>(14,793)</b>	<b>(1,671)</b>	<b>(59,297)</b>	<b>(514,897)</b>	<b>(574,194)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. 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) (see also Note 8 to the Accounts which give more information on earmarked reserves).

The second category is **unusable reserves** or those that the authority is not able to use 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".

Within the **Council dwellings** valuation of £659Million there are a number of properties which are likely to be sold within the next 12 months under the Right to Buy Scheme. As at the balance sheet date these properties were not actively marketed and nor is there any certainty as to which properties will be sold. However based on the number of successful applications made last year it is estimated that 35 properties could be sold in 2021/22.

**Balance Sheet**

31/03/2020			31/03/2021	
£'000		Note	£'000	£'000
759,560	Property, Plant & Equipment	13	813,968	
560	Heritage Assets	12	521	
24,024	Investment property	14	23,703	
835	Intangible Assets	15	862	
9,710	Long Term Investment	18	2,310	
266	Long Term Debtors	18	267	
18,009	Long Term Debtor - Queensway	18	17,163	
<b>812,964</b>	<b>Total Long Term Assets</b>			<b>858,794</b>
38,495	Short Term Investments	18	45,860	
563	Assets Held for Sale	21	1,328	
129	Inventories		145	
13,245	Short Term Debtors	19	17,717	
6,260	Cash and Cash Equivalents	18	17,504	
<b>58,692</b>	<b>Current Assets</b>			<b>82,554</b>
(407)	Short Term Borrowing	18	(462)	
(22,554)	Short Term Creditors	20	(32,838)	
(3,518)	Provisions	22	(8,265)	
<b>(26,478)</b>	<b>Current Liabilities</b>			<b>(41,565)</b>
(11,824)	Queensway Finance Lease	18	(11,125)	
(4,833)	Long term creditors	20	(6,082)	
(208,966)	Long term borrowing	18	(218,704)	
(6,243)	Long term borrowing (Queensway)	18	(6,038)	
(38,801)	Pension Liability	26	(62,434)	
(317)	Grants Receipts in Adv - Capital		(373)	
(270,984)	<b>Long Term Liabilities</b>			<b>(304,756)</b>
574,194	<b>Net Assets</b>			<b>595,027</b>
(7,063)	General Fund		(6,401)	
(19,819)	HRA Fund		(25,344)	
(5,493)	Earmarked General Fund Reserves	8	(15,193)	
(5,713)	Earmarked HRA Reserve	8	(3,423)	
(21,209)	Other Usable Reserves		(30,082)	
(59,297)	<b>Total Usable Reserves</b>			<b>(80,443)</b>
(514,897)	Unusable Reserves	9		(514,584)
(574,194)	<b>Total Reserves</b>			<b>(595,027)</b>

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 28 February 2024.



Clare Fletcher



## Cash Flow Statement for the year ended 31 March 2021

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 to the Council.

2019/20			2020/21
£'000	Cash Flow Statement	Notes	£'000
(11,057)	Net (Surplus) or Deficit on the Provision of Services		(14,884)
(21,786)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	31	(30,457)
14,674	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	30	19,655
(18,169)	Net cash flows from Operating Activities		(25,686)
21,741	Investing Activities	31	23,330
(7,748)	Financing Activities	31	(8,888)
<b>(4,176)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(11,244)</b>
2,084	Cash and cash equivalents at the beginning of the period	18	6,260
<b>6,260</b>	<b>Cash and Cash Equivalents at the End of Period</b>		<b>17,504</b>

## Notes to the Core Financial Statements

### 1. Cross Cutting Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements. Where accounting policies are specific to an area of the accounts they are included with the relevant disclosure note in a green shaded box. Accounting policies which apply across the whole of the accounts are disclosed below:

**General Principles:** The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position as at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with proper accounting practices and Code of Practice on Local Authority Accounting in the UK 2020/21 supported by International Financial Reporting Standards and 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.

**Prior period adjustments** may arise as a result of a **change in accounting policies** or to correct a **material error**. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transaction, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## Notes to the Core Financial Statement

### 1. Cross Cutting Accounting Policies (contd.)

**Accruals of Income and Expenditure (updated)** - Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits of service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption and the value is considered material, they are carried as inventories on the balance sheet.
- Expenses in relation to the services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but the cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and non-domestic rates (NDR) shall be measured at the full amount receivable (net of any impairment losses).
- Staff expenses are recognised in the year that they are paid.
- A de minimus limit of £2,500 has been established for revenue accruals and £5,000 for capital accruals.

**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.*

## Notes to the Core Financial Statements

### 1. Cross Cutting Accounting Policies (contd.)

The costs of **overheads and support services** are charged to those services that benefit from the supply or service provided. The total absorption costing principle is used with the basis for internal charging, 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.

**Borrowing Costs** – It is not the Council's Policy to capitalise borrowing costs.

**Inventories** (stock) 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 or current replacement cost, however, the effect of the different treatment is not significant. Work in progress on uncompleted jobs is valued at cost price.

### 2. Accounting Standards issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted:

- IFRS 16 Leases will require local authorities that have/use leases to recognise most of leases on the balance sheet as "right of use" assets with corresponding lease liabilities. CIFPA/LASAAC have deferred voluntary implementation of IFRS16 for local government to 1 April 2022, with mandatory implementation following on 1 April 2024.
- IFRS3 has been amended to clarify the definition of a business. The Council does not currently expect the impact of this change to have a material impact on the financial performance or position of the Council.
- Interest rate Benchmark reform, phases 1 and 2: Amendments to various standards. These amendments relate to the replacement of Inter-Bank Offer Rates (IBORs), and associated impact on an organisations financial reporting, specifically in relation to hedge accounting. The Council currently does not expect to enter into any such transactions, and as such, these changes are not expected to have a material impact on the financial performance or position of the Council.

## Notes to the Core Financial Statements

### 3. Critical judgements in applying Accounting Policies

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

There is a degree of uncertainty about the ongoing financial impacts of the COVID 19 Pandemic, In February 2021 Council approved a budget and update on the Medium Term Financial Strategy based on an assessment of lost income and additional spending pressure brought on by the pandemic, which has been subsequently updated in the September 2021 MTFS update.

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 materially reduce levels of service provision. The Council has identified budget options in its General Fund Medium Term Financial Strategy in anticipation of reduced central government grant funding levels in future years and a methodology to address this via the Making Your Money Count work stream to achieve financial sustainability and resilience.

- The Council considered that the partnership arrangements of the CCTV control room constitute a jointly controlled operation and as such each authority accounts for its share of the liabilities and assets of the partnership. (See also Note 23 CCTV Partnership and Hertfordshire Building Control Ltd).
- The Council has entered into a partnership to facilitate the regeneration of Queensway, a parade of shops and mixed use properties in the town centre. The partnership entity is Queensway Properties (Stevenage) LLP and their accounts have been incorporated into the Group accounts section. The second partner is Marshgate Plc, a wholly owned company of the Council. Their accounts have not been included in the group accounts as Marshgate's transactions are deemed not material.
- From 1st April 2015 the Hertfordshire CCTV Partnership Ltd started trading. The new company for the year ended 31st March 2021 produced a loss before tax of £34,200. The SBC share of the loss is £12,700 with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts Council and Hertsmeire Borough Council). Due to the small size of the new company group accounts have not been completed.

## Notes to the Core Financial Statements

### 3. Critical judgements in applying Accounting Policies (contd.)

- In August 2016 the Hertfordshire Building Control Ltd started trading. The company was set up to deliver the building control function for the council and is jointly owned with six other local authorities in Hertfordshire. Due to the small shareholding the Council has not included any further disclosure notes regarding this company.
- Within the Council dwellings valuation there are a number of properties which are likely to be sold within the next 12 months under the Right to Buy Scheme. The Council does not classify these properties as "Held for Sale" as at the balance sheet date as these properties are not actively marketed and nor is there any certainty as to which properties will be sold.
- The council considers that five commercial sites held in the town centre are not classified as "Investment Properties" as they are held for strategic planning purposes and not solely for rental income or capital appreciation. As such they are included under land and buildings on the balance sheet and expenditure and income on these sites is included within cost of services in the Comprehensive Income and Expenditure Statement.
- Infrastructure assets are measured on a depreciated historical cost basis. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year.

The Council has elected to take up a statutory override relating to the accounting for highways infrastructure assets. The update provides that for all statements of accounts that are currently open up to 2024/25, authorities are not required to report gross book value and accumulated depreciation for infrastructure assets, because the information is may not faithfully represent what it purports to represent. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets the Note 13 does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements.

### 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 Council about the future or that are otherwise uncertain. Estimates are made taking into



## Notes to the Core Financial Statements

### 4 Assumptions made about the future and other major sources of estimation uncertainty (contd.)

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 2021 for which there are significant risk of material adjustments in the forthcoming financial year are shown on the following pages:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Provisions - Insurance</b>	The Authority has a provision of £474,000 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that the all valid claims have yet been received by the Authority relating up to 31 March 2021 or that the estimated reserve levels will be sufficient.	An increase in the forthcoming year of 10% in either total number of claims or the estimated average settlement would each have the effect of adding £47,400 to the provision needed.
<b>Pension Liability</b>	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 Council with expert advice about the assumptions to be applied.	The effect of the pension liability for changes in individual assumptions can be measured. For instance, a one year increase in member life expectancy would approximately increase the employer's defined benefit obligation by around 4% (£10,421,000). (See also Note 26 Pensions – sensitivity analysis of actuarial assumptions).
<b>Property, Plant and Equipment</b>	To ascertain the balance sheet valuation of buildings and land held by the Council various estimation techniques can be used. The estimation technique used must be compliant with RICS standards and will be dependent on information available to the valuer.	In preparing the balance sheet valuations as at 31 March 2021 of community assets Depreciated Replacement Cost (DRC) has been used by the Council's external valuers (Wilks Head and Eve (WHE)) as they have extensive experience of valuing local authority assets. It should be noted that Balance sheet valuations are not used when determining the sale price of council assets.
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions regarding the level of repairs and maintenance that will be incurred in relation to each individual asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current expenditure on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Housing stock is split into elements including kitchens, bathrooms. The remaining element has an average useful life of 49 years. It is estimated that the annual depreciation charge for this residual element of the Council Houses would increase by approximately £229,500 if the useful life decreased by one year. This depreciation charge does affect the in year surplus of deficit of the HRA.

## Notes to the Core Financial Statements

### 4. Assumptions made about the future and other major sources of estimation uncertainty (contd.)

<b>Fair Value valuations</b>	The Authority owns a number of properties that have been valued based on rental yields.	<p>The valuations have been provided amidst the economic uncertainty created as a result of Covid-19 and thus valuations have been reported subject to a Material Valuation Uncertainty clause. The inclusion of the "material valuation uncertainty" declaration however, does not mean that the valuation cannot be relied upon, rather that the declaration had been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.</p> <p>If market conditions are impacted by the Covid-19 pandemic, for every 1% change in other land and building value, would be equal to a change in the net assets of the Council of £1MM.</p> <p>For investment properties the equivalent change in the net assets of the Council would be £0.237M, and for council dwellings £6.597M</p>
<b>Benefit Overpayments</b>	At 31 March 2021, the Authority had a balance of housing overpayment debtors of 2,639,000. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 92% 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 collection rates were to improve across all years by 10%, an equivalent reduction in impairment of doubtful debts of £263,792 would be required, returning this money back to the General Fund.
<b>Provisions – NDR Appeals</b>	The Authority has a provision of £4,030,000 for its share of the expected outcome of NDR appeals outstanding with the VOA as at 31 March 2021.	If 10% of the appeals that we have provided for were unsuccessful this would mean a reduction of £403,000 in the provision.
<b>Trade Debtors and Arrears</b>	At 31 March 2021, the Authority had a balance of trade debtors of £4,328,000 of which £1,819,000 was older than 3 months. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 15% 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 Authority would be required to set aside a further £375,000 in provision.

## Notes to the Core Financial Statements

### 5. Expenditure and Income Analysis by Nature

**Exceptional/Material 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.

2019/20 £'000		2020/21 £'000
	<b>Income</b>	
(15,738)	Fees, charges and other service income	(12,600)
(1,847)	Interest and Investment Income	(1,140)
(23,384)	Income from Council Tax & Non Domestic Rates (before tariff)	(15,318)
(9,231)	Government Grants and Contributions	(10,506)
	Covid grants received	(17,525)
-	<b>Material Items of Income</b>	
(38,402)	Housing Rents	(39,344)
(4,857)	Car Parks	(1,765)
(10,649)	Rent Allowances Subsidy	(9,439)
(14,981)	Rent Rebate Subsidy	(13,694)
(3,149)	Garage Rental Income	(948)
(3,830)	Commercial Property Rent	(3,501)
<b>(126,068)</b>	<b>Total Income</b>	<b>(125,780)</b>
	<b>Expenditure</b>	
31,268	Employee Benefits Expenses	30,472
21,764	Other Services and Support Recharges Expenses	20,625
15,247	Depreciation, Amortisation, Impairment	15,919
9,493	Interest Payments	7,178
12,968	NNDR Tariff	15,917
865	Payments to Housing Capital Receipts Pool	805
441	(Gain)/ Loss on the Revaluation of assets	(4,321)
(3,720)	(Gain)/Loss on the Disposal of Assets	-
-	<b>Material Items of Expenditure</b>	-
733	Stevenage Leisure Limited Contract Payment	694
10,825	Rent Allowances Rebates	10,049
15,127	Rent Rebates	13,560
<b>115,011</b>	<b>Total Expenditure</b>	<b>110,898</b>
<b>(11,057)</b>	<b>Surplus/Deficit on the Provision of Services</b>	<b>(14,884)</b>

## Notes to the Core Financial Statements

### 5. Expenditure and Income Analysis by Nature (contd.)

#### Material items of capital income and expenditure:

The Council spent £44.3Million on its capital programme in 2020/21, this included £16.6Million on its existing housing stock, £11.8Million on providing new homes, £12.5Million on the town centre and regeneration projects, and £2.2Million on other General Fund and HRA capital projects.

### 6. Events after the Balance Sheet Date

**Events after the Balance Sheet date**, both favourable and unfavourable, that occurs between the end of the reporting period and the authorised for issue dates are identified into two types:

Adjusting events – where the conditions existed at the end of the reporting period and the Statements are adjusted accordingly, and Non adjusting events - where conditions were not present but if material are disclosed as a note to the accounts.

Events after the authorised for issue date are not reflected in the Statement of Accounts.

Events after the Balance Sheet date are reflected up to the 'authorised for issue' date. These accounts have been authorised for issue on 28 February 2024 by the Strategic Director (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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In Note 3 of the statement of accounts, we disclosed as part of our judgements and estimates that our valuation(s) are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global given the unknown future impact of the COVID-19 pandemic in different market and sectors at that time. Based on the signed 2021/22 valuation report certificate, the material valuation uncertainty is not present anymore. In addition, the valuation reports for 2021/22 shows increase in the total value of the council dwellings of £10M. Other Land and buildings increased in value by £2M over the same year and Investment property gained £1.2M.

## Notes to the Core Financial Statements

### 7. Adjustments between Accounting Basis and Funding Basis under Regulations

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 revenue service 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 or HRA tenant for the expenditure.

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** is the statutory fund into which all the receipts of the Council are required to be paid and, out of which, liabilities of the Council 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 General Fund Balances are not available to fund HRA services or vice versa.

The **Housing Revenue Account Balance** reflects the statutory obligation to maintain a revenue account for local authority council 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. The Localism Act 2011 (Part VII) introduced the self-financing regime with Councils now able to keep the rent they collect and use it locally to maintain their social homes. As part of the new regime depreciation is now a real cost to the HRA and is transferred to the Major Repairs Reserve to finance future capital investment.

## Notes to the Core Financial Statements

### 7. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

The Council is required to maintain the **Major Repairs Reserve** (MRR), which controls an element of the capital resources required to be used on HRA assets or capital financing purposes. Under the arrangements in the Self Financing HRA, to establish resources available on an annual basis in the Major Repairs Reserve, the regulations require the reserve to be credited with an amount equal to the total depreciation charges for all HRA assets. The balance shows the capital resources that are available and planned to be used for future years capital programme.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end. Part of the reserve can only be used towards the provision of additional council homes schemes and this was restricted to a maximum of 30% of scheme costs. However the government amended the rules for these receipts from 1 April 2021 increasing the % to 40% and the length of time to spend from three to five years.

The **Capital Grants Unapplied** Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to capital expenditure. The balance is restricted by grant terms as to the capital expenditure to which it can be applied and/or the financial year in which this can take place.

## Notes to the Core Financial Statements

### Adjustments between Accounting Basis and Funding Basis under Regulations

#### 2020/21 Adjustments between Accounting Basis and Funding Basis Under regulations

Adjustments involving the Capital Adjustment Account:  
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E)

	£000	£000	£000	Usable Reserves Major Reserve	Repairs £000	Capital Unapplied	Grants £000	Total Reserves	Usable £000	Unusable Reserves	£000
Charges for Depreciation and Impairment of Non-Current Assets	(4,234)	(11,722)						(15,956)		15,956	
Revaluation Gain on Property, Plant and Equipment	4,321							4,321		(4,321)	
Movements in the Market Value of Investment Properties	(672)							(672)		672	
Reverse Impairments in the year from Revaluation Increase								-		-	
Amortisation of Intangible Assets	(141)	(227)						(368)		368	
Revenue Expenditure Funded from Capital under Statute	(1,275)							(1,275)		1,275	
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(600)	(2,768)						(3,368)		3,368	
Capital Grants and Contributions Applied	9,213	347						9,560		(9,560)	
<b>Insertion of items not debited or credited to the CI&amp;E</b>											
Statutory provision for the financing of capital investment	217							217		(217)	
Capital Expenditure charged against General Fund and HRA balances	353							353		(353)	
<b>Adjustments involving the Capital Grants Unapplied Account (CGU)</b>											
Capital grants & contributions unapplied credited to the CI&E Statement							54	54		(54)	
Application of grants to capital financing transferred to the Capital Adjustment Account	1,205	941					(2,135)	12		(12)	
<b>Adjustments involving the Capital Receipts Reserve (CRR):</b>											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1,946	6,049	(7,995)					-		-	
Use of the CRR to finance new capital expenditure	-		9,934					9,934		(9,934)	
Contribution from CRR to finance the payments to the Government capital receipts pool & admin costs of disposal	(864)		896					32		(32)	
Transfer from Deferred Capital Receipts Reserve upon cash receipt	-		-					-		-	
<b>Adjustments involving the Major Repairs Reserve (MRR):</b>											
Reversal of the MRR credited to the HRA		11,949			(11,949)			-		-	
Use of the MRR to Finance new capital expenditure		-			2,325			2,325		(2,325)	
<b>Adjustments involving the Pension Reserve</b>											
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 26)	(6,457)	(239)						(6,696)		6,696	
Employer's pension contributions & direct payments to pensioners payable in year	4,871	-						4,871		(4,871)	
<b>Adjustments involving the Collection Fund Adjustment Account</b>											
Employer's pension contributions & direct payments to pensioners payable in year	(37)	-						(37)		37	
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	(9,357)							(9,357)		9,357	
<b>Adjustments involving the Accumulated Absences Adjustment Account</b>											
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	(145)	(66)						(211)		211	
<b>TOTAL ADJUSTMENTS</b>	<b>(1,653)</b>	<b>4,264</b>	<b>2,833</b>	<b>(9,625)</b>	<b>(2,081)</b>	<b>(6,261)</b>	<b>6,261</b>				



## Notes to the Core Financial Statements

### Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

2019/20 Adjustments between Accounting Basis and Funding Basis Under regulations			Usable Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
Adjustments involving the Capital Adjustment Account:	£000	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CI&amp;E)</b>							
Charges for Depreciation and Impairment of Non-Current Assets	(3,719)	(10,854)				(14,573)	14,573
Revaluation Gain on Property, Plant and Equipment	(611)					(611)	611
Movements in the Market Value of Investment Properties	230					230	(230)
Reverse Impairments in the year from Revaluation Increase						-	-
Amortisation of Intangible Assets	(155)	(132)				(287)	287
Revenue Expenditure Funded from Capital under Statute	(848)					(848)	848
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(1,044)	(4,241)				(5,285)	5,285
Capital Grants and Contributions Applied	6,066	1				6,067	(6,067)
<b>Insertion of items not debited or credited to the CI&amp;E</b>							
Statutory provision for the financing of capital investment	634	1,811				2,445	(2,445)
Capital Expenditure charged against General Fund and HRA balances						-	-
<b>Adjustments involving the Capital Grants Unapplied Account (CGU)</b>							
Capital grants & contributions unapplied credited to the CI&E Statement					96	96	(96)
Application of grants to capital financing transferred to the Capital Adjustment Account	96				(96)	-	-
<b>Adjustments involving the Capital Receipts Reserve (CRR):</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1,878	6,627	(8,502)			3	(3)
Use of the CRR to finance new capital expenditure	-		8,038			8,038	(8,038)
Contribution from CRR to finance the payments to the Government capital receipts pool & admin costs of disposal	(865)		865			-	-
Transfer from Deferred Capital Receipts Reserve upon cash receipt	-		(2)			(2)	2
<b>Adjustments involving the Major Repairs Reserve (MRR):</b>							
Reversal of the MRR credited to the HRA		11,484		(11,484)		-	-
Use of the MRR to Finance new capital expenditure		0		17,657		17,657	(17,657)
<b>Adjustments involving the Pension Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 26)	(2,660)	(1,150)				(3,810)	3,810
Employer's pension contributions & direct payments to pensioners payable in year	-	-				-	-
<b>Adjustments involving the Collection Fund Adjustment Account</b>							
Employer's pension contributions & direct payments to pensioners payable in year	57	-				57	(57)
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	466					466	(466)
<b>Adjustments involving the Accumulated Absences Adjustment Account</b>							
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	(68)	(32)				(100)	100
<b>TOTAL ADJUSTMENTS</b>	(543)	3,513	398	6,173	-	9,542	(9,542)

## Notes to the Core Financial Statements

### 8. Earmarked 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 revenue service 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.

The Council maintains a General Fund Balance and Housing Revenue Account. In addition there are a number of other earmarked (usable) reserves, for capital projects and revenue projects.

- **Regeneration Reserve** - This reserve has been established to help fund the regeneration plans for Stevenage.
- **Housing and Planning Delivery Grant Reserve**- The Council received 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.
- **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 level of new homes bonus has significantly reduced to only £7.8K in 2021/22 and the reserve balances are used to fund some legacy co-operative neighbourhood schemes such as playground improvements.
- **Regeneration Assets Reserve**- This reserve contains the ring fenced surplus/deficit from the management and maintenance of the regeneration assets held in the town centre and will be used to cover any future fluctuations in costs or rental stream, any balances remaining will be used to help repay any debt outstanding and/or contribute towards the regeneration costs for the Town Centre.
- **Town Centre Reserve** - This reserve contains the ring fenced surplus/deficit from the Town Centre management service and will be used fund activities and management in the Town Centre.
- **Transformation** – This reserve has been created to fund future service improvements aimed at ensuring the medium/long term financial sustainability of the council.
- **Capital Reserve** - This reserve was set up in 2013/14 as part of the Council's Integrated Financial Planning Process and funds capital projects. It was set up to reduce the Council's use of prudential borrowing to fund capital projects and the associated borrowing costs.

## Notes to the Core Financial Statements

### 8. Earmarked Reserves (contd)

- **Insurance Reserve** - This reserve was set up in 2016/17 to fund proactive works to reduce insurance claims against the Council.
- **Income Equalisation Reserve** – This reserve was set up in 2020/21 and the 2021/22 budget has a planned £250K contribution to the reserve. The Council's General Fund is funded from significant income streams and the reserve has been set up to absorb in-year income fluctuations if required.
- **NDR Collection Fund Reserve** -This reserve was set up in 2013/14 to meet any adverse impact on the General Fund arising from any losses in NDR income above the government's safety net rules. This reserve also now includes in year business rate gains until realised at the yearend, (rather than assumed within the General Fund balances). In addition for 2020/21 the reserve include £9.1Million of balances due to be returned to the Collection Fund in 2021/22-2023/24 as a result of the level of business rate reliefs granted to hospitality and retail businesses by the Government and COVID losses. .
- **Homelessness Prevention Reserve** This reserve was set up in 2019/20 to fund preventative homelessness schemes in future years.

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement. A more detailed breakdown showing the amounts set aside from the General Fund balances to specific earmarked reserves is shown below. This sets out amounts used to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

Earmarked Reserve:	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000	Transfer Out 2020/21 £'000	Transfer In 2020/21 £'000	Balance as at 31 March 2021 £'000
<b>General Fund:</b>							
Regeneration SG1	724	(164)	267	827	(109)	28	746
Housing & Planning Delivery Grant	61	(21)		40		25	65
New Homes Bonus	728	(98)		630	(504)	343	469
Regeneration Assets	1,343	(220)		1,123	(105)		1,018
Town Centre	55	(21)		34	(16)	63	81
LAMS (Local Authority Mortgage Scheme)	61	(61)		-	-		-
Capital Reserve	594		500	1,094	(116)	350	1,328
Insurance Mitigation	113	(10)		103	(27)		76
Future Town Future Council	54	(54)			-		
Income equalisation Reserve						8	8
NNDR Collection Fund	172		1,063	1,235		9,468	10,703
Homelessness			347	347	(136)	158	369
Transformation			60	60		270	330
<b>Total Earmarked Reserves</b>	<b>3,905</b>	<b>(651)</b>	<b>2,237</b>	<b>5,493</b>	<b>(1,013)</b>	<b>10,713</b>	<b>15,193</b>

## Notes to the Core Financial Statements

### 8. Earmarked Reserves (contd)

In addition to the General Fund reserves listed above the Council set up an HRA earmarked reserve.

- **Interest Equalisation Reserve** - This reserve was set up in 2020/21 to mitigate any impact on interest changes that would impact on the HRA's planned use of borrowing to finance the HRA capital programme.

Earmarked Reserve:	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000	Transfer Out 2020/21 £'000	Transfer Out 2020/21 £'000	Balance as at 31 March 2021 £'000
<b>HRA Fund:</b>							
Interest equalisation	0		5,713	5,713	(2,290)	0	3,423
<b>Total Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>5,713</b>	<b>5,713</b>	<b>(2,290)</b>	<b>0</b>	<b>3,423</b>

### 9. Unusable Reserves

The Council has a number of **Unusable Reserves** that are required for statutory reasons, to comply with proper accounting practice. As such these reserves are unavailable to fund expenditure. They include reserves 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.

31-Mar-20 £'000		31-Mar-21 £'000
(97,973)	Revaluation Reserve	(124,344)
(443,324)	Capital Adjustment Account	(450,342)
(12,009)	Deferred Capital Receipts Reserve	(11,544)
38,801	Pensions Reserve	62,434
(928)	Collection Fund Adjustment Account	8,466
535	Accumulated Absences Account	746
<b>(514,897)</b>	<b>Total Unusable Reserves</b>	<b>(514,584)</b>

## Notes to the Core Financial Statements

### 9. Unusable Reserves (contd.)

**9.1 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.

2019/20 £'000 (95,914)		2020/21 £'000	£'000 (97,973)
	<b>Balance as at 1 April</b>		
(8,240)	Upward revaluation of assets	(32,443)	
4,670	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,685	
(3,570)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(27,758)
1,147	Difference between fair value depreciation and historic cost depreciation	1,295	
365	Accumulated gains on assets sold or scrapped	92	
1,512	Amount written off to the Capital Adjustment Account		1,387
<b>(97,973)</b>	<b>Balance as at 31 March</b>		<b>(124,344)</b>

**9.2 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 additions to 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.

## Notes to the Core Financial Statements

### 9. Unusable Reserves (contd.)

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

2019/20 £'000		£'000	2020/21 £'000	£'000
(428,830)	<b>Balance as at 1 April</b>			<b>(443,324)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>			
14,579	Charges for depreciation & impairment of non-current assets	16,003		
610	Revaluation losses on Property, Plant & Equipment	(4,321)		
288	Amortisation of Intangible Assets	319		
848	Revenue expenditure funded from capital under statute	1,275		
5,285	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	3,368		
<b>21,610</b>			<b>16,644</b>	
	Capital expenditure charged against the General Fund and HRA balances		(353)	
	Queensway Deferred Capital Receipt		235	
(1,512)	Adjusting amounts written out of the Revaluation Reserve		(1,425)	
20,098	Net written out amount of the cost of non-current assets consumed in the year			15,101
	<b>Capital financing applied in the year</b>			
(8,038)	Use of the Capital Receipts Reserve to finance new capital expenditure		(9,343)	
(17,657)	Use of the Major Repairs Reserve to finance new capital expenditure		(2,328)	
(6,076)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		(9,559)	
(1,811)	Self-Financing Debt repayment			
(95)	Application of grants to capital financing from the Capital Grants Unapplied Account		(54)	
(685)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(1,508)	
<b>(34,362)</b>				<b>(22,791)</b>
(230)	Capital expenditure charged against the General Fund and HRA balances.			672
<b>(443,324)</b>	<b>Balance as at 31 March</b>			<b>(450,342)</b>

## Notes to the Core Financial Statements

### 9. Unusable Reserves (contd.)

**9.3 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.

2019/20 £'000 (12,061)		2020/21 £'000 (12,009)
	<b>Balance as at 1 April</b>	
51	Queensway (finance lease to LLP)	464
1	Amounts received in year & available for funding	1
<b>(12,009)</b>	<b>Balance as at 31 March</b>	<b>(11,544)</b>

**9.4 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 Council makes employer's contributions to the pension fund or eventually pay any pensions 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 Council 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. (See also Note 26 Pension).-

2019/20 £'000 58,694		2020/21 £'000 38,801
	<b>Balance as at 1 April</b>	
(23,703)	Re-measurements of the net defined benefit liability/(asset)	21,809
8,380	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	6,696
(4,570)	Employers' pension contributions and direct payments to pensioners payable in the year	(4,872)
<b>38,801</b>	<b>Balance as at 31 March</b>	<b>62,434</b>



## Notes to the Core Financial Statements

### 9. Unusable Reserves (contd.)

**9.5 The Collection Fund Adjustment Account** manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The large deficit in 2020/21 arose as the government gave COVID business rate reliefs to businesses, reducing the level of income collected. However the amount of income assumed by the General Fund is fixed prior to the start of the year regardless of changing circumstances. The government compensated Councils for the reduction in income through section 31 grants which paid in 2020/21. The Council is due to repay the Collection Fund £7.7Million in 2021/22, with the remaining balance over 2022/23-2023/24.

2019/20 £'000 (405)		2020/21 £'000 (928)
	<b>Balance as at 1 April</b>	
(57)	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	37
(466)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	9,357
<b>(928)</b>	<b>Balance as at 31 March</b>	<b>8,466</b>

**9.6 The Accumulated Absences Account** absorbs the difference that would otherwise arise on the General Fund and HRA Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require the impact is neutralised by transfers to/ from the Account.

2019/20 £'000 435		2020/21 £'000 535	2020/21 £'000 746
	<b>Balance as at 1 April</b>		
(435)	Settlement or cancellation of accrual made at the end of the preceding year	(535)	
535	Amounts accrued at the end of the current year	746	
<b>535</b>	<b>Balance as at 31 March</b>		<b>746</b>

## Notes to the Core Financial Statements

### 10. Other Operating Expenditure and Financing and Investment Income and Expenditure

2019/20		2020/21
£'000		£'000
865	Payments to the Government Housing Capital Receipts Pool	864
(3,366)	(Gains)/losses on the disposal of non-current assets	(4,301)
<b>(2,501)</b>	<b>Total</b>	<b>(3,437)</b>

2019/20		2020/21	
£'000		£'000	£'000
7,612	Interest payable & similar charges		7,663
1,443	Pensions interest cost & expected return on pensions assets		902
(1,364)	Interest receivable & similar income		(1,140)
1,416	Expenditure in relation to investment properties and changes in their fair value		2,275
(3,263)	Income in relation to investment properties and changes in their fair value		(2,836)
	Trading Operations - Indoor Market:		
(422)	Income from stall holders	(365)	
421	Expenditure	380	
(1)	Surplus taken to General Fund		15
<b>5,843</b>	<b>Total</b>		<b>6,879</b>

## Notes o the Core Financial Statements

### 11. Taxation and Non Specific and Specific Grant Income

#### **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 advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Grants - 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.

## Notes to the Core Financial Statements

### 11. Taxation and Non Specific and Specific Grant Income (contd.)

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

2019/20 £'000		2020/21 £'000
	<b>Grants, Contributions credited to Taxation and Non Specific Grant Income</b>	
5,868	Council Tax	6,055
17,466	NNDR Retained income	9,257
(12,968)	NNDR Tariff payment	(15,917)
865	New Homes Bonus	784
404	Homelessness prevention grant	52
110	NDR administration Grant	71
926	s31 Grant	9,332
6,171	Other Capital Contributions	11,707
	Covid Grants	4,874
666	Other Government grants	1,090
<b>19,508</b>	<b>Total Grants, Contributions credited to Taxation and Non Specific Grant Income</b>	<b>27,305</b>
	<b>Credited to Services</b>	
25,630	Department of Work and Pensions Grants for rebates	24,521
202	Discretionary Housing Payments	
105	Other	
<b>25,937</b>	<b>Total Grants, Contributions credited to Services</b>	<b>24,521</b>

The Council has not received any material donations in 202/21.

## Notes to the Core Financial Statements

### 12. Heritage Assets

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.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council'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 that valuation is material these assets will be recognised as a separate class of asset – heritage asset on the face of 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 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.

Reconciliation of the carrying value of Heritage assets held by the Council

	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
<b>Cost or Valuation</b>					
<b>At 1 April 2020</b>	833	53	200	53	1,139
Additions	-	-	-	-	-
<b>At 31 March 2021</b>	833	53	200	53	1,139
<b>Accumulated Depreciation &amp; Impairment</b>					
<b>At 1 April 2020</b>	(540)	(38)	-	-	(578)
Depreciation charge	(33)	(7)	-	-	(40)
<b>At 31 March 2021</b>	(574)	(44)	-	-	(618)
<b>Net Book Value</b>					
<b>At 31 March 2021</b>	259	9	200	53	521
<b>At 31 March 2020</b>	292	15	200	53	560

## Notes to the Core Financial Statements

### 12. Heritage Assets (contd.)

2019/20	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
<b>Cost or Valuation</b>					
Balance at start of year	833	53	200	53	1,139
Additions					-
Revaluation Increase/ (Decrease)					-
Recognised in the CIES					-
	833	53	200	53	1,139
<b>Accumulated Depreciation and Impairment</b>					
Balance at start of year	(508)	(33)	-	-	(541)
Charge for the year	(33)	(5)	-	-	(38)
Balance at end of year	(541)	(38)	-	-	(579)
<b>NBV AS AT 31 MARCH 2020</b>	<b>292</b>	<b>15</b>	<b>200</b>	<b>53</b>	<b>560</b>

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

**Town Square including Clock Tower:** The town square includes the water feature and clock tower, the clock tower is a Grade II listed building.

**Museum Collection:** The museum collections include paintings, local history archives, Roman coin hoard from Chells, clocks, 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.

**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.

## Notes to the Core Financial Statements

### 12. Heritage Assets (contd.)

**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 classified 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.

Method of valuation	Heritage Assets				Total Heritage Assets £'000
	Town Square £'000	Museum Collection £'000	War Memorial £'000	Civic Regalia £'000	
Cost or Valuation	833	-	53	-	886
Valued at Insurance Valuation	-	200	-	53	253
	833	200	53	53	1,139



## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment

#### **Property, Plant and Equipment (PPE)**

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 and valuations:** 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 the manner intended.

Valuations of the Council's freehold and leasehold properties are co-ordinated by the Council's In-House Valuer in accordance with International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and interpreted by the current CIPFA Code of Practice for Local Authority accounting. The valuations are made in accordance with the RICS Valuation – Professional Standards, January 2014 as published by the Royal Institution of Chartered Surveyors, in so far as that is consistent with the IFRS standards and CIPFA interpretation with the exception that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. All land and building assets are re-valued at the end of each financial year. Non Current Assets are then carried in the Balance Sheet using the following measurement bases:

- Council dwellings – current value determined using the basis of existing use value for social housing (EUV-SH)
- Where possible all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- *Where assets cannot be valued by any other method depreciated historic costs is used, this includes computer equipment, infrastructure assets and vehicles plant and equipment*

## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment (contd.)

#### Property, Plant and Equipment

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where the DRC approach was used it was in accordance with RICS GN 6, titled "Depreciated Replacement Cost (DRC) method of Valuation for Financial Reporting". RICS GN6 requires Modern Equivalent (ME) to be considered if properties are valued using the DRC method and this was applied to last year's review.

Fair Value Hierarchy - To establish the fair value of its surplus assets, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

In regard to property assets the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount.

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 current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value, but as a minimum every five years. In addition should current valuations of similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be re-valued. 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.

## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment (contd.)

#### Property, Plant and Equipment

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

- 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.

New council house properties, either constructed or acquired at market value, are re-valued downwards on completion to recognise that Council Dwellings are valued on the balance sheet at existing use value-social housing (38% of the market value).

HRA properties are re-valued annually 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. The Council's housing stock was valued by external valuer Savills. The valuation date has been moved from 1 April to 31 March to align with the Statement of Accounts. The latest valuation certificates are dated 31 March 2021.

General Fund properties' valuation certificates are also dated 31 March 2021 and revaluations are carried out by private firm of Chartered Surveyors – Wilks Head and Eve. The revaluation process is co-ordinated by the Council's Estates Manager M Sullivan FRICS.

**Impairment:** Assets are assessed annually for any indication of impairment. Where indications exist and any possible differences are estimated 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.

## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment (contd.)

#### Property, Plant and Equipment

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.

**Depreciation:** Properties classified PPE are valued on the basis of Current Value (Existing Use Value (EUV)) and the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount. 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 life (i.e. freehold land and certain community assets) and assets not yet available for use (i.e. assets under construction).

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 – straight-line allocation over the estimated life of the asset
- infrastructure – straight-line allocation over the estimated life of the asset

The useful economic lives for property, plant and equipment which are depreciated are:

Council Dwellings	up to 50 years
Operational buildings	up to 50 years
Vehicles	3-7 years
Plant and equipment	up to 40 years
Computer Equipment	3-7 years

*Infrastructure assets:*

<i>Short Life Paths and Hardstanding's</i>	<i>5-10 Years</i>
<i>Public Realm Works</i>	<i>30-40 Years</i>
<i>Other Infrastructure Assets</i>	<i>20-46 Years</i>

## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment (contd.)

#### Property, Plant and Equipment

**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.

Infrastructure Assets – Componentisation – the Council determines that where there is a replacement of a component of infrastructure, the replaced component has a value of nil and that therefore there is no requirement to remove any amount from the balance sheet in respect of the disposal of that component (Cipfa Bulletin 12 – January 2023)

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 has been accounted for using componentisation since April 2011.

**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 non-current 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 non-current assets attributable to the service.

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.

Depreciation charged to the Housing Revenue Account (HRA) is not reversed out and is a cost to the HRA. HRA depreciation is transferred *to the Major Repairs Reserve to fund future HRA capital investment*

## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment (contd.)

The valuations provided for non-housing stock assume that there are no encumbrances to the Council's Current Value in the use of those assets. It is however noted that if there is a disposal of the Business Technology Centre before 29 November 2022 it 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 inputs to inform the Council's Surplus Asset valuation have been determined at level 2 as per the fair value hierarchy (see also policy detail on page 69).

#### Impairment Losses

During 2020/21 (as in 2019/20) the Council did not incur any losses as a result of impairment. The table overleaf shows the movement in valuations of property, plant and equipment.

#### Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements. The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation may not be measured accurately and may not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

#### Movement of Infrastructure Assets in 2020/21

<b>Movements in 2020/21</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Net Book Value at 1 April</b>	<b>3,837</b>	<b>3,507</b>
Additions	270	76
Assets reclassified		
Other movements in cost or valuation	(17)	56
Depreciation charge	(583)	(635)
<b>Net Book Value at 31 March</b>	<b>3,507</b>	<b>3,004</b>

## Notes to the Core Financial Statements

### 13. Property, Plant and Equipment (contd.)

Movement in 2020/21	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2020</b>	<b>669,502</b>	<b>100,303</b>	<b>25,186</b>	<b>4,623</b>	<b>390</b>	<b>16,413</b>	<b>816,417</b>
Additions	19,482	2,399	1,219	36	-	19,214	42,350
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,048	5,518	-	-	-	-	19,566
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	4,328	-	-	(7)	-	4,321
Derecognition - Disposals	(3,054)	(767)	(624)	-	-	-	(4,444)
Assets reclassified (to)/from Assets Under Construction	1,697	775	-	-	-	(2,472)	-
Other movements in Cost or Valuation	-	(2,352)	75	-	-	21	(2,256)
<b>At 31 March 2021</b>	<b>701,676</b>	<b>110,205</b>	<b>25,856</b>	<b>4,659</b>	<b>383</b>	<b>33,176</b>	<b>875,955</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2020</b>	<b>(37,102)</b>	<b>(3,306)</b>	<b>(18,883)</b>	<b>(963)</b>	<b>-</b>	<b>(110)</b>	<b>(60,364)</b>
Depreciation charge	(11,433)	(1,650)	(1,618)	(208)	-	-	(14,909)
Depreciation written out to the Surplus/Deficit on the Provision of Services	285	167	613	-	-	-	1,066
Depreciation written out to Revaluation Reserve	6,291	1,925	-	-	-	-	8,216
Derecognition - Other	-	955	(65)	-	-	110	1,000
<b>At 31 March 2021</b>	<b>(41,960)</b>	<b>(1,909)</b>	<b>(19,952)</b>	<b>(1,171)</b>	<b>-</b>	<b>-</b>	<b>(64,991)</b>
<b>Net Book Value At 31 March 2021</b>	<b>659,716</b>	<b>108,296</b>	<b>5,904</b>	<b>3,488</b>	<b>383</b>	<b>33,176</b>	<b>810,964</b>
<b>Net Book Value at 31 March 2021 Infrastructure Assets</b>							<b>3,004</b>
<b>Net Book Value at 31 March 2021 Total Property Plant and Equipment</b>							<b>813,968</b>
<b>Net Book Value at 31 March 2020:</b>	<b>632,400</b>	<b>96,997</b>	<b>6,303</b>	<b>3,660</b>	<b>390</b>	<b>16,303</b>	<b>756,053</b>
<b>Net Book Value at 31 March 2020 Infrastructure Assets</b>							<b>3,507</b>
<b>Net Book Value at 31 March 2020 Total Property Plant and Equipment</b>							<b>759,560</b>



## Notes to the Core Financial Statements

## 13. Property, Plant and Equipment (contd.)

Movements in 2019/20	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost Valuation:</b>							
<b>At 1 April 2019</b>	<b>651,682</b>	<b>97,306</b>	<b>24,339</b>	<b>3,485</b>	<b>984</b>	<b>6,430</b>	<b>784,226</b>
Adjustments to opening balance							-
Additions	25,531	2,034	1,255	-	-	13,279	42,099
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,885)	3,284	-	-	-	-	(3,601)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(805)	-	-	-	-	(805)
Derecognition - Disposals	(4,686)	(164)	(493)	-	-	-	(5,343)
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	4,514	(875)	66	-	(500)	(3,296)	(92)
Other movements in Cost or Valuation	(655)	(477)	19	1,138	(94)	-	(68)
<b>Balance as at 31 March 2020</b>	<b>669,501</b>	<b>100,303</b>	<b>25,186</b>	<b>4,623</b>	<b>390</b>	<b>16,413</b>	<b>816,416</b>
<b>Accumulated Depreciation and Impairment:</b>							
<b>At 1 April 2019</b>	<b>(33,006)</b>	<b>(3,001)</b>	<b>(17,651)</b>	<b>(865)</b>	<b>(35)</b>	<b>-</b>	<b>(54,558)</b>
Adjustment to opening balance							-
Depreciation charge	(10,515)	(1,700)	(1,631)	(98)	(14)	-	(13,957)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	194	-	-	-	-	194
Depreciation written out to Revaluation Reserve	5,974	1,198	-	-	-	-	7,172
Assets reclassified	-	-	-	-	49	(110)	(61)
Derecognition - Disposals	445	3	399	-	-	-	847
Derecognition - Other	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>(37,102)</b>	<b>(3,306)</b>	<b>(18,883)</b>	<b>(963)</b>	<b>-</b>	<b>(110)</b>	<b>(60,363)</b>
<b>Net Book Value at 31 March 2020:</b>	<b>632,399</b>	<b>96,997</b>	<b>6,302</b>	<b>3,661</b>	<b>391</b>	<b>16,303</b>	<b>756,053</b>
<b>Net Book Value at 31 March 2020 Infrastructure Assets</b>							<b>3,507</b>
<b>Net Book Value at 31 March 2020 Total Property Plant and Equipment</b>							<b>759,560</b>
Net Book Value at 31 March 2019:	618,676	94,305	6,688	2,620	949	6,429	729,667
Net Book Value at 31 March 2019 Infrastructure Assets							3,837
Net Book Value at 31 March 2019 Total Property Plant and Equipment							733,504

## Notes to the Core Financial Statements

### 14. 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.

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.

#### Fair Value Hierarchy

To establish the fair value of its investment properties, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

## Notes to the Core Financial Statements

### 14. Investment Property (contd.)

2019/20		2020/21
£,000		£,000
<b>24,993</b>	<b>Balance at Start of the Year</b>	<b>24,024</b>
230	Net Gains / (Losses) on Revaluation	(692)
-	Write Out of Impairments on Revaluations	-
<b>230</b>	<b>Net Gains / (Losses) from Movements in the Market Value of Investment Properties</b>	<b>(692)</b>
-	Additions	266
-	Impairment	-
(789)	Disposals	-
-	Derecognition	-
(410)	Reclassifications	105
<b>24,024</b>	<b>Balance at end of year</b>	<b>23,703</b>

The Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

#### Valuation Techniques Used to Determine Level Two Fair Values for Investment Properties:

The values have been derived from a desktop valuation taking into account existing lease terms and rentals, market rentals and yields, and then adjusted to reflect the nature and profile of the particular asset valued.

The Council's commercial property portfolio located within the Borough boundary are measured using the income approach, where the expected cash flows from the property are discounted at an appropriate discount rate (reflecting the nature and risk profile of the particular asset valued), to establish the present value of the net income stream.

The Council's commercial property portfolio is therefore categorised as Level Two in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

There has been no change in the valuation techniques used during the year for investment properties.

#### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

#### Valuers

The investment property portfolio has been valued at 31 March 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The revaluations are carried out by Wilks Head and Eve.

## Notes to the Core Financial Statements

### 14. Investment Property (contd.)

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. Nor does the Council have any contractual obligations to repair, maintain or enhance the investment properties with the exception of a very small proportion of the Council's investment property portfolio where the leases are internal repairing leases and the Council is responsible for the external fabric of the building.

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.

2019/20 £,000		2020/21 £,000
2,501	Rental Income from Investment Property	2,292
(883)	Direct Operating Expenses/(Income) Arising from Investment Property	(1,059)
<b>1,618</b>	<b>Direct cost of Investment Properties</b>	<b>1,233</b>
-	Other Net Operating Costs	-
<b>1,618</b>	<b>Net (Gain)</b>	<b>1,233</b>

### 15. Intangible Assets

**Intangible Non Current 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 on a straight line basis to the Information Communications Technology (ICT) service revenue account and then recharged out across the service headings in the Comprehensive Income and Expenditure Statement over the economic life of the asset to reflect the pattern of consumption of benefits. 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 five years

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 ICT service revenue account and the Comprehensive Income and Expenditure Statement.

## Notes to the Core Financial Statements

### 15. Intangible Assets (contd.)

#### Intangible Non Current Assets contd-

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.

HRA intangible assets are depreciated in accordance with the council's policy but the charge is not reversed out but forms part of the transfer to the Major Repairs Reserve.

The intangible assets include a number of services such as 'business objects' which is a report and project modelling tool. There was a total amortisation of £318k for all intangible assets charged to revenue in 2020/21 (2019/20- £288k). There are no items of capitalised software that are individually material to the financial statements. The movement on Intangible Asset balances during the year is as follows:

2019/20		2020/21
£000's		£000's
	<b>Balance as at 1 April</b>	
1307	Gross carrying amounts	1,650
(526)	Accumulated amortisation	(815)
<b>781</b>	<b>Net carrying amount at 1 April</b>	<b>835</b>
	<b>Movements in year:</b>	
251	Additions	395
91	Transfer In and Out	-
(288)	Amortisation for the Period	(368)
<b>835</b>	<b>Balance at 31 March</b>	<b>862</b>
	<b>Comprising:</b>	
1,649	Gross carrying amounts	2,045
(814)	Accumulated amortisation	(1,183)
<b>835</b>		<b>862</b>

## Notes to the Core Financial Statements

### 16. Capital Expenditure and Capital Financing

**Revenue Expenditure Funded From Capital Resources Under Statute** – General Fund 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 is made: the amounts charged are then reversed out so that there is no impact on the Council Tax payer.

No such expenditure was incurred by the HRA in 2020/21.

The total amount of capital expenditure incurred in the year is shown in the following table, together with resources that have been used to finance it. 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.

At 31 March 2021 the Council has entered into a number of contracts and the major commitments are:

	Commitment	
	Contractual	Non-Contractual
	31 March 2021 £'000	31 March 2021 £'000
Decent Homes and major repairs	46,143	10,377
Housing Regeneration	57,839	-
Town Centre Regeneration	5,004	-
Garage Strategy	-	6,932
<b>Total</b>	<b>108,986</b>	<b>17,309</b>

## Notes to the Core Financial Statements

### 16. Capital Expenditure and Capital Financing (contd.)

2019/20 £'000		2020/21 £'000	£'000
233,796	<b>Opening Capital Financing requirement</b>		245,836
	<i>Capital investment :</i>		
27,565	Land and Buildings	21,881	
1,525	Other Plant and Equipment	1,726	
	Investment Property	266	
13,279	Assets under construction	19,214	
848	Revenue expenditure funded from Capital under statute	1,275	
43,217			44,362
	<i>Sources of Finance :</i>		
(3,939)	Capital Receipts - general	(6,071)	
(4,099)	Capital Receipts - New Build	(3,272)	
(4,796)	Government Grants & Other Contributions	(8,697)	
(17,657)	Major Repairs Reserve	(2,325)	
-	Sums set aside from Revenue:	-	
-	Direct revenue contributions	(353)	
(2,495)	MRP / Loan Repayments	(870)	
(32,986)			(21,588)
244,027	<b>Closing Capital Financing requirement</b>		268,610
	<b>2019/20 Restatement:</b>		
322	Late Asset accruals		
1,179	LEP loans		
308	Other Financing		
245,836	<b>Restated Closing Capital Financing requirement</b>		
-	<i>Explanation of movement in year:</i>		-
-	Increase in underlying need to borrow (supported by government financial assistance)		-
12,040	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)		22,774
-	Asset acquired under finance lease		-
12,040	<b>Increase/(decrease) in Capital Financing requirement</b>		22,774



## Notes to the Core Financial Statements

### 17. Leases

The Council accounts for **leases** as finance leases when substantially all the risks and rewards incidental to ownership of the property, plant or equipment (PPE) from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Council as Lessee

**Finance Leases:** PPE held under finance leases is recognised in the Balance Sheet at the commencement date of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

PPE recognised under finance leases is 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 assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by revenue contributions 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*.

## Notes to the Core Financial Statements

### 17. Leases (contd.)

**Operating leases:** Rentals paid under operating lease are charged to the CIES as an expense of the service benefitting from the use of the leased PPE. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

#### The Council as Lessor

**Finance Leases:** Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether PPE or Assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain is matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When future rentals are received, the element for the capital receipt for the disposal is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not charged against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement on Reserves Statement.

**Operating Leases:** Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income for investment properties is credited to the Other Operating Expenditure line in the CIES.

## Notes to the Core Financial Statements

### 17. Leases (contd.)

#### Operating Leases

**Plant and Equipment:** In 2020/21 the Council had use of multi-functional printing devices and vehicle leases. The annual amount charged under these arrangements in 2020/21 was £17,000 (2019/20 £28,000). Future lease payments due are shown in the table below:

31-Mar-20			Operating Lease Payments	31-Mar-21		
Printers	Assigned Vehicles	Total		Printers	Assigned Vehicles	Total
£'000	£'000	£'000		£'000	£'000	£'000
14	4	18	Not later than one year	13	4	17
53	-	53	Later than one year and not later than five years	37	-	37
-	-	-	Later than five years	-	-	-
67	4	71	<b>Total</b>	<b>50</b>	<b>4</b>	<b>54</b>

**Property:** Council as Lessor - the authority currently leases 336 premises which include 179 shops, 35 workshops, 11 public houses, 10 surgeries and 101 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2020/21 was £2,929,000, (2019/20 £3,357,000).

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

31-Mar-20	Future minimum lease payments	31-Mar-21
£'000		£'000
3,009	Not later than one year	3,161
12,036	Later than one year and not later than five years	12,643
43,044	Later than five years	45,321
58,089	<b>Total</b>	<b>61,125</b>

## Notes to the Core Financial Statements

### 17. Leases (contd.)

**Finance Leases Lessor and Lessee: Property, Plant, and Equipment:** In 2018/19 the council acquired a 37 year head lease from Aviva for Queensway. This was immediately sublet to Queensway Properties (Stevenage) LLP for 37years. (See also Group Accounts).

31-Mar-20 £'000	Future minimum lease to Aviva payments	31-Mar-21 £'000
278	Not later than one year	295
1,249	Later than one year and not later than five years	1,288
15,657	Later than five years	15,323
17,184	<b>Total</b>	<b>16,906</b>

31-Mar-20 £'000	Future minimum lease from Queensway	31-Mar-21 £'000
278	Not later than one year	295
1249	Later than one year and not later than five years	1,288
15657	Later than five years	15,323
17,184	<b>Total</b>	<b>16,906</b>

## Notes to the Core Financial Statements

### 18. Financial Instruments

#### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Council holds no assets that fall into this category.

Financial assets measured at amortised cost (loans and receivables) are initially measured at fair value then subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES is the amount receivable for the year in the loan agreement.

**Cash and Cash Equivalents** are represented by notes and coins held by the Council and deposits available on demand. Cash Equivalents are represented by short-term, 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.

#### 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 CIES 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). Interest chargeable to the CIES is the amount payable for the year in the loan agreement.

## Notes to the Core Financial Statements

### 18. Financial Instruments (contd.)

#### Financial Assets

##### Fair Value Hierarchy

The Council is required to classify the valuation of financial instruments into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Council currently invests in.

The Council's activities expose it to a variety of financial risks. The key risks are:

- 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
- Re-financing risk – the possibility that the authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- 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 the Council's treasury team, under policies approved annually (in February prior to the financial year to which it relates) 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 Strategy 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.

## Notes to the Core Financial Statements

### 18. Financial Instruments (contd)

The Council's Treasury Management Strategy applicable from 1 April 2020 complies fully with the code of practice. Further details on the Council's Treasury Management Strategy can be found on Stevenage Borough Council's website

**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.

**Expected Credit Loss Model:** the authority recognises Expected Credit Losses (ECL) on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Institutions	Amount at 31 March 2021	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2021	Estimated maximum exposure to default & uncollectability 31 March 2021	Estimated maximum exposure to default & uncollectability 31 March 2020
	£'000	%	%	£'000	£'000
Financial Institutions	A	B	C	(AxC)	
Banks & Building Societies	23,010	-	-	-	-
Other Local Authorities	25,149	-	-	-	-
Other Counter parties	21,700	-	-	-	-
Trade Debtors	4,328	15%	18%	779	441
<b>Total</b>	<b>74,187</b>			<b>779</b>	<b>441</b>

The ECL on Treasury Financial Assets is immaterial. The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2021. The calculation is based on the age of the trade debtor and debt type. The Council does not generally allow credit for customers, such that £1,819,000 of the £4,327,000 trade debtor's balance has



## Notes to the Core Financial Statements

### 18. Financial Instruments (contd.)

passed its due date for payment. The past due amount can be analysed by age and service in the following table;

Age of Sundry Debt	Estates Services	Direct Services (incl Recycling)	Planning	Other	Total Trade Debtors
	£'000	£'000	£'000	£'000	£'000
<b>less than 3 months</b>	521	577	902	508	<b>2,508</b>
Over Term:		.			
3-6 months	133	43	10	120	<b>306</b>
6 months - 1 year	159	57	2	114	<b>332</b>
over 1 year	299	155	34	694	<b>1,182</b>
<b>Debtors over term</b>	<b>591</b>	<b>255</b>	<b>46</b>	<b>928</b>	<b>1820</b>
<b>Total Trade Debtors 31 March 2021</b>	<b>1,112</b>	<b>832</b>	<b>948</b>	<b>1,436</b>	<b>4,328</b>
<b>Total Trade Debtors 31 March 2020</b>	<b>919</b>	<b>157</b>	<b>42</b>	<b>1,271</b>	<b>2,389</b>

**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 a finance lease to Queensway LLP (see also Group Accounts). As at 31 March 2021, Deferred Capital Receipts totalled £11,544,000, (31 March 2020 £12,009,000).

These figures do not include debt relating to Council Tax or Non-domestic Rates as these are considered to be statutory debts. Debt relating to Council house rents is disclosed in Note HRA2 Rent and Supported Housing Arrears.

**Liquidity risk:** The Council's cash flow is managed so that cash is available as needed. If the unexpected happens the Council has ready access to borrowings from the money markets and the Public Works Loan Board (PWLb).

**Interest rate risk:** The Council 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 Council. 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 fixed term investment/borrowing cost/income will remain constant.

## Notes to the Core Financial Statements

### 18. Financial Instruments (contd.)

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.

If interest rates had been 1% higher with all other variables held constant (according to assessment as at 31 March 2021), the financial effect would be:

	£'000
Increase in interest receivable on investments	(630)
Impact on Comprehensive Income & Expenditure Statement	(630)
Share of overall impact credited to the HRA	442
Impact on Movement in Reserves Statement	188

The impact of a 1% reduction in interest rates would be as above but with movements being reversed. The above represents what the cost will be less 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, other than the rate at which borrowing which has not yet been physically taken could be borrowed at in future.

**Price risk** The Council does not invest in equity shares and does not have any shareholdings. (The Municipal Bond purchased in 2015/16 (£10,000) is not held for trading purposes but to support and have access to preferential borrowing rates from the Municipal Bond Agency, set up by the Local Government Association. As such this transaction has been classed as a non-current investment.)

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

#### Financial Instruments:

Councils are required to define all financial instruments disclosed in the Balance Sheet into further categories. 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.)

Investments	Long Term		Current	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'000	£'000	£'000	£'000
Investment (LGA Municipal Bond)	10	10	-	-
Loans and Receivables	9,700	2,300	38,495	45,860
<b>Total Investments</b>	<b>9,710</b>	<b>2,310</b>	<b>38,495</b>	<b>45,860</b>
<b>Debtors (including Cash, Cash equivalents and Bank)</b>				
<i>Loans and Receivables comprising:</i>				
Queensway LLP Lease	18,009	17,163	89	295
Housing Rents Leaseholders	-	-	1,198	1,169
Other debtors	107	107	11,941	16,253
Cash held by the Authority	-	-	11	49
Bank Current Accounts	-	-	166	(4,245)
Investment Cash Equivalents	-	-	6,087	21,700
Local Authority Mortgage Scheme	159	160	13	-
<b>Total Debtors</b>	<b>18,275</b>	<b>17,430</b>	<b>19,505</b>	<b>35,221</b>
<b>Borrowings</b>				
Queensway Aviva Borrowing	6,243	6,038	31	84
Financial liabilities at amortised cost	208,966	218,704	376	378
<b>Total Borrowings</b>	<b>215,209</b>	<b>224,742</b>	<b>407</b>	<b>462</b>
<b>Creditors</b>				
Receipts in Advance	317	373	3,179	10,410
Sundry Creditors	4,833	6,082	19,317	22,217
Queensway Aviva Lease	11,824	11,125	58	211
<b>Total Creditors</b>	<b>16,974</b>	<b>17,580</b>	<b>22,554</b>	<b>32,838</b>

Schedule of PWLB loan repayments	
less than one year	263,158
1-2 years	263,158
2-5 years	500,000
6-10 years	49,655,950
10 -15 years	91,463,000
15 -20 years	66,311,000
20-25 years	10,510,000
<b>Total</b>	<b>218,966,266</b>

## Notes to the Core Financial Statements

### 18. Financial Instruments (contd.)

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

31-Mar-20				31-Mar-21			
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total		Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	
£0	£0	£0		£0	£0	£0	
7,652	-	7,652	Interest Expense	7,663	-	7,663	
7,652	-	7,652	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	7,663	-	7,663	
-	(1,399)	(1,399)	Interest income	-	(1,140)	(1,140)	
-	(1,399)	(1,399)	<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(1,140)	(1,140)	
7,652	(1,399)	6,253	<b>Net (gain)/loss for the year</b>	7,663	(1,140)	6,523	

Financial assets and financial liabilities (Treasury loans and investments) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- The fair value of Public Works Loan Board (PWLB) loans is calculated using the “new loan rate”.
- The fair value of Non -PWLB loans is calculated using the “new loan rate”.
- 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

## Notes to the Core Financial Statements

### 18. Financial Instruments (contd.)

- The fair value of trade and other receivables is taken to be the invoiced amount.

The Valuation Techniques Used to Determine Level Two Fair Values for Investments:

The fair value of the investments has been provided by Link Asset Services and is based on a financial model valuation which uses market information for similar instruments. The Code states that fair values disclosures are not required for short term trade payables and receivables since the carry amount is a reasonable approximation of fair value.

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31-Mar-20		
Carrying amount	Fair Value	
£'000	£'000	
<b>Long Term Investments</b>		
9,764	9,871	Long term loans & receivables
<b>9,764</b>	<b>9,871</b>	<b>Total</b>
<b>Loan Debt</b>		
-	-	Market Debt
209,342	232,918	PWLB Debt
<b>209,342</b>	<b>232,918</b>	<b>Total</b>

31-Mar-21	
Carrying amount	Fair Value
£'000	£'000
2,310	2,487
<b>2,310</b>	<b>2,487</b>
-	-
219,082	253,633
<b>219,082</b>	<b>253,633</b>

## Notes to the Core Financial Statements

### 18. Financial Instruments (contd.)

Valuation Techniques Used to Determine Level Two Fair Values for Public Works Loan Board (PWLB) Loans:

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £253.633Million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the [additional/reduced] interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Authority has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £281.682Million, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

The fair value of loan debt is higher than the carrying amount because the council's portfolio of loans includes fixed rate loans where the prevailing rates at the Balance Sheet date are lower than the interest rate payable. The fair value includes the premium that would be payable should the council reschedule its debt.

## Notes to the Core Financial Statements

### 19. Debtors

The Council's debtors (net of the provision for bad and doubtful debts) are as follows:

31-Mar-20		31-Mar-21
£'000	Short Term Debtors	£'000
1,585	Central Government Bodies	1,515
210	Other Local Authorities	196
1,198	Housing Rents & Leaseholders	1,169
379	Collection Fund	469
89	Queensway Lease	321
9,784	Other Debtors	14,047
<b>13,245</b>	<b>Total</b>	<b>17,717</b>

31-Mar-20		31-Mar-21
£'000	Long Term Debtors	£'000
107	Building Control	107
159	Mortgages	160
18,009	Queensway**	17,163
<b>18,275</b>	<b>Total</b>	<b>17,430</b>

**\*\*Queensway Properties (Stevenage) LLP** –This relates to a 37 year lease for properties 85-100 Queensway and 24-26 The Forum.



## Notes to the Core Financial Statements

### 20. Creditors and Receipts in Advance

**Employee accrued benefits payable** -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.

Payables and Receipts in Advance			
31-Mar-20		31-Mar-21	
£'000	Short Term Creditors	£'000	£'000
	<b>Creditors:</b>		
5,169	Central Government Bodies	9,583	
3,447	Other Local Authorities	580	
-	Collection Fund	-	
535	Accumulated leave	746	
10,224	Other Entities & Individuals	11,519	
<b>19,375</b>	<b>Total Creditors</b>		<b>22,428</b>
	<b>Receipts in Advance:</b>		
1,205	Housing	1,327	
270	Collection Fund	539	
1704	Other Entities & Individuals	8,544	
<b>3,177</b>	<b>Total Receipts in Advance</b>		<b>10,410</b>
<b>22,554</b>	<b>Total</b>		<b>32,838</b>

#### Long Term Creditors

The Council has long term creditors - £17.2M (2019/20 £16.6M) comprising principally:

**Local Enterprise Partnership (LEP)** – this relates to loans for land assemble to facilitate the town centre regeneration project - £6M (2019/20 £4.8M)

**85-100 Queensway and 24-26 The Forum** This relates to a 37 year finance lease - £11.1M (2019/20 11.8M) for these properties, subsequently sublet to Queensway Properties (Stevenage) LLP.

## Notes to the Core Financial Statements

### 21. Assets held for sale

**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.

A reasonable assessment can be made of General Fund disposals. However, for HRA Council dwellings, at the balance sheet date, the Council cannot 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.

#### **Disposals and Non-Current Assets Held for Sale**

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. With the introduction of Self-financing in April 2012 a new government calculation was introduced to apportion right to buy receipts due from sales of the Council's housing stock. The Council agreed to participate in the new scheme that enabled the Council to retain a proportion of the receipts that can only be used for new build provision.

Under the new scheme a proportion of the HRA right to buy receipts go to the government. The Council then retains the remainder of the receipts to cover four elements; administration costs, allowable debt, a capped share of the receipt for the local authority, and an allowance for new build provision. There is a duty to use the element retained for new build provision within three years, funding up to a maximum of 30% of the cost of any individual new build scheme. Other housing receipts from land may be fully retained by the Council if spent on affordable housing,

## Notes to the Core Financial Statements

### 21. Assets held for sale (contd)

#### Disposals and Non-Current Assets Held for Sale (contd)

regeneration or repayment of HRA debt. The capital receipts retained by the Council are required to be credited to the Capital Receipts Reserve and used for capital expenditure.

The written-off value of disposals for General Fund and HRA assets is not a charge against council tax or tenants, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund / Housing Revenue Account 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.

31-Mar-20 £'000		31-Mar-21 £'000
-	<b>Balance at start of year</b>	<b>563</b>
153	Transfer from surplus assets	-
410	Transfer from land & building	765
-	Assets sold	-
<b>563</b>	<b>Balance at year end</b>	<b>1,328</b>

## Notes to the Core Financial Statements

### 22. 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 at the balance sheet date of the expenditure required to settle the obligation.

Where payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed and where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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 and included in debtors (Note 21).

- **Insurance provision:** Provides for excesses relating to known claims.
- **Organisational Change Provision:** This provision was established to meet the costs arising from service efficiencies (identified as part of the budget setting process and service reviews).
- **Municipal Mutual Insurance (MMI) Provision:** MMI suffered substantial losses between 1990 and 1992 and these losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI went in to "run off", and ceased to renew or take on new general insurance work. If a solvent "run off" cannot be achieved the Council may have to repay part of the claims already settled.
- **NDR Appeals Provision:** Business Rate Payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency (VOA). From 1 April 2013 onwards, in the event that the appeal is successful, the Council is responsible for the Business Rate repayment to the business. This provision has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2021.
- **Water Rates Provision:** For potential liability relating to historical water charges.
- **Other Provisions:** All other provisions are individually insignificant.

## Notes to the Core Financial Statements

### 22. Provisions (contd)

	Insurance Provision	Organisational Change	Municipal Mutual Insurance provision	NNDR Appeals	Water Rates	Leisure Provision	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2019</b>	(658)	(220)	(51)	(3,300)	(412)			(4,642)
Additional Provisions made in 2019/20	(241)	(152)			(30)		(94)	(516)
Amounts Used in 2019/20	250	208						457
Unused Amounts reversed in 2019/20	266	13		463	442			1,184
<b>Balance as at 31 March 2020</b>	(383)	(152)	(51)	(2,837)	-	-	(94)	(3,517)
Additional Provisions made in 2020/21	(425)	(202)	(32)		(2,364)	(1,187)	(16)	(4,225)
Amounts Used in 2020/21	220	152			74		110	556
Unused Amounts reversed in 2020/21	114			(1,192)				(1,078)
<b>Balance as at 31 March 2021</b>	(474)	(202)	(83)	(4,029)	(2,290)	(1,187)	-	(8,265)

## Notes to the Core Financial Statements

### 23. Hertfordshire CCTV Partnership Ltd and Hertfordshire Building Control Ltd.

The Council has one jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council (SBC), North Hertfordshire District Council, East Hertfordshire District Council and Hertsmeire 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.

On the 1 April 2015 a new company, **Hertfordshire CCTV Partnership Ltd**, was incorporated to conduct the commercial trading affairs of the CCTV Partnership. For the year ended 31 March 2021 the company produced a loss before tax of £34,200. SBC's share of the loss is £12,700. Due to the de minimis size of the new company, group accounts have not been completed.

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service and in August 2017, **Hertfordshire Building Control Ltd**, started trading. In 2019/20 Decorum Borough Council joined the integrated service. The council holds 12.5% of the share capital and is represented on the board. In August 2016 the council made a loan to the company of £107,000 which is held in Long Term Debtors on the balance sheet.

Due to the Council's small shareholding the Council has not included any further disclosure notes regarding this company.

### 24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £455,967 in 2020/21 (£463,578 in 2019/20). Payments made outside the scheme for Mayoral Allowances totalled £16,812 in 2020/21 (£17,683 in 2019/20)

## Notes to the Core Financial Statements

### 25. 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 Contributions.	Total Remuneration Incl Pension Contributions
	£	£	£	£	£	£
<b>Remuneration 2020/21</b>						
Chief Executive	120,750	394	769	121,913	34,025	155,938
Strategic Director and Deputy Chief Executive	104,637	299	-	104,936	29,299	134,234
Strategic Director (s151 Officer)	97,793	325	-	98,118	27,382	125,500
Strategic Director	91,806	299	-	92,105	25,706	117,811
<b>Total remuneration in 2020/21</b>	<b>414,986</b>	<b>1,317</b>	<b>769</b>	<b>417,072</b>	<b>116,412</b>	<b>533,484</b>
<b>Remuneration 2019/20</b>						
Chief Executive to 7 April 2019	2,368	99	12,509	14,976	663	15,639
Chief Executive From 8 April 2019	111,069	1,225	9,160	121,454	33,664	155,118
Strategic Director and Deputy Chief Executive	101,657	330	2,041	104,028	28,465	132,493
Strategic Director (s151 Officer) From 12 February 2020	12,576	40	0	12,616	3,522	16,138
Strategic Director to 7th April 2019	1,980	28	0	2,008	554	2,562
Strategic Director From 13 May 2019	76,163	265	684	77,112	21,325	98,437
Assistant Director Finance & Estates (s151 Officer) 1 April 2019 to 11 February 2020	70,993	30	630	71,653	19,878	91,531
<b>Total remuneration in 2019/20</b>	<b>376,806</b>	<b>2,017</b>	<b>25,024</b>	<b>403,847</b>	<b>108,071</b>	<b>511,918</b>

\* "Other emoluments" includes election duty payment and accrued annual leave In 2020/21 as part of the Future Town Future Council agenda legal services were procured through an ongoing shared service with Hertfordshire County Council including Borough Solicitor services



## Notes to the Core Financial Statements

### 25. Officers Remuneration contd.

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

Officer remuneration includes redundancy and severance payments made to officers on termination of employment during the year.

Remuneration Band *	Number of employees 2019/20	Number of employees 2020/21
£50,000 - £54,999	15	17
£55,000 - £59,999	6	9
£60,000 - £64,999	4	4
£65,000 - £69,999	2	2
£70,000 - £74,999	1	1
£75,000 - £79,999	3	2
£80,000 - £84,999	2	1
£85,000 - £89,999	1	0
£90,000 - £94,999	0	1
£95,000 - £99,999	0	1
£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1
<b>Total</b>	<b>36</b>	<b>40</b>

The council directly employs 663 employees. With effect from 1<sup>st</sup> January 2014 the Council commenced paying the real living wage (promoted by Living Wage Foundation) to all employees (excluding apprentices who are paid above the national apprentice rate). As at the 1 April 2019 the Chief Executive was paid 6.74 times the lowest paid member of staff and 3.82 times the mean average.

Further information can be found in the annual pay policy statement published on the website.

<https://democracy.stevenage.gov.uk/documents/s24454/Item%2014%20-%20Pay%20Policy%20Statement.pdf>

This document includes the remuneration of its chief officers and terms and conditions for staff including the approach to the payment of Chief Officers on the ceasing to hold office.

## Notes to the Core Financial Statements

### 25. 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.

2020/21				
Exit package cost band (including special payments)	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 - £39,999	6	-	6	£100,895
£40,000 - £49,999	3	-	3	£137,997
£50,000 - £149,999	1	-	1	£76,324
<b>Total</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>£315,216</b>

2019/20				
Exit package cost band (including special payments)	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 - £39,999	3	-	3	£78,136
£40,000 - £49,999	-	-	-	-
£50,000 - £149,999	2	1	3	£162,553
<b>Total</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>£240,689</b>

## Notes to the Core Financial Statements

### 26. Pension

#### **Pensions - Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefit scheme meaning the Council and its employees make contributions into the Pension Fund at a level calculated to balance the liabilities with the investment asset.

The liabilities of the Hertfordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis by projecting forward the results of the 2016 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.

Liabilities are discounted to their value at current prices, using a discount rate.

The assets of the Hertfordshire Pension 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 the following components:

Service costs comprising:

- Current service cost – the increase in liabilities, as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which 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 (CI&E) as part of Non Distributed Costs.
- Net Interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CI&ES this is calculated by applying the discount rate used to measure defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments .

## Notes to the Core Financial Statements

### 26. Pension contd.

Re-measurements comprising:

- The return on plan assets- excluding amounts included in the net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve and Other

Comprehensive Income and Expenditure:

Contributions paid to the Hertfordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities.

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.

### Participation in Pension Schemes

The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council. 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.

## Notes to the Core Financial Statements

### 26. Pension contd.

#### 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.

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.

2019/20 £'000		2020/21 £'000
	<b>Cost of service</b>	
7,149	Current service costs	5,794
(212)	Past service costs	-
	<b>Financing and Investment Income &amp; Expenditure</b>	
5,475	Interest costs	(3,747)
(4,032)	Interest income on plan assets	4,649
<b>8,380</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services</b>	<b>6,696</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	
6,263	Return on plan assets (excluding the amount included in the net interest expense)	(31,439)
(5,213)	Actuarial gains and losses arising on changes in demographic assumptions	3,267
(17,612)	Actuarial gains and losses arising on changes in financial assumptions	52,297
(7,141)	Other Actuarial gains and losses	(2,316)
<b>(15,323)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>28,505</b>
	<b>Movement in Reserves Statement</b>	
(8,380)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(6,696)
	<b>Actual amount charged against the General Fund and HRA Balance for pensions in the year</b>	
4,581	Employer's contributions payable to the scheme	4,872

## Notes to the Core Financial Statements

### 26. Pension contd.

2019/20 £'000		2020/21 £'000
<b>168,023</b>	<b>Opening fair value of Scheme assets</b>	<b>163,118</b>
4,032	Interest Income	3,747
	<b>Re-measurement gain/(loss)</b>	
(8,185)	The return on plan assets, excluding the amount included in the net interest expense	31,439
-	Adjusted actuarial re-measurement assessment for prior years	
4,581	Contributions from employer	4,872
1,121	Contributions from employees into the scheme	1,213
(6,454)	Benefits paid	(6,293)
<b>163,118</b>	<b>Closing fair value of scheme assets</b>	<b>198,096</b>
2019/20 £'000		2020/21 £'000
<b>226,717</b>	<b>Opening Balance of Obligations</b>	<b>201,919</b>
7,149	Current Service Cost	5,794
5,475	Interest Cost	4,649
1,121	Contributions from Scheme participants	1,213
	<b>Re-measurement gain/(loss)</b>	
(5,213)	Actuarial gains/(losses) arising from changes in demographic assumptions	3,267
(17,612)	Actuarial gains/(losses) arising from changes in financial assumptions	52,297
-	Adjusted actuarial re-measurement for prior years	-
(9,052)	Other	(2,316)
(212)	Past service costs	-
(6,454)	Benefits paid	(6,293)
<b>201,919</b>	<b>Closing balance</b>	<b>260,530</b>
<b>38,801</b>	<b>Net Pension Liability</b>	<b>62,434</b>

#### Basis for Estimating Assets and 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 LLP, an independent firm of actuaries, has assessed Stevenage Borough Council's fund liabilities. The estimates for the Council are based on the latest formal valuation of the scheme as at 31 March 2021. (Date report prepared: 23 September 2021)

## Notes to the Core Financial Statements

### 26. Pension contd. Fair value of Employer's assets (at bid values unless otherwise stated)

Period Ended 31 March 2020					Period Ended 31 March 2021				
Quoted Prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets		Asset Category	Quoted Prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
£'000	£'000	£'000		%		£'000	£'000	£'000	%
3,114	-	3,114		1.9%	<b>Equity Securities:</b>				
2,486	-	2,486		1.5%	Consumer	1,760	-	1,760	0.9%
-	-	-		0.0%	Manufacturing	1,553	-	1,553	0.8%
2,390	-	2,390		1.5%	Energy and Utilities	-	-	-	0.0%
1,468	-	1,468		0.9%	Financial Institutions	1,269	-	1,269	0.6%
5,588	-	5,588		3.4%	Health and Care	784	-	784	0.4%
267	-	267		0.2%	Information Technology	4,517	-	4,517	2.3%
-	-	-		0.0%	Other	177	-	177	0.1%
-	-	-		0.0%	<b>Debt Securities:</b>				
-	-	-		0.0%	Corporate Bonds (investment grade)	-	-	-	0.0%
-	-	-		0.0%	UK Government	10,150	-	10,150	5.1%
4,227	-	4,227		2.6%	Other	-	4,520	4,520	2.3%
-	8,727	8,727		5.4%	<b>Private Equity:</b>				0.0%
-	4,932	4,932		3.0%	All	-	11,907	11,907	6.0%
-	9,734	9,734		6.0%	<b>Real Estate:</b>				
50,744	-	50,744		31.1%	UK Property	-	10,962	10,962	5.5%
53,479	-	53,479		32.8%	Overseas Property	-	9,129	9,129	4.6%
-	150	150		0.1%	<b>Investment Funds and Unit Trusts:</b>				
1,376	11,086	12,462		7.6%	Equities	91,131	-	91,131	46.0%
-	-	-		0.0%	Bonds	32,034	-	32,034	16.2%
-	-	-		0.0%	Commodities	-	-	-	0.0%
-	-	-		0.0%	Infrastructure	-	83	83	0.0%
-	(173)	(173)		(0.1)%	Other	1,833	10,788	12,621	6.4%
3,523	-	3,523		2.2%	<b>Derivatives:</b>				0.0%
124,435	38,683	163,118		100%	Interest Rate	-	-	-	0.0%
					Foreign Exchange	-	(78)	(78)	0.0%
					<b>Cash and Cash Equivalents:</b>				0.0%
					All	5,577	-	5,577	2.8%
					<b>Totals</b>	<b>150,785</b>	<b>47,311</b>	<b>198,096</b>	<b>100.0%</b>



## Notes to the Core Financial Statements

### 26. Pension contd.

#### Principle Assumptions

The principle assumptions used by the Actuary have been:-

2019/20		2020/21
	<b>Mortality Assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
21.9	Men	22.1
24.1	Women	24.5
	<b>Longevity at 65 for future pensioners:</b>	
22.8	Men	23.2
25.5	Women	26.2
	<b>Other Assumptions:</b>	
1.90%	Rate of pension inflation	2.85%
2.30%	Rate of increase in salaries	3.25%
2.30%	Rate for discounting scheme liabilities	2.00%
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%

#### Defined Benefit Obligation and maturity profile

	Liability split £'000's as at 31 March 2021	Liability split %s as at 31 March 2021
Active members	105,325	40%
Deferred members	63,406	25%
Pensioner members	91,799	35%
<b>Total</b>	<b>260,530</b>	<b>100%</b>

#### Sensitivity analysis of Actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis that follows has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period in calculating the impact for each change in assumption it is assumed that the other assumptions remain unchanged. In practice it is likely that changes in assumptions would be interrelated.

## Notes to the Core Financial Statements

### 26. Pension contd.

Change in assumptions at year ended 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.1% decrease in Real Discount Rate	2%	3,567
1 Year Increase in member life expectancy	4%	8,077
0.1% increase in salary increase rate	0%	320
0.1% increase in pension increase rate (CPI)	2%	3,252

The total estimated contributions for current service cost expected to be made to the Pension Scheme for the period to 31 March 2022 will be approximately £4,915,000

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@hertsccl.gov.uk](mailto:pensions.team@hertsccl.gov.uk))

### 27. Related Parties

The Council is required to disclose material transactions with related parties. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government:** 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 Note 11 Taxation and Non Specific and Specific Grant Income.

**Other Public Bodies:** Payments between the Council and Hertfordshire County Council (HCC) amounted to £1,345,901 (2019/20, £1,061,520). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 26 Pension and Note 11 Taxation and Non Specific and Specific Grant Income.

## Notes to the Core Financial Statements

### 27. Related Parties contd

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £495,517 in 2020/21 (£487,234 in 2019/20).

A legal shared service is provided to Stevenage BC by HCC for which the council paid £449,395 (2019/20 £479,900).

**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 2020/21 is shown in Note 24 Members Allowances.

A contract payment of £1,248,656 was paid to Stevenage Leisure Limited (SLL) (2019/20 £960,993) and £46,914 was paid to Hertfordshire Building Control Limited (£37,483 in 2019/20). Also £1,514,160 was paid to other organisations (2019/20 £1,516,786), either as grants or services received. With reference to all of these organisations, of the 39 Members, 38 Members declared interests through either the Register of Interests or 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 2020/21 expressions of interest, both potential financial and other interests, are declared and recorded in the minutes of the meeting including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies. This is available for public inspection on the Stevenage Borough Council website. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2020/21, the Chief Executive and Strategic Leadership Team declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972. The Assistant Director of Planning and Regulatory did not take part in any discussion, decision or administration relating to the Stevenage Leisure Limited and Hertfordshire Building Control Limited contract payments.

**Other companies:** Hertfordshire Building Control Limited and Hertfordshire CCTV Limited, please see note 23 Joint Arrangements. Disclosures regarding Queensway Properties (Stevenage) LLP and Marshgate Plc has been included in the Group Accounts section of this document.

## Notes to the Core Financial Statements

### 28. Contingent Liabilities and Assets

**Contingent liability** arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either the obligation cannot be measured reliably or where it is not probable that an outflow of resources will be required. Contingent liabilities will not be recognised in the balance sheet but will be disclosed separately as a note to the accounts.

A **contingent asset** arises from a past event that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control.

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

At the Balance Sheet date three contingent liabilities were identified, that related to:-

- The Council has signed a development agreement with Mace, its redevelopment partner for SG1. Should the council not be able to fulfil its development obligations penalty payments would be due to Mace.
- Stevenage Borough Council is one of a number of Local Authority and National Parks Authority who have asked the Local Government Association (LGA), to co-ordinate legal representation and provide ongoing support in respect of collective legal action against MasterCard/Visa (Card Schemes) for unlawful interchange fee.

### 29. 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 2020/21 financial year are shown in the table below. The appointed auditor for 2020/21 is Ernst & Young LLP.

The 2020/21 audit fee has yet to be agreed but has been estimated based on the 19/20 audit fee as shown in the table below.

2019/20 £'000	Fees Payable	2020/21 £'000
49	Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year.	49
25	Fees payable to External Auditor for the certification of grant claims and returns for the year.	36
(6)	Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor	-
2	Fees payable to former External Auditors for other services during the year	-
70		85

## Notes to the Core Financial Statements

### 30. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2019/12 £000	Operating Activities	£000
(1,427)	Interest received	(969)
7,539	Interest paid	7,663

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2019/20 £'000		2020/21 £'000
6,172	Capital Grants credited to surplus or deficit on the provision of services	11,706
	Net adjustment from the sale of short and long term investments	(46)
8,502	Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,995
<b>14,674</b>	<b>Total</b>	<b>19,655</b>

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

2019/20 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	2020/21 £'000
(14,578)	Depreciation of Non Current Assets	(15,956)
(611)	Impairment, Impairment Reversal and Revaluation of Non Current Assets	4,321
(5,284)	Assets de-recognised during year	(3,368)
(288)	Amortisation of Intangible assets	(368)
(13)	Increase/(Decrease) in inventories	16
1,392	Increase/(Decrease) in debtors	3,627
77	(Increase)/Decrease in creditors	(11,533)
	(Increase)/Decrease in provisions	(4,747)
(3,810)	Pension Fund costs adjustment	(1,824)
1,329	Movement in Investment Property Values	(672)
	Other Non cash items	47
<b>(21,786)</b>		<b>(30,457)</b>

### Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities

2019/20 £'000	Investing Activities	2020/21 £'000
41,217	Purchase of property, plant and equipment, investment property and intangible assets	43,087
20,300	Purchase of short-term and long-term investments	97,000
	Other payments for investing activities	(56)
(8,504)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,995)
(25,100)	Proceeds from short-term and long-term investments	(97,000)
(6,172)	Other receipts from investing activities	(11,706)
<b>21,741</b>	<b>Net cash flows from investing activities</b>	<b>23,330</b>

2019/20 £'000	Financing Activities	2020/21 £'000
(6,943)	Cash Receipts of Short and Long term borrowing	(9,793)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	905
290	Repayments of short- and long-term borrowing	
(1,095)	Repayments of Short and Long term borrowing	-
<b>(7,748)</b>	<b>Net cash flows from financing activities</b>	<b>(8,888)</b>

## 32. Going Concern

### Section 1 – Basis of preparation

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code, therefore, assume that a local authority's services will continue to operate for the foreseeable future.

## Notes to the Core Financial Statements

### 32. Going Concern (cont)

The Council has forecast the expected ongoing losses as the result of covid-19 during the 2022/23 financial year to be £849,000 due to reduced car park and commercial rent income. No additional government funding has been assumed during this period. The Council has built these assumptions into the base budget for the 2022/23 financial year. The Council approved a balanced budget for 2022/23 on 24 February 2022.

Despite the financial impact of COVID on the Council's General Fund the balance as at 31<sup>st</sup> March 2022 of £6.908Million was higher than the 2022/23 risk assessed level (£3.65Million). Projections agreed as part of the 2022/23 budget setting process forecast this General Fund to remain above the risk assessed balance as at 31<sup>st</sup> March 2023. In addition to the General Fund, the Council has forecast a total of £3.2Million earmarked reserves as set out in the February 2022 budget for the 2022/23 year.

The Council approved a balanced budget for 2023/24 on 23 February 2023 including a new risk assessed level of minimum balances of £3.42Million.

The Council had cash and liquid asset made up of Money Market Funds, Call Account and Bank Account as at 31 March 2023 of £46Million. The Treasury Management Strategy to the 2023 February Council projected cash balances reducing before planned borrowing of £31M in 2023/24. Based on current plans, expected balances as at 31 March 2024 are expected to be £44M, and at 30 April 2024 £42M. The Council will have sufficient liquidity to operate throughout the going concern period to 30 April 2024.

The Council has no short term borrowing. The Council could utilise short term borrowing on a temporary basis to aid liquidity in the short term, however, it has no current plans to do so. The short term borrowing referred to in the balance sheet is borrowing due to be repaid within 12 months of the balance sheet date that relates to long term borrowing arrangements.

The CFO is content that the Council's subsidiary companies are not reliant on funding from the parent Stevenage Borough Council during the going concern period to 31 March 2023 due to the subsidiary entities having their own sufficient liquidity and cash balances.

Overall, it is on this basis that management have concluded that the going concern basis of preparation for the financial statements is appropriate. No material uncertainties have been identified in this conclusion.



## 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. The Council charges 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.

2019/20 £000	Note	2020/21 £000
	<b>Expenditure</b>	
7,246	Repairs & Maintenance	7,549
11,186	Supervision & Management	12,925
266	Rents, Rates, Taxes & Other Charges	219
10,514	Depreciation & Impairment of Non-Current Assets - HRA Dwellings	11,485
472	Depreciation & Impairment of Other Non-Current Assets	467
-	Revaluation gains/losses	-
306	Movement in the allowance for bad debts	370
<b>29,991</b>	<b>Total Expenditure</b>	<b>33,015</b>
	<b>Income</b>	
(38,402)	Dwelling rents HRA 1	(39,344)
(289)	Non-dwellings rents	(289)
(3,944)	Charges for Services & Facilities	(3,755)
(480)	Contributions towards expenditure	(373)
<b>(43,115)</b>	<b>Total Income</b>	<b>(43,761)</b>
<b>(13,124)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(10,746)</b>
944	HRA Services share of Corporate & Democratic Core	1,056
<b>(12,180)</b>	<b>Net income for HRA services</b>	<b>(9,690)</b>
(2,387)	Gain on sale of HRA Non-Current Assets	(4,570)
6,514	Interest payable (PWLB loans - Self-financing)	6,514
353	Interest payable (Decent Homes borrowing)	418
(398)	Interest receivable on revenue balances	(285)
-	Interest receivable on mortgages	(17)
(19)	Apprentice levy	(108)
-	Capital grants & Contributions receivable	-
374	Pension Interest and expected return on pension assets	239
<b>(7,743)</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(7,499)</b>

## 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.

### Movement on the HRA Statement

2019/20		2020/21	
£000		£000	£000
<b>(21,302)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(19,819)</b>
(7,743)	Deficit for the year on the HRA Income & Expenditure Statement	(7,499)	
3,513	Adjustment between accounting basis and funding basis under statute	4,264	
5,713	Transfer to Interest equalisation reserve 8	(2,290)	
1,483	(Increase)/Decrease in year on the HRA		(5,525)
<b>(19,819)</b>	<b>Balance on the HRA at the end of the year</b>		<b>(25,344)</b>

### HRA 1. Gross Rent Income

Dwelling rents as shown on the HRA Income and Expenditure Statement is the total rent income due, excluding service charges and after an allowance is made for voids etc. During the year 0.93% of let-able properties were vacant (in 2019/20 figure was 0.8%). Average rents - excluding service charges - were £98.75 a week in 2020/21 (£94.79 in 2019/20).

### HRA 2. Rent and Supported Housing Payment Arrears

During the year 2020/21 rent arrears as a proportion of gross rent income were 4.83% (3.07% in 2019/20).

The bad debts provision stood at £1,138,214 at 31 March 2021 (£786,353 at 31 March 2020).

2019/20		2020/21
£'000		£'000
1,349	Arrears at 31 March	2,138
106	Amounts written off during the year	18

## Notes to the Housing Revenue Account (HRA)

### HRA 3. Housing Stock Numbers

The stock movement can be summarised as follows:-

2019/20 No.		2020/21 No.
7,970	Stock as at 1st April	7,994
-		-
(42)	Less Right to Buy Sales	(25)
64	New Build acquisitions	9
-	Demolitions	-
2	Conversions/other	(4)
<b>7,994</b>	<b>Stock at 31st March</b>	<b>7,974</b>
-		-
5,140	Houses	5,118
2,854	Flats	2,856
<b>7,994</b>	<b>Total</b>	<b>7,974</b>

The stock numbers disclosed above are properties that are in management and available to let.



*New homes at Blackwell Close completed in October 2019*

## Notes to the Housing Revenue Account (HRA)

### HRA 4. Non Current Asset Valuations

#### Housing Stock

The total balance sheet value (£'000's) of the dwellings within the HRA can be summarised as follows:-

	£'000's
As at 31 March 2020	632,399
As at 31 March 2021	659,716
The Vacant Possession value of the dwellings as at 31 March 2021 was	1,739,385

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:

31-Mar-20		31-Mar-21
£'000's		£'000's
5,025	Assets Under construction	10,413
1,188	Vehicles Plant & Equipment	1,063
<b>6,213</b>	<b>Total</b>	<b>11,476</b>

### HRA 5. Major Repairs Reserve (MRR)

2019/20		2020/21	
£'000	£'000	£'000	£'000
	(10,920)		(4,746)
(10,515)			
(498)			
(472)			
	(11,484)		(11,951)
	17,658		2,327
	(4,746)		(14,371)

## Notes to the Housing Revenue Account (HRA)

### HRA 6. Capital Expenditure, Financing & Receipts

2019/20 £'000		2020/21 £'000
	Capital Expenditure	
24,889	Major Repairs & Improvements	15,762
3,665	New Council Housing	2,859
650	Disabled Adaptations	860
346	Equipment	413
463	Assets under construction	7,086
<b>30,013</b>		<b>26,980</b>
	The Capital Expenditure was financed as follows:	
1,325	Capital Receipts	1,389
3,270	Retained 1 for1 receipts	1,996
17,657	Major Repairs Reserve	2,328
705	Contributions	409
7,056	New Borrowing	20,858
<b>30,013</b>		<b>26,980</b>

Total Capital Receipts in 2020/21 from the sale of property within the HRA can be summarised as follows :-

2019/20 £'000		2020/21 £'000
(6,932)	Right to Buy Sales	(4,195)
(2)	Right to Buy Mortgage Repayments	-
(104)	Other Land & Property *	(1,877)
<b>(7,038)</b>		<b>(6,072)</b>

\*Includes repayment of Right to Buy discounts

## Collection Fund Statement 2020/21

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 of council tax from taxpayers and distribution to Hertfordshire County Council and Hertfordshire Police and the collection of NDR from businesses and distribution to the Government and Hertfordshire County Council.

2019/20			2020/21		
Council Tax £0	Business Rates £0	Total £0	Council Tax £0	Business Rates £0	Total £0
<b>Income</b>					
(49,235)		(49,235)	Council Tax Receivable	(51,312)	(51,312)
		-	Council Tax Benefits		-
	(48,477)	(48,477)	Business Rates Receivable	(25,965)	(25,965)
	342	342	Transitional Payment Protection receivable	1,129	1,129
(49,235)	(48,135)	(97,370)	<b>Total income</b>	(51,312)	(76,148)
<b>Expenditure</b>					
<b>Precepts, Demands and Shares</b>					
37,167	18,146	55,313	Hertfordshire County Council	39,287	43,856
5,138		5,138	Hertfordshire Police Authority	5,501	5,501
<b>5,755</b>	<b>15,877</b>	<b>21,632</b>	<b>Stevenage Borough Council</b>	<b>5,989</b>	<b>18,276</b>
	11,341	11,341	Central Government	22,845	22,845
<b>Charges to Collection Fund</b>					
	110	110	Costs of collection	108	108
241	284	525	Write offs of uncollectable amounts	68	66
(15)	103	88	Increase/(decrease) for impairment	209	674
	(143)	(143)	Increase/(decrease) in provision for appeals	1,967	1,967
<b>Contribution in regard to previous year deficit/surplus</b>					
359	95	454	Hertfordshire County Council	434	456
45		45	Hertfordshire Police Authority	60	60
<b>56</b>	<b>381</b>	<b>437</b>	<b>Stevenage Borough Council</b>	<b>67</b>	<b>-</b>
	476	476	Central Government	(14)	(14)
<b>48,746</b>	<b>46,670</b>	<b>95,416</b>	<b>Total expenditure</b>	<b>51,615</b>	<b>48,236</b>
(489)	(1,465)	(1,954)	<b>Movement on fund balance (deficit/(surplus))</b>	<b>303</b>	<b>23,400</b>
(413)	(889)	(1,302)	<b>Balance at beginning of year</b>	<b>(902)</b>	<b>(2,354)</b>
(902)	(2,354)	(3,256)	<b>Balance at end of year</b>	<b>(599)</b>	<b>21,046</b>
					<b>20,447</b>

## Notes to the Collection Fund Statement 2020/21

### 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 Stevenage Borough 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. In 2013/14 the local council tax support scheme was introduced and the band D equivalent was reduced to take into account the loss of income; (28,275.56 for 2020/21, 27,329.90 for 2019/20). The basic amount of council tax for a band D property £1,827.77 for 2020/21 (£1,758.51 for 2019/20) 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
<b>Properties</b>	0	1,742.71	6,648.00	21,572.00	3,327.24	3,189.64	927.66	429	15	<b>37,851.25</b>
<b>Exemptions</b>	0	-48	-147	-185	-27	-20	-5	-3	-5	<b>-440</b>
<b>Disabled Relief</b>	2	6	78	-73	15	-23	2	-5	-2	<b>0</b>
<b>Discounts (25%)</b>	0	1,222.55	3,940.34	6,261.29	771.4	525.71	120.22	56	0	<b>12,897.51</b>
<b>Discounts (50%)</b>	0	1	6	15	0	3	5	7	5	<b>42</b>
<b>Council Tax Support Scheme</b>	0.46	339.05	1,236.84	2,121.13	196.35	47.04	11.11	3.3	0	<b>3,955.28</b>
<b>Empty Homes Premium</b>	0	3	23	14	2	3	1	0	0	<b>46</b>
<b>Effective Properties</b>	1.54	1057.0225	4,365.58	17,627.05	2,927.04	2,968.17	881.495	400.2	5.5	<b>30,233.59</b>
<b>Proportions</b>	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>Band D Equivalents</b>	0.86	704.68	3,395.45	15,668.49	2,927.04	3,627.77	1,273.27	667	11	<b>28,275.56</b>
<b>Council Tax Base</b>	Band D equivalent multiplied by collection rate of 98.25%									<b>27,780.70</b>



## Notes to the Collection Fund Statement 2020/21

### CF 1. Council Tax (cont)

The income chargeable of £60,711,534 in 2020/21 is from the following sources:

2019/20		2020/21
£48,993,784	Billed to Council Tax Payers	£50,702,918
£5,779,821	Local Council Tax Scheme	£6,552,761
£5,937,929	Exemptions, Discounts, etc.	£6,261,731
£60,711,534		£63,517,410

### CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 51.2p in 2020/21 (50.4p in 2019/20) by which local businesses pay rates calculated by multiplying their rateable value by this amount (subject to the effects of transitional arrangements). The equivalent amount for small businesses was 49.9p in 2020/21 (49.1p in 2019/20). The rateable value for the Council's area is £107,770,217 at 31 March 2021 (£109,559,397 at 31 March 2020). The rateable value changes throughout the year due to increases and decreases in assessments.

In 2013/14 the business rate retention scheme was introduced by the Local Government Finance Act 2012. This scheme enables local authorities to retain a proportion of the business rates generated in their areas. Income generated by business rates is shared between the billing authority (Stevenage Borough Council), Central Government, and Hertfordshire County Council as shown in the Collection Fund Statement below. Liabilities and provisions arising from the NDR collection fund are also shared between the three and recognised in their accounts.

### CF 3. Allocation of Collection Fund (surpluses)/deficits

The Council Tax surplus is allocated in proportion to the respective precepts, whereas the NDR surplus is allocated on fixed apportionment of Central Government 50%, Stevenage BC 40%, and Hertfordshire County Council 10%.

2019/20			2020/21		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
(698)	(961)	(1,659)	(463)	1,400	937
(97)	-	(97)	(66)	-	(66)
(107)	(821)	(928)	(70)	8,536	8,466
-	(573)	(573)	-	11,110	11,110
(902)	(2,354)	(3,257)	(599)	21,046	20,447

# Group Accounts 2020/21

These Group Accounts include the consolidation of:

## Queensway Properties (Stevenage) LLP Company number: OC424782

The Members of Queensway Properties (Stevenage) LLP have taken the exemption from having an audit of its financial statements for the year ended 31 March 2021. This exemption is taken in accordance with Companies Act Section 477.

Stevenage Borough Council also has a 100% holding of

## Marshgate Ltd Company number: 11649451

The Director of Marshgate Ltd has taken the exemption from having an audit of its financial statements for the year ended 31 March 2021. This exemption is taken in accordance with Companies Act Section 477 relating to small companies. Due to the deminimus size of Marshgate PLC they have not been consolidated within these group accounts

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## Group Accounts

### Introduction

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk the accounting statements of a material subsidiary are consolidated with the Council's accounts. They include the core accounting statements (movement in reserves statement, comprehensive income and expenditure statement, balance sheet and cash flow statement) presented in a similar manner to the Council's accounts. Further explanatory notes are given and these should be read in conjunction with the Council's (single entity) accounts.

Group accounts has been prepared under the requirement of the Code of Practice on Local Authority Accounting, consolidating and material subsidiary, associate or joint venture entities which the Council exercises control or influence ( See also Note 3 –Critical judgements in applying Accounting Policies and Note 23 – Hertfordshire CCTV Limited and Hertfordshire Building Control Ltd).

On 7 November 2018 Stevenage BC formed a limited Liability Partnership called Queensway Properties (Stevenage) LLP (further referred to as Queensway LLP). The Council holds 99.9% of the partnership with the remaining 0.1% held by Marshgate Ltd, a company wholly owned by Stevenage Borough Council (incorporated on 30 October 2018). The purpose for establishing Queensway LLP was to facilitate the regeneration of 85-100 Queensway and 24-26 The Forum, a large element of the new town centre. The Council has entered into a partnership with REEF and Aviva (the funding partner) to deliver a mixed use redevelopment of the site including commercial, residential, and leisure uses. The Council has taken the head lease of the property from Aviva and sublet to Queensway LLP over a 37 year period.

### Accounting Policies

The Council has reviewed the accounting policies applied to Queensway LLP and has concluded that there is no material adjustments required to align accounting policies of both entities.

As a subsidiary, the accounts have been consolidated with those of the Council on a line by line basis and any balances and/or transactions between the parties have been eliminated in full in both the Comprehensive Income and Expenditure account and Balance sheet.

## Group Accounts – Movement in Reserves Statement

Movements in Reserves during 2020/2021	Council's Usable Reserves	Subsidiary Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Subsidiary Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000		£'000	£'000			£'000
<b>Balance at 1 April 2020 Brought Forward</b>	<b>(59,297)</b>	<b>1,350</b>	<b>(57,947)</b>	<b>(514,897)</b>	<b>142</b>	<b>(514,755)</b>	<b>(572,702)</b>
Surplus/Deficit on Provision of Services	(14,884)	380	(14,504)	-	2,381	2,381	(12,123)
Other Comprehensive Income and Expenditure	-	-	-	(5,949)		(5,949)	(5,949)
<b>Total Comprehensive Expenditure and Income</b>	<b>(14,884)</b>	<b>380</b>	<b>(14,504)</b>	<b>(5,949)</b>	<b>2,381</b>	<b>(3,568)</b>	<b>(18,072)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,261)	-	(6,261)	6,261		6,261	-
<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(21,146)</b>	<b>380</b>	<b>(20,766)</b>	<b>313</b>	<b>2,381</b>	<b>2,695</b>	<b>(18,072)</b>
Transfer to/from Reserves	-		-	-		-	-
<b>(Increase)/Decrease in Year 2020/2021</b>	<b>(21,146)</b>	<b>380</b>	<b>(20,766)</b>	<b>313</b>	<b>2,381</b>	<b>2,695</b>	<b>(18,072)</b>
<b>Balance at 31 March 2021 Carried Forward</b>	<b>(80,443)</b>	<b>1,730</b>	<b>(78,713)</b>	<b>(514,584)</b>	<b>2,523</b>	<b>(512,061)</b>	<b>(590,774)</b>

## Group Accounts – Movement in Reserves Statement

Movements in Reserves during 2019/2020	Council's Usable Reserves	Subsidiary Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Subsidiary Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2019 Brought Forward</b>	<b>(57,782)</b>	<b>690</b>	<b>(57,092)</b>	<b>(478,082)</b>		<b>(478,082)</b>	<b>(535,174)</b>
(Surplus)/Deficit on Provision of Services	(11,057)	659	<b>(10,398)</b>	-	142	<b>142</b>	<b>(10,256)</b>
Other Comprehensive Expenditure and Income	-		-	(27,272)		<b>(27,272)</b>	<b>(27,272)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(11,057)</b>	<b>659</b>	<b>(10,398)</b>	<b>(27,272)</b>	<b>142</b>	<b>(27,130)</b>	<b>(37,528)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	9,542		<b>9,542</b>	(9,542)		<b>(9,542)</b>	-
<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(1,515)</b>	<b>659</b>	<b>(856)</b>	<b>(36,814)</b>	<b>142</b>	<b>(36,672)</b>	<b>(37,528)</b>
Transfer to/from Reserves	-		-			-	-
<b>(Increase)/Decrease in Year 2019/2020</b>	<b>(1,515)</b>	<b>659</b>	<b>(856)</b>	<b>(36,814)</b>	<b>142</b>	<b>(36,672)</b>	<b>(37,528)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(59,297)</b>	<b>1,349</b>	<b>(57,948)</b>	<b>(514,896)</b>	<b>142</b>	<b>(514,754)</b>	<b>(572,702)</b>

## Group Accounts – Comprehensive Income & Expenditure Statement

2019/20			Comprehensive Income and Expenditure Statement	2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
4,837	(341)	4,496	Community Services	2,066	(711)	1,355
30,566	(27,328)	3,238	Housing Services	27,898	(24,676)	3,222
16,084	(8,893)	7,191	Environmental Services	14,985	(5,013)	9,972
92	-	92	Local Community Budgets	107	0	107
7,615	(5,952)	1,663	Resources	9,751	(5,567)	4,184
3,670	(2,097)	1,574	Resources - Support	2,644	(2,037)	607
29,990	(43,115)	(13,124)	Housing Revenue Account	33,293	(43,761)	(10,468)
477	(342)	135	Queensway Properties LLP	2,977	(418)	2,559
<b>93,331</b>	<b>(88,068)</b>	<b>5,263</b>	<b>Cost of Services</b>	<b>93,721</b>	<b>(82,183)</b>	<b>11,538</b>
				<b>Note</b>		
	(2,501)		Other Operational Expenditure	10		(3,437)
	6,490		Financing & Investment Income and Expenditure	10		7,081
	(17,466)		Taxation & Non-Specific Grant Income: Retained Business rates	11		(9,257)
	12,968		Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)	11		4,953
	(15,010)		Taxation & Non-Specific Grant Income: Other	11		(23,001)
	<b>(10,256)</b>		<b>Deficit/(surplus) on Provision of Services</b>			<b>(12,123)</b>
	(3,569)		Deficit/(Surplus) on revaluation of Property, Plant and Equipment assets	9	(27,758)	
	(23,703)		Actuarial (gains)/losses on pension assets/liabilities	26	21,809	
	<b>(27,272)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(5,949)</b>
	<b>(37,528)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(18,072)</b>



## Group Accounts – Group Balance Sheet

31/03/2020		31/03/2021	
£'000	Note	£'000	£'000
771,294	Total Property, Plant & Equipment	823,320	
560	Heritage Assets	521	
24,024	Investment property	23,703	
834	Intangible Assets	862	
9,710	Long Term Investment	2,310	
266	Long Term Debtors	267	
-	Long Term Debtor - Queensway	-	
<b>806,688</b>	<b>Total Long Term Assets</b>		<b>850,983</b>
38,494	Short Term Investments	45,860	
563	Assets Held for Sale	1,328	
129	Inventories	145	
13,231	Short Term Debtors	17,502	
10,873	Cash and Cash Equivalents	21,148	
<b>63,290</b>	<b>Current Assets</b>		<b>85,983</b>
(407)	Short Term Borrowing	(462)	
(22,368)	Short Term Creditors	(32,708)	
(3,517)	Provisions	(8,265)	
<b>(26,292)</b>	<b>Current Liabilities</b>		<b>(41,435)</b>
(11,824)	Queensway Finance Lease	(11,125)	
(4,833)	Long term creditors	(6,082)	
(208,966)	Long term borrowing	(218,706)	
(6,243)	Long term borrowing (Queensway)	(6,038)	
(38,801)	Pension Liability	(62,434)	
(317)	Grants Receipts in Adv - Capital	(373)	
<b>(270,984)</b>	<b>Long Term Liabilities</b>		<b>(304,758)</b>
<b>572,702</b>	<b>Net Assets</b>		<b>590,774</b>
(57,948)	Total Usable Reserves		(78,713)
(514,754)	Unusable Reserves		(512,061)
<b>(572,702)</b>	<b>Total Reserves</b>		<b>(590,774)</b>

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 28 February 2024.



Clare Fletcher

## Group Accounts – Cash Flow Statement

2019/20		Notes	2020/21
£'000	Cash Flow Statement		£'000
(10,256)	Net (Surplus) or Deficit on the Provision of Services		(12,123)
(21,768)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements		(32,249)
14,450	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		19,655
(17,574)	Net cash flows from Operating Activities		(24,717)
21,705	Investing Activities		23,330
(7,116)	Financing Activities		(8,888)
<b>(2,985)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(10,275)</b>
7,888	Cash and cash equivalents at the beginning of the period		10,873
<b>10,873</b>	<b>Cash and Cash Equivalents at the End of Period</b>		<b>21,148</b>



Artist impression of Queensway redevelopment

## Group Accounts - Notes to the Group Accounts

The following notes are given below on areas that have materially changed in consolidating the accounts.

### G1. Accounting Policies

The Accounting policies of the group are the same as those applied to the Council's single entity accounts.

### G2. Leases

Queensway Properties LLP has entered into a 37 year lease for properties 85 Queensway and 89-103 Queensway and 24-26 The Forum, Stevenage, Hertfordshire. This long term liability has been recognised on the balance sheet with corresponding land and building balances. Paid and future expected lease payments (including interest) are detailed in the following table;

31-Mar-20 £'000		31-Mar-21 £'000
278	Not later than one year	295
1,249	Later than one year and not later than five years	1,288
15,657	Later than five years	15,323
17,184	<b>Total</b>	16,906

### G3. Group short term Debtors

31-Mar-20 £'000		31-Mar-21 £'000
1,679	Central Government Bodies	1,515
210	Other Local Authorities	196
1,198	Housing Rents & Leaseholders	1,169
10,143	Other Debtors	14,622
13,230	<b>Total</b>	17,502

## Group Accounts - Notes to the Group Accounts

### G4. Group short term Creditors

31-Mar-20		31-Mar-21	
£'000	Creditors:	£'000	£'000
5,169	Central Government Bodies	9,583	
3,447	Other Local Authorities	580	
-	Collection Fund	-	
535	Accumulated leave	746	
10,225	Other Entities & Individuals	11,389	
<b>19,376</b>	<b>Total Creditors</b>		<b>22,298</b>
	<b>Receipts in Advance:</b>		
-	Other Local Authorities	-	
1,205	Housing	1,327	
270	Collection Fund	539	
1,517	Other Entities & Individuals	8,544	
<b>2,992</b>	<b>Total Receipts in Advance</b>		<b>10,410</b>
<b>22,369</b>	<b>Total</b>		<b>32,708</b>

### G5. Queensway Properties LLP Summary Profit and Loss Account for 1<sup>st</sup> April 2020 – 31 March 2021

2019/20		2020/21
Net Expenditure		Net Expenditure
£'000		£'000
(341)	Turnover	(419)
107	Cost of Sales	160
<b>(234)</b>	<b>Gross (Profit)/loss</b>	<b>(259)</b>
102	Other operational costs	264
145	Support Costs (incl set up costs)	72
647	Financing costs	202
-	Other Costs	100
142	Revaluation deficit on assets	2,381
<b>802</b>	<b>Net (Profit) / loss for the period</b>	<b>2,760</b>

## Group Accounts - Notes to the Group Accounts

### G6. Queensway Properties LLP Summary Balance Sheet

31-Mar-20 £'000		31-Mar-21 £'000	£'000
11,733	Land & Buildings	9,352	
11,733	<b>Total Long Term Assets</b>		<b>9,352</b>
293	Short Term Debtors G7	337	
4,613	Cash and Cash Equivalents	3,644	
<b>4,906</b>	<b>Current Assets</b>		<b>3,981</b>
(31)	Creditors due in less than one year G7	(423)	
(92)	Provisions	-	
<b>(123)</b>	<b>Current Liabilities</b>		<b>(423)</b>
(11,766)	Finance Lease	(11,125)	
(6,243)	Long term Borrowing	(6,038)	
<b>(18,009)</b>	<b>Long Term Liabilities</b>		<b>(17,163)</b>
<b>(1,493)</b>	<b>Net Assets</b>		<b>(4,253)</b>
(660)	Profit and Loss account	379	
(691)	Partnership funds bfw	1,351	
(142)	Revaluation Reserve	2,523	
<b>(1,493)</b>	<b>Total Partnership Funds</b>		<b>4,253</b>

### G7. Queensway Debtors and Creditors

In the group accounts the transactions between the Council and Queensway LLP are eliminated.

31-Mar-20 £'000		31-Mar-21 £'000
199	Stevenage Borough Council	206
-	Trade Debtors	64
94	Other Debtors	67
<b>293</b>	<b>Total</b>	<b>337</b>

31-Mar-20 £'000		31-Mar-21 £'000
(77)	Stevenage Borough Council	(347)
(15)	Other Creditors	(76)
<b>(92)</b>	<b>Total</b>	<b>(423)</b>

## Glossary of Terms

### **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  
The actuarial assumptions have changed

### **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.

### **Amortisation**

The measure of the cost or revalued amount of benefits of the intangible non current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non current 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.

### **Appointed Auditors**

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

### **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). This was amended for HRA receipts with changed with regard to the provision for new social housing ("one for one" receipts) and debt provision in 2012 following self-financing.

## Glossary of Terms

### Capital Financing Costs

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

### Code of Practice

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

### CIPFA

Chartered Institute of Public Finance and Accountancy. The principal accounting body dealing with local government finance.

### 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 example of a community asset would be parks.

### Contingent Asset

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 events not wholly within the Council's control.

### Contingent Liability

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

### 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.



## Glossary of Terms

### **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 non current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non current 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.

### **Earmarked Reserve**

These are funds that are set aside for a specific purpose, or a particular service, or type of service. Stevenage Borough Council refers to these as “allocated reserves” in budget reports.

### **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, planning applications.

### **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 Comprehensive Income and Expenditure Statement 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.

## Glossary of Terms

### **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.

### **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 a “ring fenced” (i.e. the transfer of amounts between the HRA and the General Fund is restricted by legislation).

### **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 earned by investing the day to day surplus on the authority's cash flow and balances in hand.

### **Non Domestic Rates (NDR)**

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.

The government compensates the council through a S31 grant for additional NDR reliefs announced in recent budgets

### **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. It does not represent the sale value.

### **Overheads**

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

### **Precepts**

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

## Glossary of Terms

**Public Works Loan Board (PWLB)**

A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

**Rateable Value**

A value on all non-domestic properties subject to Non-Domestic Rates (NDR). 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.

**Revenue Contributions to Capital Outlay**

Contributions from revenue to finance capital expenditure.

**Revenue Expenditure**

The day to day running costs incurred by the Council in providing its services.

**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 occurred. 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.

**Surplus**

An excess of income over expenditure (or assets over liabilities).

## Report of the External Auditors

To follow